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**Trade as a means for implementing the 2030 Agenda: The experience of Georgia**

## **Trade as a means for implementing the 2030 Agenda: The experience of Georgia\***

Submitted by the secretariat

### *Summary*

In 2018, the Economic Commission for Europe (ECE) completed a study on regulatory and procedural barriers to trade in Georgia. The study provided action-oriented recommendations for informing reforms in the areas of trade facilitation, regulatory cooperation. Consistent with the 2030 Agenda's conceptualization of trade as a means of implementation, the study also provided recommendations for leveraging enterprise growth dynamics to support structural transformation towards increased specialization in activities with high value-added.

The emphasis was on enabling a whole-of-government approach for simultaneous targeting of supply chain inefficiencies and growth dynamics across sectors. This is consistent with Georgia's approach, whereby trade reforms are geared towards diversifying partners and ensuring compliance with the World Trade Organisation rules and the requirements of main trade partners (European Union countries). They are complemented by efforts to: (i) develop the institutional capacities of State agencies; (ii) transform Georgia into a regional transit hub; (iii) support start-ups and help existing enterprises develop their productive capacity; (iv) achieve energy efficiency; (v) develop the service sector, including outsourcing.

This paper maps the ECE study recommendations against the 2030 Agenda sustainable development goals. It was prepared by the secretariat in consultation with the Government to inform Georgia's voluntary national review and the United Nations Development System country strategies, such as the United Nations Development Assistance Framework.

This document is presented to Member States for decision.

\* This document is submitted late due to delayed inputs from national stakeholders.



Outstanding needs emerging from ECE Study	Recommendations	Contribution to the 2030 SDGs
<b>Transparency</b>		
<b>Further develop the advance rulings system</b>	<p>The Revenue Service could consider maintaining an online compendium of advance ruling decisions, which traders could consult.</p> <p>Educate traders on the information requirements that need to be included in the requests for advance rulings. This could be done through guidance documents and awareness raising workshops.</p>	<p>These recommendations will further improve the country's delivery of its commitments under the World Trade organization (WTO) Agreement on Trade Facilitation (Article 1 "publication and availability of information" and Article 3 "advance rulings"), and are, thereof, integral to the achievement of SDG 17.10 "Promote a universal, rules-based, open, non-discriminatory and equitable multilateral trading system under the World Trade Organization, including through the conclusion of negotiations under its Doha Development Agenda"</p>
<b>Publish information on trade-related procedures in English, to attract foreign companies</b>	<p>While the Revenue Service provides an overview of applied rules and procedures (including fees and forms) in English, the information is not comprehensive and does not cover those associated with obtaining veterinary, sanitary and phytosanitary certificates.</p> <p>The same applies to the remaining State agencies, with their websites providing basic information in English.</p>	<p>These recommendations will further improve the country's delivery of its commitments under the WTO Agreement on Trade Facilitation (Article 1), and are, thereof, integral to the achievement of SDG 17.10</p>
<b>Explore new ways for engaging SMEs in decision-making processes</b>	<p>Market support institutions should play a lead role in engaging the SMEs in public-private sector consultations. This could be done by holding sector-focused workshops, based on issue-focused information notes and guidelines on the basic tenants and concepts underpinning the EU <i>Acquis</i>, associated procedures and implications for business development.</p>	<p>This is integral to the achievement of SDG 8.3 "Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and</p>

Outstanding needs emerging from ECE Study	Recommendations	Contribution to the 2030 SDGs
		growth of micro-, small- and medium-sized enterprises, including through access to financial services”.
<b>Documentary requirements and the use of electronic documents</b>		
<b>Adopt a comprehensive approach for developing authorized economic operator (AEO) schemes based on the EU model</b>	<p>Establish the legal basis for launching AEO schemes, including primary and secondary legislation. In this context, ensuring complete and full harmonization of the Tax Code with the Union Customs Code (UCC) of the EU gains much importance.</p> <p>Elaborate the general criteria of the EU model (Customs Simplifications; Security and Safety; and Customs Simplifications/Security and Safety) for assessing applicants.<sup>1</sup></p> <p>Design a system for monitoring AEOs.</p> <p>Create a core team of auditors capable of managing the AEO schemes. In this regard officials emphasized advanced training programmes and on the job training through study tours to neighbouring EU countries.</p> <p>Arrange for mutual recognition of Georgia’s AEO scheme.</p> <p>Develop support services to assist enterprises, especially SMEs, in ensuring complete and full compliance with the AEO criteria. Most notable in this respect are: (i) training programmes (and guidelines) for enabling enterprises to conduct self-assessment and self-policing; and (ii) financial assistance to encourage them to invest in security.</p>	<p>These recommendations will further improve the country’s delivery of its commitments under the WTO Agreement on Trade Facilitation (Article 7 “Release and clearance of goods”), and are, thereof, integral to the achievement of SDG 17.10</p>
<b>Consolidate the Single Window facility</b>	<p>Georgia’s paperless trading system corresponds to the World Customs organization (WCO) definition of a Single Window. The next step would be to consider consolidating the existing system into a more comprehensive platform following UN/CEFACT Recommendation</p>	<p>This will further improve the country’s delivery of its commitments under the WTO Agreement on Trade Facilitation (Article 10 “Formalities connected with importation and</p>

