

United Nations Economic Commission for Europe

**Regulatory and Procedural Barriers to Trade
in Kazakhstan
Needs Assessment**

Key Findings



United Nations

Note

The designation employed and the presentation of the material in this publication do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations.

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Preface by the Secretariat

The Executive Committee (EXCOM) recommended at its thirty-fourth meeting of February 2010 that the Committee carry out three trade needs assessment studies in countries with transition economies.

The focus of these studies is on procedural and regulatory barriers to trade in selected UNECE member countries and/or sub-regional groupings, with an eye to supporting these countries' development efforts in the areas of trade facilitation, technical regulations and standardization policies. The findings of the studies will be used to: assist these countries in their efforts to achieve greater regional and global economic integration; inform donors as to where assistance might be required; and strengthen policy discussions within the Committee on Trade and its subsidiary bodies on where additional work is required.

This report summarizes the findings of the second UNECE trade-needs-assessment, which was carried out in the Republic of Kazakhstan in 2011 and 2012 in close consultation with the Kazakh National Advisory Committee (NAC). Established for the specific purpose of supporting this trade needs assessment, the NAC brings together representatives from relevant ministries and private sector support institutions under the leadership of the Kazakh Minister for Economic Integration.

The report was prepared by the UNECE Trade and Sustainable Land Management Division. It draws on two detailed assessments of regulatory and procedural barriers to trade, and an in-depth examination of procedural and regulatory bottlenecks facing enterprises involved in the export of priority agricultural food products. The final study will be published by the end of 2012. It will take into account the comments and recommendations emerging from the fifth session of the Committee on Trade, and include the results of the UNECE-International Trade Centre (ITC) joint company survey, which was conducted in 2012. The survey, which targets Kazakh enterprises operating in leading manufacturing and export sectors, is based on the ITC's non-tariff measures evaluation methodology and the UNECE trade facilitation evaluation methodology.

The practical action-oriented recommendations from the assessment provide an important input to the Republic of Kazakhstan's trade development efforts, and to the UNECE programme of cooperation for supporting the Customs Union (CU) of Belarus, Kazakhstan and the Russian Federation.

Contents

Preface by the Secretariat	iii
Map of Kazakhstan	iv
Abbreviations.....	vi
1. Introduction.....	1
2. Needs assessment methodology.....	3
3. Trade facilitation.....	7
4. Regulatory and standardization policies	18
5. Concluding Remarks.....	27
Annex: Business Process Analysis - Agribusiness and Food Products Exportation	28

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Abbreviations

BPA	Business Process Analysis
CIS	Commonwealth of Independent States
CODEX STAN	European Regional Standards
CTRM	Committee for Technical Regulation and Metrology
CU	Customs Union
EU	European Union
EXCOM	Executive Committee of the UNECE
GDP	Gross domestic product
GOST	CIS interstate regional standards
HACCP	Hazard Analysis and Critical Point
IEC	International Electrotechnical Commission
ILAC	International Laboratory Accreditation Cooperation
ISO	International Organization for Standardization
ICT	Information and communication technology
ITC	International Trade Centre
KazInSt	Kazakhstan Institute of Standardization and Metrology
NAC	National Advisory Committee
MINT	Ministry of Industry and New Technologies
OILM	International Organization of Legal Metrology
RIA	Regulatory impact assessment
SMEs	Small- and medium-sized enterprises
TAR	Trans-Asian Railway
TIR	<i>Transports Internationaux Routiers</i>
SPS	Sanitary and Phytosanitary
ST RK	State standards of the Republic of Kazakhstan
SQAM	Standardization, quality assurance, accreditation and metrology
STO	Standards of international and regional organizations
TBT	Agreement on Technical Barriers to Trade
TRACECA	TRANsport Corridor Europe Caucasus Asia
UML	Unified Modelling Language
UN/CEFACT	United Nations Centre for Trade Facilitation and Electronic Business
UNECE	United Nations Economic Commission for Europe
WTO	World Trade Organization

1. Introduction

Just like the remaining countries with economies in transition, Kazakhstan's economic development efforts are centred on consolidating a market-based economy that is driven by trade. The country is seeking accession to the World Trade Organization (WTO), and to date, has completed bilateral negotiations on market access for goods and services with 30 WTO member states, including Brazil, China, India and the United States of America.

Kazakhstan's development efforts also feature an emphasis on fostering regional integration. It is a member of the Eurasian Economic Commission; the Central Asian Cooperation Organization; the Economic Cooperation Organization; the Shanghai Cooperation Organization; and, has obtained a most-favoured-nation status from the European Union (EU) through Partnership and Co-operation Agreements.

These efforts have borne fruit. Kazakhstan trade sector shows a significant level of geographical diversification. The EU 27 accounts for 32 per cent of the country's total trade (with Italy, France and Netherlands being the most important), followed by China (with a 26 per cent share of Kazakhstan's total trade); the Russian Federation (10 per cent); Turkey (4 per cent) and the United States of America (3 per cent).¹ Moreover, trade has been key element in generating growth, registering a consistent surplus that stood at around USD 7.2 billion in the third quarter of 2011.²

Most recently, Kazakhstan pooled efforts with Belarus and the Russian Federation, within the context of a comprehensive Customs Union (CU). Established in 2010, the CU is structured to go beyond the adoption of a common external tariff transform to involve the reduction of non-tariff barriers, with the aim of transforming the CU territory into a single economic space. To date the three countries have adopted several agreements to streamline, simplify and standardize trade related procedures and documentary requirements.

Kazakhstan also boasts an impressive growth record. Gross domestic product (GDP) increased at an annual average of USD 47.51 billion during the period 2000-2009, and reached a record high of around USD 143 billion in 2010.³ The challenge facing government is how best to ensure the sustainability of this growth. For, the economy remains dependent on oil, gas and basic metals for income generation. Kazakhstan's industrial sector is primarily focused on the extraction and processing of these natural resources. Oil, gas and basic metals (uranium, silver, zinc, nickel) also drive export growth, accounting for more than 85 per cent of Kazakhstan's exports benefiting from the high world market prices.⁴

The Kazakh government adopted a number of development plans for achieving income diversification, and is in the process of implementing ambitious initiatives to address non-tariff barriers. The joint UNECE-ITC needs assessment seeks to contribute to these efforts by assisting the government in capitalizing on achievements to date.

This report summarizes the findings of the UNECE needs assessment, which focuses on export-import regulations and procedures, standardization policies and quality assurance. It starts by providing a brief overview of the UNECE methodology in section two. Chapter three highlights key procedural and regulatory barriers to trade, while section four looks into existing institutional bottlenecks facing government agencies involved in the areas of standardization and technical regulations. The two sections also identify priority needs, and propose practical, action-oriented

¹ EUROSTAT.

² National Bank of Kazakhstan

³ World Bank Development Indicators.

⁴ National Bank of Kazakhstan

recommendations for addressing these needs. A thorough examination of procedural and regulatory bottlenecks facing Kazakh enterprises involved in the export of priority agricultural food products is provided in the annex to this report.

2. Needs assessment methodology

This trade needs assessment is based on the UNECE evaluation methodology, which draws on existing evaluation methodologies and the secretariat's own experience to capture regulatory and procedural barriers to trade in goods.⁵ The methodology comprises distinct sets of questionnaires targeting all the participants in the international trade supply chain, thereby capturing both behind and at-the-borders trade barriers that inflate the traders' transaction costs (time and financial wise) and undermine their ability to meet international quality standards.

Consistent with UNECE's mandate, the evaluation methodology features special emphasis on the legal and institutional framework related to trade facilitation, as well as technical regulations, quality assurance, accreditation and metrology (SQAM) system. The terms "trade facilitation" and "SQAM" are to be understood as follows:

- **Trade facilitation** refers to the extent to which import/export procedures, information and documentation requirements are rationalised, harmonized, simplified, streamlined and automated to reduce the costs associated with international trade, and increase overall efficiency and transparency.
- **Standardization policies** refer to policies and regulations concerned with the specific characteristics of products, such as its size, shape, design, functions and performance, or the way it is labelled or packaged before it is placed in the market. A **Standard** refers to a technical specification approved by a recognised national, regional or international standardization body and made available to the public for repeated or continuous application, with which compliance is either compulsory or not compulsory.
- **Technical regulations** are to be understood pursuant to the Agreement on Technical Barriers to Trade (TBT) as a "document which lays down product characteristics or their related processes and production methods, including the applicable administrative provisions, with which compliance is mandatory. It may also include or deal exclusively with terminology, symbols, packaging, marking or labelling requirements as they apply to a product, process or production method".
- **Conformity assessment** is to be understood pursuant to the Agreement on TBT, as involving procedures used, directly or indirectly, to determine that relevant requirements in technical regulations or standards are fulfilled.
- Related to conformity assessment is **accreditation**, which refers to independent evaluation of testing and calibration laboratories, management systems, inspection bodies and so on, to confirm compliance with internationally recognized standards and requirements for risk reduction purposes.
- **Metrology**, often referred to as "weights and measures", is the science of measurement. It involves, among other processes, tool setting and product-verification operations using diverse technologies. Although metrology is perceived as part of conformity assessment systems, it is itself an independent part of a regulatory system. It is therefore important to treat metrology from both perspectives. Metrology is to be distinguished from **legal metrology**, which focuses on ensuring the quality and credibility of measurements used

⁵ The UNECE methodologies drew on: World Bank (2010) "Trade and Transport Facilitation Assessment: A Practical Toolkit for Country Implementation"; WTO (2009) "Negotiations on Trade Facilitation: Self-Assessment Guide"; United Nations Development Programme (2008) "Trade and Human Development: How to Conduct Trade Needs Assessment in Transition Economies"; International Trade Centre (ITC) (2004) "Road Map for Quality"; ITC (2010) Non-Tariff Measures Survey Questionnaires, mimeograph; and the United Nations Conference on Trade and Development (2009) "Classification of Non-tariff Measures".

directly in regulation and in areas of commerce. Legal metrology is also concerned with ensuring due diligence in the treatment of traceability and preventing the misuse of the measurements.

By covering the above-mentioned areas, the UNECE evaluation methodology seeks to identify:

- Issues that traders and service providers face in exporting and importing goods, while highlighting sectors that are particularly affected;
- Existing constraints in regulatory, documentary and procedural requirements related to international trade transactions;
- The quantitative (time/money) and qualitative impact of barriers along the trade and transport chain;
- The availability and structure of logistical services (e.g. transport, forwarders, brokers) in the participating country, and any potential obstacles to the modernization/development of these services;
- Shortcomings in terms of operational efficiency of these and related services, and consequently the remedial actions to consider in both the short and long run;
- The availability, at reasonable cost, of internationally recognized testing, inspection and certification services;
- Shortcomings in the country's quality infrastructure (internationally accredited testing laboratories, conformity assessment, certification and accreditation bodies, as well as metrology institutions) and related expertise leading to additional costs and delays in export practices;
- The availability of institutional consultative mechanisms for the development and implementation of regulatory policies to ensure that the concerns of the business sector are taken into account;
- Gaps in participation in the activities of relevant international standards-development bodies.

The questionnaires were addressed to stakeholders representing relevant government officials, transport operators and logistics service providers, who were approached during face-to-face interviews conducted by UNECE consultants late 2010. The results of the questionnaires on trade facilitation were analysed using the UNECE Buy-Ship-Pay reference model. The model offers a broad conceptualization of international trade transactions as proceeding along ***a single process in a supply chain***, rather than a series of fragmented activities spread across different actors. International trade transactions are grouped under three main operations, which correspond to the business processes undertaken by traders throughout the supply chain. These operations are:

- BUY – covering all commercial activities related to the ordering of goods;
- SHIP – covering all of the activities involved in the physical transfer of the goods, including regulatory procedures related to official controls;
- PAY – covering all of the activities involved in payment transactions

As shown in Figure 2.1, by clustering business processes along the above-mentioned lines, the model captures all trade-related business processes, including the establishment of commercial contracts (commercial procedures), the arrangement of inland and cross-border transportation of goods (transport procedures), the export and import formalities to meet regulatory requirements (regulatory procedures), and the payment for purchased goods (financial procedures).

Figure 2.1
UNECE international supply chain Buy-Ship-Pay reference model



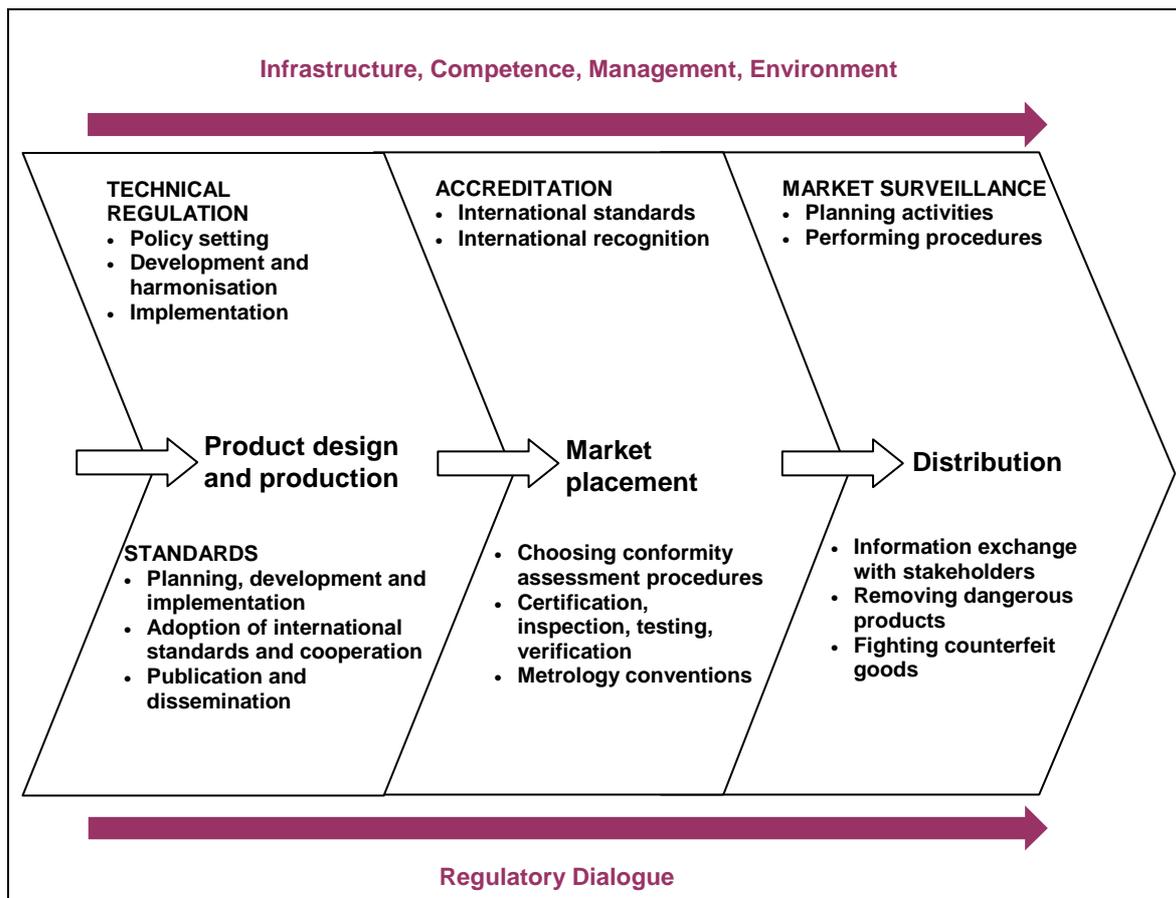
The emphasis is ensuring the overall improvement of the end-to-end value chain. This means that the different actors involved (including government agencies, intermediaries and traders) are examined in terms of their contribution to increasing the efficiency, transparency and predictability of trade, as opposed to their functional excellence.⁶ Moreover, trade documents and procedures are measured against UNECE key principles on trade facilitation, including: transparency, communications, consultations and cooperation; simplification, practicability and efficiency; non-discrimination, consistency, predictability and due process; harmonization, standardization and recognition; and modernization and the use of new technology.⁷

Consistent with such a holistic approach to analysing international trade transitions, the results of the questionnaires on SQAM are analyzed using the product life cycle approach. As shown in Figure 2.2, this approach allows for analyzing the different regulations and institutions in terms of their contribution to the product life cycle, starting from product design, then to placing the product on the market and ending with its eventual distribution.

⁶ For a detailed discussion of this Model, see UNECE Recommendation 18 (UNECE, 2001).

⁷ UNECE (2006). Towards an Integrated Strategy for UN/CEFACT, Geneva, Switzerland.

Figure 2.2 Product life cycle and regulatory system processes



The challenges to an improved SQAM regulatory system are conceptualized as stemming from the quality of infrastructure (i.e. testing laboratories), levels of expertise and knowledge of officials (competence), management methodologies, and the overall regulatory environment.

The regulatory and procedural bottlenecks facing Kazakh enterprises involved in the export of priority agricultural food products will be identified using the UNECE Business Process Analysis (BPA) reference model. The term “business process” is to be understood as a chain of logically connected activities associated with moving goods and related information across borders from buyer to seller and ensuring due provision of required services.

The business processes will be captured and described using the Unified Modelling Language (UML), which provides an internationally recognized set of standard graphical notations for modelling the sub-processes associated with the core buy, ship, pay processes. In analysing these business processes, the aim is to:

- Establish the activities, documents, and information flow in international trade procedures.
- Identify and prioritize problematic areas that cause delays in moving goods from seller to buyer.
- Enable responsiveness through improved measures that address the identified problematic areas (e.g. simplifying processes and data, and eliminating redundancies).

3. Trade facilitation

Stretching over 2.7 million square kilometres, Kazakhstan is the second largest country in the Commonwealth of Independent States (CIS) after the Russian Federation and the ninth largest country in the world. It has common borders with China to the east, the Russian Federation to the north, the Caspian Sea to the west; and, Kyrgyzstan, Turkmenistan and Uzbekistan to the south, so that it is strategically located on the transit route between Europe and Asia.

Indeed, all of the transport corridors connecting Central Asia to Europe pass through Kazakhstan, including the:

- (i) Northern Corridor of the Trans-Asian Railway (TAR), which links Western Europe to China, Korea and Japan through Russia and Kazakhstan (section Dostyk - Astana - Petropavlovsk);
- (ii) Southern Corridor of TAR, which links South-Eastern Europe with China and Southeast Asia through Turkey, Iran, and Kazakhstan (section Dostyk - Saryagash);
- (iii) Central corridor, which links Central Asia via Russia with the EU countries (section of the RK-Saryagash Aris-Kandagach-Ozinki);
- (iv) “North-South” corridor, which links the Northern Europe countries to the Persian Gulf through Russia and Iran with participation of Kazakhstan in the section from the Caspian seaport Aktau – Ural regions and Aktau - Atyrau); and,
- (v) TRANsport Corridor Europe Caucasus Asia (TRACECA), which links Europe and Asia across the Black Sea, the countries of the South Caucasus, the Caspian Sea and the Central Asian countries (section of the RK Dostyk - Aktau).

As such, trade facilitation has been high on the government’s agenda since the country’s independence in 1992, not only for the purpose of capitalizing on the country’s strategic location but also for achieving regional and global integration. Kazakhstan participates in 13 of the international conventions on infrastructure, transport, border crossing facilitation maintained under UNECE (Table 1), and the government has been deregulating international transport services to attract private operators.

**Table 1. Kazakhstan’s participation
UNECE Transport Agreements and Conventions⁸**

Area	Convention
Infrastructure	<ul style="list-style-type: none"> • European Road Network, 1975 • European Combined Transport Network, 1991
Road traffic and road safety	<ul style="list-style-type: none"> • Road Traffic, 1968 • Road Signs & Signals, 1968
Vehicles	<ul style="list-style-type: none"> • Vehicles Regulations, 1958
Other Legal Instruments Related to Road Transport	<ul style="list-style-type: none"> • Work of Crews International Road Transport, 1970 • Contract Road Goods Transport, 1956
Border crossing facilitation	<ul style="list-style-type: none"> • TIR Convention, 1975 • Customs Container Convention, 1972 • Harmonization Frontier Controls Goods, 1982
Dangerous goods and special cargo	<ul style="list-style-type: none"> • Dangerous Goods by Road, 1957 • Perishable Foodstuffs, 1970

⁸ The conventions listed in the table have been ratified by Kazakhstan.

However, these efforts are yet to result in concrete benefits. According to the 2012 World Bank Doing Business Survey, Kazakhstan ranks 176th in the world (out of 183 countries) when it comes trading across borders. Kazakhstan's landlocked status and remoteness from international markets aside, the Survey shows that this low ranking is partially explained by heavy trade related procedures and documentary requirements. It takes 76 days to export goods from Kazakhstan at an average cost of USD 3,310 per container. Importing goods into the country is also a costly undertaking, which can take up 62 days at a total cost of \$3,290 per container. This compares to an average of 11 days and USD 1,085 per container in the Organization for Economic Cooperation and Development region. It is also noteworthy, from the standpoint of competitiveness, that it takes longer and is more costly to export than to import a container.

Based on the results of the UNECE needs assessment of state agencies, transport operators and logistics service providers, this section highlights some of the institutional and regulatory capacity shortfalls responsible for inflating the transaction costs faced by traders. In so doing, it focuses on the overland transport infrastructure, as well as control and management systems at the borders, and proposes action-oriented recommendations for the Government's consideration.

3.1 Overland transport infrastructure: rail and road networks

Kazakhstan's overland transport system, including railway and road networks, carries 90 per cent of all cargo in the country. The railway system has 14,205 kilometres (km) of railway lines, and connects the country with the Russian Federation, in addition to Uzbekistan, Kyrgyzstan and China (of the 15 railway border points, 11 are with the Russian Federation; 2 with Uzbekistan; 1 with Kyrgyzstan; and 1 with the People's Republic of China). About 30 per cent (or 4,143 km) of the network consists of electrified tracks, and the country's inventory of rolling stocks comprised 1,684 locomotives and 100,424 rail wagons at the end of 2009.⁹

The road network stretches over 88,4000 km, with East Kazakhstan, Almaty, Karaganda, and Kotanay regions having the longest road networks. Five international roads, totally 23,000 km, pass through Kazakhstan, these being:

- Almaty— Astana — Kostanai (route M-36) with exit to Chelyabinsk (Russia)
- Almaty — Petropavlovsk with exit to Omsk (Russia)
- Almaty — Semei — Pavlodar (route M-38) with exit to Omsk
- Almaty — Shimkent (route M-39) with exit to Tashkent
- Shimkent — Aktobe — Uralsk (route M-32) with exit to Samara (Russia)

The total freight turnover in the country reached 311.62 billion tons-km at the end of September 2011. The bulk of this cargo is transported by rail with railway freight turnover being 158.42 billion tons-km as compared to 75.6 billion tons-km freight turnover on the road network at the end of September 2011.¹⁰ In terms of growth rates, freight turnover in the road network increased by 48 per cent in the January-September 2011 period compared to the same period in 2010, while freight turnover in the railways increased by only 3.7 per cent.¹¹

The lower use of road transport is mainly due to a lack of road flexibility and quality. With regard to flexibility, in Kazakhstan, the permissible dimensions for standard road transport are 18.5 m (length), 2.6 m (width), and 4.0 m (height). This measurement includes the cargo and the truck. The maximum permissible length, width and height of vehicles is 38 tons. Vehicles require a special permit when transporting oversized cargoes and these vehicles are by definition longer, wider, or taller than the above specifications. Most recently, the Government has reduced the

⁹ The Agency of Statistics of the Republic of Kazakhstan (2009) *Statistical Yearbook-2009*.

