

UNITED NATIONS ECONOMIC COMMISSION FOR EUROPE

Regulatory and Procedural Barriers to Trade in Kyrgyzstan

Needs Assessment



UNECE

UNITED NATIONS ECONOMIC COMMISSION FOR EUROPE

Regulatory and Procedural Barriers to Trade in Kyrgyzstan

Needs Assessment



United Nations
New York and Geneva, 2015

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 concerning the legal status of any country, territory, city or area, or of its authorities, or concerning the delimitation of its frontiers of boundaries.

This study is issued in English and Russian.

ECE/TRADE/412

Copyright © 2015 United Nations

All rights reserved

Foreword

With an annual turnover amounting to 130 per cent of Kyrgyzstan's gross domestic product (GDP), the powerful role of trade in determining the economy's development trajectory cannot be over-emphasized. However, the trade sector is yet to be exploited to its full potential. It remains driven by imports, which have been consistently outstripping export growth. The share of exports in GDP has also been assuming a declining trend over the past few years, with the consequence of aggravating the trade deficit to an estimated USD 4.2 billion in 2013.

Reversing this trend continues to rank high on the Government's development agenda, which remains challenged by Kyrgyzstan's remoteness from international maritime routes, harsh topography and relatively small domestic market in comparison with neighbouring countries. The impact of these challenges is compounded by behind and at-the-border non-tariff barriers to trade, which, by inflating transaction costs, undermine export competitiveness and create a disincentive to investment in new economic activities.

This study will enable the Government to further engage in removing these barriers. It also sets the stage for generating dynamic synergies between interventions targeting productivity determinants and those linked to export growth, as stipulated in the National Strategy for Sustainable Development of the Kyrgyz Republic for 2013-2017 and the Program for the Transition of the Kyrgyz Republic to Sustainable Development for 2013-2017. The two policy documents set out a comprehensive sector-focused development effort, the implementation of which will be guided by the Governmental Plan for Export Development of the Kyrgyz Republic for 2015-2017. The plan accords priority to the following four cross-cutting areas: (i) simplification of procedures for exporters; (ii) improvement of quality control and quality management; (iii) access to trade information and export promotion; (iv) trade finance.

The recommendations emanating from this study will enable the Government to ensure the successful achievement of development objectives under the first three areas. This is all the more so since the recommendations were developed within the context of a participatory approach, which combined evidence-based research with broad-based consultations to bring about consensus among the different public and private sector institutions.

It must be stressed that this study represents an intermediate step and will be followed by concerted efforts to mobilize the required financial resources for implementation. Thus, with the support of the UNECE, the Government has developed a prioritized action plan which will be integrated into Kyrgyzstan's United Nations Development Action Framework (UNDAF) and used as a basis for developing a national Aid-for-Trade (AFT) plan. The Government will also work closely with UNECE to develop multi-agency technical assistance projects for implementing the recommendations.



Christian Friis Bach

Executive Secretary and
Under-Secretary-General
United Nations Economic
Commission for Europe



Kylychbek Djakypov

Deputy Minister of Economy
of the Republic of Kyrgyzstan

Preface

Since 2010 the UNECE has been undertaking studies of regulatory and procedural barriers to trade in selected UNECE member countries with economies in transition, with a view to: assisting countries in their efforts to achieve greater regional and global economic integration; informing donors as to where assistance might be required; and, strengthening policy discussions within the Steering Committee on Trade Capacity and Standards and its subsidiary bodies on where additional work is required.

This study summarizes the key findings of the fourth UNECE trade needs assessment, which focuses on Kyrgyzstan. It provides a systemic analysis of regulatory and administrative barriers to trade in the country, along with an in-depth analysis of trade in agricultural products with high export potential. It also highlights the consequences of these barriers for Kyrgyzstan's export competitiveness and regional integration.

A review of trade facilitation and quality assurance development efforts as well as the results of face-to-face interviews with supply chain actors formed the basis of the analysis. The interviews were conducted in 2014 and targeted: traders operating in strategic export industries identified in consultation with the Government; representatives of trade support institutions; providers of transport and logistics services; and, officials from relevant State agencies.

This study was prepared by the UNECE Market Access Section in close consultation with public and private sector stakeholders, who were brought together within the context of a national inter-agency working group during the early stages of the assessment to act as the UNECE counterpart. The study takes into account the results of the secretariat's consultative meeting with the inter-agency working group, which was held in Bishkek, Kyrgyzstan in June 2015. It also takes into account the working group's written comments, submitted to the UNECE in July 2015.

Acknowledgments

This study was prepared by Ms. Hana Daoudi under the guidance of Mr. Mika Vepsäläinen. The UNECE would like to acknowledge the contribution of Ms. Savia Hasanova and Ms. Polina Kotuleva, who supervised the national team from the Business Development and Investments Council under the Government of Kyrgyzstan that carried out the face-to-face interviews with traders, and who worked beyond the call of duty to ensure due diligence.

The UNECE would also like to acknowledge the contribution of the following consultants who carried out face-to-face interviews with relevant stakeholders and summarised the results of the interviews in background reports that were used for preparing this study: Mr. Chris Page who conducted face-to-face interviews with State agencies responsible for trade facilitation as well as some private sector stakeholders; Mr. Jiří Sobola, who conducted face-to-face interviews with agencies responsible for Standardization, Quality Assurance, Accreditation and Metrology; and, Mr. Urmat Takirov, who carried out the Business Process Analysis; and, Ms. Asel Kasenova, who conducted face-to-face interviews with representatives of market support institutions and trade associations. The secretariat also would like to acknowledge the contribution of Mr. Maximilano Mendez-Para, who prepared a background research paper on Kyrgyzstan's regional integration efforts that was used for preparing this study.

The UNECE would like also to thank the international polling institution, SATISCAN Sàrl, that designed an electronic database for compiling the results of the face-to-face interviews with traders; provided on the job training to the national team of experts who conducted the interviews; and, conducted the data validation and reconciliation of the results generated from the interviews.

The UNECE would like to extend its gratitude to Messrs Kylychbek Djakypov, Deputy Minister of Economy of Kyrgyzstan and Danil Ibraev, former Deputy Minister of Economy of Kyrgyzstan, who chaired of the inter-agency working group and provided undivided attention and support to the secretariat throughout the assessment. Special thanks go to Mr. Rafkat Hasanov, Economic and Financial Expert, Secretariat of the Business Development and Investments Council under the Government of Kyrgyzstan, for providing valuable contributions throughout the preparation of this study and for assisting the secretariat in ensuring broad participation of relevant public and private sector stakeholders during the face-to-face interviews.

The UNECE would also like to extend its gratitude to all national stakeholders, who proposed concrete policy recommendations during the interviews and the consultative meeting.

The assessment was made possible thanks to the financial support of the Russian Federation.

Contents

Foreword	3
Preface	4
Acknowledgments	5
Abbreviations	12
List of recommendations	17
Chapter One	29
Introduction	29
1.1 Country background	29
1.2 Methodology.....	37
1.3 Scope of the study	40
1.4 Outline of the study	42
Chapter Two Traders' Profile.....	43
2.1 Size, activities and location	43
2.2 Export-import mix and trading partners.....	45
2.3 Transport modes of choice.....	49
Chapter Three Trade Facilitation Conditions	53
3.1 Introduction.....	53
3.2 Transparency	59
3.3 At the border control.....	63
3.4 Documentary requirements and use of electronic documents	73
3.5 Regional cooperation and transit trade.....	86
3.6 Inland transport infrastructure: rail and road networks	91
3.7 Logistical services	96

Chapter Four	Regulatory and standardization policies.....	99
4.1	Introduction.....	99
4.2	Kyrgyzstan’s system standardization, quality assurance and metrology.....	99
4.3	Technical regulation	101
4.4	Standardization	103
4.5	Conformity assessment, accreditation and product certification.....	105
4.6	Metrology	113
Chapter Five	Implications for regional integration	117
5.1	Introduction.....	117
5.2	Evolution of Kyrgyzstan’s trade with the European and Eurasian countries	118
5.3.	Challenges and opportunities from membership in the EU GSP+ arrangement	125
5.4.	Challenges and opportunities from membership in the EurAsEC Customs Union	140
5.5	Implications for trade facilitation, quality control and quality assurance	146
Chapter Six	Conclusion	157
Annex 1	Improving the export competitiveness of Kyrgyzstan’s agricultural products : A business process analysis.....	159
Annex 2	List of legislative acts that need to be amended to comply with the requirements of the Eurasian Customs Union	225

Tables

1.1	Kyrgyzstan's top 20 exports (2003, 2011-13)	33
2.1	The surveyed enterprises' exports by product and target market	46
2.2	The surveyed enterprises' imports by product and supply source.....	48
2.3	Transport modes used by the surveyed exporters.....	49
2.4	Transport modes used by the surveyed importers	50
3.1	Information sources reported by the surveyed traders	60
3.2	Outstanding needs and recommendations for improving transparency.....	64
3.3	Border control agencies and their responsibilities	66
3.4	Outstanding needs and recommendations for improving at the border control.....	72
3.5	Documentary requirements for trade activities in Kyrgyzstan under the different customs regimes (excluding the export regime)	74
3.6	Support documents for fulfilling information requirements associated with trade activities in Kyrgyzstan.....	76
3.7	Trade documents for exports by level of difficulty and cost.....	81
3.8	Trade documents for imports by level of difficulty and cost	83
3.9	Outstanding needs and recommendations for rationalizing and standardizing information requirements	85
3.10	Kyrgyzstan's participation UNECE Transport Conventions and Protocols.....	87
3.11	Outstanding needs and recommendations for facilitating transit trade	90
3.12	CAREC corridors that run through Kyrgyzstan.....	92
3.13	Evaluation of transport modes: Exporters' perspective	93
3.14	Evaluation of transport modes: Importers' perspective	95
3.15	Outstanding needs and recommendations for developing inland transport infrastructure.....	96
3.16	BCPs used by the surveyed enterprises	97
3.17	Outstanding needs and recommendations for developing the logistics sector	98
4.1	Outstanding needs and recommendations in the area of technical regulation	102
4.2	Kyrgyzstan's registry of standards.....	103
4.3	Outstanding needs and recommendations in the area of standardization	104
4.4	Outstanding needs and recommendations for developing conformity assessment, accreditation and product certification.....	111
4.5	Status of equipment in Kyrgyzstan's main metrology laboratories.....	113
4.6	Outstanding needs and recommendations for developing the metrology system.....	114

5.1	Kyrgyzstan's export partners (1995-2013)	119
5.2	Kyrgyzstan's top 20 exports to the EU: 2003, 2011-2013.....	121
5.3	Kyrgyzstan's top 20 exports to the Eurasian CU countries: 2003, 2011-2013.....	122
5.4	Kyrgyzstan's export concentration index, excluding gold (2003-2013).....	123
5.5	Size of the excluded countries' exports in relation to that of Kyrgyzstan (Average 2011-2013).....	128
5.6	Notifications through the RASFF affecting products from Kyrgyzstan	129
5.7	Breakdown of NTMs applied in the EU by frequency (2012)	129
5.8	Breakdown of NTMs applied in the EU by HS chapters.....	131
5.9	Revealed Comparative Advantage for the top 20 exports to the EU	133
5.10	EU's imports from Kyrgyzstan by eligibility and import regime (Euro thousands).....	135
5.11	Breakdown of Kyrgyzstan's exports receiving GSP preferences by product (average 2011-13).....	136
5.12	Kyrgyzstan's main sources of supply.....	143
5.13	Trade Concentration Index for Kyrgyzstan's imports	143
5.14	Kyrgyzstan's top 20 imports from the European Union	145
5.15	EAEU vision of a paperless customs environment: The Revised Customs Code.....	147
A2.1	List of identified products for possible inclusion in the BPA.....	165
A2.2	Export value of the identified products in 2008-2013 (USD thousand).....	165
A2.3	Export-to-import ratio of the identified products in 2012	166
A3.1	Core business processes and stakeholders involved in export of kidney beans.....	173
A4.1	Core business processes and stakeholders involved in export of fresh apricots.....	199
A5.1	Recommendations for removing obstacles to increased exports of kidney beans and fresh apricots from Kyrgyzstan.....	222

Figures

1.1	The Kyrgyz economy's structural transformation	30
1.2	Top ten agricultural products in terms of volume, 2012(in tons).....	31
1.3	Top ten agricultural products in terms of value, 2012 (in USD thousands).....	31
1.4	Evolution of Kyrgyzstan's exports 1995-2013 (in thousands of USD)	32
1.5	Evolution of Kyrgyzstan's Trade (in thousands of USD)	34
1.6	Exports and imports (as a percentage of GDP).....	34
1.7	Kyrgyzstan's trade openness over the period 1995-2011	35
1.8	Kyrgyzstan's income growth (2000-2012).....	36
1.9	UNECE international supply chain Buy-Ship-Pay reference model	39
1.10	Product life cycle and regulatory system processes	40
2.1	Breakdown of the surveyed enterprises by size (Number of employees).....	43
2.2	Breakdown of producing enterprises by sector (SITC Rev. 3).....	44
2.3	Breakdown of exports by sector (SITC. Rev.3).....	45
2.4	Traders' target markets (Share in total number of exported products).....	45
2.5	The surveyed enterprises' imports by sector (SITC. Rev.3).....	47
2.6	The surveyed enterprises' sources of supply (Share of total number of imported goods).....	47
2.7	Transport modes used by exporters.....	50
2.8	Transport modes used by importers	50
4.1	Kyrgyzstan's system of quality control and quality assurance.....	100
5.1	Kyrgyzstan's share in the total imports of the Russian Federation and Kazakhstan.....	120
5.2	Share of Kyrgyzstan in the imports of EU (2003-2013)	120
5.3	Breakdown of Kyrgyzstan's exports by destination-2013 (SITC top level)	123
5.4	Kyrgyzstan RMA on the exports to the EU and Turkey with respect to exports to the Eurasian CU	124
A2.1	Kidney beans production and cultivated area in Kyrgyzstan	167
A2.2	Kyrgyz exports of kidney beans (2001 – 2012).....	168
A2.3	Kyrgyz beans export markets in 2008-2012.....	169
A2.4	Apricots production and total cultivated area in Kyrgyzstan	169
A2.5	Kyrgyzstan's exports of fresh apricots in 2001 – 2012	170
A3.1	Time procedure chart of kidney bean export from the Kyrgyz Republic	194
A3.2	Cost of exporting beans	196
4.	Time procedure chart of fresh apricots export from the Kyrgyz Republic.....	219
A4.2	Cost of exporting fresh apricots from Kyrgyzstan by road	221

Diagram - Picture - Map

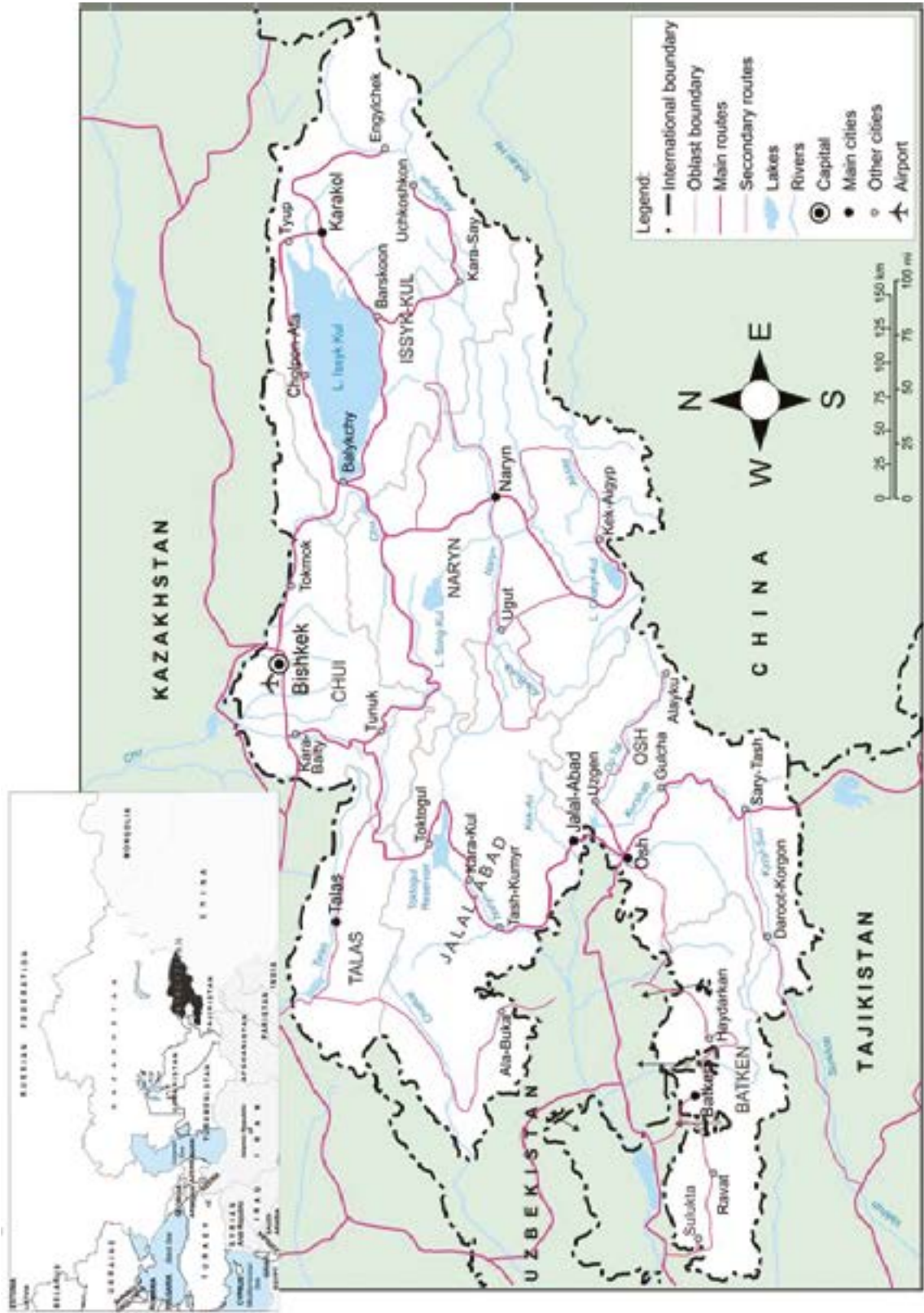
Map 1	Map of Kyrgyzstan.....	15
Picture A3.1	White kidney beans ('Lopatka' sort).....	171
Diagram A3.1	Business processes for exporting kidney beans from Kyrgyzstan by road .	172
Diagram A3.2	Negotiate and conclude the sales contract.....	174
Diagram A3.3	Payment against the invoice	176
Diagram A3.4	Obtain the sanitary-epidemiological conclusion	178
Diagram A3.5	Obtain the conformity certificate	181
Diagram A3.6	Obtain the certificate of origin	183
Diagram A3.7	Obtain the phytosanitary certificate	185
Diagram A3.8	Load the goods	187
Diagram A3.9	Obtain the vehicle quarantine control act	189
Diagram A3.10	Pass customs control and clearance.....	191
Diagram A3.11	Pass border control.....	193
Picture A4.1.	Farmers preparing fresh apricots for shipment abroad	197
Diagram A4.1	Business processes for exporting fresh apricots from Kyrgyzstan by Road	198
Diagram A4.2	Negotiate and conclude the sales contract.....	200
Diagram A4.3	Obtain the sanitary-epidemiological conclusion	202
Diagram A4.4	Obtain the Conformity Certificate.....	204
Diagram A4.5	Obtain the Certificate of Origin.....	206
Diagram A4.6	Obtain the phytosanitary certificate	208
Diagram A4.7	Arrange the transport of goods	210
Diagram A4.8	Pass weight control.....	212
Diagram A4.9	Obtain the vehicle quarantine control act	213
Diagram A3.10	Pass customs control and clearance.....	215
Diagram A4.11	Pass border control of the KR.....	216
Diagram A4.11	Pass border control of the KR.....	218
Diagram A4.12	Payment against the invoice	218