<sup>1</sup> The criteria is established under the EC Directorate-General Taxation and Customs Union Guidelines (TAXUD/B2/047/2011 – Rev.6).

<b>Outstanding needs emerging from ECE Study</b>	<b>Recommendations</b>	<b>Contribution to the 2030 SDGs</b>
	33. This could support further synchronization of control activities at main border crossing points, and introduce further improvements in data harmonization and standardization as per UN/CEFACT Recommendation 34. <sup>2</sup>	Exportation and transit”), and is, thereof, integral to the achievement of SDG 17.10
<b>At the border control</b>		
<b>Improve synchronization of controls at main border crossing points</b>	<p>Consider developing the brokerage industry as a way for reducing the Customs Department’s work burden. This would require establishing a proper system for testing, training, licensing, accrediting, and monitoring customs brokers. Successful experiences suggest that this system could be established in cooperation with market support institutions. These could deliver the training following formal modules that are approved by customs and accredited by the relevant ministry (usually the Ministry of Education), with customs issuing broker licenses to applicants following their successful completion of the training programme.</p> <p>Develop the capacity of hygiene, sanitary and phytosanitary (SPS) testing facilities by investing in additional accredited laboratories. This would accelerate on-site hygiene and SPS controls at major border crossings.</p> <p>Establish additional measures for synchronizing immigration and visa formalities with goods and vehicle inspections</p>	<p>This will further improve the country’s delivery under the WTO Agreement on Trade Facilitation (Article 7 “Use of customs brokers”<sup>4</sup>), and is, thereof, integral to the achievement of SDG 17.10</p> <p>This will reduce transaction costs facing traders and speed up border control processes for perishable goods pursuant to the country’s commitments under WTO Agreement of Trade facilitation (Article 9 on “Perishable goods”) and thereof, integral to the achievement of SDG 17.10</p> <p>This is consistent with the WTO Agreement on Trade Facilitation (Article 10.1, whereby members are to periodically review formalities and documentation</p>

<sup>2</sup> UN/CEFACT recommendations are available at: [https://www.ECE.org/cefact/recommendations/rec\\_index.html](https://www.ECE.org/cefact/recommendations/rec_index.html).

<sup>4</sup> There is no mandatory requirement for use of customs brokers. However, the heavy workload of Customs suggest that the country could benefit from a developed brokerage industry

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	<p>Promote wider adoption of the Trade Facilitation System (TFS) as a way for supporting electronic exchange of information and documents between traders, logistics service providers, and border control authorities. The TFS could be further consolidated with integrated information and communications technology (ICT) infrastructure, which support modern logistics services like track and trace, synchronized intermodal logistics and automation of business processes like booking, scheduling, stock management, and billing. A first step in this direction would be to conduct a comprehensive assessment of the ICT systems of the agencies involved, including hardware and software, to identify capacity gaps and establish an agreed upon action plan for achieving the desired level of ICT integration.</p> <p>Consider establishing a notification facility to support information sharing between the Border Police and port operators.</p> <p>Organize training visits to countries known for business-friendly border management, for example Singapore, the Netherlands and Germany.<sup>3</sup> Georgia's border management is rather advanced,</p>	<p>requirements with a view to ensure further simplifications and reductions) and is, thereof, integral to the achievement of SDG 17.10</p> <p>This will further improve the country's delivery of its commitments under the WTO Agreement on Trade Facilitation (Article 10 "Formalities connected with importation and Exportation and transit"), and is, thereof, integral to the achievement of SDG 17.10</p> <p>This will further improve the country's delivery of its commitments under the WTO Agreement on Trade Facilitation (Article 10 "Formalities connected with importation and Exportation and transit"), and is, thereof, integral to the achievement of SDG 17.10</p> <p>This will further improve the country's delivery of its commitments under the WTO Agreement on Trade Facilitation (Article 6 "Cooperation and Coordination"), and</p>

<sup>3</sup> Top three performers of the "customs" indicator in the 2016 World Bank Logistics Performance Index (LPI).  
Source: <https://lpi.worldbank.org/international/global/2016>.