¹⁰ The difference is shipped out through the Caspian Sea.

¹¹ The Agency of Statistics of the Republic of Kazakhstan (2009) *Statistical Yearbook-2009*.

review period for permit applications for oversized and mass cargo from 15 days to 5 days, and increased the validity of these permits from 3 to 6 months.¹²

However, the main challenge facing traders is not so much due to the road and rail coverage, but the poor quality of the road network for both international and local traffic. The network consists mainly of Class III stretches of local and international road networks that are in need of repair or complete reconstruction. In addition, some rural areas remain poorly connected to major cities, thereby undermining agricultural and industrial development.

To address the capacity shortfalls in the transport sector, the government intends to implement a number of road and railway development projects over the next few years. Most notable among the road development projects is the international Western Europe–Western Republic of China corridor that starts from Orenburg (Russian Federation) and ends at Korgas (the People Republic of China), passing through five Kazakh oblasts (regions) and involving 2,624 km of roads in Kazakhstan. This corridor, which will be completed by end of 2013, will reduce the length of the journey by 3.5 times.¹³ The new roads under construction in Kazakhstan will be of Class I and II, and therefore able to carry higher volumes of transit traffic.

The government also intends to renovate road sections within the following main transit corridors by 2014:

- Omsk – Pavlodar – Maikapshagai,
- Astrakhan – Atyrau – Aktau –Turkmenistan border
- Shuchinsk – Kokshetau – Petropavlovsk
- Russian border –Uralsk – Aktobe
- Astana – Kostanai – Chelyabinsk
- Aktobe – Atyrau
- Astana –Yereimentau – Shiderty
- Kurty – Burylbaital.¹⁴

In addition, the government plans to renovate motor road sections of national significance. The following sections are expected to be renovated by 2014:

- Almaty – Ust-Kamenogorsk.
- Usharal – Dostyk.
- Zhezkazgan – Petropavlovsk.
- Kyzylorda – Pavlodar – Uspenka – Russian border.
- Beineu – Akzhigit – Uzbekistan border.
- and renovation of local motor road networks.¹⁵

The government is also investing in railway development. Most notable among the most recent railway construction projects are those for rail links from Uzen to the Turkmenistan border, from Zhetygen to Korgas, and from Yeralievo to Kuryk. Nonetheless, the assessment reveals that there remains room for further improvement. The transport sector is held back by deteriorating vehicle fleets and rolling stock, with adverse consequences for traffic safety. Indeed, a considerable proportion of stock cars and trucks are outdated, showing a high level of wear. Thus, improving

¹² In accordance with the Government Resolution “On Adoption of Rules for Arranging and Carrying out Shipments of Invisible Oversize and Over mass Cargoes” of August 2011.

¹³ At present, goods destined to Europe from the China are transported via maritime routes, Pacific and Indian oceans.

¹⁴ As per the Government “Program of Accelerated Industrial and Innovative Development of the Republic of Kazakhstan for 2010-2014”.

¹⁵ As per the Government “Program of Accelerated Industrial and Innovative Development of the Republic of Kazakhstan for 2010-2014”.

the quality of existing road networks and attending to the deteriorating vehicle fleets and rolling stock should be accorded priority treatment.

Another problem is the return of empty rolling stock. This problem is mainly due to the fact that Kazakhstan's exports are bulkier than its imports, so that empty rolling stock is often left in exporting countries waiting for enough payload to bring back. This reduces the amount of rolling stock available in Kazakhstan, with an adverse impact on the costs of rail cars. The harmful impact of the lack of proper supply of rolling stock is demonstrated in the business process analysis (Annex).

The problem of empty return cargo containers/trucks is also experienced amongst traders who transport their goods by road. However, with trucks the problem of empty cargo is also associated with the country's low population density. Trucks often travel long distances, and the probability of having products to send back from a sparsely populated area is low. As Kazakhstan cannot develop a significantly more diversified export mix in the immediate and medium term, the problem of empty return cargo can only be mitigated by improving the capacity, reliability, and efficiency of the rail links and rail terminals.

Kazakhstan also needs to look at improving important rail transport infrastructure issues on the border with China. Priority should be given to making the necessary infrastructure investments in the border crossing point of Dostyk to improve trans-loading facilities since China uses international gauge tracks while Kazakhstan uses the Russian Federation's standard. Priority should also be given to the Korgas border crossing point, which has the highest throughput of trucks. Building a railway terminal would broaden traders' options, especially if the rail uses the same standard as that of China. Below are a number of recommendations for the Government's consideration:

Outstanding needs	Recommendations
Railway	
Improving the railway capacity at the main border crossing points with China	<ul style="list-style-type: none"> • Undertake new investments in transloading facilities, particularly at the Dostyk and Korgas border crossing points • Invest in those stretches along the railway route China-Urumqi-Alashankou-Dostyk-Moscow-Brest where trains need to change their undercarriages due to different rail standards
Increasing the storage capacity in cities that are located at critical rail nodes	<ul style="list-style-type: none"> • Give priority to storage facilities in the cities of Karagandy, Shymkent, Aktobe, and Aktay
Improving the quality and supply of rolling stock	<ul style="list-style-type: none"> • Promote investments in modern rolling stock by attracting foreign investment • Promote the establishment of credit schemes for local rolling stock owners, so as to enable them to undertake required investments.
Road	
Improving the capacity of road networks	<ul style="list-style-type: none"> • Invest in bringing existing networks up to Class I and Class II road quality standards • Build new roads, where needed, to improve in-country and border connectivity

Outstanding needs	Recommendations
Improving the quality and supply of truck fleets	<ul style="list-style-type: none"> • Promote investments in modern truck fleets, including foreign investments. • Promote the establishment of credit schemes for local truck/trailer fleet owners, so as to enable them to undertake the required investments. • Consider increasing gross vehicle mass limits, as each extra ton on the vehicle means lower unit costs and this could provide an incentive for truck/trailer owners to invest in modernizing their fleets.

3.2 Logistics sector

Kazakhstan has over 70 enterprises offering logistics-related services, including express and courier companies, customs brokers and freight forwarders, multimodal transporters, manufacturers and traders. Express and courier companies are mainly representative offices of multinational corporations, which oversee domestic distribution and have warehouses and truck fleets. Locally licensed customs brokers, freight forwarders and multimodal transporters offer services that involve shepherding cargo through customs clearance and sending it by rail or road to its final destination, and several offer integrated solutions. The manufacturers and traders run their own fleets of trucks and self-operated warehouses for managing the supply chain.

Kazakhstan has a number of logistics centres, free-trade zones, and exhibition complexes for production, warehousing, transportation and the final sale of products. The two most well-known logistics centres are the High Tech Logistics Centre in Almaty and the DAMU-Almaty industrial logistics centre. The first centre is used for the deconsolidation of imported goods from the Russian Federation and Europe, after which the goods are redistributed within the country or to other parts of Central Asia. The second offers integrated logistics services such as storage, handling, transport, customs clearance, and repacking.

The exhibition complexes are facilities where products are showcased for wholesalers and, to a lesser degree, retail customers. The goods exhibited usually originate from China and the Russian Federation, and then are trucked to the complexes, which have warehouses and trucking depots for loading and unloading operations.

The development of the logistics sector ranks high on the government's agenda. The government intends to establish 10 logistical centres by 2015. These centres will be spread throughout the country, including in Special Economic Zones (SEZs), airports and transport stations. An example of the centres that will be established in SEZs is the centre located in the "Khorgos - Eastern Gate" SEZ, in the south-eastern part of the Almaty region at the main border with China. The logistics centre will feature a dry port facility to enable the interim storage of semi-finished goods for manufacturing or merchandise for domestic and regional markets. The government is also considering the establishment of a facility in the vicinity of Shymkent city at the main border with Uzbekistan, as there are considerable delays for vehicles crossing this border.

The needs assessment suggests that there is a lack of adequate warehousing facilities, especially for perishable goods. Moreover, Kazakh companies are hesitant to send cargo through containers, because they lack clarity on the technical and documentation requirements and due to the high costs for shipment.

Moreover, multi-modal transport is still in its infancy in Kazakhstan. There is no specific legislation or framework for multi-modal transport. As a result, the rules and regulations for each

of the individual modes used must be applied, so that liability regimes are different. The occupation of Multi-modal Transport Operator is not recognized, and Multi-modal transport under one contract is not possible. Separate contracts need to be concluded for each specific mode, which increases the time and costs associated with using multi-modal transport.

Another problem relates to the freight forwarding industry. Only a few forwarders are able to offer comprehensive (global) services to their clients, and these are mainly branches of international companies. As a result, shippers often have to enter into contracts with forwarders in each country along the transport corridor. This results in unclear responsibilities and liabilities, therefore, and opens the door for different legal interpretations

Outstanding needs	Recommendations
The limited capacity of logistics service providers	<ul style="list-style-type: none"> • Establish advanced training programmes in logistics, especially in integrated logistics, supply chain management, innovative technological applications, and International Federation of Freight Forwarders Associations (FIATA) related subjects
The limited capacity of the freight forwarding industry	<ul style="list-style-type: none"> • Further develop Kazakhstan's Freight Forwarders Association so that it can assume a lead role in developing the freight forwarding industry • Establish advanced training programmes for local freight forwarders
The limited use of containers	<ul style="list-style-type: none"> • Develop container terminals • Establish a help desk facility to provide traders with up-to-date information on trade regulations and procedures, and assist them in ensuring compliance . • Investigate options for lowering the cost of container shipping, such as incentives for the return of outgoing containers in order to have a larger stock of available containers
The absence of a conducive environment for developing multi-modal transport	<ul style="list-style-type: none"> • Establish the required legal framework so as to allow multi-modal transport to be carried out under one contract • Establish advanced training programmes in the area of multi-modal transport • Establish the required insurance and credit schemes for supporting multi-modal transport

3.3 Customs clearance and documentary requirements

The Kazakh Customs has implemented new initiatives to speed up the customs clearance process. Most notable has been the introduction of electronic declarations, and the revitalization of the Customs management information system that now features:

- The Operational Management Center's (OMC) information system, which provides information on the arrival of goods, transit control, and the control of delivery of goods as well as a database of transport and commercial documents;

- Customs Automated Information System (CAIS) to track revenues from customs fees and trade taxes, monitor non-tariff regulations, and manage declarations;
- Electronic declaration system, which allows traders to download electronic copies of forms from the Customs website free of charge, and generate electronic copies of customs documents.
- Risk management system for clearing goods and for post-entry point clearance (after the release of the goods).
- A system for generating trade-related statistics.
- Linkages with the e-Government portal.

The Customs is also considering the establishment of a single window facility for trade procedures. The needs assessment suggests that realizing the full potential of customs modernization efforts will require the further simplification of trade documents. The extent to which the trading community is benefiting from all the above initiatives was difficult to establish at this time of preparing this the needs assessment, as the UNECE-ITC company survey was still under way. At the same time, the UNECE assessment reveals that more could be done to further simplify and harmonize trade documents. Moreover, the list of goods subjected to export control, is broad, since it is determined at the four-digit SITC level.¹⁶ Thus common consumer goods, such as mobile phones and copying machines, are considered to be “dual-use” goods, which increases the transaction costs facing traders. Export-import procedures are further complicated by traders having to submit a number of different “taxpayer registration numbers” from several state agencies, which is time consuming.

Yet another concern raised by traders relates to obtaining permits, for example in cases where there are SPS and veterinary requirements or when exporting/importing ozone depleting substances. In such cases, the trader is required to submit several documents to the Ministry of Environment. These documents include, in addition to an application: copies of contracts, agreements, certificate of registration, , certificate of compliance, as well as a notarized copy of an ecological insurance policy.¹⁷ Obtaining the permit is further complicated by the lengthy procedures for obtaining the ecological insurance policy.

To address these challenges, the government may wish to consider the measures below:

¹⁶ As per Resolution No. 104 of the Government of the Republic of Kazakhstan “On approving the List of Goods Subject to Export Control” as of February 2008.

¹⁷ Pursuant to the Rules for Issuing Permits for Import, Export of Ozone Depleting Substances”, No. 508 of June 2007.

Outstanding needs	Recommendations
Further simplification, rationalization and standardization of trade documents	<ul style="list-style-type: none"> • Ensure full alignment of trade documents with the most recent version of the United Nations Layout Key, which allows for simplifying documentation requirements and harmonizing trade procedures to meet best practices. • Consider determining the list of goods subject to export control at the ten-digit SITC level. • Establish a shared, single database of legal and natural persons, so that traders would have to submit (and obtain) only one “taxpayer registration number” . • Streamline the procedure for obtaining export/import permits for ozone depleting substances, and reduce the number of documentary requirements. • Streamline the procedure for obtaining an ecological insurance policy.
Familiarize traders with new documentary requirements	<ul style="list-style-type: none"> • Establish help desk for disseminating for the private sector up-to-date border crossing rules and their interpretation

3.4 Control at the border

The government has taken important measures to foster inter-agency coordination at the border. The most notable measure being its adoption of the principle of “integrated control” at the main border. As of January 2010, Customs has been undertaking the inspection and control functions for all border agencies. The government has also introduced scanning machines at the Southern borders, and intends to revitalize all border crossing points with state of the art equipment over the next few years.¹⁸ This includes the introduction of modern equipment for weighing trucks to avoid multiple inspections and re-weighing.

Meanwhile, preparations are underway for launching an Import and Export One Stop Shop in 2014 to streamline vehicle inspection at border crossing points.¹⁹ The needs assessment suggests that capitalizing on achievements to date requires overcoming six challenges:

1. As shown in Annex 1, crossing borders by road is complicated by the divergent interpretation and application of procedures at the border. Moreover, drivers have to leave their vehicles to have their passports checked, which slows the border crossing process.
2. There is lack of equipment at most border crossings and most checks are, therefore, done manually.
3. There is a lack of interagency cooperation in terms of information sharing and risk management, and a tendency toward over-reliance on physical inspections.
4. Customs fees tend to be high.
5. Cross-border trade with/through China is complicated by the incompatibility between the Chinese and Kazakh customs and railway information systems, which results in significant delays at the Kazakh-Chinese borders of up to 6-8 days. Crossing this border is also slowed by the change of the crews and technological incompatibilities due to

¹⁸ Pursuant to the CU Commission Decision, no N688, “Common Model Requirements to Equipping Crossing Points” adopted by the Decision of the CU Commission in June 2011.

¹⁹ As per Government Resolution “On Conception for One Stop Shop for Import-Export Operations”, adopted in July 2011.

- differences in track gauge (resulting in the need to change locomotives), various traction power supply systems and signalling systems and a general lack of inter-operability.
6. 6) Traders reported that obtaining a transit permit may require up to 10 documents and that these documents require separate clearance by 5 agencies, so that obtaining the permit may take up to 30 days. Below are some recommendations for the government's consideration:

Outstanding needs	Recommendations
Simplification, rationalization and standardization of cross-border procedures	<ul style="list-style-type: none"> • Revise decisions on cross-border procedures to ensure greater clarity and precision, provide clear instructions for implementation, and reduce discretion in interpretation by customs officers. • Streamline border procedures both for the railways and the border agencies.
Further strengthening of inter-agency coordination at the borders	<ul style="list-style-type: none"> • Improve interface connections between the information systems of the railways and border control agencies within the country. • Establish a common approach to risk management across border agencies, based on the internally recognized principles enshrined in the Kyoto Convention • Establish a central body for assuming the task of developing and overseeing the implementation of a common approach to risk management.
Improving inter-agency coordination at the main border crossing points between Kazakhstan and China	<ul style="list-style-type: none"> • Improve the interface connections between the Chinese and Kazakh railway and customs information systems. • Simplify the procedures for obtaining transit permits, and reduce the number of documentary requirements. This could be done based on a detailed analysis of the procedure in consultation with the Chinese authorities in order to ensure that the needs and considerations of the relevant authorities in both countries are adequately addressed.

3.5 Issues related to the CU

The needs assessment suggests that exploiting the trade potential presented by the CU requires addressing a number of challenges. The first challenge relates to risk management. The CU Code stipulates that customs control should follow the principle of selectivity based on a risk management system, and the 2010 Agreement on Mutual Administrative Assistance of Customs Authorities stipulates sharing information about risks of violation of national and CU customs legislation. Thus, national Customs authorities compare the information provided in the support documents for shipments with risk profiles and risk indicators, and in situations of perceived risks, measures are taken to prevent and (or) to minimize the risks. However, the three CU partners risk management systems vary in terms of risk technologies, management techniques, and degree of automation. Therefore, the definition of what should be shared remains unclear for now.

Another challenge relates to incidents of repeated certification for imported goods that are not included in the “Single List of Products Imported to the CU, subject to a mandatory conformity assessment in the CU framework with issuance of the uniform documents”.²⁰ According to the CU legislation, such goods cannot be released when they move from one CU country to another, even if customs clearance has been performed in the country of entry, and these goods need to be certified again.²¹ Traders reported that this requirement means that they have to certify the goods more than once, which increases transaction costs.

Other traders noted that the CU requirement of detailed descriptions for products with 10-digit HS code numbers is increasing transaction costs, since they have to pay EUR 20 for each additional page attached to the cargo declaration. Some traders also noted that the Registry of Suppliers from Third Countries tends to be restrictive. A number of traders also said that they experience difficulties in obtaining veterinary import permits. They explained that the CU legislation stipulates that a trader should submit an application, in a standard form, with indications of the country of departure and tracking route. However, it is often the case that their suppliers deviate from the indicated route. Then, the shipment is held at a Customs post until the trader obtains a new permit. Other traders noted that they are requested to obtain certificates of origin for every shipment, even if the different shipments consist of the same product(s). For example, if a trader is exporting the same good to 15 countries, he is expected to obtain 15 certificates of origin.

Yet another challenge relates to Kazakhstan’s readiness/ability to comply with the CU rules and procedures. Most notable in this respect is the preliminary e-declaration requirement for all goods imported into the CU territory, which will be implemented during the second half of 2012. Traders also expressed concerns that the Kazakh customs may not, necessarily, have the required capacity and experience in managing such declarations.

Outstanding needs	Recommendations
<p>Improve inter-agency coordination at the borders</p>	<ul style="list-style-type: none"> • Introduce interface connections between the information systems of the railways and the border agencies (particularly customs) within the CU territory. In so doing, Kazakhstan and its CU partners may consider following the systems adopted within the context of the EU funded Transport Corridor Europe-Caucasus-Asia (TRACECA) initiative. • Establish a common approach to risk management, based on the internally recognized principles enshrined in the Kyoto Convention • Establish a central body within the CU for assuming the task of developing and overseeing the implementation of a common approach to risk management. • Introduce performance indicators that are systematically followed up on by Kazakhstan and the Russian Federation.

²⁰ http://www.tsouz.ru/kts/kts17/pages/p6_319.aspx

²¹ Decision of the Customs Union Commission of June 18 , 2010, N319

Outstanding needs	Recommendations
Simplification, rationalization and standardization of cross-border procedures and documentary requirements	<ul style="list-style-type: none"> • Expand the list of products included in the Single List. • For cargo declarations: Consider reducing the level of description for products with 10-digit HS code, and revise the pricing policy so as to reduce the cost of additional pages. • Simplify the procedures associated with importing veterinary products • Consider revising the procedures concerning certificates of origin. One approach would be to require such certificates for each product, as opposed to each shipment.
Strengthening the public-private dialogue and cooperation	<ul style="list-style-type: none"> • Establish a coordinating committee to conduct regular consultations with the private sector representatives concerning the CU procedures and documentary requirements.
Developing the capacities of the Kazakh customs	<ul style="list-style-type: none"> • Provide advanced training to Kazakh Customs on the management of e-declarations and other types of e-docs.

4. Regulatory and standardization policies

For Kazakhstan, as for other transition economies, fostering the dynamic links between Standardization, Quality Assurance, Accreditation and Metrology (SQAM) and export competitiveness is at the forefront of trade policy. Hence, the concerted efforts that the government has exerted since its independence in 1992 to modernize the SQAM infrastructure and to bring it up to the level required by the WTO-administered multilateral trading system. Kazakhstan's SQAM system is based on the Law "On Technical Regulation"²²; the Law on "On Accreditation in the Sphere of Conformity Assessment"; and the Law "On Measurement Traceability Assurance"; all of which are geared to ensure compliance with the TBT Agreement. The Government also launched in 2010 a country-wide programme, the mid-term "Program on Technical Regulating and Quality Infrastructure Establishment for the Period of 2010-2014", as part of a broader effort to support innovation.

Kazakhstan's development efforts entered a new phase in 2010 when it pooled efforts with Belarus and the Russian Federation within the context of the Customs Union (CU). To date the three partners adopted the following agreements and decisions to serve as the basis for a common legal framework in the area of SQAM:

- Agreement on the Circulation of Products Subject to Mandatory Conformity Assessment on the Customs Territory of the Customs Union.
- Agreement on Mutual Recognition of Accreditation of Certification Bodies and Testing Laboratories (Centers) Performing Conformity Assessment.
- Agreement on Sanitary Measures.
- Agreement on Veterinary-Sanitary Measures.
- Agreement on Plant Quarantine.
- Agreement on Common Technical Regulating Principals in the CU.
- Decision on Common Sanitary Requirements
- Decision on Common Veterinary Requirements
- Decision on the Single List of Products Subject to Mandatory Compliance Evaluation.