Abbreviations

ABW	Automated Broker Workplace
ADB	Asian Development Bank
AEO	Authorized Economic Operator
BCP	Border Crossing Point
BIPM	International Bureau of Weights and Measures
BPA	Business Process Analysis
BPR	Business Process Reengineering
CAREC	Central Asia Regional Economic Cooperation
CIS	Commonwealth of Independent States
COOMET	Cooperation of National Metrological Institutions
CRO	Common Regulatory Objectives
CSM	Centre for Standardisation and Metrology
CU	Customs Union
EU	European Union
EurAsEC	Eurasian Economic Community
EIA	enzyme immunoassay testing method
GDP	Gross domestic product
GNI	Gross national income
GOST	CIS interstate regional standards
GPS	Global Positioning System
GSP	Generalised System of Preferences
HACCP	Hazard Analysis and Critical Control Point
IAF	International Accreditation Forum
IAS	Inter-regional Association of Standardization
ICT	Information and communication technology
IEC	International Electrotechnical Commission
ILAC	International Laboratory Accreditation Cooperation
IMF	International Monetary Fund
ISO	International Organization for Standardization
KCDB	Key Comparison Database
MDGs	Millennium Development Goals
MFN	Most Favored Nation
MoH	Ministry of Health
MoTC	Ministry of Transport and Communications

MRA	Mutual Recognition Arrangement
OECD	Organisation for Economic Co-operation and Development
OIML	International Organization of Legal Metrology
PCR	Polymerase chain reaction testing method
PRC	People's Republic of China
RIA	Regulatory impact assessment
SAD	Single Administrative Document
SBS	State Border Service
SCS	State Customs Service
SCO	Shanghai Cooperation Organization
SESW	State Enterprise Single Window Center for Foreign Trade
SITC	Standard International Trade Classification
SMEs	Small- and medium-sized enterprises
SPS	Sanitary and Phytosanitary
SQAM	Standardization, quality assurance, accreditation and metrology
SW	Single Window
SWIS	Single Window Information System
TBT	Technical Barriers to Trade
TIN	Trader Identification Number
TIR	Transports Internationaux Routiers
TRACECA	Transport Corridor Europe Caucasus Asia
UAIS	Unified Automated Information System
UML	Unified Modelling Language
UN/CEFACT	United Nations Centre for Trade Facilitation and Electronic Business
UNECE	United Nations Economic Commission for Europe
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
USD	United States Dollar
VAT	Value Added Tax
WCO	World Customs Organisation
WTO	World Trade Organization

Map 1 Map of Kyrgyzstan



List of recommendations

I. Trade facilitation

1. Outstanding needs and recommendations for improving transparency

Outstanding needs	Recommendations
<p>Improving the State agencies' information dissemination function</p>	<ul style="list-style-type: none"> ● Consolidate national inquiry points, such as the one maintained by the SESW, with notification procedures to disseminate up-to-date information to relevant Government agencies, market support institutions and traders. ● Complement the information published on the SESW website with up-to-date information on all new trade-related regulations, especially those associated with Kyrgyzstan's membership in the Eurasian CU. It would be useful to publish key regulations in several languages. ● Each SW agency should publish detailed information on the procedures and documentary requirements that fall under its responsibility, along with a detailed price list. It would be useful to publish such information in several languages. ● Revise existing legislation to allow for setting deadlines for the issuance of trade documents. ● Develop user manuals with detailed instructions for guiding the implementation of regulations. ● Establish rules of procedure and protocols for governing inter-agency cooperation and ensuring regular exchange of information between the SESW and the SW agencies. ● Provide advanced training on emerging trends in public sector management, with a special focus on issues related to whole-government approaches to policy-making and implementation so as to provide public sector officials and legislators with the necessary tools to shift their focus away from a pre-occupation with administrative concerns to policy responsiveness, joint planning and coordinated implementation. ● Provide advanced training on emerging trends in trade policy and trade facilitation for staff responsible for processing and issuing trade document, so as to provide them with the necessary tools and approaches for shifting their focus away from a pre-occupation with rules and procedures towards a greater emphasis on trade facilitation

Outstanding needs	Recommendations
<p>Strengthening market support institutions with additional capacities and services</p>	<ul style="list-style-type: none"> ● Organize information dissemination seminars throughout the country to familiarize market support institutions with ongoing reforms, especially those associated with the SW, Kyrgyzstan's membership in the Eurasian CU, and potential membership the EU GSP+ Programme ● Assist key market support institutions in establishing help desk facilities with dedicated staff capable of helping traders prepare trade documents for export and import activities. Such facilities should also be able to provide traders with information on emerging export opportunities, and competitive supply sources. ● Establish training facilities, equipped with trained staff and training material adapted to the local context, within relevant market support institutions, such as the Chamber of Commerce and Industry, in order to familiarize traders with emerging trends in supply chain management, marketing, outsourcing and financial management. The institutions should be also assisted to develop web-based training material, which could be used as reference documents by traders. Examples include thematic video presentations and training sessions on, among others, export and import procedures, supply chain management and single window facilities. Such training materials can be published online on the institutional website of the Chamber of Commerce and Industry and other trade support institutions with broad memberships. ● Strengthen market support institutions that already have a strong lobbying and outreach service with a research facility, so as to enable them to crystalize traders' needs in white papers for the Government's consideration. ● Assist market support institutions in establishing partnerships with their counterparts in trade partner countries, so as to be better placed to help the enterprises improve their competitiveness in local and global markets. An immediate step in this direction would be to organize study tours to institutions that are willing to assist Kyrgyz enterprises.
<p>Keeping traders abreast on changes in trade-related regulations and administrative procedures, including their implication for export and import activities</p>	<ul style="list-style-type: none"> ● Publish detailed user manuals for traders, which highlight the implications of regulations and laws and provide a detailed account of the different tasks and business processes that traders have to take to ensure successful completion of import and export procedures. It would be useful to publish these manuals in Russian and in English, and substantiate them with case studies. ● Establish a comprehensive information dissemination system for providing enterprises with up-to-date information on trade-related regulations and procedures. This system could be housed within the SESW and linked to the IT systems of enterprises that are registered with the SW. The system should also be linked with the IT systems of market support institutions that would, in turn, disseminate the information among their members. This would ensure broad outreach since the number of enterprises that are registered with the SW is limited. ● Organize mobilization seminars throughout the country to familiarize enterprises with ongoing reforms, especially those associated with the SW, Kyrgyzstan's membership in the Eurasian CU, and potential membership in the EU GSP+ Programme ● Consider rationalizing the number of public-private consultative mechanisms so as to avoid spreading efforts too thin on the ground. The multiplicity of mechanism carries the risk of fragmenting the discussions across the diverse segments of the private and public sector entities. Moreover, private stakeholders would be better placed to contribute if they give undivided attention to a limited number of consultative mechanisms.

Outstanding needs	Recommendations
<p>Consolidating overarching public-private sector consultation mechanisms</p>	<ul style="list-style-type: none"> ● Establish a trade facilitation strategy that capitalizes on achievements to date and translates strategic goals identified in different initiatives and legislation into sequenced targets with clear: (i) policy guidelines, objectives and implementation plans for the different State agencies; (ii) mechanisms and procedures for coordinated inter-agency action; (iii) links to regional cross-border trade facilitation initiatives. ● Establish a national trade facilitation committee to act as an overarching umbrella for supporting public-private sector consultations. Kyrgyzstan's previous experience suggests that rather than creating the committee from scratch, it would be more appropriate to house the committee within existing national institutions involved in supporting public-private consultations, such as the the National Council on Development of Business and Investment. The institution in question should be strengthened with the required expertise skills and a dedicated secretariat, so as to enable it to provide an umbrella for consolidating discussions under the different working groups, bodies (such as the SESW) and public-private sector consultation mechanisms; convene regular meetings; liaise with the different public and private sector stakeholders; and, provide action-oriented recommendations. This is important so as to ensure that each of the different bodies take appropriate account of ongoing initiatives and discussions, and avoid unnecessary overlap and duplication of efforts.¹ The secretariat should comprise a core team of experts, and have clear reporting mechanisms to channel the outcome of consultations to the Government. Such mechanisms should feature: (i) minutes of meetings and white papers on topical for submission to the Government; (ii) monitoring reports for measuring progress in the implementation of trade facilitation initiatives and agreed upon actions during meetings; (iii) internal rules of procedure that emphasize the status of the Ministry of Economy as a link between the National Trade Facilitation Committee. The Government should also consider taking measures to enable the institution assuming the functions of the national trade facilitation committee to achieve a certain degree of self-sufficiency. This could be done by establishing a business plan for launching fee-based services. Alternatively, the Government may consider allocating a modest percentage of customs revenue (maximum of 1 per cent per annum) for financing the Council's activities.

¹ In 2008, the Government established a National Council on Trade and Transport Facilitation to bring together representatives of relevant public and private sector institutions for the purpose of promoting a unified policy on trade and transport regulations, simplification of trade and transport procedures, and user-oriented infrastructure development. The Council was also meant to guide the implementation of major reform efforts, including the establishment of the single window facility and a "one-stop shop" for traders. During its first year, the Council was chaired by the Prime Minister. However, it did not hold any meetings, since it lacked a dedicated secretariat for servicing the meetings and following up on emerging needs. As such, the Council was placed under the chairmanship of the Ministry of Economy in 2009. Yet in the absence of a dedicated secretariat, the Council was not convened, so that it exists only on paper.

2. Outstanding needs and recommendations for rationalizing and standardizing information requirements

Outstanding needs	Recommendations
<p>Streamlining and standardizing documentary requirements and associated administrative procedures</p>	<ul style="list-style-type: none"> ● Abolish unnecessary procedures that add no practical value to export/import processes. Traders do not need to feel obliged to approach the State agencies in person in order to obtain stamped trade documents and obtain official signature. Similarly, there is no need to re-register trade names with the customs, and the practice of using trade names for protecting trademarks should be abolished because it runs against the basic tenets of trade law. ● Speed up the business process re-engineering (BPR) in government agencies within SW agencies so as to eliminate instances of repetitive submission of information requirements, and reduce direct contact between officials and traders to the minimum. The BPR should be based on a thorough examination of the business processes underpinning the information flows within and between agencies. In this respect, the UNECE/ESCAP Business Process Analysis provides a useful tool for undertaking such an examination. ● Once the above measures are completed, revise the pricing schemes used by SW agencies to determine the fees for trade documents. ● Equip State agencies with the required digital signature technology following international standards from the National Institute of Standards and Technology (NIST), International Telecommunications Union (ITU-T), European Telecommunications Standards Institute (ETSI), Internet Engineering Task Force (IETF), World Wide Web Consortium (W3C), and International Organization for Standardization (ISO)/International Electrotechnical Commission (IEC) standards bodies.
<p>Developing the capacities of SW agencies</p>	<ul style="list-style-type: none"> ● Equip SW agencies with modern ICT systems and ensure that these systems are harmonized to allow data interoperability. ● Strengthen individual SW agencies with core teams of experts in ICT management and best practices in trade facilitation ● Establish internal rules of procedure for guiding the issuance of trade documents
<p>Consolidating the SWIS platform</p>	<ul style="list-style-type: none"> ● Ensure the active participation of SW agencies in the planning and decision-making processes associated with the SWIS further development. In this respect, the National Trade Facilitation and Transport Council could play an important role for encouraging and coordinating the participation of these agencies. ● Establish a more effective interface between the SWIS with the banking system, in order to facilitate electronic payments. ● Consider immediate measures for ensuring the SESW self-sufficiency. In this respect, the Government may consider allocating a modest percentage of customs revenue (maximum of 1 per cent per annum) for financing the Council's activities. ● The SESW should initiate a significant and sustained marketing effort to familiarize traders with the services of the SW facility. The aim should be to attract new customers, and persuade existing users to rely exclusively on the SWIS for complying with information requirements.

Outstanding needs	Recommendations
<p>Promoting wider use of electronic documents by traders</p>	<ul style="list-style-type: none"> ● Ensure the implementation of the law “On Electronic Document and Digital Signature”. Immediate steps, as suggested by some State officials, include amending the laws governing the procedures and activities of individual State agencies, with a view to provide clear guidelines for implementing digital signatures. State agencies should also receive advanced training in this area, and equipped with the required tools and management information systems to ensure data storage security. ● Organize mobilization seminars to familiarize traders with the SWIS and the electronic submission of trade documents ● Develop advanced training services in consultation with the SESW and market support institutions to provide traders with the required knowledge and skills for using the SWIS system, and host these services within market support institutions. ● Consider launching credit facilities to enable enterprises to update their IT systems. Such credit facilities could be jointly financed by the Government, donors and commercial banks and managed by non-government organizations within the context of SME credit guarantee schemes.

3. Outstanding needs and recommendations for improving at the border control

Outstanding needs	Recommendations
<p>Improving inter-agency coordination</p>	<ul style="list-style-type: none"> ● Roll out the delegation of the control functions at Torugart and Irkeshtam BCPs with PRC as an established procedure at all BCPs. ● Establish clear guidelines for fostering inter-agency coordination as part of the trade facilitation strategy.
<p>Consolidating the existing risk management system</p>	<ul style="list-style-type: none"> ● Further refine the risk parameters and profiles of the UAIS central risk management system, in order to increase the percentage of cargo automatically assigned by the UAIS to the green channel, and decrease the percentage of cargo assigned to the red channel. At the local level, risk profiles should be developed for individual customs control points, to reflect the specific control environment. The results and findings emerging from the practical application of the local risk profiles should be progressively used to update and adjust the central risk management system. ● Establish a link between the individual agencies’ risk management system and that of the UAIS, as the latter has established itself as the backbone of Kyrgyzstan’s broader risk management system. ● The above require a review of the risk management system as a whole; should be done in parallel with the introduction of the AEO scheme; and should be underpinned by targeted advance training to shift the focus of border control officers towards greater emphasis on trade facilitation and coordinated border control management. ● The SCS post-clearance audit function should be developed to support systems-based trader audits, and then to use the findings to adjust the parameters in the risk management system.²

² In this respect giving consideration to the important question of whether the time spent on assessing and debating the value of goods imported by small, irregular importers is justifiable *vis-à-vis* the revenue involved.

Outstanding needs	Recommendations
Streamlining and simplifying physical inspection procedures	<ul style="list-style-type: none"> ● Introduce non-intrusive inspection equipment, such as x-ray and gamma-ray scanners. If made available and used judiciously, such equipment could reduce instances of physical examination to the minimum ● Abolish the existing <i>de-facto</i> pre-shipment inspection procedure.
Improving customs valuation procedures and practices	<ul style="list-style-type: none"> ● Ensure strict application of the WTO Customs Valuation Agreement. Customs value of imported goods should be calculated using Method 1 (the transaction value method). Other methods should be applied in sequence only if the customs value cannot be determined under the first method.³ ● Revise existing legislation to make advance rulings binding, and establish detailed instructions for guiding the implementation of this procedure. ● Encourage traders to use the advance ruling procedure, since it allows importers to obtain rulings on tariff classification, origin and customs valuation. In this respect market support institutions have an important role to play in familiarizing the traders with this procedure.
Facilitating payment procedures at BCPs	<ul style="list-style-type: none"> ● Establish additional single cashiers for effecting payments at BCPs

4. Outstanding needs and recommendations for facilitating transit trade

Outstanding needs	Recommendations
Establishing a regional insurance guarantee system for transit cargo	<ul style="list-style-type: none"> ● Kyrgyzstan and its neighboring countries could consider using the TIR Carnets for governing the movement of transit cargo within the region. Alternatively, a regional insurance guarantee system could be developed to provide the much needed financial security mechanism for customs authorities.
Harmonizing and simplifying cross-border transport procedures and documentation between Kyrgyzstan and its immediate neighbors	<ul style="list-style-type: none"> ● Develop a framework agreement for guiding future bilateral and regional transit transport agreements between Kyrgyzstan and its immediate neighbors. The framework can be established at the regional level or bilaterally, and should provide comprehensive procedures on: customs guarantee for trucks; market access (quotas, permits); driver visa, licenses, working hours; documentation for cargo and transport; conditions of carriage (temperature, sanitary); technical requirements for vehicles; and, weight and axle load. The agreements should also provide a system of appeals in Customs matters based on the Revised Kyoto Convention and a dispute settlement mechanism.
Harmonizing customs control procedures between Kyrgyzstan and its immediate neighbors	<ul style="list-style-type: none"> ● Establish bilateral agreements with Kazakhstan and the PRC for mutual recognition of customs control procedures, and of customs seals and stamps. Customs control procedures can also be harmonized within the context of regional and bilateral transit transport agreements.
Strengthening the MoTC with expertise skills	<ul style="list-style-type: none"> ● Provide advance training courses to top and middle management as well as staff responsible for the day-to-day work on best practices on transport and supply chain management. ● Provide advance training courses to top management on negotiations and commercial diplomacy. ● Establish a dedicated research unit within the Ministry capable of conducting strategic analysis and maintaining a monitoring and evaluation system to measure progress in implementing the national transport strategy. ● Develop a strategic framework with comprehensive procedures for guiding the implementation of the transport strategy and the day-to-day management of the transport sector

³ The only exception is that the sequence of Methods 4 and 5 may be reversed at the request of the importer.

Outstanding needs	Recommendations
Fostering inter-agency coordination between Kyrgyzstan and its immediate neighboring countries	<ul style="list-style-type: none"> ● Kyrgyzstan may consider establishing bilateral coordinating committees to ensure effective implementation of existing transit agreements with its immediate neighbors. Such committees should bring together senior representatives and meet periodically to review the adequacy of all transit arrangements established under bilateral and regional agreements. The committees should provide clear guidelines, including agreed upon monitoring and evaluation methods, for supporting regular consultations between representatives of government institutions dealing with review the day-to-day implementation of transit procedure.
Developing inland infrastructure facilities at BCPs between Kyrgyzstan and PRC	<ul style="list-style-type: none"> ● Establish facilities for vehicle and goods inspection. ● Establish parking areas where vehicles, especially trucks, can be located – out of the inward and outward traffic lanes – whilst documentary inspections are being completed, as well as overnight resting areas for commercial vehicles on roads leading to BCPs. An immediate step in this direction would be to explore the possibility of financing these facilities through PPPs.

