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TRADE LOGISTICS IN KAZAKHSTAN

Assessment and Recommendations

Trade Logistics Advisory Service
Kazakhstan Doing Business Reform Project
Almaty, Kazakhstan
JUNE 26 2009

Presentation outline

- Background
- Assessment of trade supply chain
- Recent Reforms
- Recommendations



Source: Customs Control Committee

Kazakhstan aims to become a key transport corridor between Asia and Europe

To achieve this goal, the Government of Kazakhstan is

- Amending transport legislation
- Simplifying border control procedures
- Developing transit corridors

++ Joining a customs union with Russia and Belarus

This report identifies issues and challenges in the documentation and border clearance process in Kazakhstan and makes recommendations for the short and medium term

Doing Business Trading Across Borders

| Export procedures | Duration (days) | Cost (USD) |
|---|-----------------|-------------|
| Documents preparation | 29 | 200 |
| Customs clearance and technical control | 23 | 200 |
| Ports and terminal handling | 11 | 380 |
| Inland transportation and handling | 26 | 2225 |
| Totals: | 89 | 3005 |

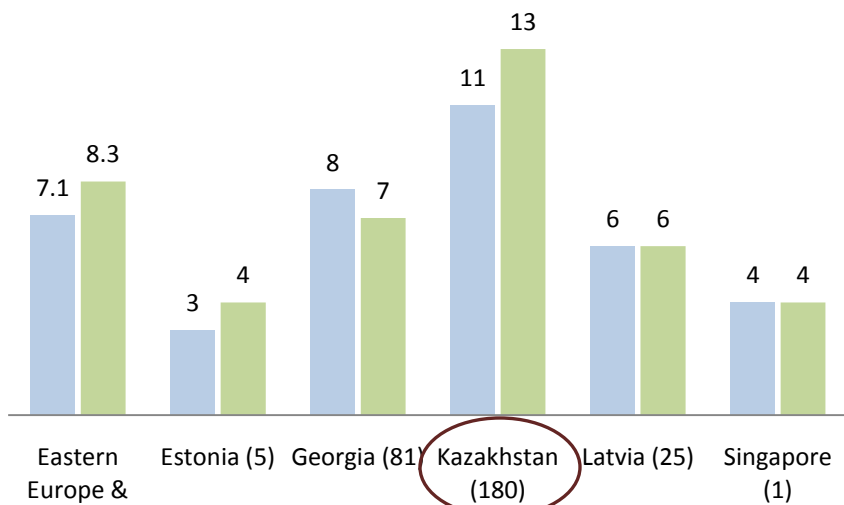
| Import procedures | Duration (days) | Cost (USD) |
|---|-----------------|-------------|
| Documents preparation | 33 | 200 |
| Customs clearance and technical control | 16 | 250 |
| Ports and terminal handling | 4 | 380 |
| Inland transportation and handling | 23 | 2225 |
| Totals: | 76 | 3055 |

| Export documents (11) | | Import documents (13) | |
|-----------------------------|-----------------------------|---------------------------------------|--|
| Bill of lading | Bill of lading | Inspection report | |
| Certificate of confirmation | Cargo release order | Packing list | |
| Certificate of origin | Certificate of confirmation | Tax certificate | |
| Commercial invoice | Certificate of origin | Technical standard/health certificate | |
| Customs export declaration | Commercial invoice | Terminal handling receipts | |
| Export license | Customs import declaration | Transit document | |
| Export transaction passport | Import transaction passport | | |
| Inspection report | | | |
| Packing list | | | |
| Tax certificate | | | |
| Terminal handling receipts | | | |