Today, Kazakhstan's SQAM system is under the responsibility of the Committee for Technical Regulation and Metrology (CTRM) of the Ministry of Industry and New Technologies (MINT), which is responsible for technical regulations, standardization, metrology, conformity assessment and accreditation. CTRM has been a member of ISO since 1994, and participates as a full-fledged member in the work of 16 International Organization for Standardization (ISO) Technical Committees. The CTRM is also a member of the CIS Interstate Council for Standardization, Metrology and Certification, and has an observer status in the IEC, and participates as a full-fledged member in 4 IEC Technical Committees.

This section provides a brief description of Kazakhstan's SQAM system, and highlights the major needs emerging from the UNECE needs assessment. It also suggests a number of recommendations for consideration by the Kazakh Government.

²² As defined in the said Law, the term "technical regulating" (техническое регулирование) is to be understood as the legal and normative regulation associated with identification, establishment, application and implementation of mandatory and voluntary requirements for products, services, processes, including conformity assessment, accreditation and public control over compliance with the established requirements. For example, voluntary standardization and certification is an integral part of the system of technical regulating. The term "technical regulation" (технический регламент) is to be understood as the legal document that sets mandatory requirements for products and/or their life cycle processes. This distinction is in line with the definition given in ISO/IEC Guide 2 "Standardization and Related Activities – General Vocabulary".

4.1 Technical regulations

In Kazakhstan, the Law of the Republic of Kazakhstan “On Technical Regulation”, which entered into force in 2005, provides the basic legislation for technical regulations, with CTRM acting as the national authorized agency for overseeing the development of national technical regulations and for ensuring the safety of goods and services available in domestic markets. As stipulated by the law “On technical Regulation”, the area of technical regulating covers products, processes and services, including design, storage, transportation, sales and disposal of products.

CTRM elaborates the proposed draft programs for the development of technical regulations for the consideration and eventual approval of the Government; coordinates and provides methodological support for the development of technical development; carries out analysis and expert assessment of existing technical regulations to ensure their compliance with the public policy in the sphere of technical regulating; and, undertakes regulatory impact assessment (RIA) of draft technical regulations.

The development of individual technical regulations is supervised by relevant line ministries. Each line ministry has established an “Expert Council on Technical Regulating” for the purpose of elaborating draft technical regulations within the context of a participatory approach. Thus, each Council brings together representatives of relevant public authorities; Technical Committees for Standardization; business associations; enterprises and research institutions. As of January 2012, CTRM has supervised the development of 97 technical regulations that are based on international and regional rules and norms. Most notable among the technical regulations are those related to pressurized equipment, equipment for oil and gas industry, construction and electrical products, which are based on the principles of the EU New EU Approach to technical harmonization and standards.

A basic outline of Kazakh standards can be found online.²³ Additionally, firms can subscribe to CTRM’s online Regulatory Information Service, which publishes monthly updates to technical regulations and standards in use in Kazakhstan. Since 2011, and just like its CU partners, Kazakhstan has suspended the implementation of its national Programme for standards development, and is focusing instead on elaborating part of the common technical regulations for the CU based on internationally recognized and regional rules and norms.²⁴ Existing national technical regulations for products will be valid until the entry into force of the common technical regulations.

The CU will provide a significant impetus for the modernization of Kazakhstan’s technical regulations, since mandatory regulatory requirements will be established only within the framework of the CU and for the limited group of products (61 products) included in the “Single List of Products”. However, enterprises, particularly small and medium-sized enterprises (SMEs), may face difficulties in complying with the common technical regulations to the extent that they are more advanced and require more investment or knowledge for implementation. In terms of sectors, enterprises engaged in the manufacturing of food will be particularly affected, given the various food safety requirements under by the CU technical regulations. Most notable among these requirements are those related to traceability and the Hazard Analysis and Critical Point (HACCP) system, which are guided by the EU Regulation 178/2002/EC. The importance of helping SMEs comply with these standards, is critical, since this will open up new opportunities. For example, Kazakh manufacturers producing food items of animal origin have been historically denied access to EU markets, because of their failure to comply with these requirements.

²³ <http://www.snip.com/index.php?Page=337>

²⁴ The CU partners agreed to adopt common technical regulations for 61 products, which are included in the Single List of Products. As of January 2010, Kazakhstan has elaborated 9 draft common technical regulations for the CU.

In addition, there is a need to streamline the existing system of technical regulations, which includes an array of legal documents. These documents set forth mandatory rules and norms in the spheres of technical regulating, as well as standardization and conformity assessment, which may duplicate rules and norms adopted within the context of the CU, thereby running the risk of increasing non-tariff barriers to trade. Below are proposed recommendations for the consideration of the Government.

Outstanding needs	Recommendations
The enterprises' limited capacity to comply with the CU common technical regulations	Establish an action plan to enable the enterprises to produce according to the new regulations. The plan needs to be sector-focused, and be based on a needs assessment of the enterprises' production capacity.
The complex legal framework underpinning technical regulating	<ul style="list-style-type: none"> • Conduct a systemic review of the legal framework underpinning technical regulating to identify instances of duplication and excessive requirements • Consider using UNECE Recommendation L as a reference framework for guiding the consolidation of the legal framework, as this would facilitate harmonisation with CU partners.

4.2 Standardization

Standards development is coordinated and supervised by CTRM in its capacity as the national standardization body based on the law "On Technical Regulation", which also provides the legal framework for regulating standardization. At present, the national register of standards include 69,532 rules and norms. As shown in box.1, these norms and rules represent: State standards of the Republic of Kazakhstan (ST RK); international and regional standards; standards of international and regional organizations (STO); and standards of foreign countries (including national standards and standards of organizations).

Box.1 Kazakhstan's system of standards			
State standards of Kazakhstan (ST RK) (4 024 items)	CIS interstate regional standards (GOST) (19637 items)	National standards of Russia (GOST R) (9593 items)	European standards (EN and others) (9593 items)
IEC Standards (1325 items)	Standards of International Organization of Legal Metrology (OIML) (224 items)	ISO standards (11313 items)	National Standards of Germany (34 items)
National Standards of Great Britain (6297 items)	European Regional Standards (CODEX STAN) (192 items)	USA standards: American petroleum Institute, and American Society for Testing and Materials. (2393 items)	Standards of the Republic of Korea (4970 items)

Around 70 per cent of the State standards (ST RK) have been harmonized with international norms and rules, so that they are voluntary and are geared to ensuring the safety of life and health

of consumers. This means that state standards no longer dictate requirements to manufacturers on aspects such as the shape or colour of goods as was the case under the old legislation.

Efforts to capitalize on achievements to date are challenged by slow progress in modernizing the national institutional set-up for standardization, which comprises, in addition to CTRM, the “Kazakhstan Institute of Standardization and Metrology” (KazInSt), which is considered to be the national standardization body; 48 sectoral “Technical Committees for Standardization” responsible for elaborating draft State standards, and which bring together representatives of line Ministries and other public institutions, research and development institutions and enterprises. Another agency is the Technical Barriers to Trade (TBT) and Sanitary and Phytosanitary (SPS) Data Center, which forms part of KazInSt. The Center is responsible for updating and maintaining the “Public Bank of Technical Regulations and Standards of the Republic of Kazakhstan”, and for providing information on TBT and SPS measures as stipulated in the WTO-administered TBT and SPS Agreements.

As previously mentioned, CTRM oversees the standardization system. In particular, it:

- Approves the national plan for the development of State standards
- Approves guidelines for the elaboration, adoption and application of State standards.
- Approves the establishment and composition of Technical Committees for Standardization, and coordinates their activities.
- Approves the State standards elaborated by the Technical Committees for Standardization.
- Sets forth the procedure of application of other categories of standards, effective on the territory of Kazakhstan.
- Conducts expert evaluation and analysis of harmonized standards that ensure the fulfillment of technical regulations requirements.
- Sets out procedures for the dissemination of all categories of standards.
- Represents the Republic of Kazakhstan in international and regional organizations for standardization.

Thus, contrary to international best practices, national standards are approved by a state agency, and not an independent standardization body. Moreover, KazInSt is subordinate to CTRM. CTRM appoints KazInSt management, and the Institute is financed from the State budget (in addition to fees for standardization). Moreover, KazInSt has limited influence on standardization development, with its functions limited to:

- Providing expert evaluation of draft state Standards and on interstate and CU standards.
- Publication and dissemination of State standards, international and regional standards, and standards of foreign countries and organizations.
- Translating into Russian and review of translated international and regional standards, national standards and standards of organizations of foreign countries.
- Maintaining the register of state technical regulating system, including record-keeping of standards applied in the Republic of Kazakhstan as well as supervising the activities of the Data Center on TBT and SPS measures and the Public Bank of Technical Regulations and Standards.
- Providing export training services to standardization specialists.
- Concluding agreements with national standardization bodies abroad for the translation (into Russian) and dissemination of their standards.

Indeed, standards development is very much the domain of CTRM, which also approves the Chairs of the Technical Committees for Standardization, who are elected by Committee members.

The predominance of CTRM also means that Kazakhstan has limited access to legal documents on international standards from ISO, IEC and a number of other internationally recognized standards bodies. For example, for ISO, such documents can only be acquired within the context of formal agreements between ISO and relevant national agencies. Kazakh public agencies engaged in standardization cannot enter into such agreements. This is so because they are prohibited by law from entering into agreements (or other forms of cooperation) with non-governmental agencies, if such agreements involve financial obligations (such as payment for ISO publications).

Yet another drawback to the existing system is the fact that line Ministries and other relevant public authorities have to approve the use of regional and international standards as a reference in Kazakhstan. This means that for Kazakh enterprises' focusing on domestic markets, there is only a limited choice of relevant regional and international standards that they can adopt, which undermines their ability to improve their competitiveness. There is also the need to include specific clauses on the use of technical specifications as a reference in existing laws, so as to facilitate their use. It is often the case that products, manufactured according to a technical specification by EU public and private entities, were denied access to Kazakhstan. Below are proposed recommendations for the Government's consideration.

Outstanding needs	Recommendations
The absence of an independent national standardization body	The establishment of an independent national standardization body. As proposed by international experts, the most efficient way would be to transform KazInSt into an independent governmental agency or into a private sector entity (Joint Stock Company or Limited Liability Company). ²⁵
Further modernization of the legal framework	<ul style="list-style-type: none"> • Conduct a systematic review of the legal framework underpinning standardization to ensure to ensure greater precision in the division of functions among the different agencies involved. • Modify provisions concerning the application of regional, international and national standards, to enable domestic enterprises that produce according to international standards to compete in domestic markets and to provide improved market access conditions for regional and international enterprises seeking to market their products in Kazakhstan. • Include specific clauses on the use of technical specifications as a reference in existing laws, so as to facilitate their use.

4.3 Conformity Assessment and accreditation

Conformity assessment is regulated by the Laws “On Technical Regulating”; Law “On Accreditation in the Sphere of Conformity Assessment”; “On Mandatory Product Conformity

²⁵ These proposals were submitted to the Government as part of the preparations for the EU funded project, “Development and Implementation of Trade Policies and Regulations”. The project was launched in mid-2010 and is expected to be completed in early 2013.

Assessment in the Republic of Kazakhstan”; “On State Control and Supervision in the Republic of Kazakhstan”; and, the technical regulation “On the Procedures of Conformity Assessment”. Conformity assessment is also subject to relevant CU agreements and decisions, and Kazakhstan is a party to CU Agreement on Mutual Recognition of Accreditation of Certification Bodies and Testing Laboratories Performing Conformity Assessment Activities

The accreditation of certification bodies and testing laboratories is carried out by the National Accreditation Center (NAC) of the Republic of Kazakhstan. NAC became a member of the International Laboratory Accreditation Cooperation (ILAC) in 2010 and, respectively, joined ILAC Mutual Recognition Agreement (MRA), which demonstrates international recognition of the Center and its compliance with the international standard ISO/IEC 17011 “Conformity Assessment- General Requirements for Accreditation Bodies Accrediting Conformity Assessment Bodies”. Currently, NAC is actively working towards becoming a member of International Accreditation Forum (IAF) and towards joining the IAF Multilateral Arrangement on Recognition of Certification Bodies (MLA)

At present Kazakhstan has 168 certification bodies, 105 of which are included in the Single Register of Certification Bodies and Testing Laboratories (Centers) of the CU. Kazakhstan also has 586 testing laboratories, 476 of which are included in the Single Register of Certification Bodies and Testing Laboratories (Centers) of the CU. Of 586 laboratories, 30% are public laboratories and the remaining is privately-owned.

The entire conformity assessment system is supervised by CTRM. In particular, CTRM:

- Sets out the procedures for inspecting products that are subject to mandatory conformity assessment; and the procedures for suspending or cancelling conformity certificates and declarations.
- Establishes the forms used for conformity certificates and conformity declarations, as well as for sample collection reports and for product tests.
- Establishes conformity marks and the procedures associated with the use of these marks.
- Coordinates the activities of public authorities, certification bodies and laboratories in the sphere of conformity assessment.
- Organizes the attestation of auditors in the sphere of product certification and management systems.
- Coordinates the state control over fulfillment of technical regulations requirements on the part of authorized bodies;
- Maintains the register of conformity assessment documents prepared and issued according to the common CU form.

Around 2,000 products are currently subject to mandatory conformity assessment, constituting, according to some interviewees, over 70 percent of the commodities available on domestic markets. For products that are subject to mandatory certification according to the national legislation of the Republic of Kazakhstan, but that are not included in the Single List of Products Subject to Mandatory Conformity Assessment within the Framework of the CU, enterprises (including foreign enterprises selling their products in local markets and national importers) have to acquire a conformity certificate from accredited certification bodies, and this certificate is only valid in Kazakhstan. For the products included in the CU Single List of Products Subject to Mandatory Conformity Assessment, enterprises have to obtain the declaration of conformity in the common CU format, and these are valid throughout the CU territory.

The main drawback to Kazakhstan’s conformity assessment system stems from the complex procedures and from that fact that mandatory requirements in respect to goods are set out in different standards and legal documents (e.g., documents regulating sanitary, environmental, veterinary and other spheres), rather than in one place. This situation imposes non-tariff

administrative barriers to trade, and complicates the implementation of international standards in Kazakhstan.

It should be noted that applying for declarations of conformity is not a common practice among Kazakh enterprises, which suggests weak technological capacities. The CTRM is trying to address this by introducing the international standard ISO/IEC 17050 “Conformity Assessment. Supplier’s Declaration of Conformity”.

Moreover, most of the laboratories have outdated facilities and use outdated testing methods, which undermines their ability to cover all the requirements found in the regulatory documents adopted within the framework of the CU. This may lead to the rejection of the services of Kazakh’s testing laboratories. For example, Kazakhstan does not have laboratories that could identify: genetically modified sources; or the quantity of dioxin in food; the quality of colorants; clothing; nor evaluate environmental requirements for motor fuel according to EU standards. Below are proposed recommendations for the Government’s consideration:

Outstanding needs	Recommendations
Further harmonization of existing conformity assessment procedures	<ul style="list-style-type: none"> • Conduct a systemic review of existing procedures to identify inconsistencies with international norms and rules and instances of duplication • Based on the results of the review, take the necessary measures to simplify, streamline and standardize conformity assessment procedures • Consider introducing electronic conformity certificates, assessment certificates and declarations
Bringing the accreditation system to internationally recognized norms and best practices.	<ul style="list-style-type: none"> • Consider revising the mandatory accreditation of conformity assessment bodies, including certification bodies, testing and calibration laboratories , since such a requirement contradicts international best practices that emphasis voluntary accreditation • Expand the scope of the law “On Accreditation in the Sphere of Conformity Assessment” to include inspection bodies.
	<ul style="list-style-type: none"> • Explore options with relevant EU authorities for supporting conformity assessment bodies, notified within the framework of the EU, and willing to conduct conformity assessment (in the territory of Kazakhstan) of Kazakh exports to the EU.

Outstanding needs	Recommendations
The weak institutional capacities of testing laboratories	<ul style="list-style-type: none"> • Develop the capacities of testing laboratories based on a cost-benefit analysis, and in consultation with CU partners • Consider entering into new mutual recognition agreements (MRAs) with European and other partners. • Assist enterprises to comply with the requirements of obtaining conformity assessment certificates, including by establishing a help desk for providing them practical advice. • Intensify efforts to enable NAC to obtain full membership with IAF.

4.4 Metrology

In Kazakhstan, metrology and legal metrology is based on the law “On Measurement Traceability Assurance”, which is guided by the IOLM international document D1 “Elements of the Law on Metrology”. The structure of Kazakhstan metrological service comprises:

- State-owned “Kazakhstan Institute of Metrology” (KazInMetr), and its subsidiary “Kazakhstan Inspection Service” that is engaged in inspection of measuring instruments.
- State time and frequency service; state service for standard samples and properties of substances and materials; state service for standard reference data on physical constants and properties of substances and materials, etc.;
- Metrological services, public authorities, individual persons and legal entities;
- Auditors in the area of measurement traceability assurance;
- Consultancy service providers in the field of traceability assurance.

CTRM MINT is in charge of traceability assurance management, and is mandated with the following tasks:

- Coordinating the activity of metrological services of the Republic of Kazakhstan;
- Adopting national standard measurement units, rules of approval, storage, application and comparison of national standard measurement units and standard measurement units;
- Adopting regulatory documents in the area of measurement traceability assurance, including general metrological requirements for instruments, techniques and results of measurements, measuring instruments inspection methods, qualifying requirements for auditors in the area of measurement traceability assurance and inspectors of measuring instruments, etc.;
- Maintaining the registry of the state measurement traceability assurance system;
- Exercising state metrological control;
- Representing Kazakhstan in international and regional metrology organizations;
- Performing licensing in the field of measurement traceability assurance;
- Adopting the forms for the certificates used for: the approval, attestation and verification of measuring instruments.

Kazakhstan has achieved significant progress in the development of its systems of metrology and legal metrology. It is a member of the International Organization of Legislative Metrology

(IOLM); General Conference on Weights and Measures; Euro-Asian Cooperation of National Metrological Institutions (COOMET); and the CIS Council for Standardization, Metrology and Certification. Moreover, Kazakhstan was the first among Central Asian countries to publish its CMC (calibration and measurement capabilities) data in the BIPM database of key comparisons and, as of January 2012, thirteen of its measuring instruments were recognized.

At present, Kazakhstan has 318 verification laboratories; 25 calibration laboratories; and 5 accredited legal entities that conduct metrological attestations of measurement techniques. Ongoing efforts to further develop metrology and legal metrology involve upgrading 30 national reference standards to bring them up to the accuracy level established by international requirements; improving the current system for maintaining national reference standards; and strengthening KazInMetr’s research and development capacity.

There remains room for improvement. KazInMetr issues verification certificates that are not recognized abroad as “calibration certificates” since they lack information required by best international practice, COOMET recommendations or Bureau International des Poids et Mesures (BIPM) standards. Moreover, the certificates are issued only in the Russian language and, therefore, cannot be used outside of Russian speaking countries. Moreover, Kazakhstan still uses the verification system controlled by the state and formalized by law, which does not comply with international metrological systems that feature an emphasis on calibration certificates and calibration methods. Moreover, the limited number of calibration laboratories undermines industrial innovation. Industry and manufacturers are unable to develop new ideas, improvements, research, developments and innovations because they cannot obtain, for themselves, equipment that is certified to be calibrated to the levels needed in many advanced areas of research and manufacturing. Therefore, they are deprived of the flexibility to determine the accuracy and reliability (degree of measurement uncertainty) that they need for new and improved products that are currently in the pipeline.

Thus, although KazInMetr’s and NAC’s technical competence are recognized internationally through MRA, their certificates will not be recognized in other countries and by foreign enterprises due to unknown and non-harmonized procedures, a lack of essential information (e.g. measurement uncertainty) or execution in a language that is not accepted in the export market (e.g. only Russian). Below are proposed recommendations for the Government’s consideration.

Outstanding needs	Recommendations
The metrological system, including measurement procedures, calibration certificates, language, etc. needs to be harmonized with the international requirements on all levels (KazInMetr, secondary laboratories, production laboratories and industry). Otherwise, recognition by other countries will remain difficult, if not impossible.	<ul style="list-style-type: none"> • Accredite verification laboratories in accordance with ISO/IEC 17020. • Accredite testing laboratories in accordance with ISO/IEC 17025. • Start issuing verification certificates in both Russian and English languages • Develop an advanced training programme in the areas of metrology and accreditation in cooperation with leading regional and international institutions • Establish a depository of key legal documents in the English language
Develop the institutional capacities of calibration laboratories	<ul style="list-style-type: none"> • Develop the capacities of calibration laboratories, and consider establishing new ones based on a cost-benefit analysis.

5. Concluding Remarks

This study is a first step in supporting Kazakh trade development efforts. It showed that while Kazakhstan has gone a long way in addressing technical and regulatory barriers to trade, there remains room for improvement. The study identified a number of procedures and regulatory barriers throughout the international supply chain and has proposed practical measures for addressing them.

Given the broad range of areas that the recommendations address, it would be difficult to implement the proposed measures in a single undertaking. As a follow-up to this assessment, the UNECE is working with the Kazakh National Advisory Committee to develop an implementation plan for the medium and longer term that sequences implementation of the recommendations by priority.

DRAFT

Annex: Business Process Analysis - Agribusiness and Food Products Exportation

Abbreviations

AF	Afghanistan
BPA	Business Process Analysis
CAR	Central Asian Republics
CIS	Commonwealth of Independent States
CU	Customs Union
cwts	Hundredweights
DE	Germany
EU	European Union
FTA	Free Trade Agreement
GE	Georgia
HS Code	Harmonized System Commodity Classification Code
KGZ	Kyrgyzstan
KZ	Kazakhstan
MEDT	Ministry of Economic Development and Trade, Kazakhstan
MINT	Ministry of Industry and New Technologies
MN	Mongolia
OSJD	Organization for the Collaboration between Railways
PRC	China (People's Republic of)
RZhD	Russian Railways
SMGS	The Agreement on International Rail Freight Communications, which is managed by the OSJD
SMGS Consignment Note	SMGS Consignment Note (Transport bill) which is applicable in Azerbaijan, Bulgaria, Georgia, Kazakhstan, Turkmenistan and Ukraine.
TJ	Tajikistan
TKM	Turkmenistan
UML	Unified Modelling Language
UZ	Uzbekistan

A1. Introduction

Pursuant to a request by the Government of Kazakhstan, this report uses the UNECE BPA described in section 2 to ascertain key procedural and regulatory bottlenecks, which undermine the competitiveness of agricultural food exports to regional and global markets. The report focuses on four products, namely: candy and confectionary products, flour, pasta and biscuits, which were identified in consultation with the government.