5. Outstanding needs and recommendations for developing inland transport infrastructure

Outstanding needs	Recommendations
Addressing the delays and congestions at BCPs	<ul style="list-style-type: none"> ● Consider the establishment of permanent SCS presence at rail container earmarked for development (Osh and Balykchin, for example), as this will help circumvent the delays resulting from the fact that railway lines do not extend to customs clearance areas. ● Develop road marking, signage, directions, and lighting in line with international standards
Improving the range and quality of rail transport services	<ul style="list-style-type: none"> ● Restructure and modernize rail transport services through private sector participation and improved corporate governance. ● Develop the services and institutional capacity of Temir Jolu State Company, which is the sole provider of railway services, and consider the option of opening this sector for private service providers. ● Modernize the country's rolling stock

6. Outstanding needs and recommendations for developing the logistics sector

Outstanding needs	Recommendations
Eliminating congestion and waiting lines at BCPs	<ul style="list-style-type: none"> ● Establish facilities for vehicle and goods inspection. ● Improve traffic management through the proper segregation, into separate lanes, of trucks, buses and cars ● Improve work organization, through the co-location of control agency offices, with a logical work-flow from one to another. ● Introduce non-intrusive inspection equipment, such as x-ray and gamma-ray scanners ● Establish parking areas at BCPs where vehicles, especially trucks, can be located – out of the inward and outward traffic lanes – whilst documentary inspections are being completed, as well as overnight parking areas for commercial vehicles on roads leading to BCPs. An immediate step in this direction would be to explore the possibility of financing these facilities through PPPs.

Outstanding needs	Recommendations
Improving the set-up for supporting multi-modal transport	<ul style="list-style-type: none"> ● Establish multi-modal carrier liability regimes for protecting exporters and importers in international markets.
Modernize the trucking industry	<ul style="list-style-type: none"> ● Adopt new regulations that encourage market entry of competent and financially capable operators. This includes reconsidering the minimum size company in terms of fleet size and/or capitalization and standards for vehicle safety ● Encourage the establishment of international trading companies on a joint venture basis between domestic and international companies. Such companies could play an important role in overcoming the problem of small shipments faced by local exporters. ● Modernize the trucking industry through adopting new regulations that encourage market entry of competent and financially capable operators. This includes reconsidering the minimum size company in terms of fleet size and/or capitalization and standards for vehicle safety.

II. Regulatory Cooperation and Standardization Policies

1. Outstanding needs and recommendations in the area of technical regulation

Outstanding needs	Recommendations
Developing national expertise knowledge and skills in the area of technical regulation development	<ul style="list-style-type: none"> ● Consider alternative approaches to regulatory harmonisation, such as incorporating harmonization principles in national regulations or referencing relevant regional technical regulations that correspond to national regulatory requirements. In this respect, UNECE Recommendation L is of particular importance, as it sets out an “International Model for Technical Harmonization Based on Good Regulatory Practice for the Preparation, Adoption and Application of Technical Regulations via the Use of International Standards”.⁴ ● Integrate the principles of risk management into technical regulation development. In this respect, UNECE Recommendation R on “Managing Risk in Regulatory Frameworks” provides a useful reference model. It provides guidance on setting framework objectives, identifying and assessing risk, and selecting and implementing risk management strategies in a manner that supports coherence across risk management policies and regulations.⁵
Building the required institutional capacity for implementation	<ul style="list-style-type: none"> ● Establish a strategic framework for guiding quality control and quality assurance, which goes beyond addressing SQAM issues to ensuring an efficient and seamless interplay between the SQAM and trade facilitation systems. ● Assign the Trade Facilitation and Transport Council a lead role in articulating the strategic framework

⁴ UNECE Recommendation L is available in Russian and in English at: <http://www.unece.org/trade/wp6/recommendations/recommendations.html>

⁵ UNECE Recommendation R is available in Russian and in English at: <http://www.unece.org/trade/wp6/recommendations/recommendations.html>

2. Outstanding needs and recommendations in the area of standardization

Outstanding needs	Recommendations
Strengthening the CSM and the technical committees with expertise skills in the area of standard setting	<ul style="list-style-type: none"> ● Ensure that technical assistance projects allocate adequate resources to allow CSM staff and members of the technical committees to effectively contribute to relevant meetings of ISO technical committees, subcommittees and working groups. ● Provide advanced training courses to CSM staff and members of the technical committees on standardization policies and topical issues of relevance to their work and to national strategic priorities.
Revising the Law “About the Basis of Technical Regulation”	<ul style="list-style-type: none"> ● The law should be revised to reflect the existing system of standardization and incorporate international best practices, such as the principles of the EU harmonized legislation (especially self-certification and the presumption of conformity).
Establishing technical equivalency arrangements with major trading partners	<ul style="list-style-type: none"> ● Explore the possibility of entering into technical equivalence agreements with main trading partners, which have adopted technical regulations that effectively achieve the same regulatory objectives. ● Explore with major trading partners the possibility of establishing comprehensive MRAs, which cover several different industries and regulatory issues.

3. Outstanding needs and recommendations for developing conformity assessment, accreditation and product certification

Outstanding needs	Recommendations
Improving the capacity of KCA	<ul style="list-style-type: none"> ● Provide advance training for staff and experts on the following standards and related processes: ISO/IEC 22003 (audit and certification of food safety management system); Hallal meat inspection; ISO/IEC 17043 (proficiency testing schemes); ISO/IEC 17065 (product certification), ISO/IEC 17020 (inspection bodies), ISO/IEC 17021 (management systems certification), ISO/IEC 17025 (general requirements for the competence of testing and calibration laboratories) and ISO 17024/IEC (certification of persons). ● Implement a BPR process to streamline and automate product certification. Documentary requirements and data collection has to be restructured using electronic formats such as UN/EDIFACT or XML formats, and be followed by a rigorous streamlining of administrative procedures to dispense with unnecessary requirements and practices. There is also a need to consolidate the ICT system of KCA with a monitoring and tracking functionality that allows for establishing an accurate and up-to-date inventory of issued certificates. ● Accord priority to securing donor support and financial assistance to KCA and to existing CABs, so that they could obtain the required accreditation. This will increase the level of demand on KCA’s services and will enable it to increase the fees charged for its services. In the long run, and once the KCA registers increased demand on its services, consider restructuring the KCA so that it could operate on market-based principles and achieve self-sufficiency. In this respect, Kyrgyzstan could draw on the experience of the United Kingdom Accreditation Service (UKAS), which operates as a non-profit-distributing private company, limited by guarantee, which brings together members instead of shareholders and works closely with the Government based on clear guidelines that are articulated in a memorandum of understanding. The members represent relevant public and private sector entities, and the UKAS has its own staff and generates funds from service fees based on strategic business plans.

Outstanding needs	Recommendations
Developing the country's system of testing laboratories	<ul style="list-style-type: none"> ● Accredit laboratories to ISO/IEC 17065 (product certification), in accordance with ILAC Arrangements. ● Develop the capacity of existing testing laboratories with modern equipment and expertise skills. Priority should be given to laboratories engaged in supporting the food sector, furniture, consumer products, construction materials and machinery. ● Support the regular participation of laboratories in proficiency testing programmes (where applicable) and inter-laboratory comparisons, as this is important for fulfilling the requirements of ISO/IEC 17025 and ILAC's policy (ILAC P9).
Establishing a market surveillance strategy	<ul style="list-style-type: none"> ● Establish a law for governing market surveillance. ● Develop a market surveillance strategy using UNECE Recommendations M and Recommendation N, which provides a reference framework for coordinating inter-governmental efforts to contain sub-standard and counterfeit goods drawing on best practices and international standards.⁶ ● Establish in cooperation with trade partners a track-and-trace warning system, similar to EU's Rapid Exchange of Information System (RAPEX) alert system for unsafe consumer products and consumer protection. ● Establish FMD control system based on the EuFMD principles of Progressive Control Pathway (PCP). ● Consolidate market surveillance with crisis management function, supported by a core team of experts and organisational structures, to mitigate and ensure swift response to crisis situations in local markets. UNECE recommendation P "Crisis Management within a Regulatory Framework" provides useful guidelines for establishing such a function.⁷
Strengthening the SPS control measures	<ul style="list-style-type: none"> ● Equip State agencies with the required expertise skills to support the proper introduction of the HACCP system at the enterprise level, as stipulated by law. ● In addition to developing the capacity of the food testing laboratory, modernize the laboratory for phytosanitary testing under the Ministry of Agriculture and Melioration, and the laboratory for veterinary diagnosis with the proper equipment and expertise skills: <ul style="list-style-type: none"> – The laboratory for phytosanitary testing should be furnished with the required equipment and expertise skills to master the new and widely-used enzyme immunoassay (EIA) and polymerase chain reaction (PCR) testing methods. – In the field of veterinary science: the two units of Centre for Veterinary Diagnostics and Expertise received accreditation (Chemical-toxicological department – for qualitative determination of antibiotics in the products of livestock and bees; virology department – for diagnosis of FMD), but this accreditation does not automatically lead to ensuring control over the mentioned products and meeting sanitary and veterinary supervision requirements in the Customs Union. – The validation of the EIA method for quantitative determination of antibiotics and other chemical-therapeutic means is lacking, and this requires, among others, respective test systems, certified reference-materials and participation in proficiency testing programmes. – The accreditation of other units of the Centre for Veterinary Diagnostics and Expertise is needed. ● Reconsider the existing allocation of functions between the different agencies to allow for dispensing with the administrative divisions that are impeding proper coordination of veterinary and phytosanitary control ● Consider signing an MOU with OIE (World Organisation for Animal Health).

⁶ UNECE Recommendations M and N are available in both English and Russian languages at: <http://www.unece.org/trade/wp6/recommendations/recommendations.html>

⁷ UNECE Recommendation P is available in both English and Russian languages at: <http://www.unece.org/trade/wp6/recommendations/recommendations.html>

Outstanding needs	Recommendations
Strengthening the capacity of the State Inspectorate of Environmental and Technical Safety (SIETS)	<ul style="list-style-type: none"> Expand the pool of trained inspectors in regional offices Establish a special research and analysis facility to allow for moving beyond the prevailing singular focus on the inspection function to addressing the all-important guidance function that enterprises need to ensure adherence to mandatory safety requirements. Such a balanced approach would also help further improve the risk-based planning as well as refining inspection checklists.
Addressing the gaps in the legislative basis of quality control and quality assurance	<ul style="list-style-type: none"> Introduce proper licensing requirements for regulating enterprises engaged in manufacturing construction materials and consumer goods. Introduce measures to tighten the administrative procedures associated with issuing product certifications, so as to dismantle the current practices of issuing fake and on-the-spot certificates without proper testing. Implementing the BPR is an important step in this direction, and should be complemented with additional measures to sensitize traders on the damaging consequences of existing practices on their export competitiveness and on consumer safety.

4. Outstanding needs and recommendations for developing the metrology system

Outstanding needs	Recommendations
Developing the country's system of calibration laboratories	<ul style="list-style-type: none"> Conduct detailed analysis of needs of industries, so as to acquire an accurate understanding of the type of calibration facilities and methodologies that should be put in place to ensure consumer safety and improve overall export competitiveness. This should be accorded priority since there is a lack of calibration equipment for ensuring consumer safety and boosting export competitiveness. Improve the calibration facilities of existing laboratories and train the staff on the use of the new equipment and associated methodologies. Priority should be given to for measurements of radioactivity and radioactive gases (radionuclides) released from the soil (Radon). In this respect, the Government could consider, together with CSM, conducting a feasibility study for determining the costs and benefits of developing the required facilities for measuring radioactivity and radioactive gases released from the soil.
Developing the system of legal metrology	<ul style="list-style-type: none"> Further develop the body of laws, regulations, administrative and technical procedures, so that legal metrology could cover weighing and measuring devices used in sales of food, petroleum products (gas pumps, gas meters), transportation (weighing stations, taxi meters), and chemicals. Establish metrological traceability of measurement results. According to the requirements of ILAC Policy on the Traceability of Measurement Results, traceability of measurements can be ensured through the measurements made with the use of measuring instruments calibrated by: <ul style="list-style-type: none"> National metrology institutions of other countries which services CMC-lines are included into the International Bureau of Weights and Measures (BIPM) Key Comparison Database (KCDB). Presence of the International Committee for Weights and Measures (CIPM) Mutual Recognition Arrangement (MRA) logo is optional and the KCDB serves as the only source to confirm traceability of measurements. Calibration laboratories, accredited by one of the partners that signed the ILAC MRA. Traceability of measurements is confirmed by the presence of the ILAC MRA logo or the logo of the accreditation body being a signatory to the ILAC MRA. Certified reference materials.
Addressing the gaps in the legislative basis of quality control and quality assurance	<ul style="list-style-type: none"> Establish measures for ensuring the adherence of private calibration laboratories to established laws.

Chapter One

Introduction

1.1 Country background

A landlocked country that shares borders with Kazakhstan in the north, Uzbekistan in the west, Tajikistan in the south-west and the People's Republic of China (PRC) in the south and south-east, Kyrgyzstan is renowned for its rich reserves of water and mineral resources, including coal, gold, uranium and antimony.⁸ It was the first Central Asian country to join the World Trade Organization (WTO)⁹ and has an extensive reform record, which placed it among the top performers globally in areas related to investment attraction,¹⁰ market efficiency and financial market development.¹¹

⁸ It should be noted that a modest volume of transport is registered along the 600 kilometers of inland waterways at Issyk-Kul Lake (Balykchy port). UNECE (2012) Euro-Asian Transport Linkages: Paving the Way for a More Efficient Euro-Asian Transport. New York and Geneva: UN Publications. Available at: http://www.unece.org/fileadmin/DAM/trans/main/eatl/docs/EATL_Report_Phase_II.pdf

⁹ Kyrgyzstan joined the WTO on 20 December 1998.

¹⁰ In 2013, Kyrgyzstan ranked among the top five economies with the highest inward FDI rates of return. UNCTAD (2013) World Investment Report, Global Value Chains: Investment and Trade for Development. The Kyrgyz law on foreign investment guarantees protection for foreign investors from expropriation, nationalization, and provides for streamlined bureaucratic procedures. For a brief account of recent achievements and planned reform efforts to further improve the investment climate, see the National Sustainable Development Strategy for the Kyrgyz Republic for the period of 2013-2017.

¹¹ Kyrgyzstan is among the top performers against the 2014-2015 Global Competitiveness indicators related to legal rights (1st in rank out of 144 economies) and number of procedures to start a business (3rd in rank). The 2014-2015 Global Competitiveness Report is available at: <http://www.weforum.org/reports/global-competitiveness-report-2014-2015>

Yet, Kyrgyzstan remains a lower middle-income country, with an estimated gross national income (GNI) per capita of USD 1,200 in 2013. Around 38 per cent of the population was found to be living below the national poverty line in 2012 against a backdrop of income disparity between the relatively poor South and the richer North, chronic public debt and high inflation rates.¹²

Economic structure

At the heart of Kyrgyzstan's development predicament is the economy's uneven structural transformation. As shown in figure 1.1,¹³ the past two decades have seen the economy register a shift towards increased specialization in services, driven by wholesale and retail trade and, since mid-2000s, tourism and communications along with the financial sector that has benefited from targeted reform measures to consolidate a market-based economy.¹⁴

However, with mining and minerals attracting the lion's share of foreign direct investment (FDI),¹⁵ the economy's structural transformation was not un-

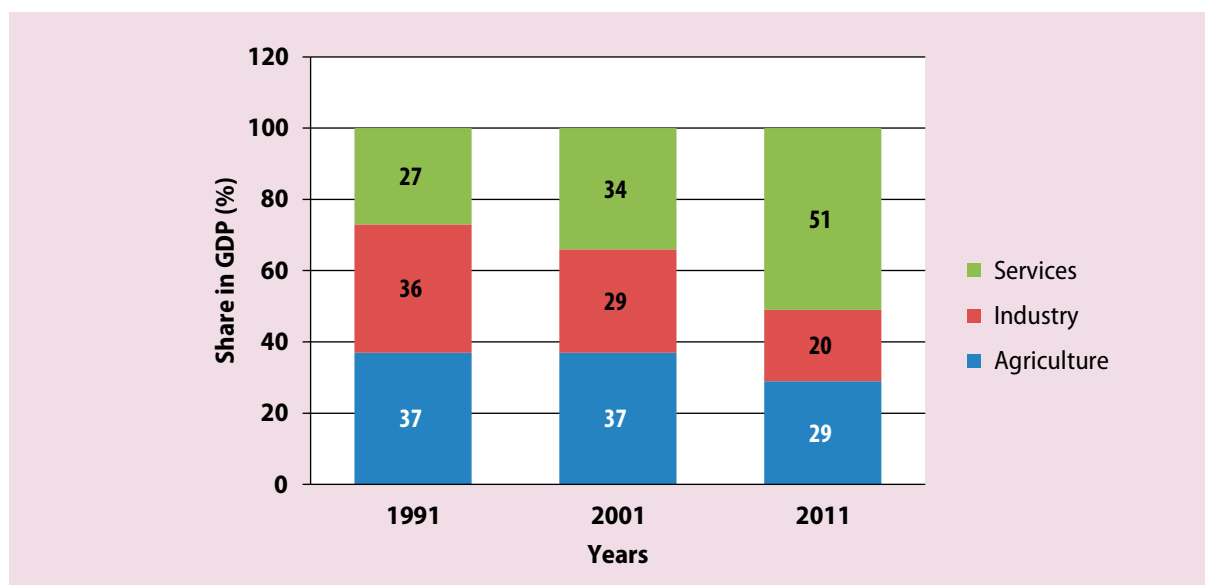
¹² World Bank, World Database, Kyrgyzstan available at <http://data.worldbank.org/country/kyrgyz-republic>. Inflation has ranged between 5 to 10 per cent and is expected to maintain such levels. For a brief discussion of income inequality in Kyrgyzstan, see, for example, United Nations Development Programme (UNDP), Human Development Report 2013, available at http://hdr.undp.org/sites/default/files/reports/14/hdr2013_en_complete.

¹³ World Bank, World Development Indicators

¹⁴ For a discussion of the services sector's development prospects, see UNCTAD (2013) National Services Policy: Kyrgyzstan, New York and Geneva: United Nations.

¹⁵ UNCTAD (2013) World Investment Report, Global Value Chains: Investment and Trade for Development.

Figure 1.1 The Kyrgyz economy's structural transformation



derpinned by productivity gains in other sectors. The agricultural sector is yet to be exploited to its full potential. The sector is still driven by herding activities, which offer a source of livelihood for two thirds of the population in rural areas.¹⁶

The predominance of herding activities has to be measured against the weaknesses in the farming sub-sector, which is dominated by small, typically one-family owned farms that lack modern equipment, necessary inputs and access to credit. The farms tend to focus on semi-subsistence activities, which evolve around the production of cow's milk, along with the cultivation of cash and food crops, especially wheat, barley, maize, potatoes, vegetables and fruits, sugar beet, cotton and tobacco (Figures 1.2 and 1.3).

The manufacturing sector is dominated by labor-intensive activities with low value-added. The food industry constitutes the largest segment. It is driven by wheat and milk processing industries, flour and sugar manufacturing, along with fruit processing industries. The meat industry, which should assume a major role in generating income,

remains under-developed.¹⁷ It is inward-oriented, with a marketing infrastructure geared to meeting demand in major rural areas and local bazaars.