<b>Outstanding needs emerging from ECE Study</b>	<b>Recommendations</b>	<b>Contribution to the 2030 SDGs</b>
	but still Georgian authorities could learn from international best practices.	is, thereof, integral to the achievement of SDG 17.10
<b>Regional cooperation and transit trade</b>		
<b>Consolidate regional cooperation with additional initiatives and joint actions to facilitate cross-border control processes and transit trade</b>	Using existing cooperation mechanisms, explore common initiatives to: (i) further harmonize and digitalize the exchange of information and documentary requirements with border control authorities in Republic of Azerbaijan and Turkey; and (ii) arriving at a common framework for strengthening collaborative border management with Armenia and the Russian Federation. The focus should be on establishing common regulatory objectives and detailed guidelines for informing interagency cooperation.	This will further improve the country's delivery of its commitments under the WTO Agreement on Trade Facilitation (Article 6 "Cooperation and Coordination"), and is, thereof, integral to the achievement of SDG 17.10
<b>Transport infrastructure and logistical services</b>		
<b>Improve road safety</b>	Consider joining the ECE Agreement concerning the Establishing of Global Technical Regulations for Wheeled Vehicles, Equipment and Parts which can be fitted and/or be used on Wheeled Vehicles. The agreement provides the basis for the harmonization of vehicle technical safety and emissions standards, including for heavy vehicles.	This is integral to the achievement of SDG 9.1 "Develop quality, reliable, sustainable and resilient infrastructure, including regional and trans-border infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all".
<b>Consolidate the legal framework for governing multi-modal transport operations, and for establishing the liability of freight forwarders and the different actors involved</b>	The ECE transport agreements and protocols provide useful elements for establishing such a framework. Another useful source is the UN Convention on International Multimodal Transport of Goods (MTC 1980). <sup>5</sup> Although the Convention has been ratified by a limited number of States, it remains significant as it details model rules which could be incorporated voluntarily into the operator's services and standard conditions.	See above

<sup>5</sup> The convention is available at: [http://unctad.org/en/PublicationsLibrary/tdmtconf17\\_en.pdf](http://unctad.org/en/PublicationsLibrary/tdmtconf17_en.pdf).

<b>Outstanding needs emerging from ECE Study</b>	<b>Recommendations</b>	<b>Contribution to the 2030 SDGs</b>
<b>Further develop rail transport</b>	<p>Further improve the freight line capacity (e.g., more passing sidings).</p> <p>Modernize rail laws and harmonizing it with the requirements of the Association Agreement (AA) with the EU and European Atomic Energy Community and their Member States.</p>	See above
<b>Technical regulations</b>		
<b>Strengthen regulatory impact assessment (RIA) processes</b>	<p>Provide advanced training courses on regulatory impact assessment (RIA) to staff in the Ministry of Economic Development and Sustainable Development.</p> <p>Assist the Ministry of Labour, Health and Social Affairs and the Ministry of Environmental Protection and Agriculture in establishing RIA capacities.</p> <p>In parallel, and since the preparation of technical regulations is a complex undertaking that requires multidisciplinary skills that cannot be made available within competent authorities, consider establishing collaborative mechanisms with private research centres and universities abroad to undertake RIAs associated key EU Directives that are slated for approximation (e.g., EU Health related directives listed in chapter four, section 4.3). These mechanisms could feature informal working relations, or formal agreements in the form of, for example, memorandums of understanding (MOUs), to obtain such benefits as: fielding experts to Georgia to assist the line Ministries in undertaking RIAs; promoting joint research on specific areas for assisting enterprises in complying with new regulations; and apprenticeship programmes.</p> <p>Establish similar collaborative arrangements with national universities and key research institutions for promoting their engagement in collaborative research and RIAs. This will put the universities and research intuitions in a better place to contribute to translating the EU Directives and technical regulations into Georgian.</p>	<p>These recommendations are integral to the achievement of SDG 17.14 “Enhance policy coherence for sustainable development”. Moreover, by strengthening RIA which also looks into referencing international standards, the recommendations contribute to the achievement of SDG 8.3 (Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services).</p>