- Ranking in 2008: 180/181 countries -

Background: Trading Across Borders Comparative

Document requirements



■ Export ■ Import

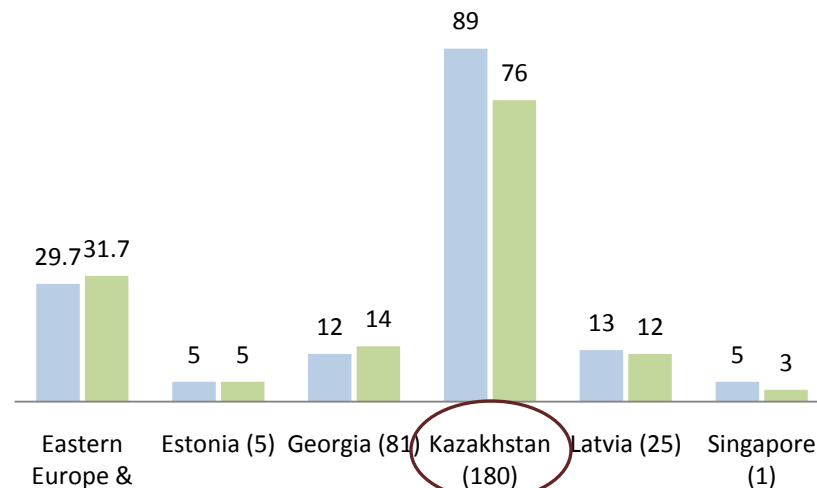


Regional average
Regional best practice

Global best practice

~ 3 times more documents...