Other manufacturing activities include garments and footwear, which have been attracting new entrants over the past few years. New enterprises emerged as a network of small enterprises, employing between 5 and 10 workers and producing for the lower-end market segment, and evolved to compete with similar imported products, benefiting from the relatively low wages and cheap raw materials that are imported from PRC.¹⁸

¹⁶ FAO (2012) Eastern Europe and Central Asia Agro-Industrial Development-Country Brief: Kyrgyz Republic, Policy Brief, Regional Office for Europe and Central Asia

¹⁷ FAO (2012) Eastern Europe and Central Asia Agro-Industrial Development-Country Brief: Kyrgyz Republic, Policy Brief, Regional Office for Europe and Central Asia

¹⁸ During the per-independence period, Kyrgyzstan's light industry comprised three main sectors –textile, garment making, and leather and fur. The textile industry produced wool, cotton, and silk fabrics that were used as raw materials for garment production. The crisis of the early 1990s seriously undermined the whole sector. Output dropped, enterprises had to close or downsize, the integrated textile-garment making production chain fell apart. At the same time, the decreasing availability of local raw materials (in particular cotton and wool) forced garment production to reorient to use imported fabrics from China, Turkey, and other countries. For a detailed account of the evolution and growth of this industry, see for example, Kaminiski, B. and S. Mitra (2011) Skeins of Silk: Borderless Bazaars

Figure 1.2 Top ten agricultural products in terms of volume, 2012(in tons)¹⁹

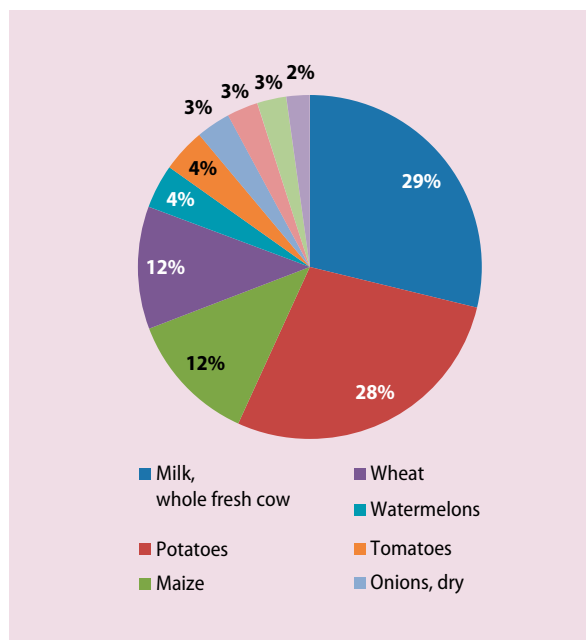
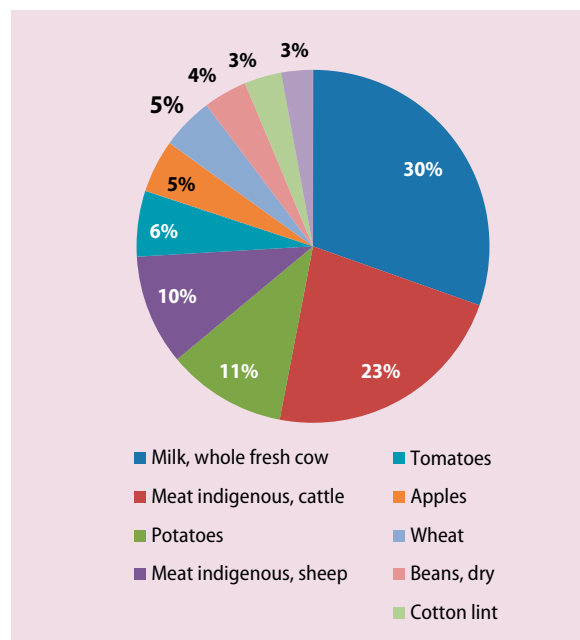


Figure 1.3 Top ten agricultural products in terms of value, 2012 (in USD thousands)²⁰



Source: Food and Agricultural Organisation (FAO), FAOSTAT

With both the agricultural and manufacturing sectors held back by a weak productive capacity, the economy remains incapable of generating enough jobs for its growing labour force and enough savings for financing investments. This has meant continued reliance on remittances from workers abroad, especially Kazakhstan and the Russian Federation, along with FDI. Remittances from abroad accounted for around 35 per cent of GDP in 2011,²¹ while net FDI inflows represented around 11 per cent of GDP in 2013.²²

and Border Trade in Central Asia, Washington DC: World Bank; Kaminski, B., M. Kholmatov and S. Mitra (2009) Bazaars and Trade Integration in CAREC Countries, Washington DC: World Bank.

¹⁹ Share in the total volume of top ten products .

²⁰ Share in the total volume of top ten products .

²¹ National Sustainable Development Strategy for the Kyrgyz Republic for the period of 2013-2017

²² World Bank Database.

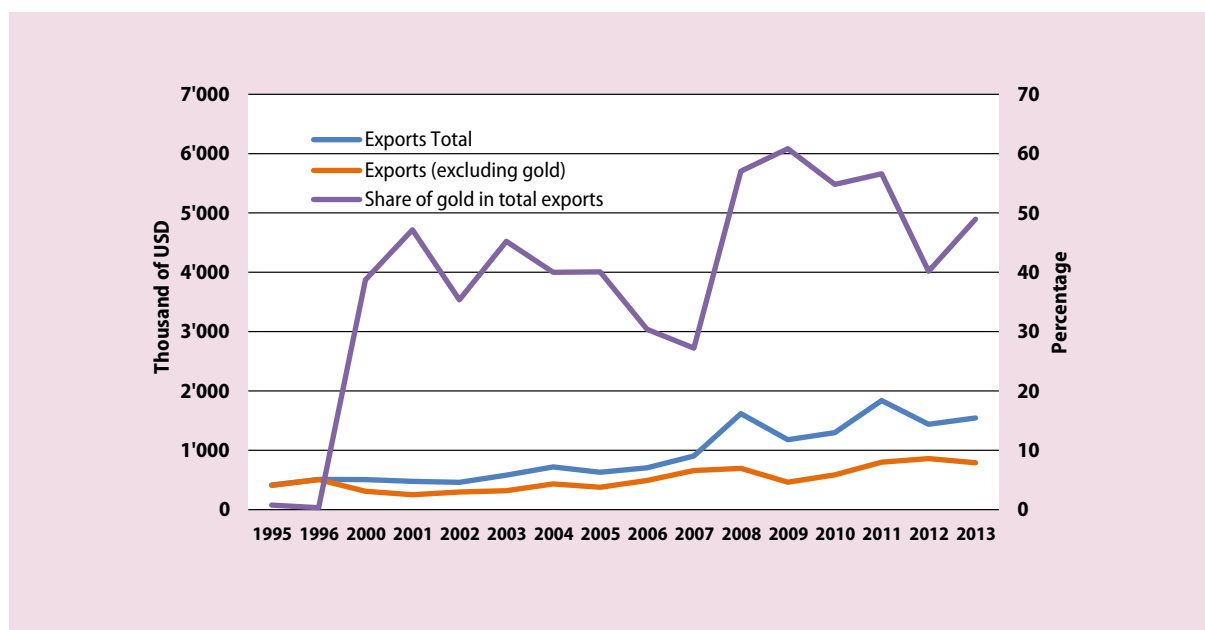
The trade sector

In a cause-effect relationship, the economy's unbalanced growth has set the limits to the trade sector's development and contribution to income generation. Exports are mainly driven by gold, which has accounted for 50 per cent of total exports since 2008 (see figure 1.4).

The manufacturing sector's contribution to exports is confined to a narrow range of products with low-value added. As shown in table 1.1, oil products rank high on Kyrgyzstan's list of top 20 exports,²³ and while non-oil manufactured exports have come to feature a certain degree of diversity, they are dominated by kidney beans, some textiles and garments and a limited range of fresh agricultural and food products.

²³ These products have accounted for 25 to 35 per cent of total exports over the period 2003-2013.

Figure 1.4 Evolution of Kyrgyzstan's exports 1995-2013 (in thousands of USD)



Source: United Nations (UN) Comtrade

Moreover, the increased exports of kidney beans are mainly driven by increased demand from one country, namely Turkey. This increased demand is mainly explained by the strong presence of Turkish companies throughout Kyrgyzstan's supply chains of kidney beans (Annex 1). At the same time, some of the main agricultural exports (fresh milk, cream, potatoes and carrots) are of limited tradability, since they are not amenable to transportation over long distances.

Table 1.1 also highlights the declining importance of the once strategic cotton sector. This trend finds its root in the early years of the post-independence period, which saw the contraction of the areas used for cotton cultivation by over 70 per cent as companies lost their traditional markets. Subsequent years saw the sector struggling under the weight of border tensions with Uzbekistan and Kazakhstan, as the recurrent closure of the country's major commercial crossing points pushed farmers to abandon cotton cultivation in search for more stable livelihoods in the capital city of Bishkek and other urban centres. The sector was also dealt strong blows by fluctuations in global cotton prices, the impact of which has been aggravated by in-

creased competition from major cotton producers in the region (Kazakhstan, Tajikistan and Uzbekistan) and beyond (India, PRC and Turkey).²⁴

Exports are also concentrated with a few trading partners. The bulk of exports are destined to the Commonwealth of Independent States (CIS) countries, which account for 72 per cent of total exports,²⁵ excluding gold.²⁶ Kazakhstan and the Russian Federation stand out as the main regional partners, accounting for 62 per cent of

²⁴ For a brief overview of the Kyrgyz cotton industry see, Warkotsch, A. (2011) *The European Union and Central Asia, Canada and United States of America*: Routledge; Kurbanalieva, S. (2014) "Organic Cotton Production and Sector Development in Kyrgyzstan", paper presented by Helvetas Swiss Intercooperation at 6th Meeting of Asian Cotton Development and Research Network in Dhaka, Bangladesh, June 18-20, available at: https://www.icac.org/getattachment/tech/Regional-Networks/Asian-Cotton-R-D-Network-6th-Meeting/Helvetas_SK_WordPaper.pdf

²⁵ The percentages were calculated based on statistics by UN Comtrade database.

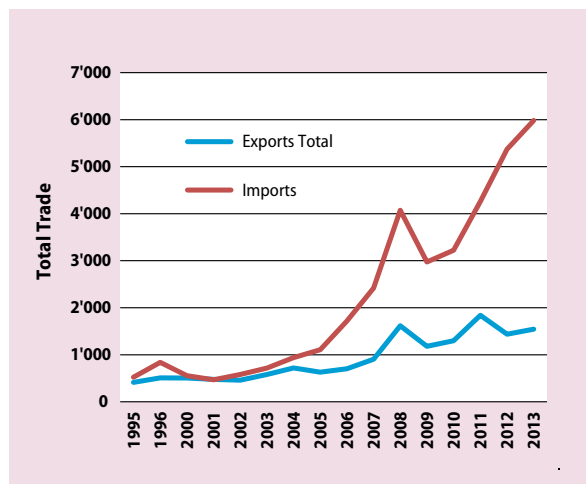
²⁶ If exports of gold are taken into account, the CIS countries are relegated secondary importance to Switzerland, which stands out as Kyrgyzstan's main trade partner with a 40 per cent share of total exports. A detailed analysis of Kyrgyzstan's trade relations with the European Union (EU) is provided in Chapter 4.

Table 1.1 Kyrgyzstan's top 20 exports (2003, 2011-13)

Product	Value (Thousands of USD)				Share (Percentage of total exports)			
	2003	2011	2012	2013	2003	2011	2012	2013
Petroleum oils and oils obtained from bituminous minerals, Crude	N/A	86,923	95,699	127,492	N/A	4.82	6.73	8.36
Kidney beans, incl. white pea beans	4,329	51,813	48,249	72,964	0.75	2.87	3.39	4.78
Electrical energy (optional heading)	19,180	80,407	56,436	20,308	3.32	4.46	3.97	1.33
Cotton, not carded/combed	42,529	30,967	33,850	19,879	7.35	1.72	2.38	1.30
Precious metal ores and concs. (excl. silver ores and concs.)	113	17,169	55,549	18,337	0.02	0.95	3.91	1.20
Light petroleum oils & preps.	47,898	10,130	18,838	12,495	8.28	0.56	1.32	0.82
Electric filament lamps	13,266	17,813	19,506	21,155	2.29	0.99	1.37	1.39
Women's/girls' dresses (excl. knitted or crocheted) of cotton	363	18,945	24,330	18,321	0.06	1.05	1.71	1.20
Women's/girls' blouses, shirts & shirt-blouses	105	20,726	22,034	15,384	0.02	1.15	1.55	1.01
Tobacco, not stemmed/stripped	11,801	13,100	11,893	14,177	2.04	0.73	0.84	0.93
Float glass and surface ground/polished glass in sheets.	4,139	14	15,941	28,430	0.72	0.00	1.12	1.86
Women's/girls' trousers, bib & brace overalls, breeches and shorts of textiles	668	16,172	15,667	13,535	0.12	0.90	1.10	0.89
Portland cement (excl. white cement, whether or not artificially coloured)	5,857	8,284	12,190	17,124	1.01	0.46	0.86	1.12
Potatoes other than seed potatoes, fresh/chilled	51	18,522	10,541	7,557	0.01	1.03	0.74	0.50
Apples, fresh	410	8,265	10,791	10,195	0.07	0.46	0.76	0.67
Men's/boys' trousers, bib & brace overalls, breeches and shorts of textiles	3,902	10,244	8,540	6,782	0.67	0.57	0.60	0.44
Milk and cream, not concentrated/sweetened, fat content	2,069	10,490	10,490	6,335	0.36	0.58	0.74	0.42
Carboys, bottles, flasks & sim. arts., of plastics	6,289	5,482	5,184	9,546	1.09	0.30	0.36	0.63
Carrots & turnips, fresh/chilled	507	8,268	5,861	11,852	0.09	0.46	0.41	0.78
Apricots, fresh	215	5,141	12,178	8,786	0.04	0.28	0.86	0.58
Grand Total	163,691	438,874	493,769	460,654	28.30	24.32	34.72	30.20

Source: UN Comtrade database via World Integrated Trade Solution (WITS) 6-Digit

Figure 1.5 Evolution of Kyrgyzstan's Trade (in thousands of USD)



Source: UN Comtrade

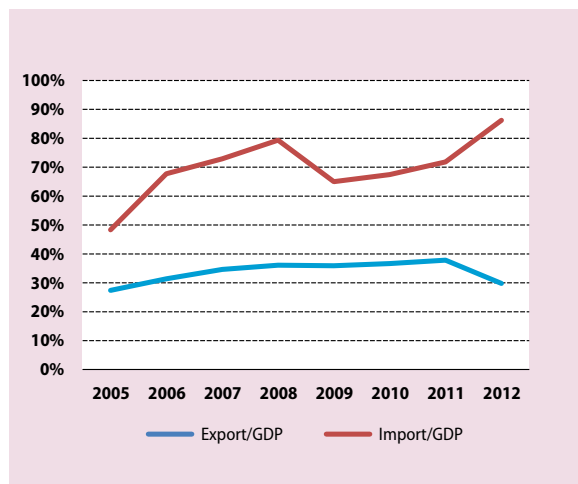
Kyrgyzstan's exports and providing outlets for cotton, tobacco, milk products, fruits and vegetables, along with non-ore minerals, metal products, lamps, vehicles and spare parts for transport equipment. Export to non-CIS countries is less diversified and is limited to, in addition to gold, cotton, wool, leather, scrap metal and non-organic chemicals.²⁷

Not captured in the country's trade statistics are re-exports, which have gained new life as a result of the Government's efforts to promote local bazaars. These efforts commenced in 2004 when the Government decided to base customs clearance and tax payments for goods imported by individuals for commercial purposes on the weight of goods, instead of customs value.²⁸ This decision, along with the simplification of related taxation procedures in subsequent years, resulted in reducing the costs of importing consumer goods on a commercial scale. Most notable among these products are livestock, meat, vegetables, fruits, garments and footwear, which are imported in large quanti-

²⁷ National Statistical Committee of the Kyrgyz Republic.

²⁸ See Customs Code, Chapter 28; and, Government Resolution No. 976 of 31 December 2004 and its subsequent amendments.

Figure 1.6 Exports and imports (as a percentage of GDP)



Source: National Statistical Committee of Kyrgyzstan

ties from PRC and Turkey, and sold in Kazakhstan, Uzbekistan and, to a certain extent, in the Russian Federation.²⁹

The country's narrow range of exports, combined with the budding re-export activities, have generated a high propensity to import, with the Russian Federation ranking as the main source of supply followed by PRC.³⁰ As shown in figures 1.5 and 1.6, imports multiplied by 11 times in 1995-2013, so that they accounted for 86 per cent of GDP in 2012, while exports multiplied by only 4 times during the same period. This has meant that in 1995, export revenues covered around 78 per cent of imports, whereas in 2013 these revenues covered only 26 per cent of imports. Hence, a chronic trade deficit that reached an estimated USD 4.2 billion in 2013.

Economic vulnerability

Kyrgyzstan's economic development trajectory has rendered a heavy concentration of production and export activities in gold mining, along with

²⁹ For a detailed account of re-export activities in Kyrgyzstan, see Mogilevskii, R. (2012) "Re-export activities in Kyrgyzstan: Issues and prospects", working paper n. 9, University of Central Asia, Bishkek: Kyrgyzstan.

³⁰ UN Comtrade database

Figure 1.7 Kyrgyzstan's trade openness over the period 1995-2011



Source: Calculations are based on UN Comtrade and World Integrated Trade Solution databases

a narrow range of labor-intensive manufacturing activities with low value-added. This lack of economic diversification has rendered a high degree of vulnerability to fluctuations in world gold prices and to shocks emanating from Kazakhstan, the Russian Federation and, to a lesser extent, PRC. Recession in these countries would directly translate into lower export revenues and remittances from workers abroad.

Kyrgyzstan is also vulnerable to fluctuations in global food prices. The agricultural sector's weak productive capacity has meant that apart from dairy products, which meet local demand, Kyrgyzstan imports such basic products as flour, meat and poultry, vegetable oil, sugar, eggs, fruit and vegetables, rendering it a net food importer.³¹ The Government is also struggling to improve food security conditions, with around 24 per cent of the population reported as food-insecure.³²

Further aggravating Kyrgyzstan's economic vulnerability is a high degree of trade openness, with the ratio of trade to GDP increasing from 74 per cent in 2005 to over 100 in 2011 (figure 1.7). As previously mentioned, this increase has been driven by imports, suggesting that any change in the trade policies of main partner countries will have a significant and direct bearing on income growth and overall economic welfare

Moreover, Kyrgyzstan is highly dependent on importing oil and gas, especially from Kazakhstan and Uzbekistan, rendering it extremely vulnerable to changes in the global oil and gas prices. Indeed, since 2000, Kyrgyzstan has been experiencing chronic shortages of power supply, leaving many regions with frequent interruptions and forcing enterprises and households to switch to inefficient diesel generators.³³

³¹ National Sustainable Development Strategy for the Kyrgyz Republic for the period of 2013-2017

³² World Food Programme statistics available at: <http://www.wfp.org/countries/kyrgyzstan/overview>

³³ For an informative analysis of this sector, see, for example, National Sustainable Development Strategy for the Kyrgyz Republic for the period of 2013-2017; and, Ministry of Energy of the Kyrgyz Republic and EBRD (2011) Strategic planning of Small and Medium HPPS development; Asian Development Bank (2010).