Two companies were selected to serve as case studies for the purposes of gaining insight into the core business processes associated with the export of the selected products, and the companies were selected in view of their rich export experience. The first is a major exporter of confectionery products and is headquartered in Almaty, the largest city in Kazakhstan. The company started active export operations in the mid-2000s. The second company is a major exporter of pasta, biscuits and flour, and is located in Petropavlovsk, a small town in the northern parts of Kazakhstan. It started export operations at the beginning of the 2000s. Today the two companies sell more than 20% of their products abroad, and both the volume and share of exports as a per cent of total production are increasing.

The BPA was carried out by a UNECE consultant, who visited the premises of the two companies and conducted extensive interviews with senior as well as middle and lower level management. Consistent with the BPA methodology, procedural and regulatory bottlenecks were identified based on a comprehensive examination of the two companies' core business processes, which are charted using three diagrams, namely:

- Use-case diagrams
- Business process flowcharts (using the BUY-SHIP-PAY reference model)
- Time procedure charts

This report presents the findings of the BPA and proposes recommendations for consideration by the Kazakh government. The report is divided into six sections. The introduction is followed in section two by a description of the scope of the BPA (i.e. the domain of interest), and the use case diagrams. Section three provides a detailed description of the core business processes of the two companies. This is followed, in sections four and five, by a snapshot of the overall time spent by the two companies to complete their core business processes and the documentary requirements. Each section discusses the major procedural and regulatory bottlenecks and proposes action-oriented recommendations for the government's consideration. The recommendations follow logically from the process diagrams and the analysis, and take into account suggestions made by the interviewees during the fieldwork. The last section provides some reflections on the implementation of the proposed recommendations.

A2. Domain of Interest

A2.1. Product selection

The four agri-food products were identified in consultation with the Kazakh Ministry of Economic Development and Trade. Initially, the Ministry proposed the examination of frozen and chilled meat as well as dairy products. However, an examination of Kazakh's trade statistics revealed that these products are not exported in any significant quantity, and that Kazakhstan relies heavily on imports for satisfying local demand for meat and milk products.

As shown in table 1, only lamb (frozen and chilled) has shown non-zero trade, with volumes equivalent to 10 full trucks (211 tons) over a half-a-year period in 2011. Dairy products exhibit higher export volumes, but these remain well below imports, as reflected in the export to import ratios (exports divided by imports).

Table 1. Export/Import ratios and export destinations for key dairy and meat products (January to June 2011)

1 HS Code	2 Product	3 Exported to	4 Tons	5 Export/Import Ratio
0204210000	Lamb chilled	Islamic Republic of Iran, Iraq	134	∞
0204410000	Lamb frozen	Islamic Republic of Iran	77	∞
0401201109	Milk (1-3%, packed < 2L)	KGZ, TKM, TJ	117	0.04
0401209109	Milk (3-6%, packed < 2L)	KGZ, TKM, TJ	133	0.02
0401209900	Milk (3-6%, other)	Sweden	0.4	0.0001
0403109100	Yogurts (<3%)	KGZ, UZ	232	0.43
0403109300	Yogurts (3-6%)	UZ	67	0.14
0403109900	Yogurts (>6%)	UZ, KGZ, TJ	28	∞

Source: Based on Customs Control Committee statistics, e-customs.gov.kz

Moreover, as shown in Table 2, meat and milk production in Kazakhstan has yet to recover from the economic crisis that befell the country following the disintegration of the USSR. If anything, Kazakhstan has a long way to go before satisfying local demand for these two product groups, which are considered of strategic importance for ensuring food security. In many countries, governments strive to cover their need in milk and meat through domestic production, before promoting increased exports.

Table 2. Meat and Milk Production in Kazakhstan, 1991 – 2010 (Thousand tons)

Product	1991	1995	2000	2005	2008	2009
Meat	1 524.4	984.8	622.6	762.2	874.2	896.3
Milk	5 555.4	4 916.1	3 730.2	4 749.2	5 198.0	5 303.9

Source: State Statistics

In contrast, as shown in table 3, the selected products have good export potential.

Table 3. Export volumes and destinations for selected product groups (2010)

1 HS Code	2 Product	3 Exported to	4 Tons	5 E/I Ratio
1902301000	Pasta, dried	Central Asia, AF	2 115	3.5
1902309000	Pasta, other	Central Asia, AF, GE	4 220	6.0
1101001100	Flour, wheat durum	KG, TJ, UZ, AF	12 558	1 266.0
1101001500	Flour, wheat common	UA, KG, TJ, UZ, MD, AF, MN	681 487	3 266.3
1905311900	Biscuits coated/covered by chocolate	KG, TJ, UZ, AZ, GH, PCR, AF	476	0.2

1 HS Code	2 Product	3 Exported to	4 Tons	5 E/I Ratio
1905319900	Biscuits, dry sweet	KG, TJ, UZ, MN	367	0.05
1704907100	Candies, not containing cocoa	CIS, DE, MN	1 395	1.36
1806901900	Chocolate candies	Central Asia, AF, DE, MN, PRC	386	0.21

Source: Customs Control Committee

Kazakhstan has been a large producer of grain since the fifties, which saw the allocation of more than 30 million hectares of land in the north of the country for growing grain. Most of the supporting infrastructure for harvesting, storing and milling was preserved, so that Kazakhstan is very well positioned to compete in regional and international markets.

Estimates by the International Grain Council show Kazakhstan exports of flour soaring to a new record of 3.5 million tons of equivalent wheat in 2010 (or 56 million cwts of flour), compared with 2,733,000 tons in 2009 and 2,054,000 in 2008, thereby accounting for 27 per cent of global flour exports. Although Kazakhstan lagged behind its record clearances in 2011 because of increased competition from neighbouring countries, particularly the Russian Federation and Turkey, it continues to hold a dominant position in international markets. With its exports of flour amounting to 3.2 million tons in 2011, Kazakhstan accounts for 26 per cent of global flour exports.

Thus, supporting increased exports of flour and flour-based products, particularly flour and pasta, is a natural path to follow. At present, Kazakh pasta is exported to Central Asian countries (especially, Afghanistan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan) and Georgia. In 2010, total exports of pasta amounted to 12.9 thousand tons, up from 9.2 thousand tons in 2009. These figures represent a modest share of local production, which reached 127.7 thousand tons in 2010, up from 115.5 thousand tons in 2009.²⁶

Biscuits, which have low export volumes, were included in the analysis because they form part of the same value chain as flour and pasta, and are often produced in the same facilities. Moreover, exporters often use the same transport facility for shipping flour, pasta and biscuits.

Candies were included in the analysis, based on the request of the government, even though they are not considered to be agri-food product. This is because candies produced by Kazakh manufacturers are made of mostly imported raw materials (cocoa, various jams, etc.). Although the manufacturers use locally produced sugar, this sugar is produced from Brazilian raw sugar.

The Kazakh Ministry of Economic Development and Trade explained that promoting the export of candies had gained much importance for achieving a number of strategic goals. First, this food-processing industry has a relatively high volume of export trade and a relatively high value-added. Second, it provides a major source of employment for the labour force of several towns (mostly Alma-Ata, Karaganda and Kustanay). Third, although most export shipments of candies end up in Central Asian countries, some go to Mongolia, China and even Germany. In the case of Germany, Kazakh candies are mainly imported by Kazakhstani traders who emigrated from Kazakhstan to Germany during the 1990s.

²⁶ The figures are from the Ministry of Agriculture and Customs Control Committee.

A2.2 Scope of Business Process Analysis

The scope of the analysis was established in discussion with the two exporters selected for the analysis. As shown in table 4, trade finance was not included because neither of the two exporters use trade-finance instruments, such as letters of credit (L/C), bank guarantees, and export documentary bills of collection.

It should be noted that L/C are available in Kazakhstan and in importing countries at reasonable costs. Yet, the two exporters either require full advance payment from the importer, or split payments into two instalments (an advance payment and the final payment after delivery of goods). This is because the importers are not very familiar with trade financing instruments. While these arrangements address the problem in the short-term, they increase the buyer's financial burden and inflate risks for both the exporter and importer.

Table 4. Scope of the analysis (products, markets, transport, financing)

Products	Export markets		Modes of transport			Trade financing
	CIS FTA	Non-CIS	Rail	Road	Other	
Flour	✓	✓	✓			
Pasta	✓		✓			
Biscuits	✓		✓			
Candies	✓	✓	✓	✓		

For the purpose of this analysis, the export markets of the two companies are divided into two groups.

The first group includes countries of the Commonwealth of Independent States (CIS), the traditional outlet for the two exporters. These countries have harmonized trade regulation within the context CIS Free Trade Agreement (FTA) and have connected transportation networks. Trade with these countries, therefore, offers important advantages, which come in addition to that fact that, like Kazakhstan, they also use Russian for trade negotiations and contracting.

The second group of countries includes the rest of the world; in this case, only two countries—Germany for export of candies and Afghanistan for large volumes of flour, suggesting modest diversification out of the CIS market.

The analysis focuses mainly on transport by railway and road. Maritime transport is not used by either of the two companies. This should not come as a surprise. The two companies sell products with relatively low value-added and high price elasticity, particularly in Afghanistan, Tajikistan, Uzbekistan and Kyrgyzstan. As such, they rely primarily on the cheapest mode of transport, particularly rail. Only deliveries from Almaty to Bishkek (240 km) and to Germany are transported by road, as this market shows lower price elasticity.

By highlighting the key procedural and regulatory bottlenecks to improved export competitiveness, the BPA could serve as a basis for the:

- Analysis of data requirements and data flow
- Development of standardized data
- Design of improved export processes
- Design of a prototype single window entry form
- Design of a prototype single window entry system
- Decisions on infrastructure and logistics services development

- Design of appropriate laws and market support institutions

Keeping in mind that further BPA studies would be required to ascertain the extent to which the problems identified in this BPA are common to priority export products.

A2.3 Core business processes

A2.3.1 Confectionery products

The bulk of the confectionery producer's exports are destined for the Russian Federation, and the company is actively seeking to increase exports to China and other neighbouring countries. When exporting to the EU, namely Germany, the first business process involves arranging for road transport. Candies are packed in consumer packaging (plastic, paper, foil), and then in cardboard boxes. The boxes are then packed onto EU standard wooden pallets (120 by 80 cm) and wrapped in a highly stretchable plastic film (see picture 1).

Picture 1. Euro-pallet with stacked cardboard boxes is a standard logistics unit load in international trade



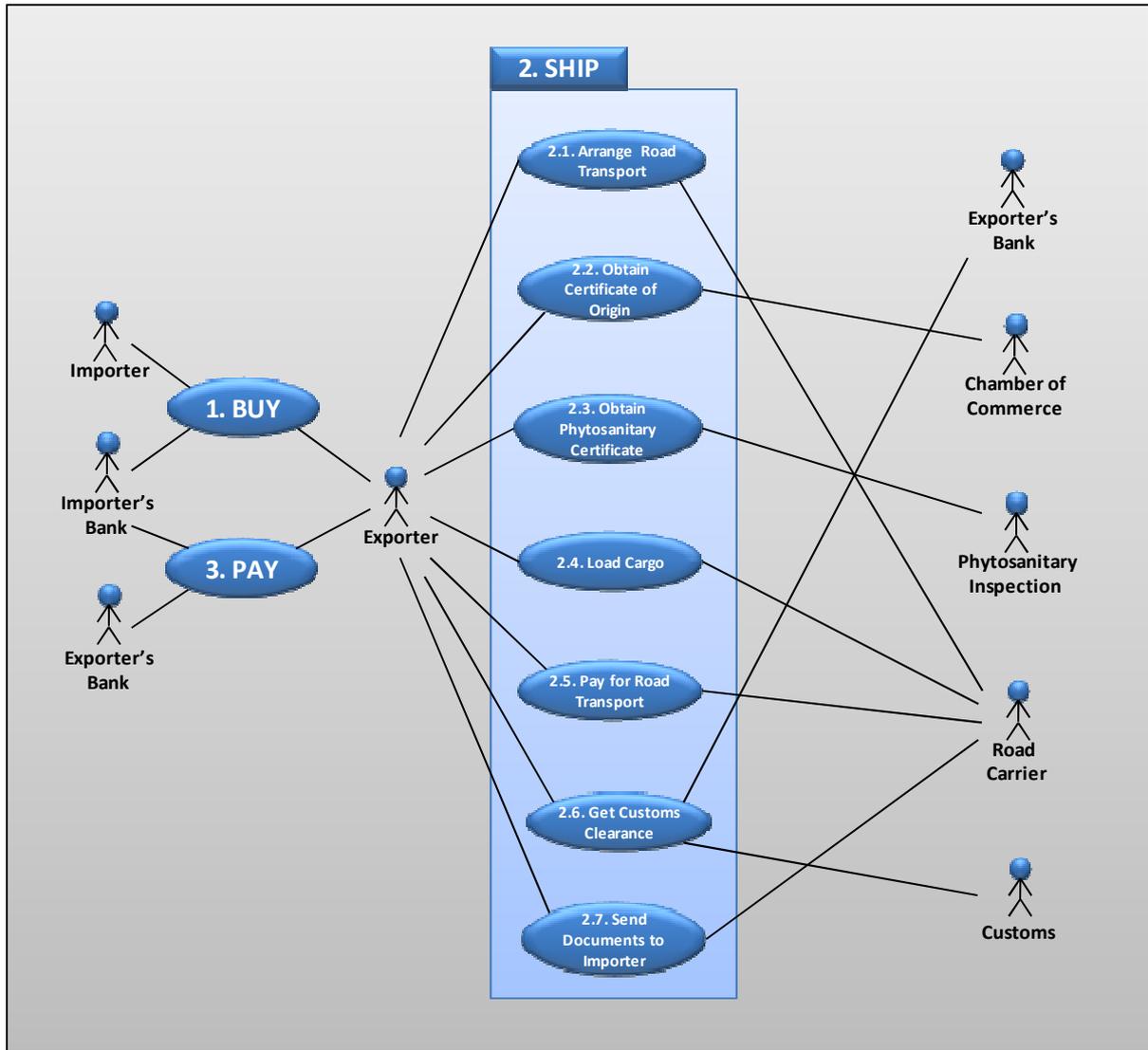
In the EU, wooden pallets and cardboard are subject to phytosanitary control. Thus, the company is required to present the phytosanitary certificate to the EU authorities (see, figure 1, which describes the export of candies to the European Union by truck). Candies shipped to the CIS countries do not need this Certificate²⁷ (see figure 2, which describes the export of candies to the CIS by rail in standard rail cars or in refrigerator cars).²⁸

All candies shipped to the EU are transported by truck. Carriers have their own trucks and are responsible for cargo insurance, so exporters do not need to deal with this business process. On the import side, the candy manufacturer imports an assortment of raw materials in large quantities. To minimize brokerage costs, the company has an in-house customs broker, who handles customs clearance procedures. The company does not use the services of customs brokerage companies.

²⁷ According to the rules of the Customs Union, processed (heated, boiled) and packed food items do not require phytosanitary certification. This means that among the four products examined, candies, pasta and biscuits do not require this certification.

²⁸ Maximum weight for standard cars is around 30 tons per car, and for refrigerator cars it is around 40-50 tons per car.

Figure 1. Use-case diagram for exporting confectionery products by road to the EU



In contrast, and as shown in figure 2, most export shipments to the CIS region are transported by rail, with national rail companies providing the tracks, locomotives and rolling stock (rail cars, fitting platforms, and multimodal containers) for domestic transport operations. For cross border transport operations, exporters may have to rent rail cars from private companies if the national railway company (Kazakh Temir Zholy) is unable to provide the required rolling stock.

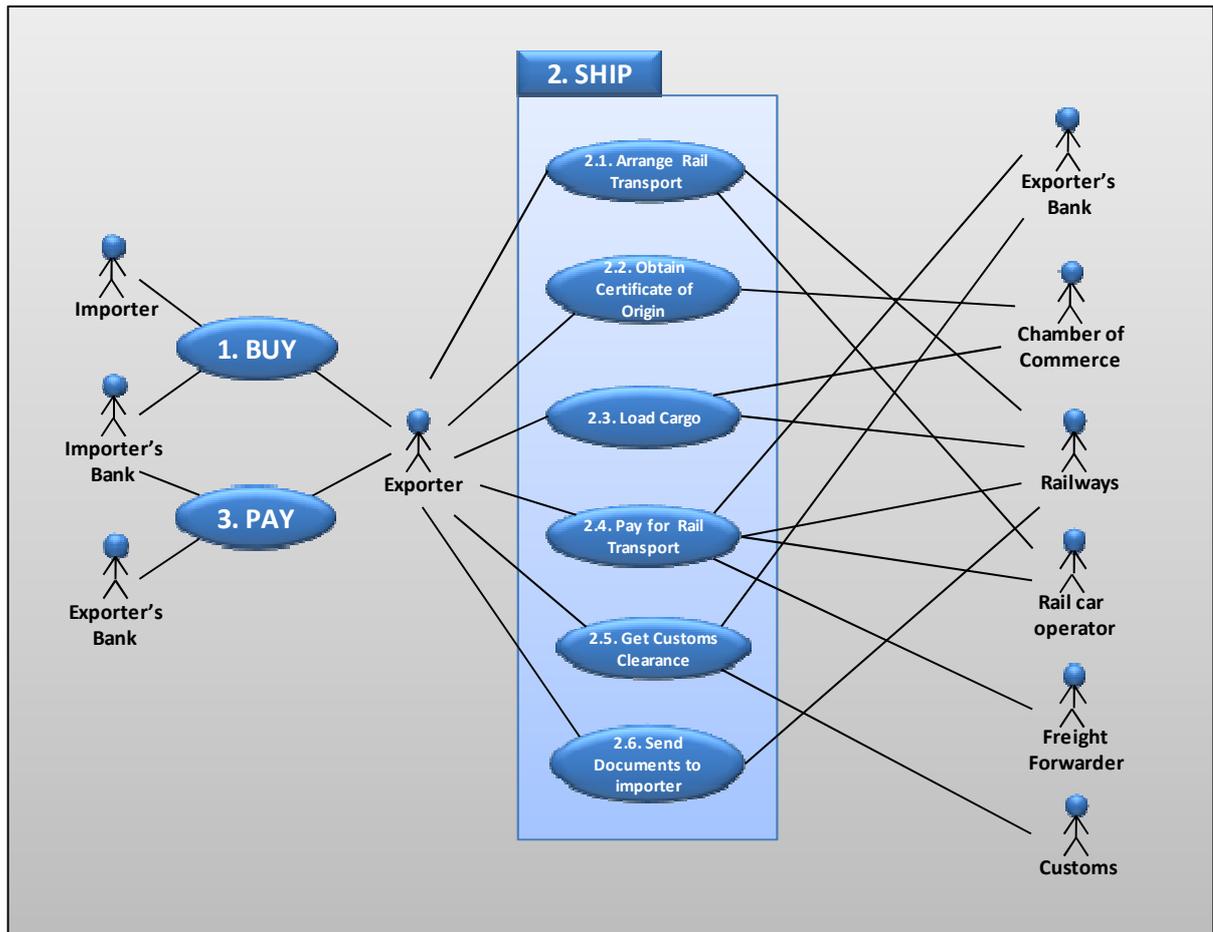
Normally, the company transports goods based on the deliver at place (DAP) terms.²⁹ If the goods are exported to Uzbekistan and Kyrgyzstan, it pays for rail transport up to the last Kazakh railway station, and the importer pays Uzbek Railways or Kyrgyz Railways for the transport of goods from the border-crossing point to its intended destination. If goods are exported to Tajikistan, freight-forwarding companies handle the payment to the transit railways (Uzbek Railways and Turkmen Railways), because neither the exporter nor the importer can pay the transit railways directly.

Processes associated with Load Cargo (for international and domestic deliveries) may involve the Chamber of Commerce in situations where the buyer and the seller are keen on avoiding disputes

²⁹ DAP refers to instances in which the seller delivers goods to an agreed upon destination. The seller assumes all risk until the goods arrive at their destination, and takes care of customs requirements.

over the quantity of shipped goods. The Chamber’s involvement, therefore, is limited to verifying that all goods are loaded into the railcar according to the commercial invoice and the packing list. The Chamber’s inspector provides a written report to the exporter several days after loading and dispatch of the transport. The report from the Chamber of Commerce confirms that the exporter loaded all of the goods included in the invoice and the packing list. The Chamber does not have any liability for shortage of goods. If there is a shortage, the importer makes a claim to the carrier and the exporter.

Figure 2. Use-case diagram for exporting confectionery products by rail to the Commonwealth of Independent States



This broad-brush analysis of the core business processes associated with the export of confectionery products highlights two areas that require immediate action. These are explained below along with recommendations for the Government’s consideration:

Outstanding needs	Recommendations
The involvement of the Chamber of Commerce in processes associated with Load cargo results in increasing the time and cost of exporting. Traders may have to rent a storage facility pending the receipt of the inspector’s written report, which is issued after several days	<ul style="list-style-type: none"> • Consider giving the task of verifying outgoing cargo to other border control agencies. • Introduce required procedures that result in the verification process being completed on the spot with minimal cost to the traders.
The payment methods used by the traders are costly and risky.	<ul style="list-style-type: none"> • Promote the use of L/C as this would go a long way toward reducing the buyers’ financial burden and minimizing risks.

A2.3.2. Flour, pasta and biscuits

As previously mentioned, the business processes associated with the export of flour, pasta and biscuits were examined using, as a case study, the Petropavlovsk production facility, which is one of Kazakhstan's largest flour and pasta producers. This company exports to the CIS countries, mostly to the Central Asian Republics, by rail. The railway station of Petropavlovsk is located in the Northern Kazakhstan oblast, but belongs to the South Ural Railways (part of RZhD – Russian Railways).

The bulk of the exports are shipped to the Russian Federation and, since 2011, these shipments have not been reported as exports, since the two countries have abolished customs control within the context of the CU established between Kazakhstan, Belarus and the Russian Federation. Thus, the company does not have to obtain customs declarations (export, import or transit declaration).

Unlike the candy exporter (Figure 1 and 2), the exporter of flour, pasta and biscuits uses the services of a customs brokerage company to clear goods. Figure 3 charts business operations associated with exporting flour to CIS countries (mainly the Central Asian Republics and Afghanistan) by rail with a maximum weight of 60-65 tons per rail car. Business operations associated with the export of pasta and biscuits to CIS countries (mainly the Central Asian Republics) by rail are depicted in figure 4. The only difference between Figures 3 and 4 is that the export of flour requires obtaining phytosanitary certification. The next section provides a detailed description of each export business process.