<b>Outstanding needs emerging from ECE Study</b>	<b>Recommendations</b>	<b>Contribution to the 2030 SDGs</b>
<b>Standardization</b>		
<b>Strengthen GEOSTM Standards Department and the technical committees</b>	<p>Provide members of the technical committees with advanced training on topical issues of direct relevance to their sectors, the basic tenets of the different ENs applicable to their sectors, the interrelation between these standards and their implication for the enterprise sector.</p> <p>In parallel, establish collaborative arrangements with regional and international research centres to further consolidate the capacity of GEOSTM Department and the technical committees and involve national universities and research centres in these mechanisms (as explained above).</p>	<p>These recommendations are integral to the achievement of SDG 8.3.</p>
<b>Conformity assessment</b>		
<b>Further develop the national system of conformity assessment bodies (CABs)</b>	<p>There is a need for additional accredited CABs in product certification (particularly for food products), medical laboratories and for certification bodies for management systems. Officials emphasized the important role that the private sector could play in addressing this supply shortage. It would be useful to consider public private partnerships and set the specific needs for competent testing and certification. These could be established through in-depth assessments of constraints faced by exporters belonging to agriculture and other strategic sectors in relation to proof of conformity. The assessment highlighted many challenges, including GMO and aflatoxin testing.</p>	<p>This will result in savings for enterprises (enterprises will no longer have to send samples for testing abroad), which can be used for improving production activities and, thereof, contribute to the achievement of SDG 8.2 “Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labor-intensive sectors”.</p>
<b>Consolidate market surveillance</b>	<p>Assist the line Ministries responsible for the authorization and licensing of the manufacture and sale of food and beverages, cosmetics, pharmaceutical products, dietary supplement and medical devices to establish the required guidelines, systems and expertise knowledge for issuing Good Manufacturing Practice (GMP) certificates.</p>	<p>This is integral to the achievement of SDG 9.4 “upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes,</p>

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		with all countries taking action in accordance with their respective capabilities” and SDG 8.2
<b>Metrology</b>		
<b>Upgrade the national standard-holding laboratories and raise public awareness on the importance of metrology</b>	<p>Provide the standard-holding laboratories with additional equipment.</p> <p>Prepare promotional material for raising public awareness, particularly among the business community, SMEs, the national laboratory network as well as governmental and non-governmental organizations, academia on the importance of metrology for improving measurement infrastructure and capacities for the consolidation of export competitiveness and the achievement of structural transformation. This could be done in cooperation with market support institutions, as these have a direct and continuous interaction with the enterprises.</p>	<p>Without a robust metrology system, industrial development (including product innovation and process development) as well as quality assurance are unattainable, since it would be difficult, if not impossible, to ensure that products (including semi-finished and final products) meet regulatory requirements and (consumer and industrial) quality expectations.</p> <p>As such, these recommendations are integral to the achievement of SDG 9.4 “By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities”. The recommendations also carry positive contribution to the achievement of SDG 8.2 and SDG 13.1 “Strengthen resilience and adaptive capacity to climate-related hazards</p>

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		and natural disasters in all countries”.
<b>Enterprise development: promote the diversification of services provided by market support institutions</b>		
<b>Provide market intelligence services</b>	These services should be sector specific, highlighting the export potentials and sources of efficient supply sources with recommendations that could help enterprises establish their business development strategies.	These services will reduce discovery costs and enable enterprises to negotiate favourable terms (including them access to new technologies) and are, thereof, integral for the achievement of SDG 8.2. They also carry positive contribution to the achievement of SDG 9.2 “Promote inclusive and sustainable industrialization and, by 2030, significantly raise industry’s share of employment and gross domestic product, in line with national circumstances, and double its share in least developed countries”.
<b>Promote inter-enterprise collaboration, joint action and networking with regional and international companies as a pre-requisite for achieving economies of scale and scope</b>	Consider establishing networking programmes to promote inter-enterprise collaboration, as it is often the case that enterprises are hesitant to join efforts when the benefits will be reaped only in the future or are simply unaware of the potential benefits of joint action. These programmes should be hosted in market support institutions, which could assume the role of the network broker. This role involves identifying potential networks; overcoming the skepticism among enterprises; coordinating inter-firm relations; providing specialist support for creating commitment to the network among participating enterprises; and linking them with regional and international companies. This includes helping the national enterprises form two-	See above