Kyrgyzstan's economic vulnerability is also a measure of the binding constraints stemming from the country's remoteness from international maritime routes and harsh topography. Around 90 percent of the territory is covered with mountains, so that local markets are inherently small and manufacturing activities are concentrated in the capital city of Bishkek, the Osh and Chui provinces, with Bishkek constituting the country's trade hub.³⁴

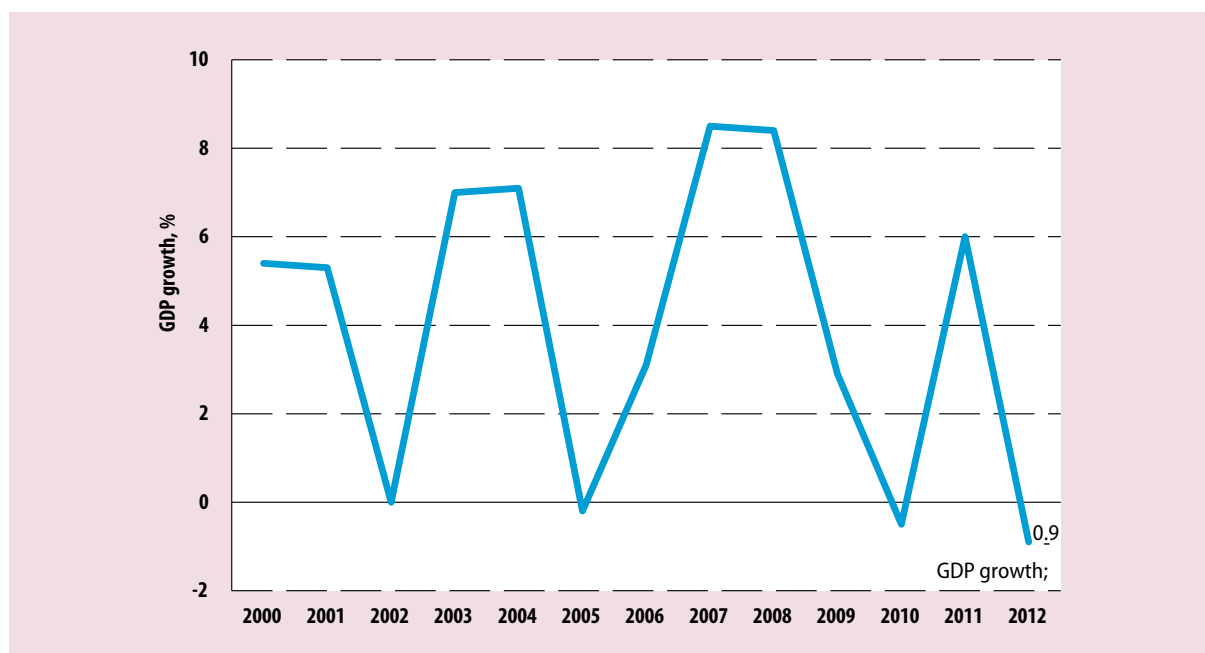
In addition, the country is prone to natural disasters such as earthquakes, mudslides, floods and avalanches. For example, between 10–20 avalanches are recorded in any given year, leaving behind substantial and sometimes disastrous consequences for basic utilities, transport infrastructure and agricultural activities as well as for gold mining, which is concentrated in remote mountainous areas.³⁵

Yet another set of challenges stem from the lack of political stability. Internal strife has consistently disrupted the implementation of reform efforts, while border tensions have often resulted in intermittent closure of the main border crossing points that link the country with regional and global markets. The above-mentioned factors have rendered an erosive trend, whereby economic growth is punctuated by periods of recession as GDP takes a deep plunge to reverse accumulated gains (Figure 1.8).

Emerging development opportunities

Addressing this erosive trend is at the centre of ongoing reform and development efforts, which seek to achieve the twin objective of improving the productivity of labour-intensive activities and achieving increased specialization in products with high value-added. These

Figure 1.8 Kyrgyzstan's income growth (2000-2012)



Source: National Statistical Committee of the Kyrgyz Republic

³⁴ The provinces of Kyrgyzstan include: Bishkek, Batken Province, Chui Province, Jalal-abad Province, Naryn Province, Osh Province, Talas Province, Issyk Kul Province, and Osh.

³⁵ UNECE (2009) Environmental Performance Reviews: Kyrgyzstan, Second Review, New York and Geneva: United Nations Publications.

efforts accord a primary role for trade as the main engine for stimulating productivity gains in agriculture and manufacturing, and enterprises are encouraged to realize economies of scale and scope through targeted incentives,

including exemptions from value-added tax on imports, accelerated depreciation of fixed assets, and, in the case of agro-industries, a three year tax holiday.³⁶

A defining feature of reforms to date has been a special emphasis on removing non-tariff trade barriers, which, by inflating transaction costs, acts as a disincentive to productivity growth and export expansion. The Government considers complete and full adherence to international standards and best practices as the only means for removing these barriers, and sees in regional integration the most optimal path to follow.

The Government has recently applied for joined the EurAsEC Customs Union (CU) of Armenia, Belarus, Kazakhstan and the Russian Federation, and applied for membership in the European Union (EU) new Generalised System of Preferences (GSP) special incentive scheme for sustainable development and good governance, commonly referred to as GSP Plus (GSP+). The Government deemed membership in the EurAsEC CU and the new GSP+ scheme as compatible policy options for bringing its institutional and regulatory framework up to international standards and best practices, including in the areas of trade facilitation, quality control and quality assurance.

The Government was also keen on capitalizing on the country's strategic geographic location as an overland bridge, linking PRC with the Russian Federation, Europe, Turkey, Iran and the Middle East. Indeed, each of these countries provides a direct outlet for Kyrgyz products, and the country could draw additional economic benefits from facilitating transit trade between these countries.

Using the UNECE evaluation methodology, this study is meant to support the Government's renewed trade development efforts by providing action-oriented recommendations for removing regulatory and procedural barriers to trade in goods.

1.2 Methodology

This study draws on secondary sources of information (including previous relevant studies, official policy documents and legislation) and primary sources of information collected through face-to-face interviews using the UNECE evaluation methodology.

The methodology comprises actor-oriented questionnaires targeting the main actors involved in supply chain operations, and focusing on: (i) trade facilitation measures; (ii) quality control systems embodied in standardization policies, technical regulations, quality assurance, accreditation and metrology (SQAM); and (iii) trade-related infrastructure, including transport and logistical support.³⁷ The insights emerging from the evaluation methodology were complemented by a sector-focused assessment of regulatory and procedural barriers to trade in selected agricultural products, using the UNECE/ESCAP Business Process Analysis (BPA) methodology.

The entire analysis was grounded in a participatory approach, involving relevant public and private sector stakeholders who were brought together within the context of a national inter-agency working group during the early stages of the research work to act as the UNECE's counterpart under the chairmanship of the Deputy Minister of Economy, Mr. Danil Ibraev. Below is a brief discussion of the concepts and analytical frameworks that informed the analysis.

1.2.1 Concepts and terminologies

The concept of "trade facilitation" and the terms covered under "SQAM" are to be understood as follows:

- **Trade facilitation** refers to the extent to which import/export procedures, information and documentation requirements are rationalized, harmonized, simplified, streamlined and automated to reduce the

³⁶ National Sustainable Development Strategy for the Kyrgyz Republic for the period of 2013-2017.

³⁷ The UNECE evaluation methodology is available online at: <http://www.unece.org/tradewelcome/trade-needs-assessment-studies.html>

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 they are labelled or packaged before it is placed in the market. A Standard refers to a technical specification approved by a recognized national, regional or international standardization body and made available to the public for repeated or continuous application.
- **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. These 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 inde-

pendent 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 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.

1.2.2 Analytical frameworks

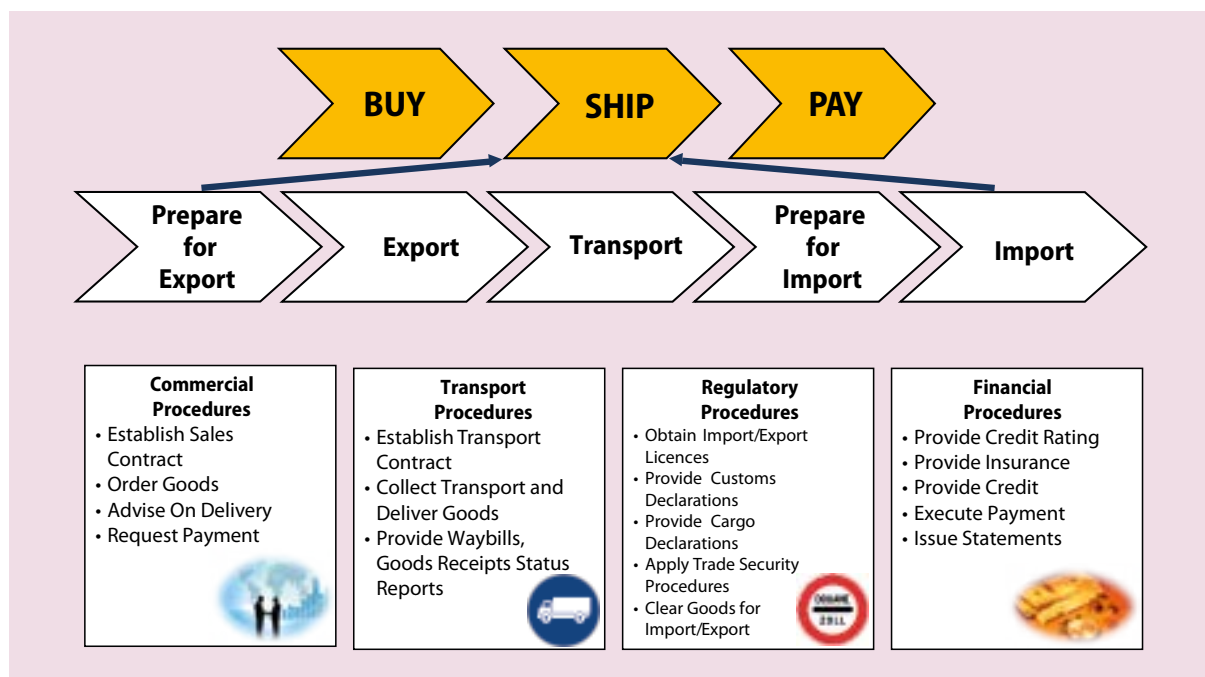
The analysis of trade facilitation conditions is based on the UNECE Buy-Ship-Pay reference model, which provides a broad conceptualization of international trade transactions as proceeding along **a single process in a supply chain**, rather than a series of fragmented activities spread across different actors. It groups international trade transactions under three main operations, which correspond to the business processes associated with buying, shipping, and paying. The term business process is to be understood as a chain of logically sequenced activities associated with moving goods and related information from buyer to seller to ensure due provision of required services:

- 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 1.9, these services pertain to 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).

The analysis focuses on identifying capacity shortfalls that impede overall improvement of the end-to-end value chain. The different actors (including

Figure 1.9 UNECE international supply chain Buy-Ship-Pay reference model



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.³⁸ Similarly, 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.³⁹

To capture trade facilitation bottlenecks at the sectoral level, the study uses the UNECE/ESCAP Business Process Analysis (BPA) Model.⁴⁰ The model uses the Unified Modelling Language (which includes an internationally recognized set of standard graphical notations) for mapping the day-to-

day activities associated with the core buy, ship, pay processes, with a view to:

- The quantitative (time/money) and qualitative impact of regulatory and procedural barriers;
- Shortfalls in transport and logistical services, and any potential obstacles to the modernization/development of these services;
- Shortcomings in the country's SQAM infrastructure (internationally accredited testing laboratories, conformity assessment, certification and accreditation bodies, as well as metrology institutions) and related expertise, which create additional costs and delays in export practices;
- Shortfalls in public-private sector consultative mechanisms;
- Key policy issues with direct bearing on the traders' performance;
- Alternative options for addressing the identified regulatory and procedural barriers
- Capacity-building needs of State agencies, traders, transport sector, logistics service providers.

³⁸ For a detailed discussion of this Model, see UNECE Recommendation 18 (UNECE, 2001).

³⁹ UNECE (2006). *Towards an Integrated Strategy for UN/CEFACT*, Geneva, Switzerland.

⁴⁰ The latest version of the joint UNECE/ESCAP Business Process Analysis Model (2012) is available online at: www.unescap.org/unnext/tools/business_process.asp

The results of 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

To take the analysis a step further, the study uses the product life cycle approach to identify capacity shortfalls and weaknesses in SQAM systems, since such shortfalls complicate business processes associated with meeting regulatory requirements. As shown in Figure 1.10, this approach assesses the different regulations and institutions that make up the SQAM system in terms of their contribution

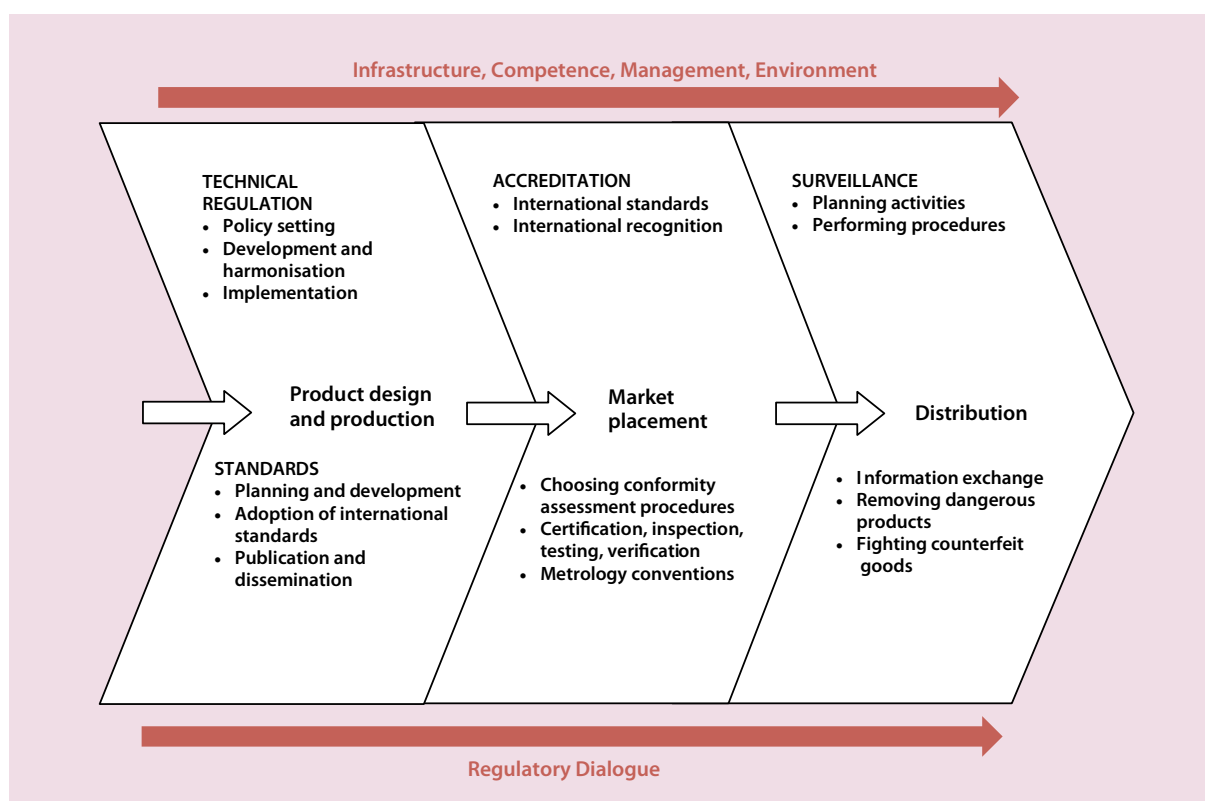
to the product life cycle, starting from product design, to placing the product on the market and ending with its eventual distribution. Constraints to an improved SQAM regulatory system are conceptualized as stemming from the quality of infrastructure (i.e. testing laboratories), levels of expertise and knowledge of officials (competence), management methodologies, and the overall regulatory environment.

1.3 Scope of the study

This study focuses on strategic non-resource based sectors, which were selected in consultation with the Ministry of Economy, based on their contribution to exports and income growth in general. Listed using the Standard International Trade Classification (SITC) Revision 3 (top level), these sectors include:

- Food and live animals
- Beverages
- Animal and vegetable oils, fats

Figure 1.10 Product life cycle and regulatory system processes



- Chemicals and related products
- Manufactured goods classified chiefly by material
- Machinery and transport equipment

Miscellaneous manufactured articles

The regulatory and procedural barriers to trade were identified using actor-oriented questionnaires targeting supply chain members, including, traders, State officials, transport operators, logistics service providers and market support institutions. ⁴¹ These were approached in 2014 by UN-ECE national and international consultants during face-to-face interviews, and are listed below:

Traders

In-depth interviews were carried out with 30 traders by a national team of experts who worked closely with and benefited from the support and experience of the Business Development and Investment Council. The traders were selected based on the level of their engagement in international trade. Thus only traders with relatively significant export and import activities were approached.

It is worth mentioning that the national team invested considerable time in compiling a list of traders who meet these criteria, as the majority of traders are focused on satisfying local demand and/or on re-export activities.

As will be shown in the next chapter, the selected enterprises share the salient features of the country's manufacturing and trade sectors, so that their views and concerns are pertinent for gaining a better understanding of regulatory and procedural barriers to trade in the country.

Ministries and State agencies

- Ministry of Economy
- Ministry of Transport and Communications
- State Customs Service
- State Enterprise "Single Window Center" under the Ministry of Economy

- State Border Service
- Department of Drug Supply and Medical Equipment under the Ministry of Health of the Kyrgyz Republic
- Department for Disease Prevention and Sanitary and Epidemiological Supervision under the Ministry of Health
- State Agency on Environment Protection and Forestry under the Government of the Kyrgyz Republic
- Bishkek Centre for Testing, Certification and Metrology
- Centre of Standardization and Metrology under the Ministry of Economy of the Kyrgyz Republic
- Center for Accreditation (KCA) under the Ministry of Economy
- State Veterinary Department of the Ministry of Agriculture and Melioration,
- State Inspectorate for Veterinary and Phytosanitary Safety under the Government
- State Inspectorate of Environmental and Technical Safety under the Government
- Department for Chemical Treatment, Protection and Quarantine of Plants of the Ministry of Agriculture and Melioration
- Department for Medicine and Medical Equipment of the Ministry of Health
- State Agency for Architecture, Construction and Housing under the Government
- Department of State Fire Prevention Service of the Ministry of Emergency Situations.

Market support institutions

- Chamber of Commerce and Industry
- Association of Light Industry Enterprises of the Kyrgyz Republic "Legprom"
- Coalition of Business Associations of Food Producers of Kyrgyzstan
- Association of Suppliers (producers and distributors)
- Business Development and Investment Council

⁴¹ Only transport operators and logistical service providers with extensive services and broad geographic coverage were interviewed.

Transport operators and logistics service providers

- Association of Freight Forwarders
- Customs brokers

1.4 Outline of the study

The study is divided into six chapters. The introduction in Chapter 1 is followed by the profile of the interviewed traders in Chapter 2. Chapter 3 provides an assessment of trade facilitation conditions in the country, and leads to an examination of the institutional bottlenecks facing State agencies involved in the areas of technical regulation, standardization and conformity assessment in Chapter 4. The two chapters also identify priority

needs and propose practical, action-oriented recommendations for the Government's consideration. Chapter 5 highlights the implications of the identified regulatory and procedural barriers for regional integration efforts. Chapter 6 provides concluding remarks and reflections.