Figure 3. Use-case diagram for exporting flour to CIS countries (mainly Central Asian Republics and Afghanistan) by rail

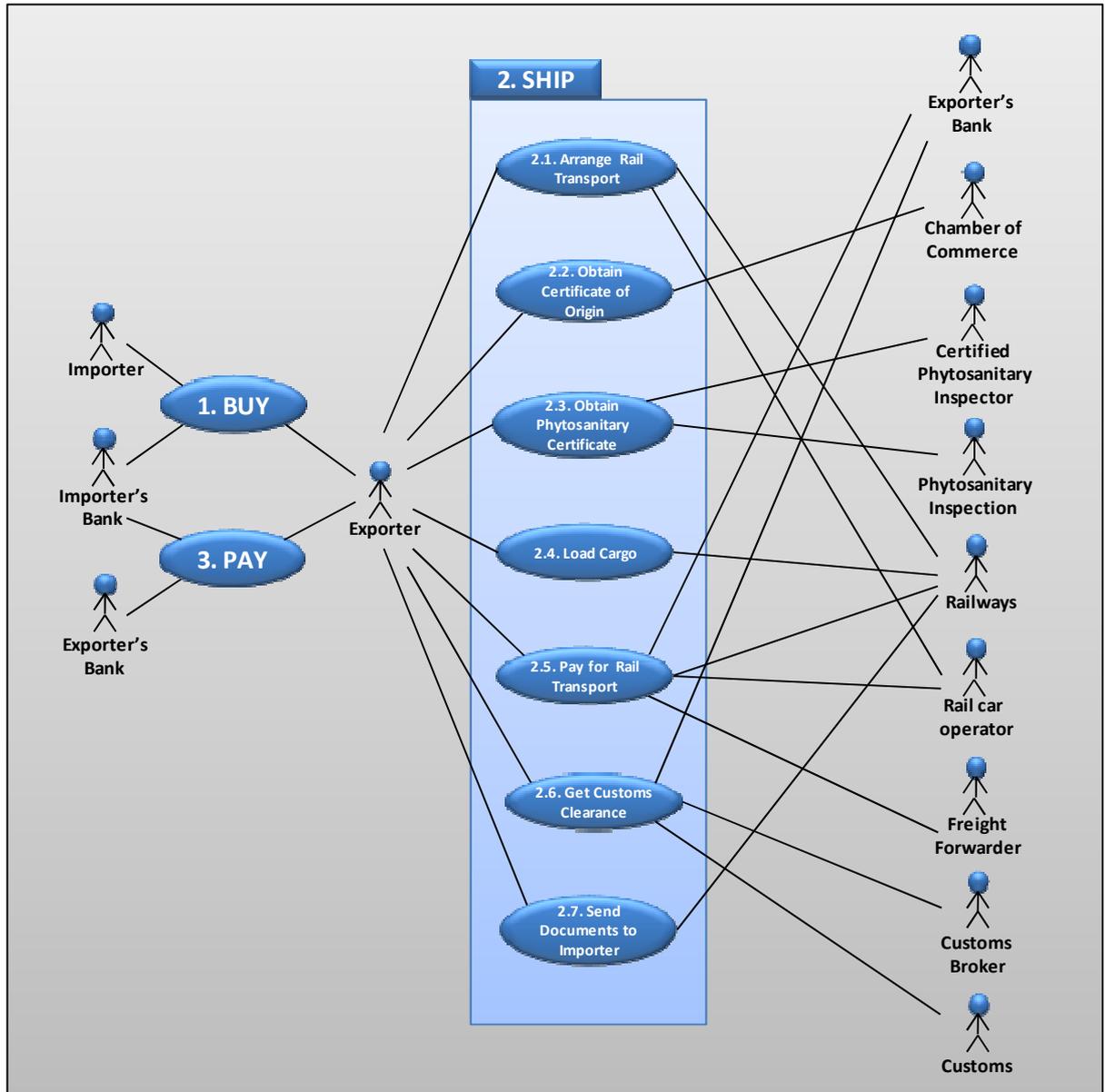
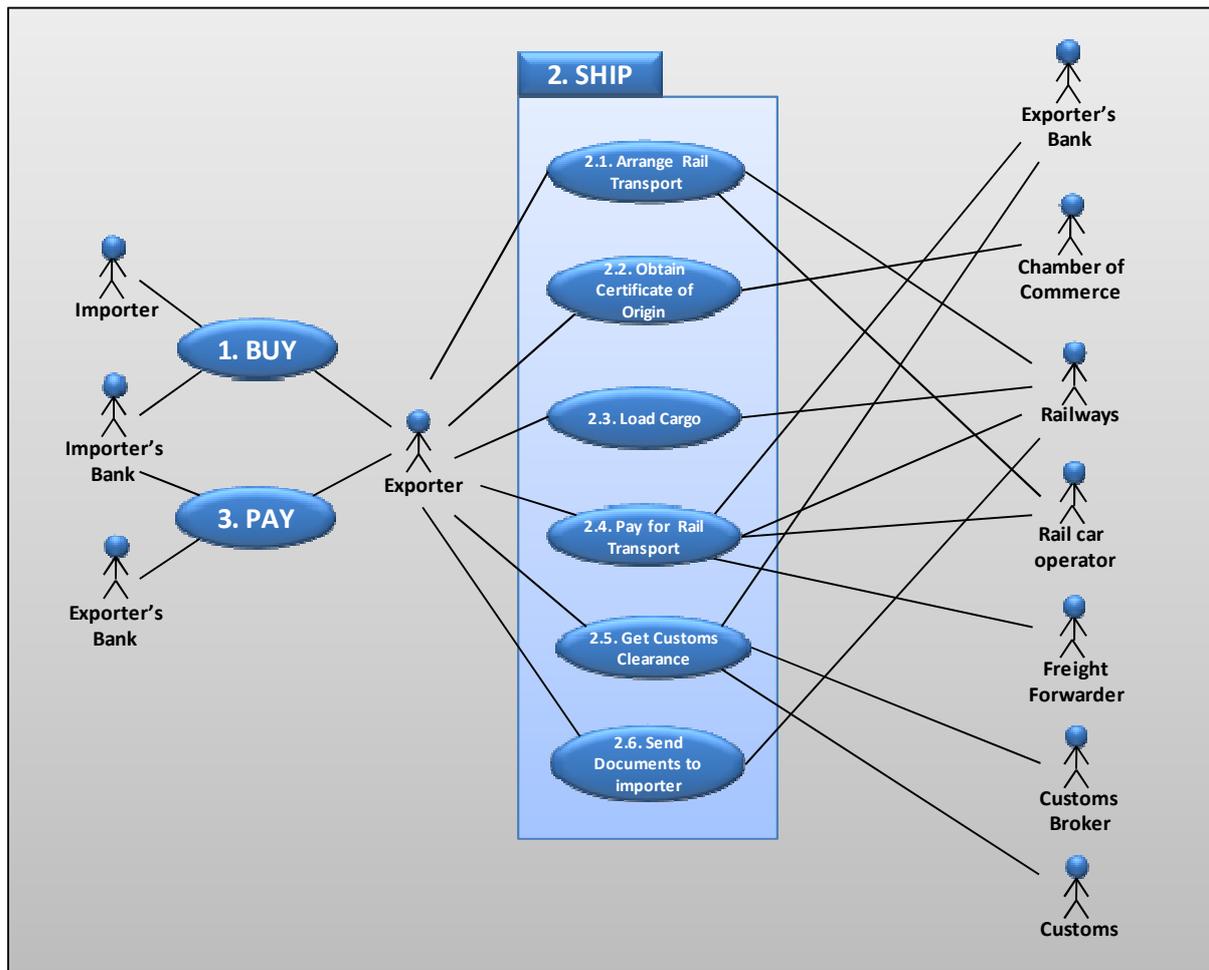


Figure 4. Use-case diagram for exporting pasta and biscuits to CIS countries (mostly Central Asian Republics) by rail



A3. Export Business Processes

This section depicts export business processes based on the UNECE international supply chain Buy-Ship-Pay reference model, and uses the Unified Modelling Language (UML) notation to chart activity diagrams.

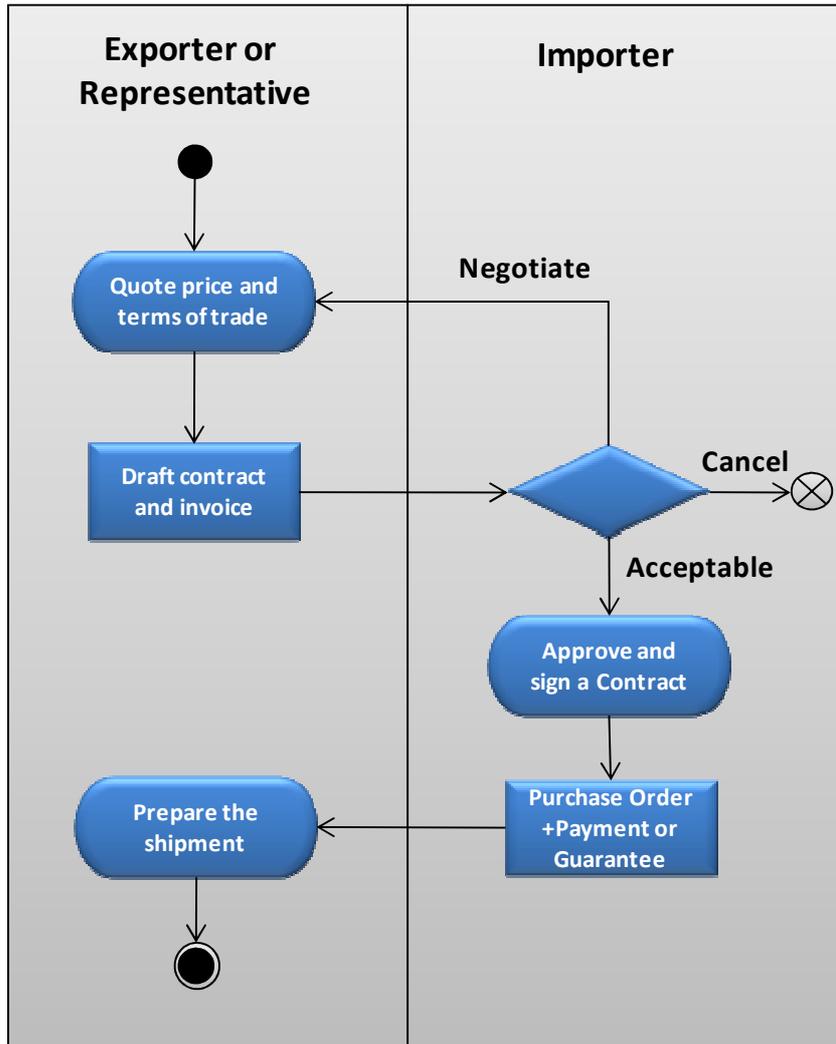
Process 1. BUY

1.1 Negotiations and concluding sales contract

As shown in figure 5, the Negotiations and Sales Contract is a relatively standard process and applies to all combinations of products, destinations and transport examined in this report (4 products – flour, pasta, biscuits, candies; 2 types of destination – CIS market, EU market; and, 2 types of transport – Rail; Road).

Although local banks provide good support for various trade-financing instruments, neither of the two companies use documentary Letters of Credits (L/C) or other tools of trade financing. It is worth noting that when an exporter signs a new sales contract, he needs to obtain a transaction certificate prior to receiving payments and prior to customs clearance. The issued transaction certificate serves as the basis for customs clearance of goods and execution of payment under the sales contract. The procedures associated with obtaining this certificate are discussed later on under Pay (3.1).

Figure 5. BUY: 1.1. Negotiations and concluding sales contract



Name of process area	1. Buy
Name of business process	1.1. Negotiating and concluding sales contract
Related laws, rules, and regulations	<ul style="list-style-type: none"> • Incoterms • Civil Code
Process participants	<ul style="list-style-type: none"> • Importer • Exporter or Representative
Input and criteria to enter/begin the business process	<ul style="list-style-type: none"> • Exporter has a list of potential buyers • Exporter is eligible to market products abroad. Customs Union Decision 168 of 27/01/2010 regulates application of export quotas. Export quota can be potentially applied to flour. There are no restrictions to export of candies, pasta and biscuits • Exporter must have a valid certificate of conformity for food products (CU Decisions 526, 896, 563, 319, 620, 621, 629)
Activities and associated documentary requirements	<ul style="list-style-type: none"> • The Exporter prepares a Quotation to inform an importer about quoted price and sales terms. • The Importer reviews the Quotation and determines if the quoted price and sales terms are acceptable. If the quoted price and sales terms are not acceptable, the importer requests the exporter to revise the quoted price and sales terms. • If the quoted price and sales terms are acceptable, the importer

	<p>confirms the purchase of goods by signing a (Framework) Sales Contract</p> <ul style="list-style-type: none"> • An additional Purchase Order or an annex to the Sales Contract may be issued to define special conditions of every shipment • The Exporter prepares the delivery of goods accordingly. • The Exporter acknowledges the receipt of Purchase Order and confirms that goods will be delivered according to established conditions and terms by sending importer a Commercial Invoice for full or partial payment for goods
Output criteria to exit the business process	<ul style="list-style-type: none"> • Importer and exporter have concluded a sales contract • Based on a purchase order, an exporter can accept payments and prepare goods for export.
Average time required to complete this business process	5 days

Process 2. SHIP

2.1. Arrangement of Rail Transport

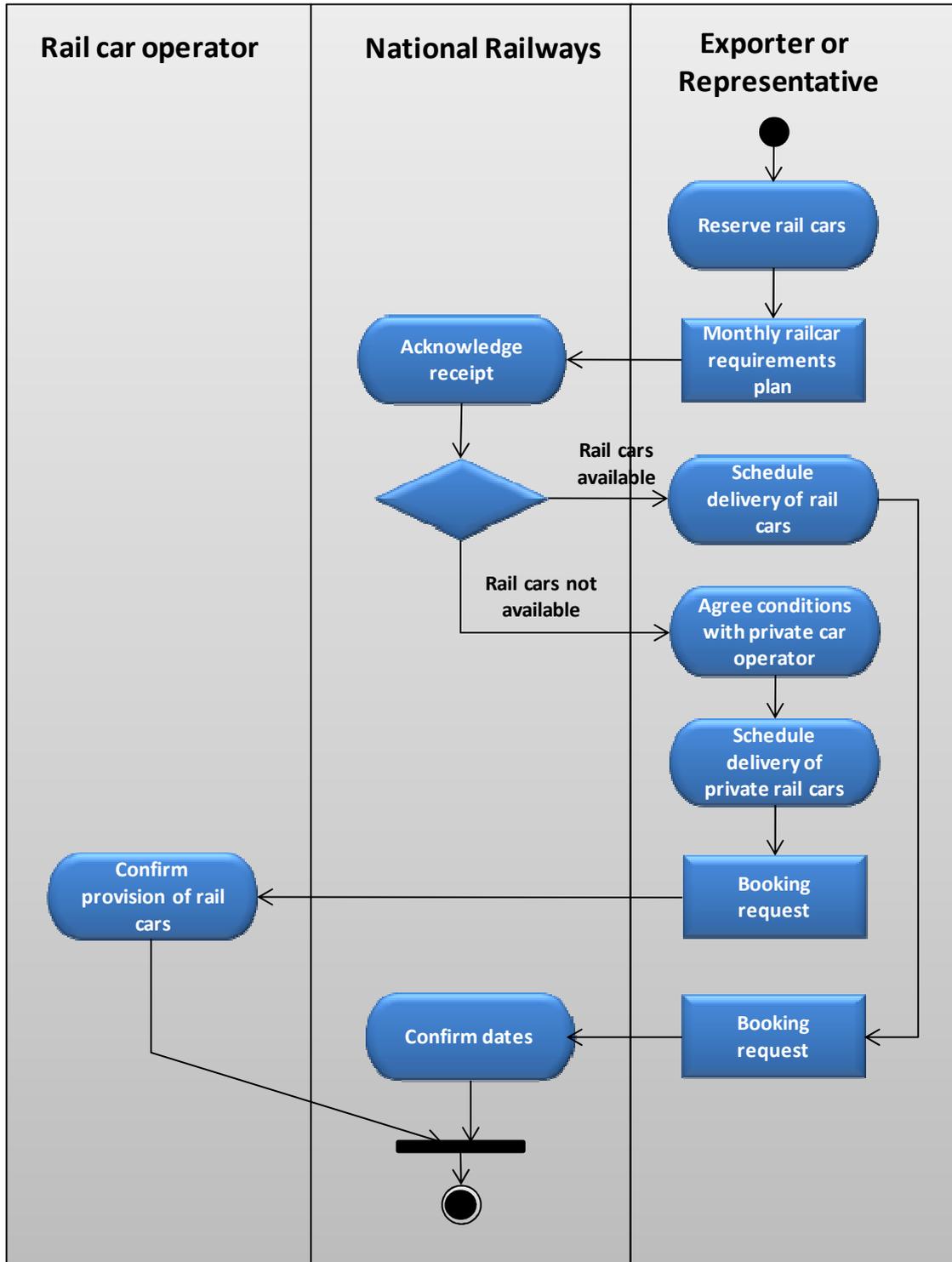
Arrangement of Rail transportation (Figure 6) is the most challenging business process for exporters, as it is the most time consuming and the most expensive. Goods can be stolen from the border railways stations, where trains stop for the documentary checks, for physical inspection and for changing of locomotives. There were a number of cases when seals were opened, goods were taken out, and then seals were put back again.

Seals are designed in such a way that if they were opened, this should be easily noticed. Thus, when goods are received in Uzbekistan, the importer should check the seals and if they are broken, inform the authorities at the railway station. Unfortunately, it is often difficult to examine seals properly and identify tempering with the seal. By and large, the railways take responsibility for transportation of sealed rail cars. However, if the goods inside the rail car were subjected to theft, and there is no evidence that the seal was broken, the railways do not assume responsibility.

Moreover, even if the importer makes a proper claim, often it is not possible to link the theft to a particular railway (for example, if goods travelled from Alma-Ata to Dushanbe via Kazakh railway network, Uzbekistan, Turkmenistan, Uzbekistan again, and, finally, Tajik railway network). Insurance companies, it should be noted, avoid insuring transported goods by railway.

Outstanding needs	Recommendations
High incidents of theft	<ul style="list-style-type: none"> • Rehabilitate the existing stock of railway freight wagons using modern anti-theft technologies • Introduce modern systems for ensuring secure trade, such as security fences, trembler alarms, forensic markers and modern closed circuit television (CC TV) security cameras.

Figure 6. SHIP: 2.1. Arrange rail transport



Name of process area	2. Ship
Name of business process	2.1. Arrange Rail Transport
Related laws, rules, and regulations	<p>Regulation of railways operations (available in Russian only):</p> <ul style="list-style-type: none"> • A list of commercial stations by office road • Order to approve the "Rules of cargo transportation," • Conventional bans • The organisation of transportation by freight cars, repair of freight cars and inventory accounting of freight cars. • Agreement on International Goods Transport by Rail (SMGS) • Application for SMGS consignment notes • Order № 554 of the Minister of Transport and Communications of Kazakhstan • Request for transportation (the application form PG-12), Annex 1 • National Transport Code • Agreement on the order of operation, repair, accounting and settlement for the use of freight cars inventory of the park, leased (temporary use), and use on international routes
Process participants	<ul style="list-style-type: none"> • Carrier - National Railway Company (Kazakh Railways or Russian Railways) • Rail car operating company • Exporter
Input and criteria to enter/begin the business process	<ul style="list-style-type: none"> • The Importer and the Exporter have already agreed about delivery of purchased products to a certain destination
Activities and associated documentary requirements	<ul style="list-style-type: none"> • The Exporter contacts a carrier to reserve rail cars to the designated destinations and pre-schedules a dispatch from the nearest railways station. The reservation is normally done for the whole next month in the beginning of the current month (e.g. all rail cars for February should be reserved by 10th of January). The quantity and dispatch dates are indicative. • The carrier confirms the monthly plan or proposes modifications if they don't have capacity to provide empty rail cars for certain shipments • If the carrier (national railways company) does not have rail cars available for dispatch to the requested destination, rail cars should be reserved through an independent rail car operating company • Several days before each shipment the Exporter makes the final booking request (paper-based) to the railway company. • The railway company confirms and stamps the booking request
Output criteria to exit the business process	<ul style="list-style-type: none"> • Rail transport required to move cargo from the designated pick up location is arranged
Costs and resources	<ul style="list-style-type: none"> • No out-of-pocket expenses • 2 full time employees deal with all shipments (60-80 rail cars to domestic and international destinations per month)
Average time required to complete this business process	<p>2 days – candies 3-10 days – flour, pasta, biscuits</p>

Process 2. SHIP

2.2. Obtain the Certificate of Origin

The Certificate of Origin is issued by the Chamber of Commerce through its 16 branches in Kazakhstan. As shown in figure 7, in cases where additional examination is needed, the exporter has to apply for an expert examination, which is conducted by the Kazakh Chamber of

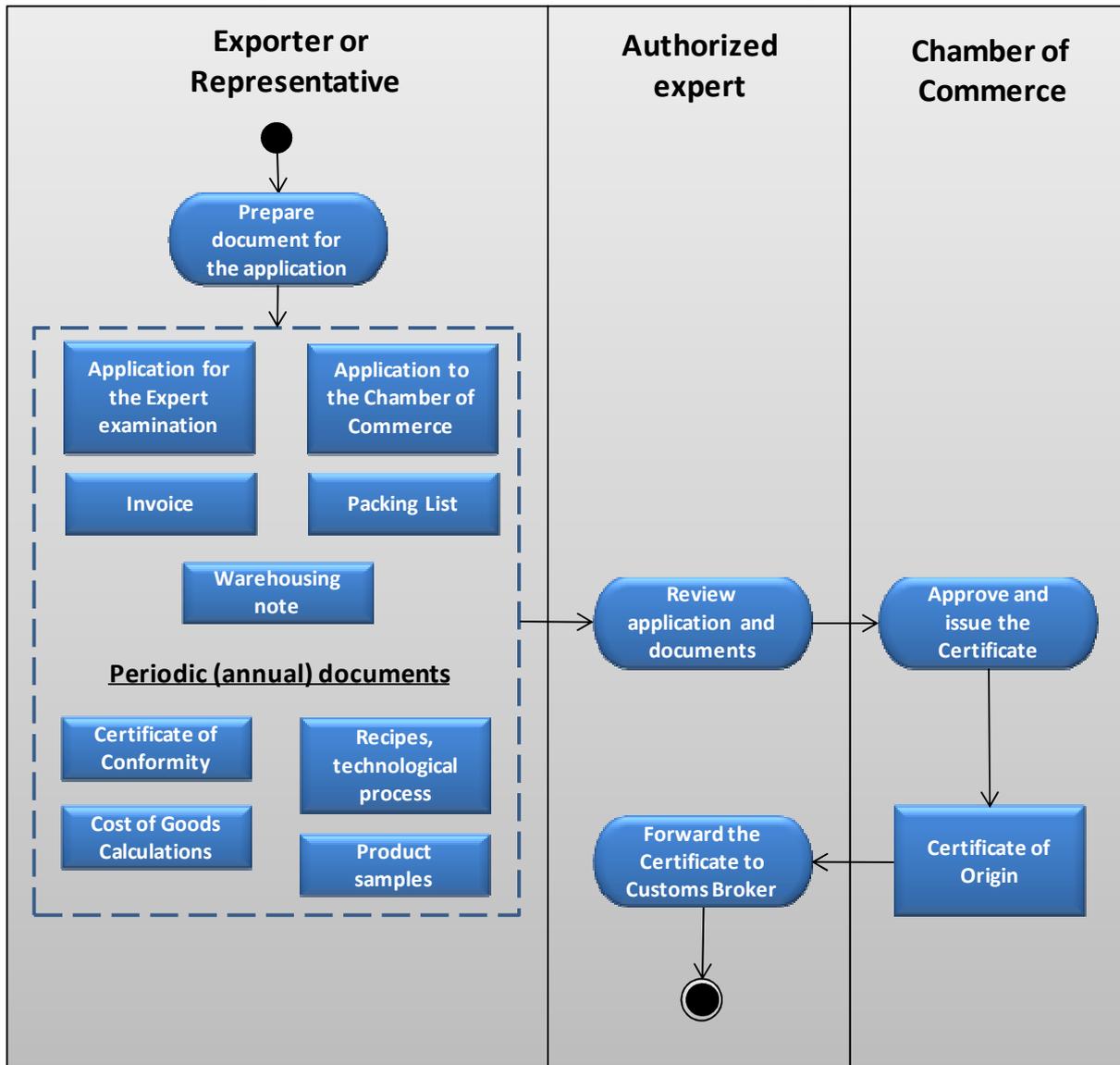
Commerce's regional branch. Both companies submit the required supporting documents once a year, and these documents, along with site visits by the local branches of the Kazakh Chamber of Commerce, serve as the basis for estimating local content. Thus, the respective branch of Chamber of Commerce only needs to review the documents and issue the Certificate.