Days to export/import



■ Export ■ Import



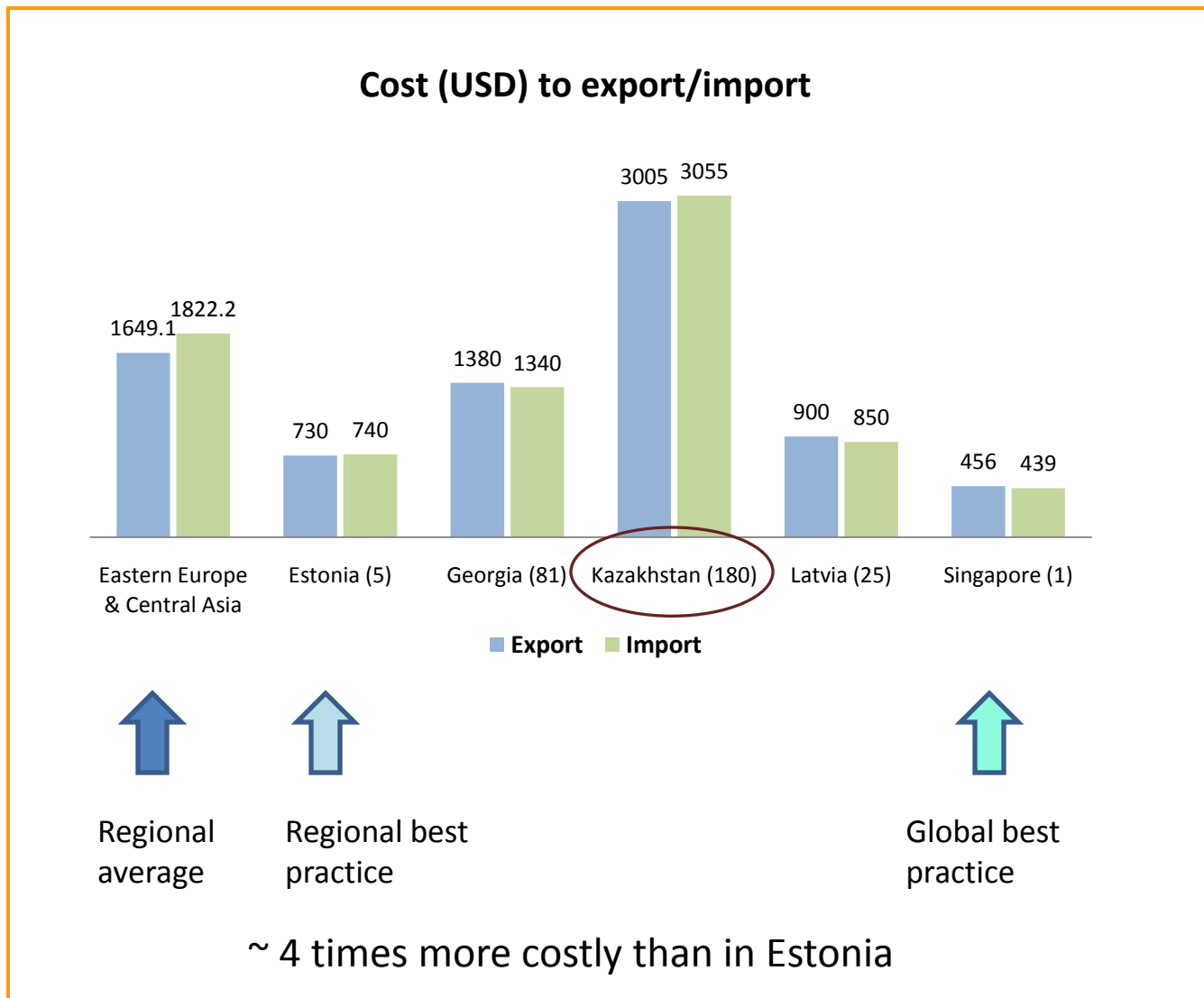
Regional average

Regional best practice

Global best practice

~ 18 times longer...

Background: Trading Across Borders Comparative



Background: Trade Facilitation Projects

| <i>Organization</i> | <i>Name of Project</i> | <i>Objective</i> |
|---------------------|---|--|
| USAID | Regional Trade Liberalization and Customs Project | (1) Assist in WTO accession and (2) Identify & remove customs, trade & transit barriers |
| Multi Donor | Regional Trade Facilitation and Customs Cooperation Program in Support of Joint Trade and Transport Facilitation Strategy | (1) Customs cooperation and (2) Integrated Trade Facilitation |
| World Bank | Expanding Trade in Central Asia by Connecting with Markets | Identify actions to improve urban centers of economic activity and their connections with markets |
| | Customs Development Project | Improve efficiency of Customs to (1) promote trade facilitation (2) improve revenue collection and (3) increase transparency |
| | Economic and Sector Work (ESW) | Develop financial instruments to mobilize domestic resources for infrastructure |
| | Trade and Transport Connectivity in Central Asia | Monitor trade facilitation progress |

Assessment of trade supply chain

Burdensome Documentation

Selected key issues in documentation

Parameters

■ Number

■ Opacity

■ Time

■ Cost

Comments

- Too many submitted. Example: at Khostok border, 24 documents for final clearance and 12 for transit (observations)
- Large supporting documentation burden

- Unpredictable (no clarity on procedures, regulations change unexpectedly, public officials communication)

- Document preparation is time consuming. Up to 30 days on average

- Large indirect costs due to time (as above) and other reasons i.e.
 - Notarization: Too many documents require it
 - Penalties: Harsh for even minor errors



Assessment of trade supply chain

Inefficient Classification & Valuation and Stakeholder Coordination

Key issues in Classification & Valuation

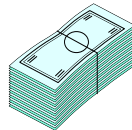
Parameters

■ HS code

Comments

- Disagreements on correct HS code. Result: Support documents requested which include - manufacturer's price list, export declaration, bank payment receipts etc

■ Working Capital



- Importers may need to prepay goods to furnish proof that invoice price is accurate...leading to cash flow issues

Key issues in Stakeholder Coordination

■ Number

- 11 agencies exercising control without enough coordination. This leads to duplication. Example: Importers/Exporters need to register at the Customs and Tax offices (both under MoF) providing similar sets of notarized documentation and obtaining different registration numbers.

■ Facilitation

- Consequently facilitation suffers leading to private sector associations taking on some role. However, users still need countless interactions with agencies along the supply chain

Assessment of trade supply chain

Key Findings in some other selected issues

Inspections, Automation & Currency Regulation

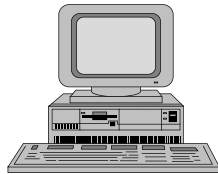
Parameters

■ Inspections

Comments

- Extensive and across the supply chain.
- Risk Management being implemented. However, green channel implementation potential not fully utilized and still needs to be aligned with international best practice

■ Automation



- Low level of usage. No coherent technology strategy.
- Where used, low levels of integration both within organizations and between organizations.