A thorough analysis of regulatory and procedural barriers to increasing exports of kidney beans and fresh apricots is provided in the Annex to this study. The interviewed officials also highlighted a number of priority needs that should be addressed in tandem with the removal of regulatory and procedural barriers to trade, and these are provided in a separate document that could be integrated into the country's Aid-for-Trade national action plan in the future.⁴²

⁴² See UNECE study on regulatory and procedural barriers to trade in Kyrgyzstan : follow up and policy implications (ECE/CTCS/2015/10) submitted by the Government to the UNECE Steering Committee on Trade Capacity and Standards, available at: <http://www.unece.org/index.php?id=39822#/>

Chapter Two

Traders' Profile

As previously mentioned, this study involved face-to-face interviews with 30 traders using the UNECE traders' questionnaire. The traders represented private enterprises (with the exception of one enterprise that belonged to the public sector), which were engaged in priority sectors identified by the Government and were active participants in export and import activities.

The enterprises shared the salient features of the industrial sector. Enterprises involved in manufacturing activities produce low-value added goods, while those engaged in trade have a limited number of trading partners and a narrow range of exports. Thus, their views gain much importance for a better understanding of trade sector's development prospects

This chapter provides the profile of these enterprises. In so doing, it sets the context for a detailed discussion of procedural and regulatory barriers to trade in Kyrgyzstan and their implications for regional integration in the remaining chapters.

2.1 Size, activities and location

Over 66 percent of the surveyed enterprises were small, employing less than 50 persons. The remaining were dominated by medium enterprises, employing between 51 and 200 persons. Only one enterprise was large, employing over 200 persons.⁴³

Moreover, just like the broader population of Kyrgyz enterprises belonging to this category, most of the small enterprises employ less than 20 persons (Figure 2.1).⁴⁴

⁴³ As per Kyrgyzstan's classification system, which uses the number of paid workers for measuring the size of enterprises. A brief overview of this classification is provided by Kapalova, A. (2014) "Small and Medium Enterprise Development in Kyrgyzstan: Informal Communications and Role of Women," Institute of Public Policy and Administration Working Paper Series No. 25, Bishkek: University of Central Asia.

⁴⁴ See Kapalova, A. (2014) "Small and Medium Enterprise Development in Kyrgyzstan: Informal Communications and Role of Women," Institute of Public Policy and Administration Working Paper Series No. 25, Bishkek: University of Central Asia.

Figure 2.1 Breakdown of the surveyed enterprises by size (Number of employees)

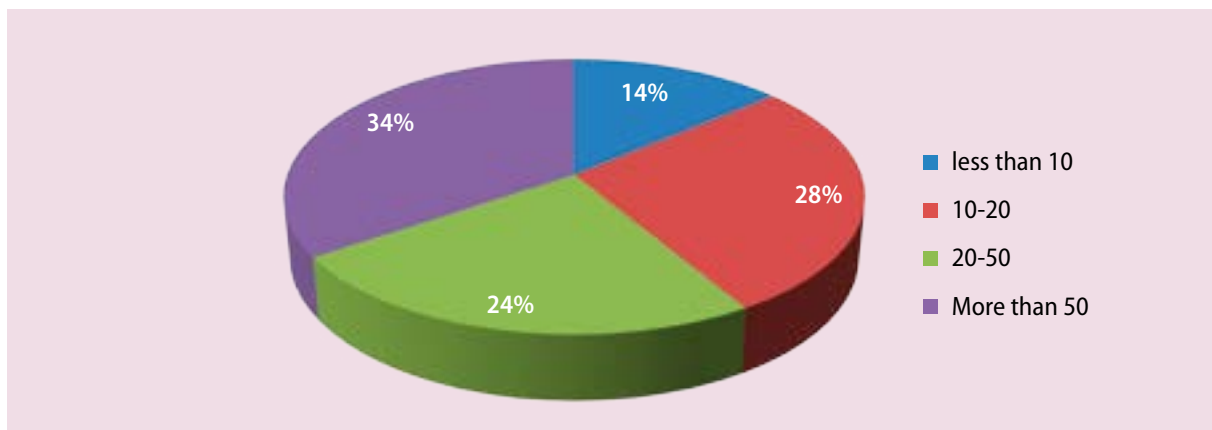
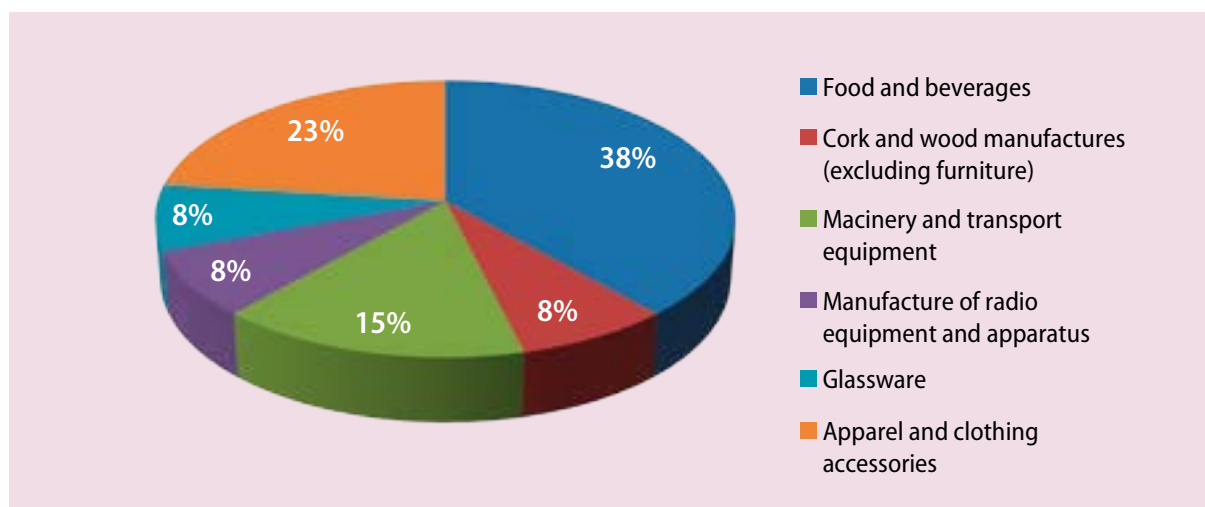


Figure 2.2 Breakdown of producing enterprises by sector (SITC Rev. 3)



Around 43 per cent of the surveyed enterprises were engaged in manufacturing activities, particularly in the food industry, mirroring the country-wide sectoral distribution of enterprises. Enterprises engaged in the manufacturing of apparel and clothing accessories constituted the second largest segment, followed by manufacturers of machinery and transport equipment (Figure 2.2).

The surveyed enterprises' location is consistent with the overall geographic distribution of manufacturing and trade activities in the country.⁴⁵ Around 67 per cent of the enterprises were located in the capital city of Bishkek.

The remaining enterprises were located in the regions of Chui in the northern part of the country (with a 10 per cent share of the surveyed enterprises), Osh in the southern part (with a 10 per cent share) and the Issyk Kul province in the eastern part of the country.

It is worth mentioning that the Free Economic Zones (FEZs) in Bishkek, Karakol, Maimak, Naryn and Leilek did not figure as a strategic location

of choice for the surveyed enterprises, even as each of these zones is located close to basic infrastructure and transport services (including telecommunications, water and electricity supply, and/or customs posts along the Kyrgyz borders) and offered a range of incentives.⁴⁶

Only one enterprise benefited from these zones, and was located in FEZ Bishkek.⁴⁷ This lends further evidence to FEZs' limited success in stimulating new investments and increased trade. Recent assessments found these zones lacking the required infrastructure and the required legal framework. The laws feature restrictions on activities and are constantly shifting, rendering an unpredictable business environment.⁴⁸

⁴⁵ As previously mentioned, Kyrgyzstan's rugged mountainous terrain has rendered a system of sparse manufacturing activities in Bishkek, Osh and Chui provinces, with trade concentrated trade in Bishkek (Chapter 1).

⁴⁶ The FEZs accommodate all manufacturing and trade activities, with the exception of those related to the production and sale of petroleum, liquor and tobacco, and offer, among others, the following incentives such as exemption from taxes, duties and payments; simplified customs procedures; and direct access to utility suppliers. For enterprises engaged in trade activities, export and imports as well as all products destined for re-export are fully exempt from customs duties.

⁴⁷ Further information on FEZ Bishkek is available at: <http://fez.kg/material/13?lang=en>

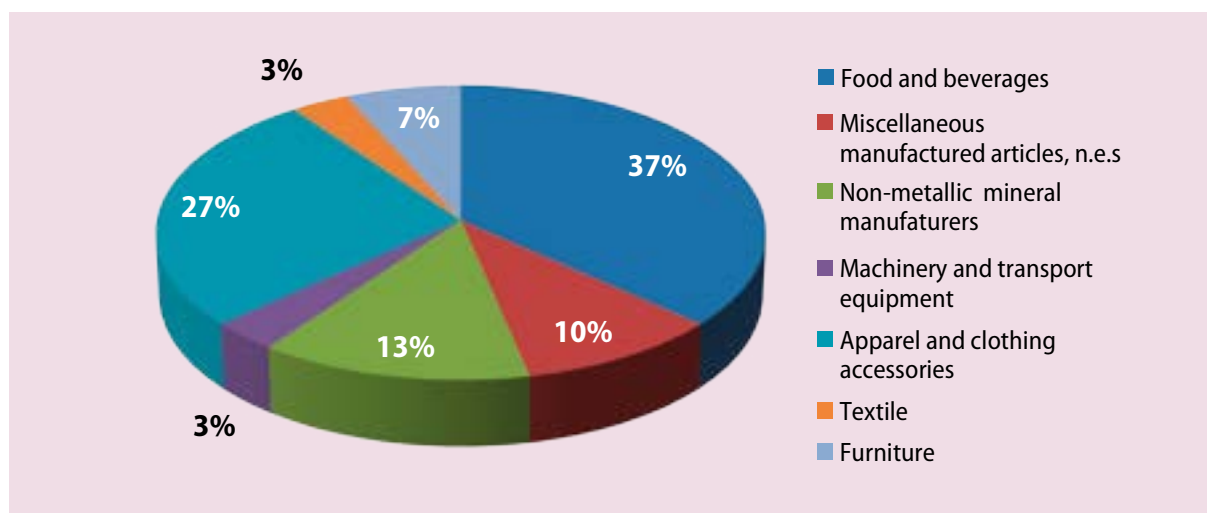
⁴⁸ See USAID and Bishkek Business Club (2014) "Current state and prospects for development of free economic zones in the Kyrgyz Republic".

2.2 Export-import mix and trading partners

The surveyed enterprises export 30 products, with food products constituting the largest cat-

egory (measured in terms of the number of products). Clothing and apparel constitute the second largest export category, followed by non-metallic products (see figure 2.3).

Figure 2.3 Breakdown of exports by sector (SITC. Rev.3)



As shown in figure 2.4, Kazakhstan constitutes the main outlet for the enterprises' exports, followed by the Russian Federation. This is consistent with Kyrgyzstan's overall trade pattern, which is characterized by the geographical

concentration of exports and the limited importance of countries outside the CIS region. Indeed, as shown in Table 2.1, barring honey, electric heaters for cars, pasta and beans, the bulk of the enterprises' exports are destined to one or two countries.

Figure 2.4 Traders' target markets (Share in total number of exported products)

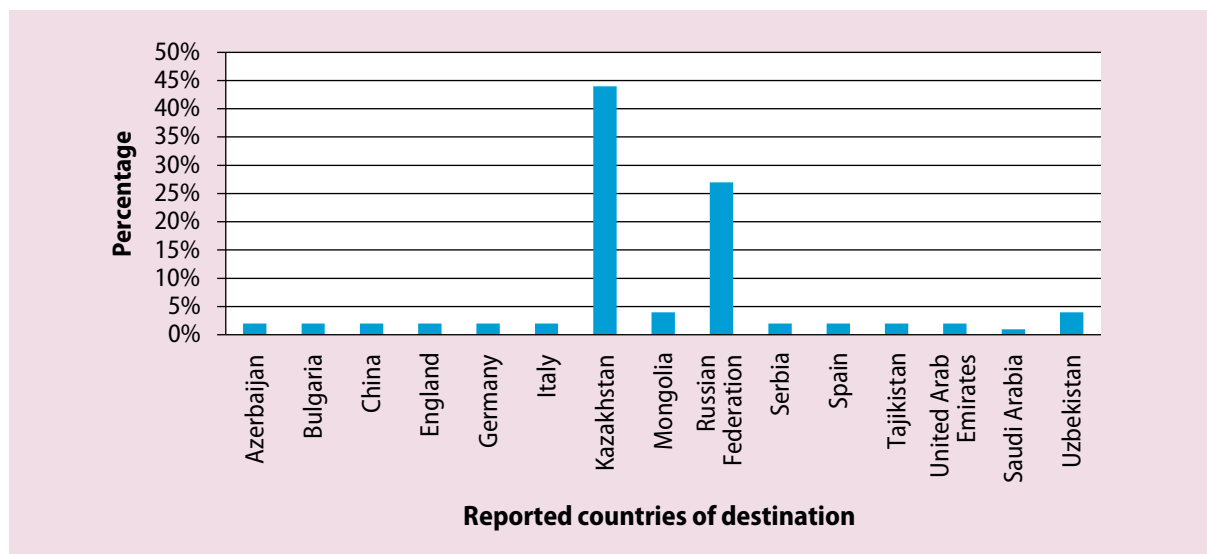


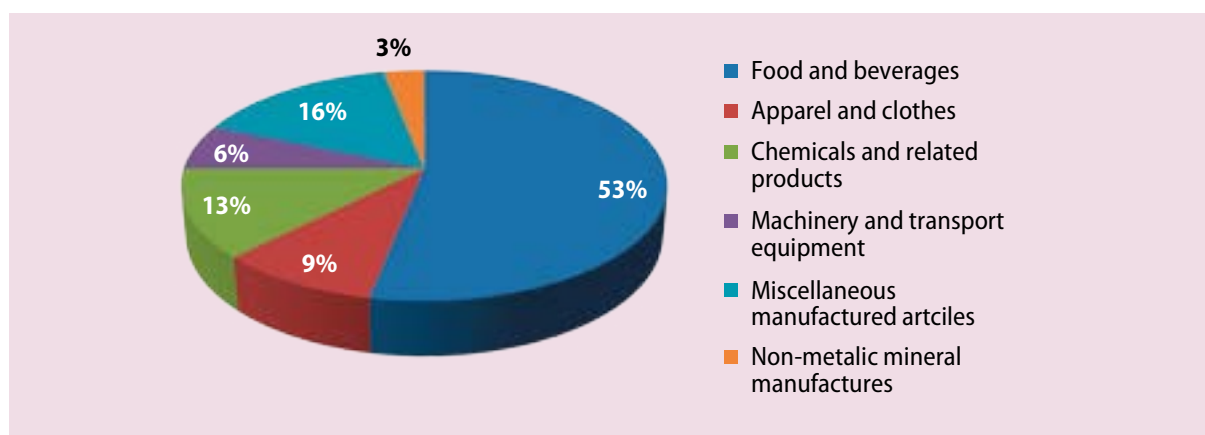
Table 2.1 The surveyed enterprises' exports by product and target market

Product	Reported country of destination
Honey	Azerbaijan, PRC, Mongolia, Russian Federation, United Arab Emirates
Jam	Saudi Arabia
Cheese (different types)	Kazakhstan
Electric heaters	Kazakhstan, Russian Federation, Serbia, Spain
Pasta	Kazakhstan, Russian Federation, Tajikistan
Dried fruits	Russian Federation
Nuts	Russian Federation
Apple	Mongolia
Pastries	Kazakhstan
Glassware	Kazakhstan
Caps	Kazakhstan
Scarfs	Italy, England, Kazakhstan
Bags	Kazakhstan
Sofas, sleeping fonts	Kazakhstan
Metal tiles	Kazakhstan
Metal sidings	Kazakhstan
Water drainage systems	Kazakhstan
Beans	Bulgaria, Russian Federation
Berries	Kazakhstan, Russian Federation
Logging station	Uzbekistan
Borehole devices	Uzbekistan
Logging winches	Kazakhstan
Blouses	Kazakhstan and Russian Federation
Skirts	Kazakhstan and Russian Federation
Jackets	Kazakhstan and Russian Federation
Coats	Kazakhstan and Russian Federation
Suits	Kazakhstan and Russian Federation
Dresses	Kazakhstan and Russian Federation
Sewing threads	Kazakhstan and Russian Federation

On the import side, the surveyed enterprises bring into the country 34 products. Food and beverages constitute the largest import category, with a 53 per cent share (measured in terms of the num-

ber of imported products). The second largest category comprises miscellaneous manufactured articles followed by chemicals and related products (Figure 2.5).

Figure 2.5 The surveyed enterprises' imports by sector (SITC. Rev.3)



The surveyed enterprises also have a narrow range of supply sources. As shown in figure 2.6, most of imports originate from PRC, followed by Kazakhstan and the Russian Federation. The three countries account for 60 per cent of the surveyed traders' imports.

Moreover, the enterprises import a limited range of consumer goods, suggesting a focus on re-export activities (Table 2.2). Some of the imported products are re-exported to neighboring countries, including clothes, jam, pasta and apples (Table 2.1).