Yet, even though the two companies examined in this report are subjected to the same documentary requirements, it usually takes the candies exporter up to three days to obtain the Certificate of Origin, while the exporter of flour, pasta and biscuits obtains it in 3-5 hours. In addition, and as shown in the explanatory table to figure 7, obtaining a certificate of origin requires several documents; some of which are of little value for guiding decisions. Examples, include the recipes and technical process maps.

This discrepancy was attributed by the interviewees to the Chamber's internal rules and procedures. For example, requests can only be processed after being reviewed by authorized personnel. In addition, the Chamber of Commerce only assumed responsibility for issuing Certificates of Origin in 2009.

Outstanding needs	Recommendations
Simplifying and streamlining the procedure for obtaining certificates of origin	<ul style="list-style-type: none"> • Conduct a thorough examination of the procedures and internal rules of all the local branches of the Chamber of Commerce to identify the bottlenecks responsible behind such discrepancies in the treatment of different companies with similar types of goods. • Establish a new procedure for guiding the issuance of certificates of origin, and make it available for the private sector • Establish clear instructions for implementing the revised procedures • Provide the staff with the needed training for implementing the procedure • Another alternative would be to consider issuing electronic Certificates of Origin.
Streamlining the documentary requirements	Consider reducing the number of documentary requirements. Particular emphasis should be given to removing from the list those documents that add little value for guiding decisions.

Figure 7. SHIP: 2.2. Obtain the Certificate of Origin



Name of process area	2. Ship
Name of business process	2.3. Obtain the Certificate of Origin
Related laws, rules, and regulations	<ul style="list-style-type: none"> • Kyoto Convention (Revised), Annex K, Chapter 1 • Chapter 7 (Articles 59-63) of the Customs Code of the Customs Union • EU Commission Regulation No 1063/2010 • Rules of origin of goods in the CIS (Yalta, 20.11.2009) • Decision of the CIS on the rules for determining the country of origin (Yalta, 20.11.2009) • CIS Agreement on rules of origin of goods (Yalta, 20.11.2009) • Rules for determining country of origin approved by Government Resolution № 1647 of 22.10.2009g. • Order of the Minister of Industry and Trade of RK № 388 of 17.11.2010g. approval of the list, confirming the origin of the goods Appendix 13a • EC Regulation № 2454 93 additional. changes to the number 12 97 1602 2000 • Commission Regulation (EC) № 1063 from 18.11.2010

	<ul style="list-style-type: none"> • Council Regulation (EC) № 2008 of 22.07.2008 732. • Rules of the CIS in 2000 from 05.03.2010 • Law of the Republic of Kazakhstan “On making amendments and addenda to some legislative acts of the Republic of Kazakhstan on the activities of chambers of commerce” dated 23 October 2009.
Process participants	<ul style="list-style-type: none"> • Exporter • The Chamber of Commerce • An authorized expert (by the Chamber of Commerce)
Input and criteria to enter/begin the business process	<ul style="list-style-type: none"> • Exporter has already received a confirmation from a carrier (export of candies) or received a rail car in the plant warehouse’s rail siding and started loading (export of flour, pasta and biscuits)
Activities and associated documentary requirements	<ul style="list-style-type: none"> • The Exporter submits, on an annual basis, the following documents: <ul style="list-style-type: none"> • Certificate of Conformity • Cost of goods calculations, with breakdowns by imported and local resources and costs • Recipes • Technical process maps • Product samples • For every shipment, the documents below must be submitted: <ul style="list-style-type: none"> • Documents confirming the legal status of the exporter • The original and a copy of the export contract • The original and a copy of the invoice • The original and a copy of documents confirming the origin of the goods. • The original and a copy of the license for the activity. • The original and a copy of documents for determining sufficient processing of goods. • The filled out application form for obtaining the Certificate of Origin • Packing list • The original and copy of the power of attorney to represent the applicant. • The Chamber of Commerce reviews the annually submitted documents and compares them with documents in the application for the Certificate. If local cost content in the exported product exceeds 50%, the Certificate of Origin is issued (ST-1 type for CIS destinations, A-type for the EU and other countries)
Costs and resources	<ul style="list-style-type: none"> • 7500 KZT (1US\$ = 148 KZT) per one Certificate (for one full shipment) – fee to the Chamber of Commerce • Company Administrative Staff, shared use.
Output criteria to exit the business process	<ul style="list-style-type: none"> • The Certificate of Origin is received
Average time required to complete this business process	<p>3 days – candies 3-5 hours – flour, pasta, biscuits</p>

2.3. Obtain the phytosanitary certificate

The phytosanitary certificate is required for flour and cardboard packaging (when exporting to the EU. Obtaining phytosanitary certification for cardboard only requires the submission of the invoice to the Phytosanitary inspection. No other documents are required. This is because the corrugated cardboard used in packaging is produced by a Kazakh company; the facilities of which

are also inspected the phytosanitary inspection and, therefore, it has all the records for the producer. Accordingly, the producer just needs to present evidence (i.e., the invoice) that the products are destined for the EU, and usually obtains the certificate within the hour.

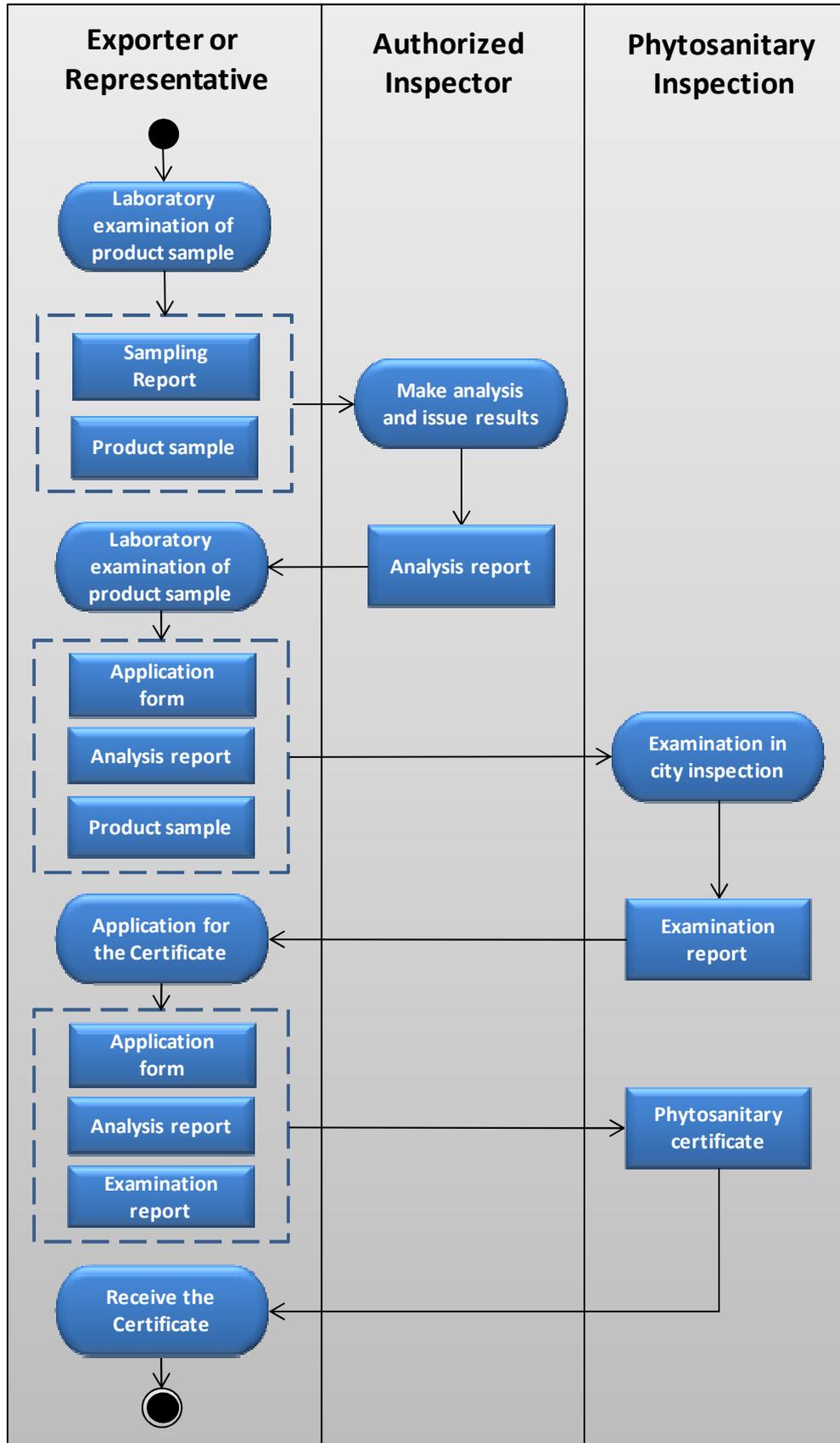
The phytosanitary certification for flour requires many more steps (Figure 8). First, the flour is examined by an independent testing laboratory or by the State Enterprise Phytosanitaria, which is affiliated to the Ministry of Agriculture Committee of Inspections, in its capacity as the authorized State inspector (RGP Phytosanitaria). The exporter then has to get through another examination by the city inspection (where the company is based). Once the results of the two examinations are released, the exporter goes to the Oblast (region) phytosanitary inspection to receive the certificate. Yet, even though the exporter has to visit three different state agencies in three different parts of the town, he receives the certificate within a few hours.

The exporter can resort to either the authorized State inspector, or an independent laboratory for carrying out the first inspection. As such, and as shown in figure 8, he tends to see this step as distinct from the town and oblast phytosanitary inspections, which are responsible for conducting follow-up inspection.

While the trader receives the certificate in a few hours, he still has to visit three different agencies that are located in different parts of the town. For companies that are keen on increasing their exports, this procedure could be taxing. Below are some proposals for simplifying and streamlining this procedure:

Outstanding needs	Recommendations
Simplify and streamline the procedure for obtaining phytosanitary certification for flour	<ul style="list-style-type: none"> • The government may consider eliminating one of the three phases. A more simplified procedure could involve lab examination of a product sample, and a paper check by the chief Phytosanitary inspector. These two phases should not require any follow-up by the exporter. The exporter should only need to submit the sample for testing in a Single Procedure and, after reasonable amount of time, receive the Certificate. This is a clear example where a single window arrangement would be most helpful • Moreover, as the Phytosanitary inspection checks the production site and finished goods on a regular basis, it could consider waiving laboratory checks, whenever possible.

Figure 8. SHIP: 2.3. Obtain phytosanitary certificate for flour

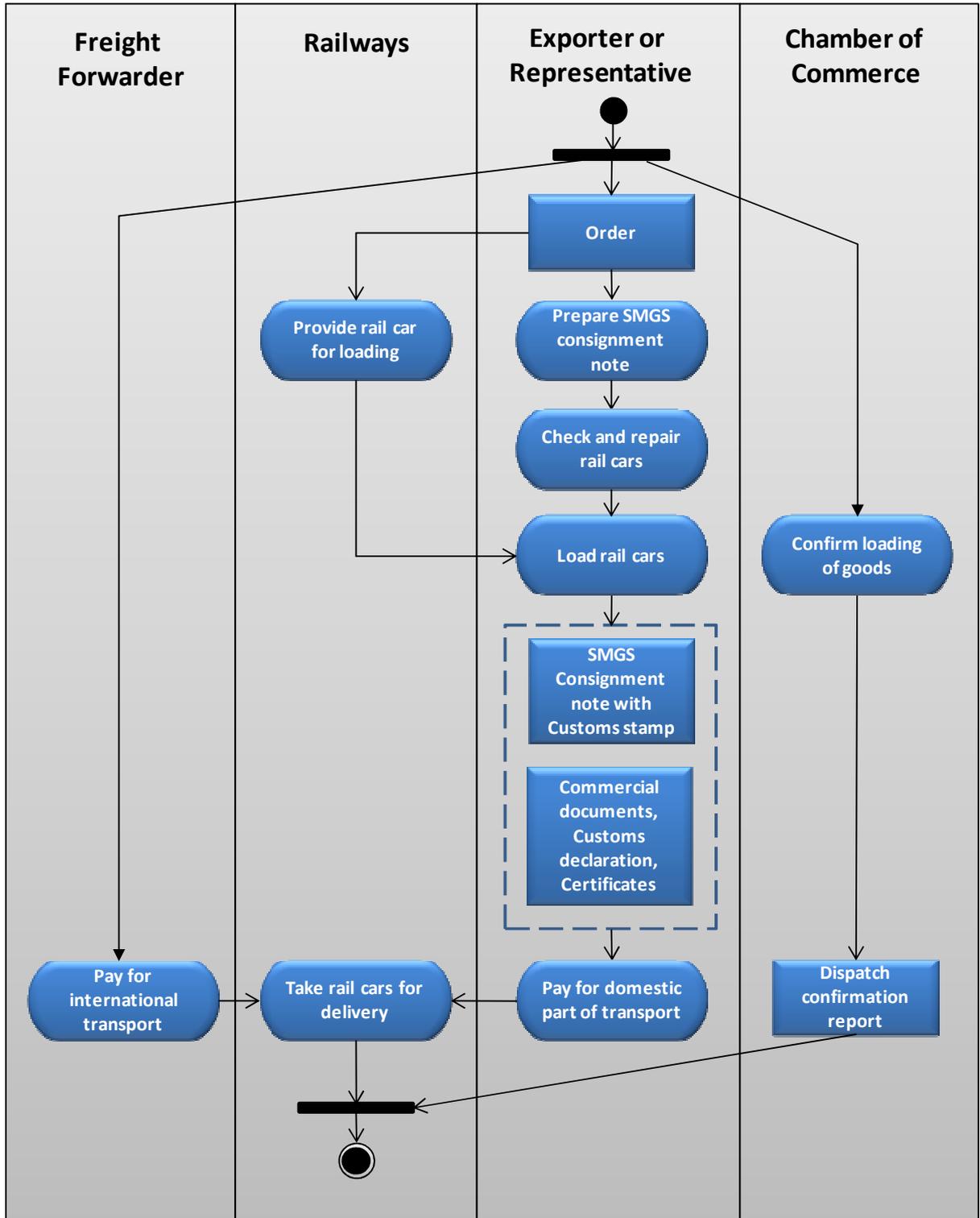


Name of process area	2. Ship
Name of business process	2.3. Obtain Phytosanitary Certificate
Related laws, rules, and regulations	<ul style="list-style-type: none"> Decision No 30 of 11 December 2009: Customs Union agreement on phytosanitary measures and its annex Decision No 318 of 18 June 2010 of the Customs Union Commission as amended by Decision No 454 of 18 November 2010: List of products subject to phytosanitary control Regulation on phytosanitary control at the CU border Regulation on phytosanitary control in the CU Summary of Decision No 318 of the Customs Union
Process participants	<ul style="list-style-type: none"> Exporter Authorized inspector (RGP Phytosanitaria) Phytosanitary inspection (1. city inspection and 2. oblast inspection)
Input and criteria to enter/ begin the business process	<ul style="list-style-type: none"> Rail transport has been delivered to the production site, the loading started
Activities and associated documentary requirements	<ul style="list-style-type: none"> The Exporter takes a sample of flour (around 1 kg), completes the sampling report and delivers them to the RGP Phytosanitaria (a company chartered and fully owned by the Committee of Agricultural Inspections of the Ministry of Agriculture) The RGP Phytosanitaria makes necessary checks of flour and issues a protocol of analysis (Analyses card) The Exporter takes the analysis card from RGP Phytosanitaria and a sample of flour (around 1 kg), fills the application form and delivers them to the city Phytosanitary inspectorate The City (Municipal) Phytosanitary inspectorate checks flour and reviews the Analysis card and issues their inspection report The Exporter fills an application form and provides the inspection report from the City Phytosanitary Inspectorate and the Analysis card to the Oblast (Region) Chief Phytosanitary Inspector The Oblast Phytosanitary Inspector issues and signs the Phytosanitary Certificate
Output criteria to exit the business process	<ul style="list-style-type: none"> The Phytosanitary Certificate is received
Costs and resources	<ul style="list-style-type: none"> 27 KZT (1US\$ = 148 KZT) per one ton of flour – to the RGP Phytosanitaria Company Administrative Staff, shared use.
Average time required to complete this business process	2-3 hours, including transport (RGP Phytosanitaria, city inspection and oblast inspections are located in 3 different places within a town)

2.4-2.7: Load transport , Pay for transport, Customs Clearance and Send documents to importer

As shown in Figure 9, the process of loading transport and related payment, along with sending the documents to the importer is relatively smooth and is usually completed during one business day.

Figure 9. SHIP: Load transport, Pay for transport, Send documents to importer



Name of process area	2. Ship
Name of business process	2.4. Load Transport 2.5. Pay for Transport
Related laws, rules, and regulations	Regulation of railways operations (available in Russian only): <ul style="list-style-type: none"> • Rules of cargo transportation • A list of commercial stations by office road • Order to approve the "Rules of cargo transportation," • Conventional bans • Handling and accounting own freight cars • Agreement on International Goods Transport by Rail • Application of the above mentioned-agreement • Order № 554 of the Minister of Transport and Communications of Kazakhstan • Request for transportation (the application form PG-12), Annex 1 • Request for transportation (the application form PG-12), the application • How to transport: planning instructions • Agreement on the order of operation, accounting and settlement for the use of freight cars inventory of the park, leased (temporary use), and using international routes
Process participants	<ul style="list-style-type: none"> • Exporter • National railways (either Kazakh or Russian) • Freight Forwarding Company (optional) • Chamber of Commerce (optional) • Private rail car operating company (optional)
Input and criteria to enter/begin the business process	<ul style="list-style-type: none"> • Shipment is ready to be dispatched • Rail car(s) is/are delivered to the product warehouse rail siding
Activities and associated documentary requirements	<ul style="list-style-type: none"> • The Exporter prepares the railway consignment note (SMGS note is used for the OSZhD rail network). One of the exporters gets blank SMGS forms from the national railways and fills them with a typewriter, the other one uses the e-version of the SMGS blank form, fills in with a computer and prints it out. • Meanwhile, loaders check the rail car and make necessary fixes (remove litter, check and fix floors, walls, sliding doors, locks). After cleaning, the medical sanitary inspector of the plant makes the final check of the rail car and puts the Transport Equipment Sanitary Certificate inside of the rail car. • Loaders begin loading goods from the warehouse. If needed, the Chamber of Commerce can verify that required goods have been loaded. • Concurrently with loading, the SMGS consignment note (4 copies) with other documents required for export customs registration is checked and stamped by Customs • When all documents are received, the exporter scans them for their records and brings them to the loading site and puts them into the rail car. Documents are normally placed inside a flier or an envelope and fixed in the rail car in such a way that the Importer will be able to get access to the documents immediately after opening the rail car. • The following documents are inserted, and their scanned copies are sent by e-mail: <ul style="list-style-type: none"> • Commercial Invoice • Consignment note

	<ul style="list-style-type: none"> • Export Customs Declaration • Certificate of Origin • Phytosanitary certificate (only for Flour or EU shipments of candies) • Certificates of Conformance • Certificate of Quality (for flour only) • Statement of Quality (pasta, flour, candies) • Packing list • Warehousing statement of lading • Internal transport bill • When goods are loaded, the dispatch supervisor locks the door and secures it with a seal (2 copies of the SMGS note with all document originals must be placed inside the rail car) • The SMGS consignment note with the customs stamp is delivered to the railway station, and the Kazakh part of the transportation is paid (normally through banking card, but direct bank wire or cash are also acceptable) • If the Exporters have to pay the railways of transit countries (under the CPT term of delivery), they should include the code of the freight forwarders, who pay for transit, in the SMGS consignment note (in the form there is a special field for this). If DAP (border) delivery is used, the freight forwarder is not used. • The Railways take over the rail car from the exporter's rail siding and brings it to the railway station. It can stay in the railway station up to several days before being put into a train to the required destination.
Output criteria to exit the business process	<ul style="list-style-type: none"> • Goods and documents are inside the rail car • Railways received payment and accepted responsibility for the rail car
Costs and resources	<ul style="list-style-type: none"> • 10,000-12,000 KZT per one rail car (2000 KZT/hour) – to the Chamber of Commerce for the confirmation of loading (if used) • 2,500 KZT (1 US\$ = 148 KZT) – cost of one Transport Equipment Sanitary Certificate. One certificate per rail car is needed. The certificates are provided by SanExpertiza Ltd (a company affiliated with the Ministry of Health) • Company Administrative Staff, shared use • 2-4 loaders per one rail car for 6-8 hours
Average time required to complete this business process	<p>1 day: Up to 2 hours – checking and fixing the rail car 5-6 hours – loading</p>