Outstanding needs emerging from ECE Study	Recommendations	Contribution to the 2030 SDGs
	<p>way strategic relationships that are focused on joint production and knowledge sharing. Common measures for enabling technology mastery include internalized technology transfer (embodied in imported machines and equipment); licensing and arm's length purchase of know-how, patents, licenses and blueprints (i.e. royalty and license fees); and engaging foreign enterprises, particularly TNCs, in local capacity development through training and apprenticeship programmes. Such measures require arriving at common understanding of the legal issues that arise from technology transfer. Here bilateral and regional agreements on common standards become necessary.</p> <p>Consider establishing clustering programmes in the food industry and other key sectors for generating industry wide gains. The focus should be on developing two sets of dynamics. The first relates to increasing inter-firm coordination through "flexible specialization", whereby the production process is decentralized through subcontracting arrangements to allow member enterprises to specialize on specific phases of the production chain.<sup>6</sup> The second set of dynamics relates to fostering inter-firm collaboration by facilitating enterprises' joint action. The focus should be on generating "collective efficiency" through purposeful joint actions.<sup>7</sup></p>	

<sup>6</sup> This will put enterprises in a better position to take advantage of different economies of scale at different stages of production, focus on product characteristics (instead of price), and achieve economies of scope through adaptive machinery and broader participation by multi-skilled employees so that the relationships between firms become organic and conducive to innovation.

<sup>7</sup> Collective action can take the form of horizontal cooperation between companies operating at the same level of the production chain, or vertical cooperation between final producers and their input suppliers (backward cooperation). Vertical cooperation can also entail the exchange of market information between buyers and producers (forward cooperation). For a brief overview on clustering, see, for example, Humphery, J. and H. Schmitz (1996). "The Triple C Approach to Local Industrial Policy", *World Development*, 24(12): 1859-77; Schmitz, H. (1997). "Collective Efficiency and Increasing Returns", Working Paper 50. Brighton: Institute of Development Studies; and Piore, M. and C. Sabel (1984). "The Second Industrial Divide: Possibilities for Prosperity". New York: Basic Books. These authors set the main concepts and approaches for guiding industrial clusters.

<b>Outstanding needs emerging from ECE Study</b>	<b>Recommendations</b>	<b>Contribution to the 2030 SDGs</b>
<b>Improve the enterprises' access to finance</b>	<p>Consider establishing credit guarantee schemes that would allow micro-finance institutions and non-banking financial institutions to tap the banking system's deposit base for financing credit lines to help business enterprises implement business development plans and cover advance VAT payments. These schemes could be designed in a manner that assigns such institutions the role of intermediaries between potential borrowers and the banks. The institutions would screen borrowers, monitor their performance and assume responsibility vis-à-vis the banks in case of default.</p> <p>Another mechanism for facilitating the enterprises' access to finance would be the establishment of loan insurance schemes. Such schemes safeguard the borrowers' loan against default risks through imposing an insurance premium that is co-shared between the borrowing enterprise and the government.</p>	<p>These recommendations are integral to the achievement of SDG 8.2, and carry positive contribution to the achievement of SDG 9.2.</p>
<b>Improve access to electricity and transport infrastructure</b>	<p>Priority should be given to bringing electricity power to rural and remote areas. Priority should be given to rehabilitating and repairing secondary roads to ensure geographic continuity.</p>	<p>This is integral to the achievement of SDG 7.1 "By 2030, ensure universal access to affordable, reliable and modern energy services" and 9.1; both of which carry positive contribution to the achievement of SDG 8.2</p>
<b>Address the skills mismatch</b>	<p>Training activities and programmes (including those provided by vocational centres) should be aligned around critical skill shortages identified by business enterprises, with a view to enhance the technological capabilities of business enterprises.</p>	<p>This is integral to the achievement of SDG 8.2</p>
<b>Improve the enterprises' bargaining power vis-à-vis freight forwarders and international shipping companies</b>	<p>Explore in consultation with relevant associations (e.g., Georgian Expeditors Association, Georgian Road Carriers Association, Georgian Logistics Association) options for: (i) obtaining favourable terms from international shipping companies and transport operators for Georgian exporters and</p>	<p>This will result in savings for enterprises (enterprises will no longer have to send samples for testing abroad), which can be used for improving production activities</p>

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	importers (including manufacturers, retailers and wholesalers); and (ii) strengthening cooperation with the European Shippers' Council and Global Shippers Alliance.	and, thereof, contribute to the achievement of SDG 8.2

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