Figure 2.6 The surveyed enterprises' sources of supply (Share of total number of imported goods)

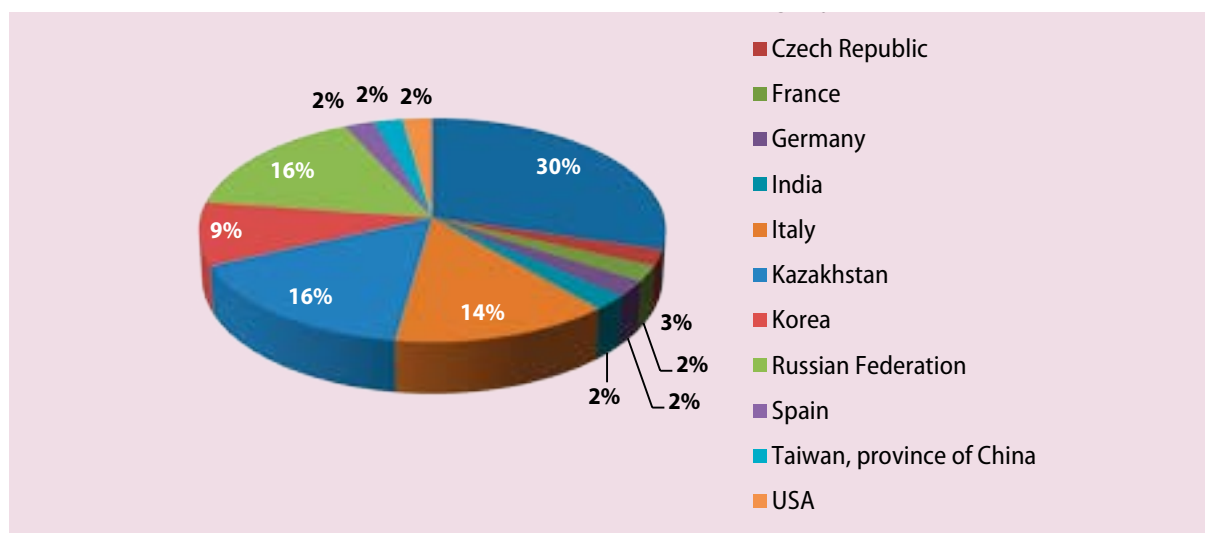


Table 2.2 The surveyed enterprises' imports by product and supply source

Products	Supply sources
Earrings	PRC
Apples	PRC
Sanitary equipment	Czech Republic
Bicycles	PRC, USA
Baby carriages	Italy
Cigarettes	Kazakhstan and Russian Federation
Chips	Kazakhstan
Clothes (blouses, scarves, jackets, coats, dresses)	PRC, Italy
Coffee	Italy
Jam	Korea (Republic)
Bicycle chains	PRC
Dresses	PRC
Medicine⁴⁹	India, Russian Federation
Candies	Russian Federation, Korea (Republic)
Printer consumables	PRC, Kazakhstan and Taiwan (Province of PRC)
Gravel	Kazakhstan
Canned food	Russian Federation
Ice cream	Russian Federation
Imperial caviar	Russian Federation
Jackets	PRC
Laminate	Germany
Soft drinks	Kazakhstan, Korea (Republic)
Soya sauce	Korea (Republic)
Pasta	Italy
Milk	Kazakhstan
Olives	France
Oranges	PRC
Paints and varnishes	Kazakhstan, Russian Federation
Pears	PRC
Sea cabbage	Korea (Republic)
Tangerines	PRC
Tea	Kazakhstan
Tiles	Spain
Toys	Italy

⁴⁹ Kyrgyzstan relies on imports to satisfy local demand for medicines. Imports accounting for 95 per cent of medicines sold domestically. See, Cholponbaev, K et al, (2010) Pharmaceutical Sector Scan Summary Report: Kyrgyzstan. Medicines Transparency Alliance, Bishkek at: http://www.medicinestransparency.org/fileadmin/uploads/Documents/countries/Pharma_Scan/MeTA_Kyrgyzstan_Pharmaceutical_Sector_Scan_-_Summary_Report__English_.pdf

2.3 Transport modes of choice

Like their counterparts in other land-locked countries, Kyrgyz traders rely on the transport facilities of neighboring countries to participate in international trade. The most important transit country for the surveyed enterprises is Kazakhstan, which constitutes the gateway to the Russian Federation and Europe.

For exporters, road constitutes the first mode of choice, with 54 per cent of the enterprises transporting their goods by truck. Rail constitutes the second

transport mode of choice, followed by air. As shown in Table 2.3, air transport is used for shipping products to distant countries outside the region.

Road is also the transport mode of choice for imports, followed by rail and air transport. In addition, importers use the maritime transport facilities of PRC, namely the port of Lianyungang, albeit for a limited part of the journey (Figures 2.7 and 2.8). Goods are then transported by rail to Osh and Alamedin (Chuy Province) stations, located 6577 kilometers and 5616 kilometers away from the port, respectively).

Table 2.3 Transport modes used by the surveyed exporters

Transport mode	Product	Report country of destination
Air	Honey	United Arab Emirates and Saudi Arabia
	Jam	United Arab Emirates and Saudi Arabia
	Electric heaters	Germany, Serbia and Spain
	Caps	England, Russian Federation
	Bags	England, Russian Federation
	Scarfs	Italy and England
	Coats, jackets, blouses	Russian Federation
Rail	Electric heaters	Kazakhstan, Russian Federation
	Pasta	Kazakhstan
	glassware	Kazakhstan
	Scarves, caps, bags	Kazakhstan
	Beans	Bulgaria, Russian Federation
Trucks	Clothes	Kazakhstan, Russian Federation
	Honey	PRC, Kazakhstan and Russian Federation
	Cheese	Kazakhstan
	Electric heaters	Kazakhstan and Russian Federation
	Pasta	Kazakhstan, Russian Federation, Tajikistan
	Dried fruits, apples and nuts	Mongolia, Russian Federation
	Pastries	Kazakhstan
	Glassware	Kazakhstan
	Coat, blouses, dresses	Kazakhstan
	Caps, scarves, bags	Kazakhstan
	Furniture	Kazakhstan
	Metal tile, metal siding, water drain systems	Kazakhstan
	Beans	Kazakhstan and Russian Federation
	Berries	Kazakhstan and Russian Federation
	Logging equipment	Kazakhstan and Uzbekistan

Figure 2.7 Transport modes used by exporters

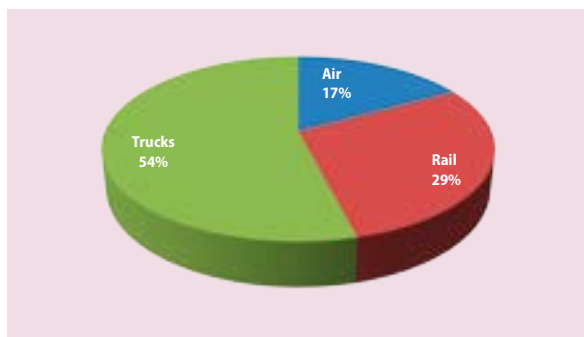


Figure 2.8 Transport modes used by importers

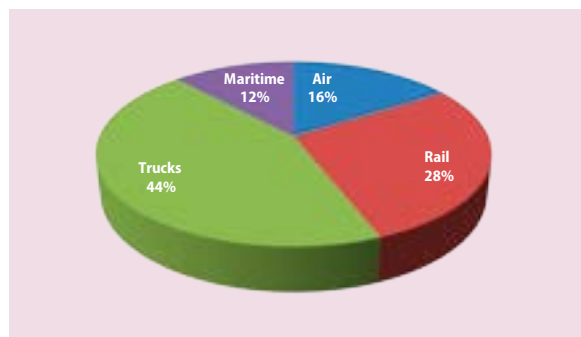


Table 2.4 Transport modes used by the surveyed importers

Transport mode	Product	Source of supply
Air	Clothes	PRC
	Bicycles	USA
	Medicines	India, Russian Federation
	Laminate	Germany
Maritime	Candies	Korea (Republic)
	Soy sauce	Korea (Republic)
	Clothes	PRC
Rail	Printer consumables	Taiwan, province of PRC
	Candies	Korea (Republic)
	Soy sauce	Korea (Republic)
	Ice cream	France, Italy and Russian Federation
	Canned food	France, Italy and Russian Federation
	Sanitary equipment	Czech Republic, Spain
	Tiles	Czech Republic, Spain
	Canned food	Kazakhstan, Russian Federation
	Medicine	India, Russian Federation
	Paints and varnishes	Kazakhstan and Russian Federation
Trucks	Laminate	Russian Federation
	Gravel	Kazakhstan
	Soft drinks	Kazakhstan
	Wheelchairs	Italy
	Cigarettes	Kazakhstan and Russian Federation
	Bicycles	PRC
	Dresses, jackets, accessories	PRC
	Coffee	Italy
	Olives	France
	Canned food	Kazakhstan
	Tangerines, oranges	PRC
	Apples, pears	PRC
	Printer consumables	Kazakhstan
Soft drinks	Kazakhstan	

As shown in table 2.4, air transport is used for importing goods from outside the region, while maritime transport is used for importing from Korea and PRC. Needless to say, the traders' choice of transport modes is also a function of costs (Chapter three).

The surveyed enterprises' profile further highlights Kyrgyzstan's limited export competitiveness; a problem that is common to enterprises in other Central Asian countries. As mentioned in previous UNECE studies, addressing this problem requires concerted efforts to develop the enterprises' technological capability at both the sectoral and enterprise levels, so that they could identify, appraise, utilize and develop technologies and techniques for up scaling production activities.⁵⁰

The need for such consistent efforts was also highlighted by the interviewed traders as well as public and private sector stakeholders. These provided concrete suggestions, which are listed in a separate document that could be integrated in the country's Aid-for-Trade national action plan in the future.⁵¹

This assessment shows that such efforts should be supported by targeted initiatives to reduce regulatory and procedural barriers. The focus should be on both export and import activities, since imports play an important role in facilitating technology transfer and reducing overall production costs. Without such initiatives, the enterprises will remain awkwardly placed to improve their export competitiveness.

⁵⁰ Previous studies are available at: <http://www.unece.org/tradewelcome/studies-on-procedural-and-regulatory-barriers-to-trade.html>

⁵¹ See UNECE study on regulatory and procedural barriers to trade in Kyrgyzstan : follow up and policy implications (ECE/CTCS/2015/10) submitted by the Government to the UNECE Steering Committee on Trade Capacity and Standards, available at: <http://www.unece.org/index.php?id=39822#/>

Chapter Three

Trade Facilitation Conditions

Box 3.1 Trade Facilitation efforts in Kyrgyzstan: Building blocks and strategic objectives

Trade facilitation efforts in the Republic are directed by the Presidential Decree 464 of 23 October 2007, which sets out the following objectives:

- Simplification of import–export procedures, and reduction of paperwork.
- Standardization of customs fees.
- Definition of border crossing points (BCPs) which require the full set of inspections, including those for phytosanitary and quarantine standards.
- Definition and implementation of the most efficient processes of coordination among various inspecting authorities at selected BCPs.
- Definition of the list of equipment and required investments for infrastructure, facilities and equipment of the selected BCPs, and the inclusion of these outlays in the country's budget.
- Establishment of the National Committee for Trade and Logistics Facilitation.
- Definition and finalization of the concept of “single window” operations in the provision of government services at BCPs.
- Development of the single government database of legal entities participating in international trade.

3.1 Introduction

As shown in Chapter 1, efforts to increase the trade sector's contribution to income growth are complicated by the country's remoteness from international maritime routes, mountainous terrain, exposure to natural disasters and intermittent border tensions.

These unfavorable conditions have been particularly restrictive for transport development, where bringing large-scale investments to successful end has been slow. Officials from the Ministry of Transport and Communications (MoTC) lamented that the current conditions of transport and logistics infrastructure, both in terms of overall capacity and adherence to international standards, not only impede trade development, but also undermine the country's efforts to capitalize on its geographic location as a transit country.

In contrast, significant progress has been achieved in the area of trade facilitation. Efforts commenced in earnest in 2007, guided by the Presidential Decree “On the Development of the State Policy in the Field of Foreign Trade and Measures to Improve Export-Import Procedures”.⁵² As shown in Box 3.1, the Decree sets out strategic objectives to serve as milestones for bringing the institutional and legal set-up underpinning trade activities up to internationally recognized best practices, and these objectives were upheld in subsequent development strategies.⁵³

⁵² See Presidential Decree No. 464 of October 2007 “On the Development of the State Policy in the Field of Foreign Trade and Measures to Improve Export-Import Procedures”. The Decree comes against the basic principles guiding trade activities as set out in Law No. 41 of July 1997 on State Regulation of Foreign Trade. These emphasize respect for and compliance with the country's obligations under international agreements and treaties.

⁵³ See Kyrgyzstan's Development Strategy of 2009-11, which features similar objectives under the broad

Reform initiatives were based on consultations with the private sector within the context of advisory councils under line Ministries. These councils, which some officials estimated to have reached 40 in number by 2014, bring representatives from State agencies together with representatives from the private sector, the Chamber of Commerce and Industry, business associations and academia to discuss reform and development measures.

Public-private sector consultations are also supported by the supervisory council under the State Customs Service (SCS) that was established in 2010 to spearhead in-depth discussions on customs procedures and regulations.⁵⁴ To these mechanisms should be added, the National Council on Development of Business and Investment under the Government that was established in 2008 to support, among others, the articulation of a single State policy on trade and transport.⁵⁵

Achievements to date have involved the simplification and streamlining of import and export procedures and documentary requirements. The context for this effort was also set out in the revised Customs Code, which was adopted in 2004 to bring customs procedures and regulations into compliance with the World Customs Organization

(WCO) Revised Kyoto Convention on Simplification and Harmonization of Customs Procedures.

The revised Customs Code includes provisions for, among other regimes, audit-based control; selective inspection methods based on risk management systems; the introduction of simplified customs clearance procedures; and modern information systems and information technologies. Kyrgyzstan's Customs Code also complies with the requirements of the WTO Agreement on Trade Facilitation, providing for temporary Admissions (conditional release); observance of non-tariff measures; preliminary declaration of goods; temporary declaration of goods; and, the principle of risk management.

The adoption of the Customs Code gave way to the introduction of simplified customs procedures for "large scale imports" designated for personal use or sale in local bazaars, which came as part of a broader effort to stimulate income growth.⁵⁶ The simplified procedures subject such imports to uniform customs charges (as opposed to ad valorem tariffs), based on the weight of the goods. The charge are equivalent to USD 0.35 per kilogram for goods transported by rail or vehicles, and USD 1.00 per kilogram for goods transported by air.

The threshold for benefiting from this procedure is som 4 million, and as of 2015, the main eligible products were textiles and clothing. Other eligible products include: plastics, chemicals and minerals; hides, skins and leather; wood and paper; footwear and headwear; ceramics, minerals and metals; machinery and electronics; and, motor vehicles and parts. The bulk of imports that are eligible for this procedure are brought from PRC and sold in local bazaars as well as in neighboring CIS countries as re-exports (Chapter 1).

The simplified procedures for imports aside, reform efforts since 2004 have been driven by two major initiatives. The first involved the introduction of the Customs Unified Automated Informa-

headings of "development of trade and stimulation of exports"; and "development of transport infrastructure"; and, the national Sustainable Development Strategy for the period 2013-2017, where similar objectives are included under the broad heading of "foreign trade policy".

⁵⁴ See Presidential Decree No.5-16/420 of December 2010

⁵⁵ The Council was established pursuant to the Presidential Decree No. 72 of February 2007 "On the establishment of an Investment Council under the President of the Kyrgyz Republic". The Council is chaired by the President of the Kyrgyz Republic and its members include the first Vice-Minister, the Minister of Economy, two representatives from international development partners, and persons from business associations to spearhead the development of a single state policy on issues of trade and transport procedures regulation. The Council develops recommendations for authorized bodies on, among others, simplification of trade and transport procedures; establishment of customer-focused infrastructure to carry out external economic activities; establishment and development of a single state database on economic entities; and development of recommendations for the introduction of single window and one-stop shop principles for facilitating trade.

⁵⁶ See Customs Code, Chapter 28; and, Government Resolution No.976 of 31 December 2004 and its subsequent amendments.

tion System (UAIS). The system is operational at all SCS offices,⁵⁷ and has generated tangible benefits in the form of increased customs revenues as well as rationalized organizational and staffing structures.⁵⁸

The UAIS is used for generating customs declarations for both exports and imports and for supporting risk assessment functions. The system also features an external banking interface, thereby enabling online payments (although so far via one government-approved bank only). It also contains information on applicable non-tariff measures for all goods, and allows for regular uploading of exchange rate data.⁵⁹

Requests are submitted online using the UAIS Automated Broker Workplace (ABW) module, which enables entering data into a series on-screen fields based on a 'Format Logical Control' protocol. This means that the module rejects errors in linked data fields and the majority of keying errors, generates on-screen alerts and provides instructions for brokers. Thus, users are prompted to check the accuracy of the data that they input to the system.

User access to the UAIS is password-controlled and is only granted to certified customs brokers and customs specialists⁶⁰ (employed by registered customs broker or by a trader or freight forwarder) who have successfully completed a two-month training programme, passed the examination on

the use of the UAIS and obtained the qualification certificate that is valid for two years.⁶¹

It is worth mentioning that the SCS keeps a register of customs brokers and ensure its periodic publication. As stipulated by law,⁶² only those brokers who have the necessary qualifications and have obtained a license from the Income Committee of the Ministry of Finance are included in this register. They are responsible for the declaration of goods as well as calculation of customs value, and are subject to penalties (in the form of fines) if errors are detected (see section 3.3). They also provide a range of services including: classification of goods, customs duty and tax assessment, consultancy services, import/export license, transit, and customs registration.

Customs brokers interviewed as part of this assessment were particularly satisfied with the regular UAIS alerts on changes in regulations or procedures, and the support provided by the software developer. The only complaint they raised was related to the occasionally slow data processing time, caused by weak internet capacity. In 2014, the SCS was in the process of developing the UAIS satellite-based communication infrastructure to speed up data processing.

The second initiative saw the development and introduction of a single window (SW) facility for exports, imports and transit trade.⁶³ The facility is

⁵⁷ There are eight regional customs centres (Southern, Northern, Osh, Jalal-Abad, Talas, Batken, Naryn, Issyk-kul), three city customs centres (Bishkek, Kara-balta, Tokmak), one railway, one Manas airport, one free economic zone, and one energy customs centre. Each of the customs centres has its own posts that it administers.

⁵⁸ Interviews with Customs officials, who explained that the system is expected to generate statistics that would allow for measuring and quantifying such benefits in the near features.

⁵⁹ The information is uploaded electronically in the form of folders containing approved import/ export related licenses and permits.

⁶⁰ Customs specialists obtain the qualification certificate from the Income Committee of the Ministry of Finance. They are hired by customs brokers, traders and freight forwarders to deal with customs clearance.

⁶¹ The training is delivered at two privately-operated training centres in Bishkek, which are licensed by the Ministry of Education of Kyrgyzstan. The trainers are customs officials from the SCS.

⁶² See Chapter 42 of the Customs Code and Government Resolution No. 961 of 28 December 2004.

⁶³ The Single Window concept was adopted in 2008 pursuant to Government resolution No. 315 of 19 June 2008 "About the Concept of introduction of the principle of a single window in the sphere of foreign trade of the Kyrgyz Republic" and Government Resolution No. 76 of 4 February 2009 "About the feasibility study on the project of introduction of the principle of a single window in the sphere of foreign trade of the Kyrgyz Republic. The SW is guided by law No. 290 of 2 November 2009 "About the electronic document and the electronic digital signature"; and, Law No. 390 of 11 June 2012 "About an Order of Interaction of Government Bodies and Other Organizations at Document Creation for Implementation of the Foreign Trade Operations on the Principle of a Single Window".

configured as a pre-customs, web-based Single Window Information System (SWIS). It allows enterprises to submit requests for trade documents (brought into a single form) online in a single undertaking, and enables State agencies to deliver the requested documents through a single channel. Once rolled out, the SWIS will serve as a central repository of trade data and statistics for use by State agencies and the private sector.

The SWIS system was operating as a pilot from 2010 till 31 December 2013, and has been operating on a commercial basis since January 2014. It brings together 16 agencies, including 11 State agencies and 5 private certification bodies (Box 3.2).⁶⁴ In 2015, all the document issuing procedures related to import, export and re-export were introduced into the SWIS. Moreover, all the permits were structured in electronic formats such as XML following the UN/EDIFACT standards, with the application forms of the involved agencies unified in one form with data entry fields structured following international standards and codes, recommended by UN/CEFACT, including, for example, ISO 3166 on country names and code elements, international commercial term (INCOTERMS), codes for transport modes and UN code for ports and other locations (UN/LOCODE). This means that traders using SWIS had to fill out only one electronic form in order to file applications with the relevant SW agencies.