Customs clearance is relatively smooth and is usually completed in two hours, and involves the following steps (Figure 10):

- Collection of all required documents
- Preparation of the Customs Declaration, both electronic and paper version
- Payment of customs fees
- Submission of the Declaration

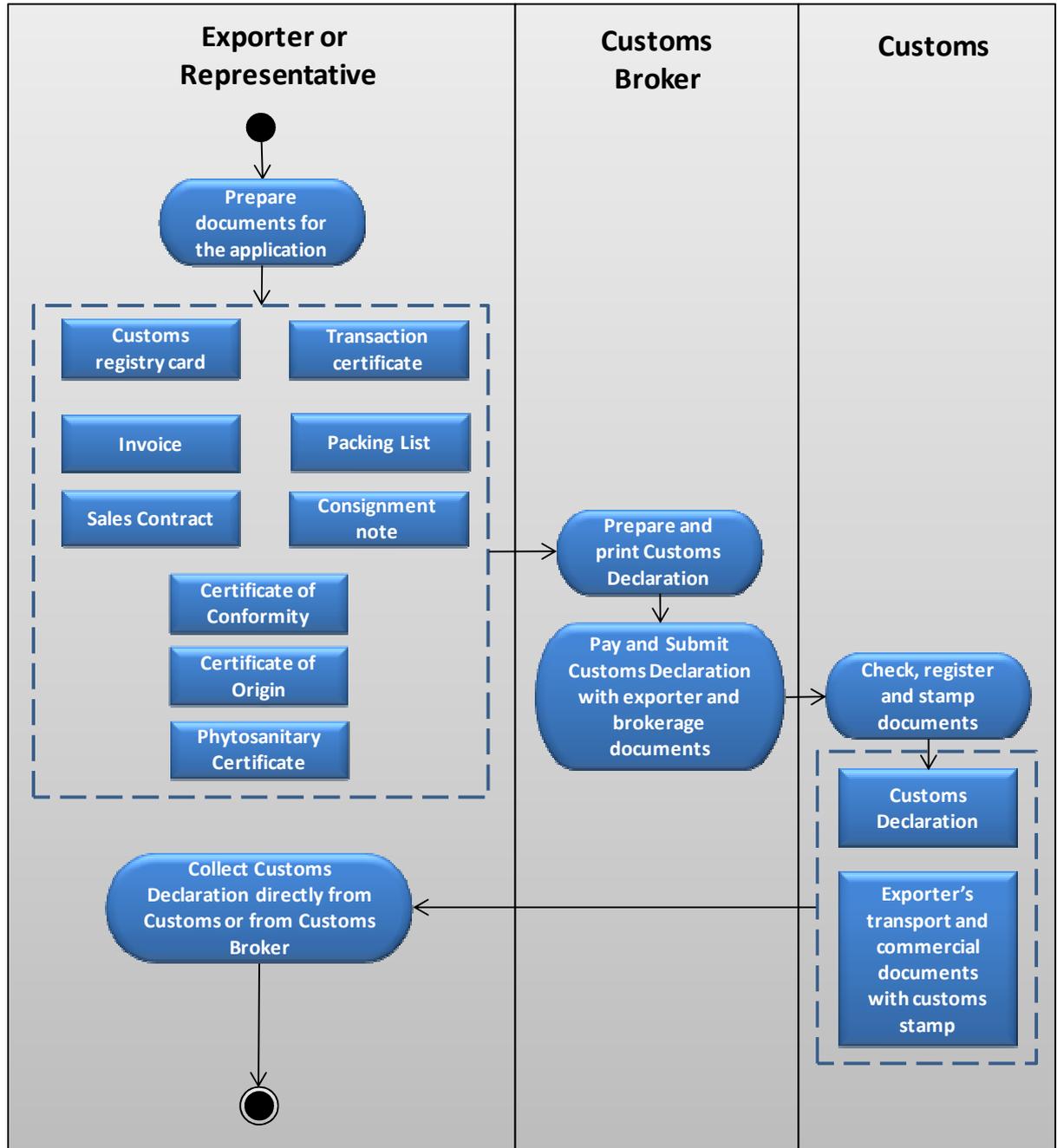
The problem arises when Customs carry out physical checks of rail cars. In such cases, the rail car is detached from the train, put on a separate rail siding for checks, examined, and if it passes the inspection, attached to the next train. All additional operations with the rail car are paid for by the exporter. There were long discussions between the Kazakh Freight Forwarding Association and Kazakh Customs and Kazakh Railways to the effect that Customs should have a separate budget to

pay Kazakh Railways for operations associated with physical checks. But the discussions did not lead to an agreed solution, and Kazakh exporters and importers have to pay for Customs physical checks even if the shipment passes the inspection.

Moreover, both exporters interviewed for the purpose of the BPA use special deposit cards, which allow them to pay fees at the time of the Declaration submission. But traders with modest, intermittent export activities do not have these card and pay in cash, as banks require payments to be made based on the current exchange rate. Payment of customs fees in tenge would immediately eliminate this bottleneck.

Outstanding needs	Recommendations
Physical inspections are complicated	<ul style="list-style-type: none">• The Customs may consider introducing modern equipment for inspecting rail cars.• Consider reducing the costs associated with physical inspections• Introduce modern systems for risk profiling and risk management
Payment procedures tend to be demanding for traders with modest exports	<ul style="list-style-type: none">• Consider allowing payment of customs fees in tenge.

Figure 10. SHIP: 2.6. Do Export Customs Clearance



Name of process area	2. Ship
Name of business process	2.6. Do Export Customs Clearance
Related laws, rules, and regulations	<ul style="list-style-type: none"> • The Customs Code of the Customs Union
Process participant	<ul style="list-style-type: none"> • Exporter • Brokerage company (optional) • Customs
Input and criteria to enter/begin the business process	<ul style="list-style-type: none"> • Goods are (or being) loaded into a rail car or in a truck • Certificate of origin, the Phytosanitary certificate (if required), transport documents and commercial documents are received or issued by the Exporter
Activities and associated documentary requirements	<ul style="list-style-type: none"> • The Exporter or a customs brokerage company prepares the electronic customs declaration in Web-Declarant customs application http://gtd.customs.kz/ (this activity can be done simultaneously with loading of goods and preparation of documents, including the Certificate of Origin and the Phytosanitary Certificate) • Then the Export Customs Declaration is ready, it is printed and loaded into the Customs database • Signed and stamped paper-based Export Customs Declaration is submitted to Customs together with other documents and payment for document processing. Additional pages may be required if the Exporter has goods with many HS codes declared. Customs clearance is conducted in Centers of Customs Clearance, where one inspector checks all documents and collects payments (so called Single Window control). • The following 12 to 14 documents are required for customs clearance: <ul style="list-style-type: none"> • Customs declaration • Commercial invoice • Company Customs Registry Card • Sales contract • Brokerage contract • Transaction Certificate • Railway Consignment note • Commercial Invoice • Certificate of Origin • Phytosanitary Certificate • Packing List • Warehousing statement of lading • Plant invoice (optional) • Internal transport note (optional) • Customs inspector opens the electronic version of the declaration (available through customs information system) and compares it with the printed declaration and all supporting documents • If data are correct, the declaration is accepted, registered and stamped by the customs expert. The customs inspector stamps the Consignment Note (railway bill) and other documents upon request of the Exporter (packing list, invoice). These additional documents are usually stamped at the request of the Importers.
Output criteria to exit the business process	<ul style="list-style-type: none"> • Customs, transport and other documents have been stamped by the customs inspector

Costs and resources	<ul style="list-style-type: none"> To Customs – 60 EUR for the first page of the Customs Declaration and 25 EUR for additional pages. Company Administrative Staff, shared use or a Customs brokerage company – 15,000-20,000 KZT (1US\$ = 148 KZT) per one export shipment
Average time required to complete this business process	<p>2 hours:</p> <p>1 hour to prepare web-declaration and print all documents</p> <p>1 hour or less – to submit the declaration and supporting documents to customs (This timeframe does not take into account the time spent for obtaining the documentary requirements)</p>

Process 3. PAY

3.1. Opening the Transaction Certificate (Registering International Commercial Transaction)

As shown in figure 11, the transaction certificate is obtained from an authorized bank. The exporter can open a transaction certificate in his/her bank within 2 working days. The exporter must prepare a transaction certificate separately for each foreign trade contract if the value of the goods delivered under the contract as of the date of its execution exceeds an amount equal to USD 50,000. In situations where the exporter is expecting to receive several purchase orders under the same contract, he does not need to obtain a separate transaction certificate for every single delivery.

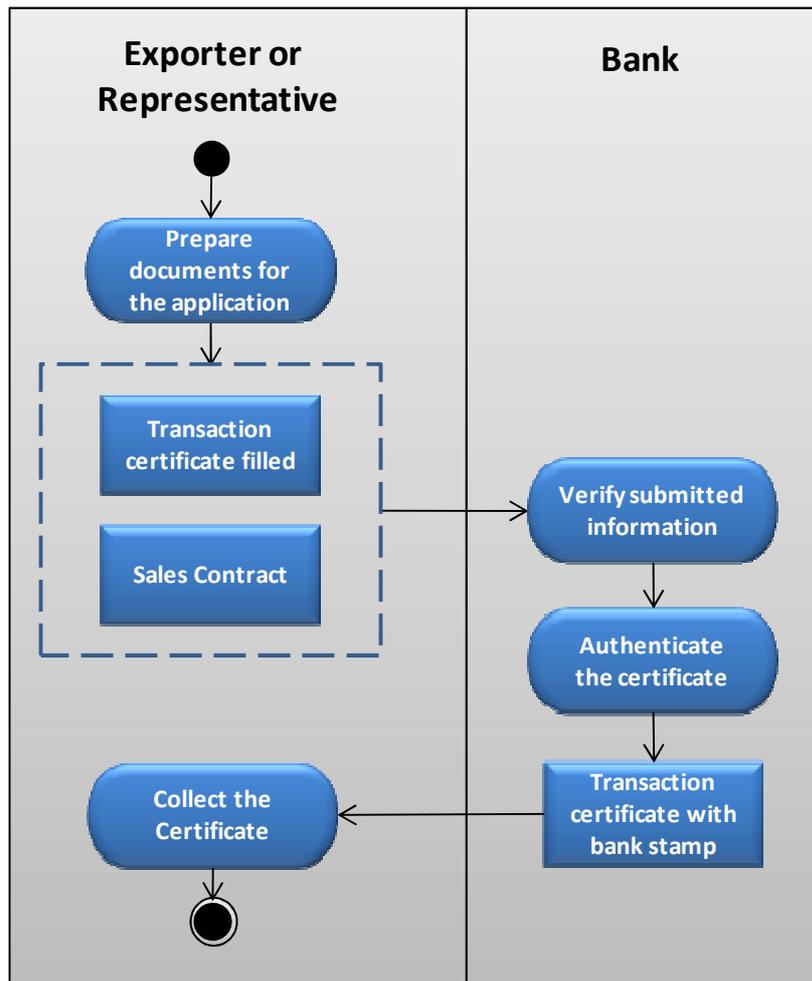
The drawback is that exporters are required to settle all transactions within 180 calendar days, which limits the exporters' ability to use trade credits for stimulating sales. A simplified currency control law was issued in January 2012, which exempts traders from needing transaction certificates. According to this law, traders have to only register the contract with their servicing banks. The law came into force on 28th January 2012.

Yet, the two exporters could not confirm that the changes had actually come into force and continued to believe that transaction certificates are still required. This suggests that the implementation of the new regulation has been slow and/or that traders are not well informed about the new simplified procedures. The drawback to maintaining this procedure manifests itself when the exporters close their contracts, as this involves submitting all invoices and customs declarations for all purchase orders from the importer to the exporter's bank.

Moreover, the new law, which exempts exporters from needing a Transaction Certificate, maintains the currency-control procedure. Thus, exporters still have to register the export contract with the bank and pay the registration fee, and this increases the transaction costs facing traders. Below are suggested recommendations for the government's consideration

Outstanding needs	Recommendations
Lack of clarity on the transaction certificate requirement	<ul style="list-style-type: none"> Ensure wider dissemination of the new law, along with a clear explanation of its implications and applicability

Figure 11. PAY: 3.1. Opening transaction certificate (Registering International Commercial Transaction)



Name of process area	3. Pay
Name of business process	3.1. Opening the Transaction Certificate (Registering International Commercial Transaction)
Related laws, rules, and regulations	Law of the Republic of Kazakhstan dated January 6, 2012 № 530-IV “On introducing amendments and addenda to some legislative acts of the Republic of Kazakhstan on issues of currency regulation and currency control”
Process participants	<ul style="list-style-type: none"> • Exporter • Exporter’s bank
Input and criteria to enter/begin the business process	<ul style="list-style-type: none"> • The exporter signed a new contract with an Importer
Activities and associated documentary requirements	<ul style="list-style-type: none"> • The exporter brings the new contract to the exporter’s Bank, fills their part of the transaction certificate and pays the fee • The exporter collects the transaction certificate and the contract from the bank after its registration
Output criteria to exit the business process	<ul style="list-style-type: none"> • Bank registered new commercial agreement • The exporter received the transaction certificate and the contract with the stamp of the exporter’s bank
Costs and resources	<ul style="list-style-type: none"> • 3,000 KZT (1US\$ = 148 KZT) • Company Administrative Staff, shared use.
Average time required to	2 Days

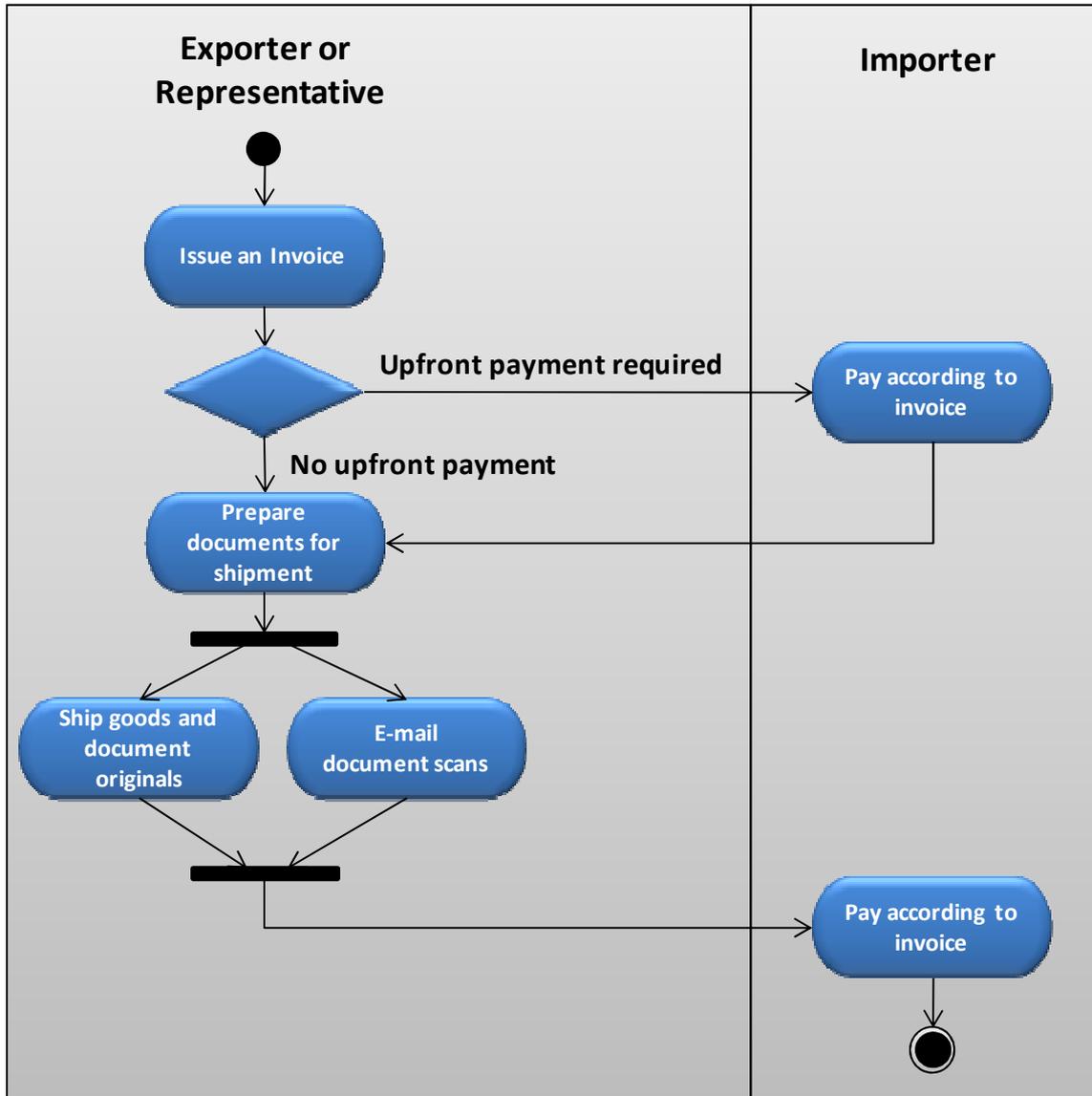
complete this business process	
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3.2. Payment for goods (Proof of Delivery and contract payments)

The payment for goods is usually completed in less than one day, but the transfer of payment from the importer to the exporter's bank may take between 2-3 days. This is because transfers are only executed after the submission of duly completed documents (including export contracts, invoices, consignments, licenses, registration certificates, etc.) by the exporter.

Outstanding needs	Recommendations
Procedures for executing transfers can benefit from streamlining and simplification	<ul style="list-style-type: none"> • Consider reducing the number of documentary requirements to include only those of direct relevance to the process, i.e. the invoices and export contracts could suffice. • Consider simplifying the procedures for effecting the transfer of payments. It would be useful to examine the procedures in detail to ascertain those that add little value to the process.

Figure 12. PAY: 3.2. Proof of Delivery and contract payments



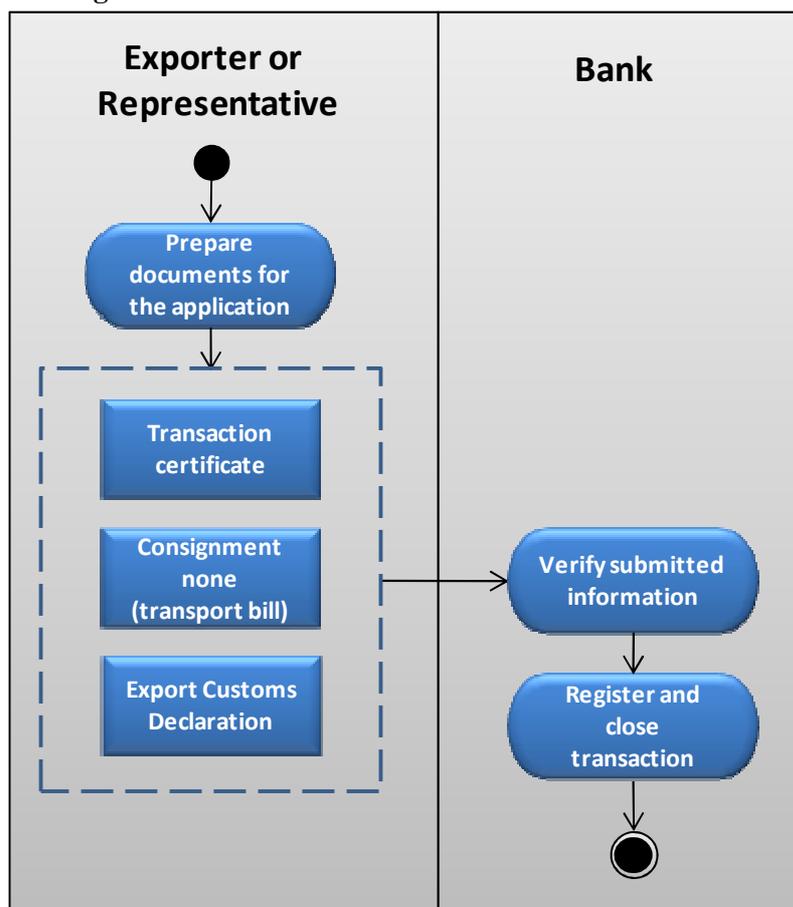
Name of process area	3. Pay
Name of business process	3. 2. Proof of Delivery and contract payments
Related laws, rules, and regulations	<ul style="list-style-type: none"> The Civil Code of the Republic of Kazakhstan
Process participants	<ul style="list-style-type: none"> Exporter Importer
Input and criteria to enter/begin the business process	<ul style="list-style-type: none"> Purchase order from Importer has been received The transaction certificate has been activated (for new clients)
Activities and associated documentary requirements	<ul style="list-style-type: none"> The exporter receives a purchase order from the Importer. The purchase order does not have a standard format: it can be a sales contract – for one-off customers, a framework contract (which defines overall conditions of trade, but does not specify quantities and dates) with annexes to a contract (with quantities and dates fixed) The exporter prepares and sends a commercial invoice to the importer. In most cases the importer should pay either the full

	<p>amount for goods and transport or at least 50% upfront</p> <ul style="list-style-type: none"> • When the payment is confirmed, the exporter starts the sub-activities of the SHIP process • The final invoice is issued when goods have been loaded and shipped to the importer. • The importer pays for goods according to the final invoice. The final invoice (original copy) is normally received with the shipment and paid accordingly after physical delivery of goods, or it can be sent separately, and the final payment can be made on the basis of the proof of dispatch
Output criteria to exit the business process	<ul style="list-style-type: none"> • Proof of Delivery received • The final payment is received
Costs and resources	<ul style="list-style-type: none"> • No out-of-pocket costs, except small banking commission • Company Administrative Staff, shared use
Average time required to complete this business process	<p>< 1 day – payment 2-3 days – transferring money from the Importer's to the Exporter's bank</p>

3.3. Close the Transaction Certificate

As shown in figure 13, when the exporter and importer decide to close the contract, be it after one or several export shipments, the exporter should provide evidence of all transactions to his/her bank. The exporter's bank then reconciles payments from the buyer and closes the Transaction Certificate, and this procedure may take up to 5 or more days to complete. As previously mentioned, the Government exempted exporters from the requirement of drawing a Transaction Certificate at the beginning of 2012.