■ Currency Regulation

- Rigid controls exercised with large supporting documentation burden

Recent Reforms in Kazakhstan

The Government of Kazakhstan has implemented a number of reforms that are aimed at improving the trade facilitation environment. These reforms cover range of Ministries, Departments and Committees. Some selected measures are:-

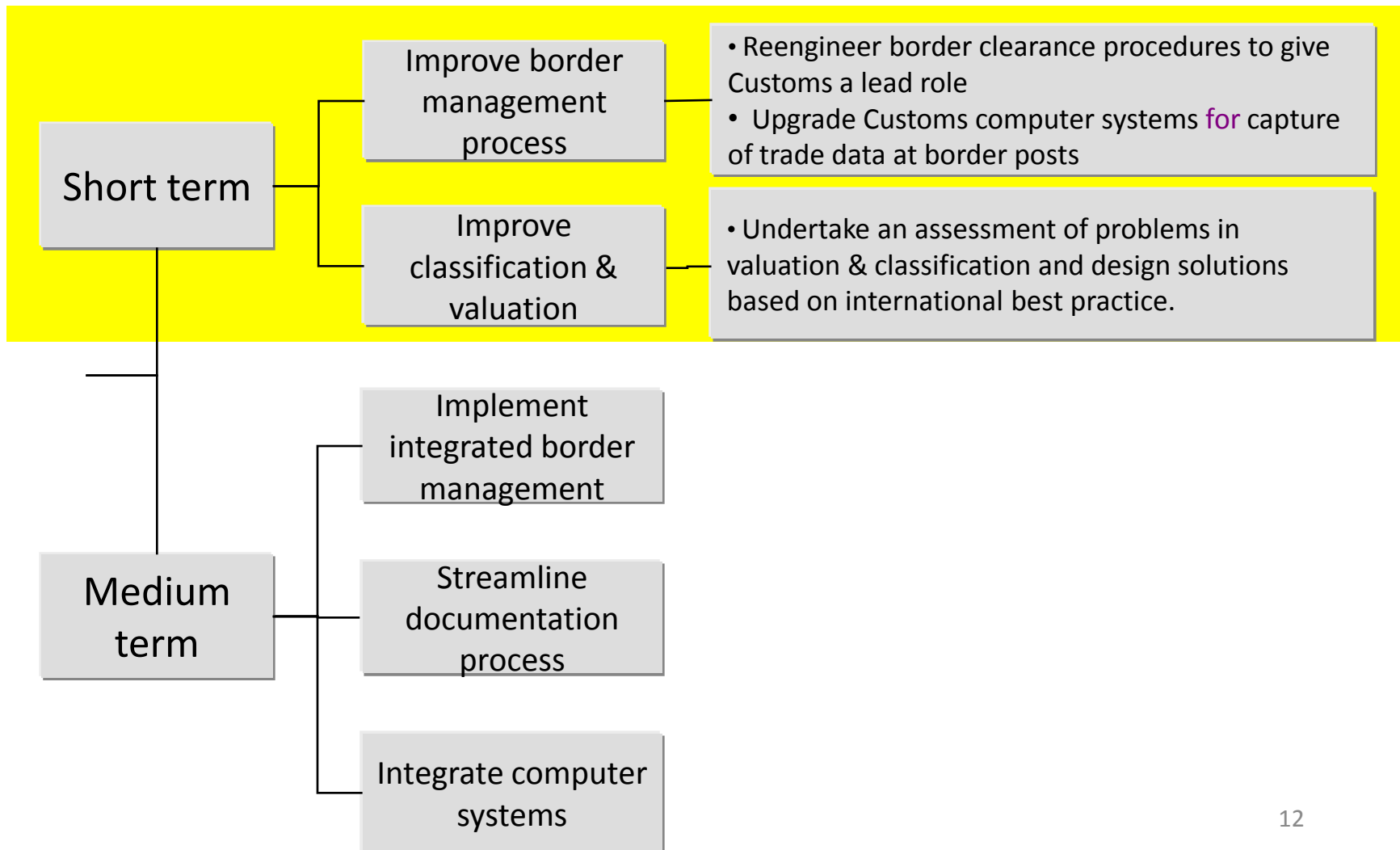


- *Reducing Administrative Barriers (Decree No. 455, May 13, 2008)*
Series of activities envisioned that relate to legal changes, inter-institutional arrangements and technical and informational architecture at customs and border posts
- *Improving Customs Control (Decree No. 896, Sept 29, 2008)*
Key amendments aim to introduce integrated customs clearance and reduce documentary requirements.
- *Making it easier to obtain a Certificate of Origin (Order No. 374, Sept 24, 2008)*
Reducing time limits for issuance of certificate of origin.