Figure 13. PAY: 3.3. Close the Transaction Certificate



Name of process area	3. Pay
Name of business process	3.3. Closing the Transaction Certificate (Closing the International Commercial Transaction)
Related laws, rules, and regulations	Law of the Republic of Kazakhstan dated January 6, 2012 № 530-IV “On introducing amendments and addenda to some legislative acts of the Republic of Kazakhstan on issues of currency regulation and currency control”
Process participants	<ul style="list-style-type: none"> • Exporter • Exporter’s bank
Input and criteria to enter/begin the business process	<ul style="list-style-type: none"> • The exporter and the Importer decided to close the commercial deal or make changes to the agreement and sign a new contract
Activities and associated documentary requirements	<ul style="list-style-type: none"> • The exporter submits the transaction certificate together with export customs declarations and invoices for all shipments made within the contract to the Bank • The bank reconciles data from the bank’s records of currency transactions between the exporter and importer with customs declarations and invoices, provided by the exporter
Output criteria to exit the business process	<ul style="list-style-type: none"> • Bank closed the transaction certificate or provided other form of evidence that the transaction was closed
Costs and resources	<ul style="list-style-type: none"> • Company administrative staff time.
Average time required to complete this business process	5 Days or more

A4. Time-Process Charts

Both exporters rely heavily on rail transport to cut down on costs. Although rail transport is slow and all the rail companies provide poor service compared to road transport, it has a distinct cost advantage over road transport.

According to one of the exporters, transporting goods in reefer cars from Almaty to Sary-Agach railway station (on the border with Uzbekistan) costs approximately 900 US\$ (the distance from Almaty to Sary-Agach is 850 km, and the maximum weight per reefer is between 45 and 53, which means that the trader has to pay an amount equal to 0.02 US\$ per tonne per km equal).

Another alternative is to ship goods in a standard rail car. Although the standard rail cars have a capacity of up to 60-65 tons, only 30 tons of candies can be loaded without damage. Cost of transport to Sary-Agach in such a vehicle is 400 \$US per load, or 0.015 US\$ per tonne per km.

According to DellaTM Freight Exchange Portal (www.della.kz/price/local) the average cost of domestic transport in a 20t truck is 1 US\$ per km. This makes the cost of transportation equal to 0.05 US\$ per ton per km, which is 3 times more expensive than rail. Unfortunately a 1\$/km rule-of-thumb-price for domestic transport (as this price went up and down since at least 2000, but was always a little lower than 1\$/km) does not apply for international shipments. If this were the case, many traders would prefer fast door-to-door road transport deliveries to less flexible, but cheaper rail transport.

Indeed, road transport across the borders is much more expensive than domestic road transport, by at least 3 to 5 times. For example, road transport from Almaty to Bishkek, if estimated according to the domestic rate should cost around 250 US\$ (250 km times 1US\$/km). In reality, traders would have to pay 1,750 US\$, or 7 \$/km for a 20 ton truck, or 0.35 US\$ per ton per km.

The high overland transport costs by road constitute a non-tariff barrier. These high costs are mainly caused by long waiting times at the borders and by unofficial payments that need to be made to controlling authorities on both sides of the border as well as on the roads beyond-the-borders.

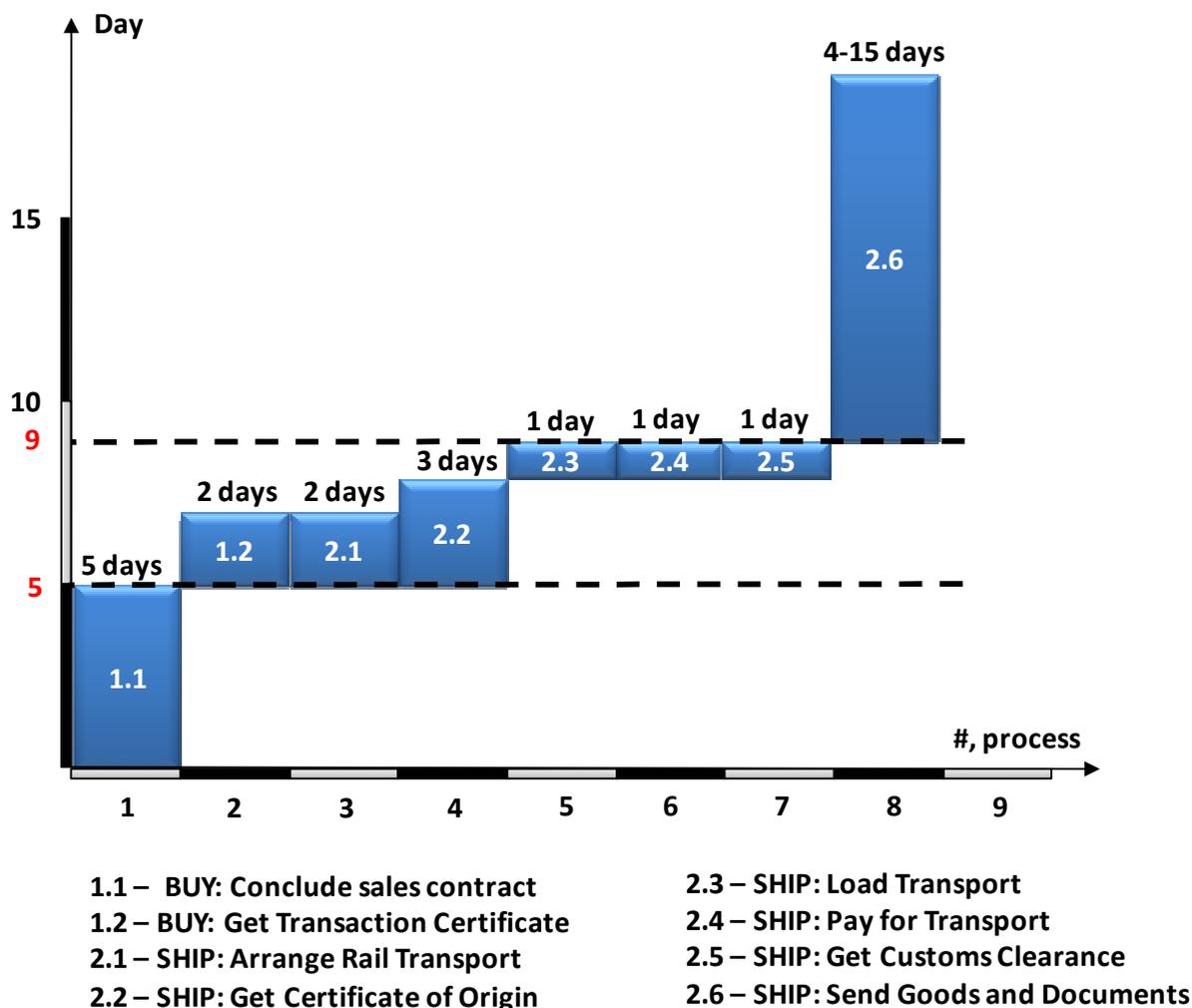
A4.1. Candies

The total time required for completing the business processes associated with the export of candies (from order to dispatch) is, on average, 9 days for new importers, and 4-5 days for re-orders, which is a long time.

Transactions with a new (first-time) importer require that both sides negotiate conditions and sign a contract. If the two parties decide to pursue a long-term trading relationship, they can sign a framework contract, which defines conditions of trade, price breaks, but does not fix quantities. Negotiating a contract with a new customer take on average 5 days, and the transaction certificate (issued by the exporter's bank) takes another 2 days (sub-process 1.2).

Nonetheless, and as can be seen in the Figure 14, negotiations with a new importer do not lengthen the overall business process completion time, because as it goes in parallel with the Arrangement of Rail Transport (sub-process 2.1) and Getting the Certificate of Origin (sub-process 2.2).

Figure 14. Time-procedure chart for export of candies



Business processes associated with re-orders (repetitive orders) are less demanding in terms of procedures and documentary requirements. The importer sends a simple order with the required quantities of goods to be shipped, and pays according to the invoice. As these procedures can be completed within one business day, the overall process takes 4-5 fewer days than contracting and shipping to a new importer.

Obtaining a Certificate of Origin, which takes 3 days, is the longest business process (barring the transportation). Yet, this procedure does not seem to bother either of the two companies examined in this report, because they use the three days to pick from stock and label the ordered goods. Sometimes, certain items are not in stock and need to be produced. When the company has goods available to ship and accepts an urgent order, they could request the Chamber of Commerce for expedited handling and reduce the time of Getting the Certificate of Origin by one or two days (sub-process 2.2).

The company has also established creative solutions. For example, one of the interviewed staff said that he prepares Certificates of Origin and Customs Declarations simultaneously, using two authorized companies that belong to the same person to speed up the process. While such a solution addresses the company’s concerns, it does not solve the problem. Not to mention that the option used by the company in question may not be available for other exporters.

Once the company obtains the Certificate of origin, and when goods are ready for shipment, Loading (sub-process 2.3), Payment for transport (sub-process 2.4) and Customs clearance (sub-

process 2.5) are completed within one business day. Delivery of goods and documents (in the same rail car with the cargo) takes from 4 days (to Bishkek, Kyrgyzstan) to 15 days (to Dushanbe, Tajikistan).

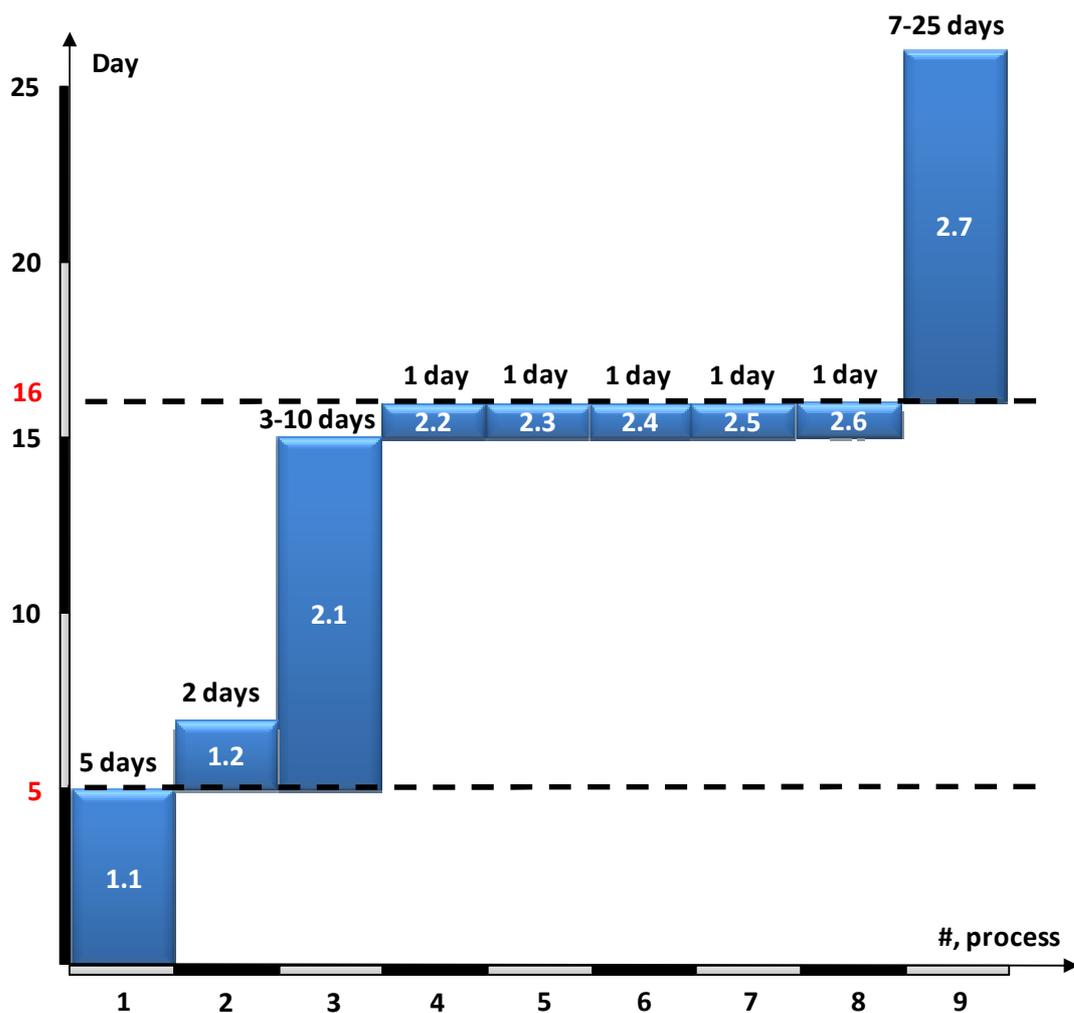
A4.2 Flour, Pasta and Biscuits Export Time Requirements

Arrangement of rail transport for flour, pasta and biscuits can be challenging and time consuming. Figure 15 shows that arrangement of transport can take from 3 to 10 days. This is because Petropavlovsk railway is part of the Russian rail network. It is difficult to obtain rail cars from Russian railways for transporting goods outside of the Russian Federation. Railway cars on offer by private companies are more expensive, and the services of these companies are not reliable.

Under these conditions, the exporter has practically no other options. Moreover, the plant dispatcher (i.e., the actor responsible for arrangement of rail transport) has to visit the nearest railway station several times a day, in order to find out whether any rail cars are available for export shipments. Once the railway station confirms the availability of a certain number of rail cars and commits to providing them, the exporter starts the procedures associated with obtaining the remaining required documents for the shipment. When the exporter obtains the rail cars, he loads the goods from stock and completes the remaining export procedures within one business day.

Given such conditions, exporters cannot confirm, with any degree of certainty, the shipment arrival time. There were a number of cases when our two exporters were unable to deliver in time and were, therefore, forced to cancel the orders in question.

Figure 15. Time-procedure chart for export of flour, pasta and biscuits



- 1.1 – BUY: Conclude sales contract
- 1.2 – SHIP: Get Transaction Certificate
- 2.1 – SHIP: Arrange Rail Transport
- 2.2 – SHIP: Get Certificate of Origin
- 2.3 – SHIP: Get Phytosanitary Certificate
- 2.4 – SHIP: Load Transport
- 2.5 – SHIP: Pay for Transport
- 2.6 – SHIP: Do Customs Clearance
- 2.7 – SHIP: Deliver Cargo and Documents

A.5 Export documents and customs clearance

Between 6 and 10 supporting documents are required to release pasta, flour, biscuits and candies for export. In particular, the exporter is expected to present six supporting documents if goods do not require phytosanitary control. Goods subjected to phytosanitary control need one more document – the phytosanitary certificate.

Two additional documents are provided by the exporter at the importer’s request: Statement of Lading and the Producer’s Bill of Transport. These documents help the importer’s authorities to sort out export documentary requirements—some of which are issued to the exporter or by the exporter (e.g. Customs Declaration and Commercial Invoice) —from supporting documents issued for the producer (e.g. Certificate of Origin and Certificate of Conformity).

The tenth document is provided to facilitate sales in the importer’s country—the Certificate of Quality (for flour) or the Producer’s Declaration of Quality.

Another 14 documents listed in Table 6 are required for obtaining the Certificate of Origin and the Phytosanitary Certificate.

One more document is added during the Loading process—the Transport equipment sanitary certificate. This document is provided by the Medical Sanitary Inspection of the Ministry of Health, but the inspection of transport is conducted by the exporter. Thus, the number of documentary requirements may reach 26 documents.

The Transaction Certificate aside, neither of the two companies examined complained about excessive document requirements, which shows that they have grown accustomed to such requirements. One of the exporters said that he submits additional documents, which are not required in Kazakhstan, but help importers (Tajikistan, Uzbekistan) clear goods more easily.

The Customs Declaration should be submitted with a confirmation of customs fees payment. The trader pays 60 EUR per declaration, with an additional 25 EUR for each extra page in cases where the trader is exporting products with varied HS codes. If exporters do not submit the Declaration on the day of payment, they would be exposed to exchange rate fluctuations, and would have to pay the outstanding small amounts.

Table 6. List of documents key and supporting document required for export shipments

Document	Required or owned by	Issued / filled by	Input in process	Comments, Descriptions
1. Key Documents (export and import in the destination country is not possible without them)				
Export Customs Declaration	Customs	Exporter or Broker	SHIP <i>process</i>	
Certificate of Origin	Ministry of Industry & New Technologies	Chamber of Commerce	SHIP <i>process</i> SHIP: Do Customs Clearance <i>sub-process</i>	ST-1 Certificate for CIS Countries A-type Certificate for other international
Certificate of Conformity	Same Ministry	Committee of Technical Regulation and Metrology	SHIP SHIP: Do Customs Clearance	Received for every category of goods once every 2-3 years
Phytosanitary Certificate	Phytosanitary inspection	Phytosanitary inspection	SHIP SHIP: Do Customs Clearance	For Flour or for packaging in the EU shipments
Consignment note	Transport Operator	Exporter	SHIP SHIP: Do Customs Clearance	SMGS for Railways CMR for Road Transport
Commercial invoice	Exporter	Exporter	SHIP SHIP: Get Certificate of Origin SHIP: Do Customs Clearance	
Packing List	Exporter	Exporter	SHIP	

Document	Required or owned by	Issued / filled by	Input in process	Comments, Descriptions
			SHIP: Get Certificate of Origin SHIP: Do Customs Clearance	
2. Additional documents (to support foreign sales and Import customs clearance)				
Certificate of Quality	Phytosanitary inspection	Phytosanitary inspection	SHIP	Voluntary certification for Flour
Declaration of Quality	Exporter	Exporter	SHIP	Voluntary declaration for Pasta, Biscuits or Candies
Statement of Lading	Exporter	Exporter	SHIP SHIP: Do Customs Clearance	Confirmation from the exporter that goods were loaded into transport. Registered (stamped) in Customs at the Importer's request
Internal Transportation Bill	Exporter	Producer	SHIP SHIP: Get Certificate of Origin SHIP: Do Customs Clearance	Produced by the Producer for the Exporter. Not required for customs clearance. Registered in customs at request of the Importer (it contains more information about goods than the Consignment note)
3. Inputs to Customs Clearance sub-process				
Customs Brokerage Contract	Brokerage company	Brokerage company and Exporter	SHIP: Do Customs Clearance	A service contract between the Exporter and the Broker
Transaction certificate	Ministry of Finance	Exporter's Bank	SHIP: Do Customs Clearance	Document for currency control. Simplified in 2012
Sales Contract	Exporter	Exporter	SHIP: Do Customs Clearance	
Customs Registry Card	Customs	Customs	SHIP: Do Customs Clearance	ID card issued by Customs for international trade

Document	Required or owned by	Issued / filled by	Input in process	Comments, Descriptions
				companies
4. Inputs to the Getting the Certificate of Origin (CoO) sub-process				
Application for expert examination	Chamber of Commerce	Exporter	SHIP: Get Certificate of Origin	Request for confirmation of the Origin of goods
Application to the Chamber of Commerce	Chamber of Commerce	Exporter	SHIP: Get Certificate of Origin	For issuing of the Certificate of Origin
Plant invoice	Exporter	Producer	SHIP: Get Certificate of Origin SHIP: Do Customs Clearance	Needed for the CoO because Exporter and Producer are sister companies. Registered in customs and sent to the Importer at the Importer's request
Warehousing note	Chamber of Commerce	Exporter	SHIP: Get Certificate of Origin	Statement that the Exporter has goods in stock. Needed because Exporter and Producer are sister companies (i.e. the Exporter resells goods, produced by a different company)
5. Inputs to Getting Phytosanitary Certificate sub-process				
Sampling Report	Authorized Inspector	Producer	SHIP: Get Phytosanitary Certificate	This statement accompanies a product sample, send for examination to the authorized inspector
Application for Phytosanitary examination by the City inspectorate	Phytosanitary Inspection	Producer	SHIP: Get Phytosanitary Certificate	For examination and Phytosanitary Inspection Report
Application for Phytosanitary Certificate	Phytosanitary Inspection (Oblast)	Exporter	SHIP: Get Phytosanitary Certificate	For issuing of the Phytosanitary Certificate
Analysis	Phytosanitary	Authorized	SHIP: Get	Produced by the

Document	Required or owned by	Issued / filled by	Input in process	Comments, Descriptions
Report (Analiznaya)	Inspection	Inspector	Phytosanitary Certificate	subsidiary entity of the Phytosanitary inspection as an input for the Phytosanitary inspection
Phytosanitary Inspection report	Phytosanitary Inspection	Phytosanitary Inspection	SHIP: Get Phytosanitary Certificate	Produced by the City Phytosanitary inspection for the Oblast Phytosanitary inspection
Production Laboratory Examination Report	Exporter	Exporter	N/A	Required for the Certificate of Quality for Flour
6. Medical Sanitary Documents (not used in key business processes)				
Transport equipment sanitary certificate	Medical Sanitary Inspection through SanExpertiza Ltd	Exporter	N/A	Exporter checks conditions of rail cars, before loading goods and puts the certificate inside of the vehicle

The need to simplify and streamline documentary requirements cannot be over-emphasized, since heavy documentation containing multiple and redundant data can lead to incorrect reporting of information and subsequent difficulty in verifying accuracy of such information, in addition to increasing transaction costs. Simplifying and streamlining documentary requirements requires, as a priori, aligning trade procedures and documents, based on a cost-benefit analysis to eliminate procedures with little value-added. By aligning trade documents, Kazakhstan would be also taking the first step toward automation of trade procedures and introduction of electronic Single Window facilities, where all information and data needs to be submitted only once.

Outstanding needs	Recommendations
Heavy documentary requirements	<ul style="list-style-type: none"> The need to simplify and streamline documentary requirements

A6. Concluding remarks

The BPA shows that procedures associated with the export of candies, flour, biscuits and pasta could benefit from further simplification, harmonization and streamlining. There is also a need to reduce documentary requirements. Addressing these needs can be best achieved by implementing a Single Window system for export and import procedures. In addition, these case studies highlight the necessity of improving the railway and road infrastructure and modernizing truck fleets and rolling stock.

In choosing the best course of action, the government may consider establishing a task force that brings together representatives of relevant public sector institutions and leading manufacturers

involved in the production of pasta, flour, biscuits and candies, as well as other exporters. This is important to ensure responsiveness and to enable the government to take the necessary measures to enable that enterprises reap expected benefits from new procedures and infrastructure investments.