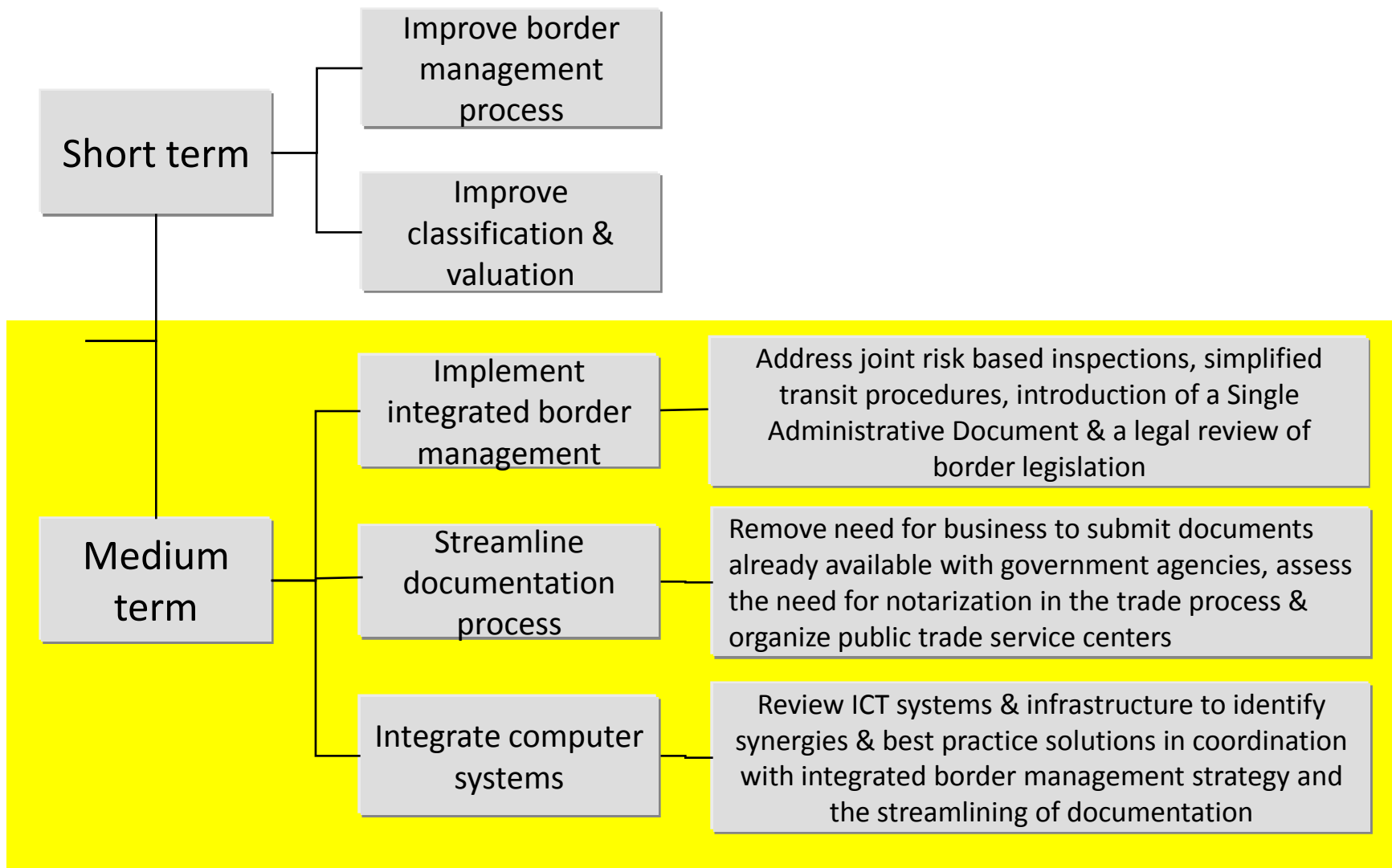
Selected new or amended decrees/orders issued by various government agencies

- *Decree No 13, January 16, 2009 Committee of Technical Standards and Metrology*
 - *Decree No 90, Committee of Technical Standards and Metrology*
 - *Decree No 454, May 13, 2008, Ministry of Agriculture*
 - *Order No 841, Ministry of Health*
-

Recommendations: Short term



Recommendations: Medium term



Thank you!