Yet, in 2015, the SWIS was electronically interfaced with the UAIS, Department for Medicine and Medical Equipment of the Ministry of health and the State Tax Service (in testing mode) only. This means that the SWIS did not have direct interface with the IT systems of the other SW agencies.

In practice, the UAIS system and the SWIS functioned as separate systems. The SWIS was used for issuing electronic trade documents (i.e., permits) other than the Customs declaration. The latter was requested, processed and generated through

the UAIS.⁶⁵ As the UAIS as linked to the SWIS, all permits are automatically available to the SCS via the UAIS. However, the use of electronic documents was optional for traders, customs brokers and customs officers.

Nonetheless, the SWIS system generated tangible benefits. According to SESW officials, the system has resulted in reducing the total number of data elements required during the application process from around 1,000 to 129 in 2014. The system generated 100-120 electronic documents on a daily basis, of which an average of 40-50 electronic documents were used for customs registration. The number of traders registered on the system was 2,000, benefiting from the workstations that were established within the premises of all SW agencies headquarters and regional offices. Workstations were also established at major border crossing points to provide additional web-based access for users.⁶⁶

Officials from the SCS and the Ministry of Economy emphasized that the SW facility cannot, and should not, be implemented over a short period, since it involves a broad spectrum of public and private sector agencies and targets the entire population of exporters and importers. They added that progress should be measures against the country's ability to consolidate the required institutional capacity and expertise skills to operate, maintain and further develop the system.

This prudent and phased approach, explained the officials, was inspired by an examination of successful experiences elsewhere. These experiences show that there are no one-size-fits all solutions, and that international best practices should only serve as a reference framework for guiding the conceptualization and implementation of the SW

⁶⁴ In 2015, the State Border Service was not a SW agency and there were no plans to link its IT system with the SWIS platform.

⁶⁵ As per subsequent amendments to Government Resolution No. 961 of 28 December 2004 "About Measures for Implementation of Requirements of the Customs Code of the Kyrgyz Republic". The amendments involved approving the use of data generated through the SWIS for the purpose of issuing electronic customs declarations via the UAIS

⁶⁶ The operation of the workstation at the Business Trans Service truck terminal at Dordoï, outside Bishkek, was observed during this assessment,

Box 3.2 Kyrgyzstan's Single Window Agencies

- Ministry of Economy.
- Department of Drug Supply (Medicine) and Medical Equipment under the Ministry of Health.
- State Tax Service .
- Automobile and water transport State agency under the Ministry of Transport and Communications.
- Department for Disease Prevention and Sanitary and Epidemiological Supervision under the Ministry of Health.
- Chamber of Commerce and Industry.
- State Agency on Environment Protection and Forestry under the Government
- Bishkek Centre for testing, certification and Metrology under the Centre of Standardization and Metrology of the Ministry of Economy.
- State Inspection for veterinary and phytosanitary safety under the Government Republican Center for construction, certification at the State Agency for Architecture, Construction and Housing and Utility under the Government.
- State Communications Agency under the Government.
- Private bodies for certification of products and services.

facility. The actual design and the detailed steps that need to be undertaken are context specific, and could only be decided in a gradual manner following a learning-by-doing process.

Kyrgyzstan's phased approach to SW development and implementation has followed a process akin to reverse engineering, in that the establishment of the SWIS did not involve fundamental changes to the working practices and formalities of the government agencies. Rather, the system configured existing forms to fit the SWIS system and layered the new electronic process over and above the existing manual process. In other words, the SWIS was configured around "as is" processes of State agencies without optimization. In 2015, the SWIS entailed the following features and functionalities:

- A secure data channel for all government departments, which accessed the system through user name and password.
- Importers/ exporters were registered under their unique taxpayer registration number, and were required to submit specific data (e.g., name and address; date of birth; passport details; and, identification number) in order to register on the system. This basic registration data was made available to all participating government agencies.

- Data could be transferred electronically to the UAIS by creating folders containing approved import/ export related licenses and permits. These folders were uploaded via the UAIS Customs Broker module, which features a dedicated field for that purpose.⁶⁷
- License/ permit documents relating to imports were uploaded on the SW. The export and re-export interfaces were still being developed, and were expected to be operational in 2015.
- The SW enabled trade users to identify, by HS Code or type of product, the required licenses/ permits (with the fees for each in local currency) for importing any given commodity. Once a particular license/ permit is selected, the applicant (or broker) enters data into a series of related on-screen fields that, once completed, generate the application form in question. The form is submitted electronically to the concerned agency, with the date and time of the submission clearly registered, so that the applicant could track progress made in issuing the trade document in question.

⁶⁷ This was observed in operation at the truck terminal by the UNECE international consultant as part of this assessment.

- At the agency's end, each submitted application is first received at 'Operator' level for examination and preliminary approval, and is then referred onwards (and upwards) to 'Expert' level and, where required, 'Director' level for further approvals. Each approval is authorized with a digital signature, with the date and time recorded at each stage. An itemized bill for the license/ permit fee, and any related services provided, is also generated. Rejected applications are returned with justification, and the date and time are clearly recorded.
- Government staff, experts and directors are able to track the status of every application in the system itself
- Traders are able to track the status of any application by receiving notifications via email or SMS.

The SWIS system is managed and operated by the State Enterprise "Single Window Center for Foreign Trade" (SESW) under the Ministry of Economy. The centre is responsible for all work related to the administration and implementation of pre-customs SWIS; the exchange of data between the individual SW agencies and the SCS; and, the provision of guidance and assistance on data entry to users.⁶⁸

User access to the SWIS is password-controlled and is granted to traders in return for a fee, depending on the number of requested documents. The fees, which include taxes, are set at som 90 for a single document; som 140 for 2 documents; and, som 190 for three or more documents.⁶⁹ Traders can log onto the system through any of the SWIS platforms located at designated workstations.

Once entered, the data is transmitted to the concerned agencies in the form of electronic messag-

es, which identify the information requirements associated with issuing the trade document in question. These messages are channeled to SW terminals located on the premises of the concerned agencies.

Upon receiving the electronic message, the concerned agency proceeds to process the request in the SWIS system, except for the Department of Medicine and Medical Equipment and the State Tax Service (SWIS is integrated with the information management systems of these agencies). Thus, the SWIS provides a single, unified web interface for all the involved agencies that do not have their own information management systems to receive, process and issue trade documents.

Available evidence suggests that there remains room for further improvement. According to the World Bank's 2015 Doing Business Report, the number of trade documents required for completing export and import activities standing at nine and eleven, respectively. While this number could be further reduced, it is at par with other countries in the region. For example, ten documents are required to export from, and twelve are required to import from Kazakhstan, while eleven documents are required to export from, and twelve are required to import from Tajikistan.

However, the reduction of documentary requirements has not been underpinned by cost savings. The World Bank Doing Business Report for 2015 shows that it takes up to 63 days to export goods from Kyrgyzstan at an average cost of USD 4,760 per container. Importing goods into the country is a more costly undertaking, which can take up to 73 days at an average cost of USD 6,000 per container.

Thus traders are held back by considerable delays and additional financial costs, which according to some sources, constitute between 15 per cent and 25 per cent of the value of goods.⁷⁰ Such high

⁶⁸ The SESW was established in 2009 pursuant to Government Resolution No. 539 "On creation of the State Enterprise Single Window Center in the Field of Foreign Trade", dated August 27, 2009. Its roles and responsibilities are set out in Government Resolution No. 54 of February 2, 2010 "On the Supervisory Board of the State Enterprise Center "single window" in the field of foreign trade" (amended by Government Decrees No 756 of 30 October 2012; No 149 of 25 March 2013 and No 67 of 3 February 2014).

⁶⁹ 1 som = USD 0.0159 based on the market exchange rate of 23 March 2015.

⁷⁰ International Trade Center (2013) National Export Strategy of the Kyrgyz Republic: Sustainable and competitive export-drive growth for a prosperous and renowned Kyrgyzstan. At the time of writing, the strategy was yet to be adopted by the Government.

transaction costs have also meant that the country ranked 183rd in the world (out of 189 countries) against the World Bank Doing Business trading across borders indicator.

Based on the results of the face-to-face interviews with traders and relevant Government officials, this chapter identifies the main regulatory and procedural trade barriers as well as the binding capacity shortfalls responsible for inflating the transaction costs accrued by the Kyrgyz traders. Consistent with the UNECE evaluation methodology, the chapter delves into both behind and at the border regulatory and procedural measures and analyses the institutional set up and infrastructure facilities supporting trade, including inland transport and logistical services.

The chapter also provides action-oriented recommendations for the Government's consideration. These address immediate and long-term strategic needs, and their success requires significant financial resources, which exceed those available from the public purse. The success of future reform efforts also requires strengthening the rule of law. The majority of interviewed stakeholders reported that informal payments are made at virtually every stage of the import and export process. They also noted that such payments are initiated by both traders (to reduce the waiting time associated with obtaining trade documents and customs clearance), and officials (in return for, among others, waiving certain documentation, speedy issuance of trade documents, or clearing cargo without examination). In addition, more needs to be done to enforce compliance with existing laws as well as transparency in relation to regulations, administrative procedures, fee rates, and public service available to traders.

3.2 Transparency

The availability of accurate and up-to-date information on trade-related regulations and administrative procedures, including through online publications in different languages, enquiry points and help desks, has been advocated by several international organizations as a key element to reduc-

ing transaction costs.⁷¹ In addition, proposed new legislation as well as amendments to existing legislation needs to be based on broad consultations with the private sector to ensure responsiveness and transparency as defined under the Millennium Development Goal (MDG) 8, which stipulates the development of "an open, rule-based, predictable, non-discriminatory trading and financial system".

The results of the interviews with traders and market support institutions suggest that exporters and importers have to piece together information on documentary requirements, regulations and applied procedures from different sources. This is especially since the State agencies' institutional websites offer information that tends to be neither comprehensive nor up-to-date, thereby leaving room for different interpretations. A cursory examination of these websites also shows that the published information is invariably in Russian.

The interviewed traders rely on several sources of information to obtain information on trade-related procedures and documentary requirements. As shown in table 3.1, the Chamber of Commerce and Industry figures as the traders' information source of choice, particularly in relation to changes in trade regulations, especially customs clearance and export procedures. The SCS ranks second as a source of information on customs and export procedures, followed by business associations for information on trade regulations and procedures applied in CIS countries.

While most of the respondents said that they find the information received from these sources quite clear and detailed, the fact remains that this information is fragmented across a range of agencies. Moreover, traders do not receive information on a monthly, quarterly and bi-annual basis, and not necessarily in tandem with the introduction of new legislation or changes in existing legislation and procedures. Some of the agencies disburse information updates by fax, indicating a lack of modern management information systems.

⁷¹ See WTO Trade Facilitation Self-Assessment Checklist; EU Customs Blueprints, 2007; World Bank Doing Business Report, Kyrgyz Republic, 2014.

Table 3.1 Information sources reported by the surveyed traders

Source of Information	Reliability ⁷³	Specific information	Method of communication (% of responses)	Regularity (% of responses)	Clarity (% of responses)	Level of detail (% of responses)
National chambers of Commerce and Industry	53%	Changes in legislation; changes in export-import regulations; customs clearance procedures; and, export procedures	<ul style="list-style-type: none"> ● Email (94%) ● Post mail (6%) 	<ul style="list-style-type: none"> ● Monthly (73%) ● Quarterly (20%) ● Bi-annual (7%) 	<ul style="list-style-type: none"> ● Clear (38%) ● Rather clear (44%) ● Unclear (6%) ● Rather unclear (13%) 	<ul style="list-style-type: none"> ● Rather detailed (38%) ● Detailed (19%) ● Brief (38%) ● Rather brief (6%)
National Customs Authorities	40%	Export and customs procedures	<ul style="list-style-type: none"> ● Email (67%) ● Post mail (25%) ● Fax (8%) 	<ul style="list-style-type: none"> ● Monthly (58%) ● Quarterly (33%) ● Bi-annual (8%) 	<ul style="list-style-type: none"> ● Rather clear (89%) ● Rather unclear (11%) 	<ul style="list-style-type: none"> ● Rather detailed (38%) ● Detailed (23%) ● Brief (23%) ● Rather brief (15%)
National business associations	33%	Trade procedures and documentary requirements in CIS countries	<ul style="list-style-type: none"> ● Email (80%) ● Post mail (10%) ● Fax (10%) 	<ul style="list-style-type: none"> ● Monthly (40%) ● Quarterly (50%) ● Bi-annual (10%) 	<ul style="list-style-type: none"> ● Rather clear (60%) ● Clear (20%) ● Unclear (20%) 	<ul style="list-style-type: none"> ● Rather detailed (20%) ● Detailed (30%) ● Brief (10%) ● Rather brief (40%)
Chambers of Commerce in partner countries	3%	Duties on exports	<ul style="list-style-type: none"> ● Email (50%) ● Post mail (50%) 	<ul style="list-style-type: none"> ● Bi-annual (100%) 	<ul style="list-style-type: none"> ● Clear (100%) 	<ul style="list-style-type: none"> ● Detailed (33%) ● Brief (33%) ● Rather brief (33%)
Customs brokers	2%	Customs procedures	<ul style="list-style-type: none"> ● Email (67%) ● Post mail (17%) ● Fax (17%) 	<ul style="list-style-type: none"> ● Monthly (75%) ● Bi-annual (25%) 	<ul style="list-style-type: none"> ● Clear (25%) ● Rather unclear (75%) 	<ul style="list-style-type: none"> ● Rather detailed (75%) ● Rather brief (25%)

72 Reliability is measured in terms of the percentage of total responses

Moreover, several traders said that they do not have a complete grasp of the implications of existing regulations applied in Kyrgyzstan and in trading partner countries. They said that they wished to receive more information on: changes in regulations and procedures associated with obtaining permits and licenses for export and import activities; changes in legislation in partner countries; information on multi-modal transport systems; changes in national legislation upon the country's effective membership in the Eurasian Customs Union; costs associated with and training on the use of electronic documents; guidelines and instructions on the implications of new legislation on export-import regulations and administrative procedures, especially changes associated with joining the Eurasia Customs Union. Moreover, in most cases, obtaining up-to-date information involves approaching more than one agency in person, with unsatisfactory results.

State agencies were aware of the dilemmas facing traders. They reported that the traders have limited understanding of the practical implications of trade regulations and procedures applied in current and potential markets. For example, representatives of the Ministry of Transport and Communications (MoTC) explained that while the provisions of transport agreements between Kyrgyzstan and other countries are published on the Ministry's website, traders are not clear about implementation issues, nor are they clear about the rules and regulations applied in transit countries. This is mainly due to the varying regulations and fees governing permits, licenses, and visas in the Kyrgyz Republic and the countries with which the agreements were signed, the number of which was 37 countries in 2014.

This lack of clarity on the part of traders, noted the officials, is among the main reasons behind the long and unpredictable transport times for international shipments, and constitutes a trade barrier. Similarly, officials from Kyrgyzstandard said that improving the traders' understanding of the practical implications of trade regulations and procedures in current and potential markets will enable them to provide the Center with precise information and, in many cases, better samples.

The same concerns were raised by representatives of business associations. They explained that traders, especially those owning or managing small and medium enterprises (SMEs), do not have sufficient understanding of the procedural requirements. As a result, they invest considerable time in ascertaining the procedures that need to be followed and in completing the procedures, which leads to delays in product delivery and impedes them from responding to emerging market opportunities. The representatives also noted that enterprises lack proper understanding of the multilateral trading system requirements and those of the Eurasian Customs Union, particularly in relation to their practical implication for export and import processes.

State agencies said that they are committed to furnishing enterprises with up-to-date information on trade-related regulatory and procedural requirements and their implication on import and export activities. Some agencies reported having dedicated staff for providing traders with additional information upon request. A case in point is the Center for Standardization and Metrology (CSM) under the Ministry of Economy, which acts as the national standardization body and the authorized agency for metrology-related work.

Officials explained that basic information on technical regulations and certification requirements is published on the Centre's website in Russian. Detailed information on procedures, duration of processing and applicable fees is provided upon request, received via email or communicated by traders in person. The Center also provides technical advice on specific products in return for fees. Similarly, officials from the State Inspectorate on Veterinary and Phytosanitary Security said that the Inspectorate publishes trade-related information in Russian on its website, and provides additional information to traders upon request. Such requests are received in writing or by traders in person during the regular business hours of the Inspectorate's regional offices in oblasts and rayons (districts).

Other agencies reported that they were satisfied with their information dissemination function, and

did not report having dedicated staff for providing additional information upon request. For example officials from the State Border Service (SBS) considered that the SBS's online information service, along with the information boards at BCPs and at Kyrgyzstan's overseas embassies (where the information is mainly related to passport and visa requirements), provide traders with adequate information.

At issue, noted the interviewed officials, is the necessity of consolidating all trade-related information in one source, so as to enable traders to avoid delays and benefit from bilateral and regional agreements; this view was also expressed by traders. At issue is also the necessity of keeping the State agencies abreast of developments and new regional agreements and their implication for Kyrgyzstan. This concern was raised by officials from CSM and the MoTC, who explained that they are awkwardly placed to help traders, in view of the difficulties they experience in keeping abreast of new developments, including the adjustments required by Kyrgyzstan's membership in the Eurasian Customs Union.

The officials noted that the SESW could play a lead role in this respect provided that the different State agencies are more proactive in furnishing the necessary information in a timely manner. Officials from the SESW emphasized that the Centre is determined to play such a role. It has recently published a complete list of the trade documents required by the SW State agencies on the Center's website, along with the related laws and decrees. This information, which until 2015 was available in the Russian language, will be also available in English.⁷³ The SESW is also in the process of developing a new information dissemination service to ensure timely provision of up-to-date information on all trade-related regulations and procedures in Kyrgyzstan and partner countries, including import requirements in countries of destination, trade preferences, fees and charges.

Furnishing traders with up-to-date information is only one element in ensuring transparency, which also requires the active involvement of the private sector in reforms. As previously mentioned, there are a number of well-established institutional mechanisms for supporting general and issue specific consultations between the public and the private sectors. This assessment also revealed a high level of awareness and familiarity with trade facilitation issues, including the areas that require immediate action, amongst public and private sector stakeholders.

Yet, interviewed officials and representatives of market support institutions were unanimous that there remains much room for improvement. Representatives of the Ministry of Economy and other State agencies as well as market support institutions also emphasized that the private sector should not only to be involved in the decision making processes, but should also play a full and active role in implementing reform measures.

The results of the traders' survey lend further evidence to these concerns. Only 20 per cent of the interviewed traders reported participating in public-private sector consultations, and the majority represented large enterprises. Moreover, it seems that only a limited number of the previously mentioned institutional consultative mechanisms operate on a regular basis. Traders highlighted those supported by the Chamber of Commerce and Industry, the SCS and industrial associations as constituting the main mechanisms through which they voice their concerns to decision-makers. The supporting bodies in question organize meetings on a regular basis (quarterly, semi-annual and annual basis) and cover a range of issues, including taxation, import and export procedures, product certification and red tape.

However, several traders said that they do not find such consultation particularly helpful in bringing about solution to the problems they face. Furthermore, representatives of market

⁷³ Visit SESW website at: <http://trade.kg/index.php/18-2012-09-07-12-03-21/40-2012-09-07-11-23-46>

support institutions noted that more needs to be done to ensure greater participation of small and medium sized enterprises. There is also room for enriching the consultations with focused white papers that articulate clear recommendations that are based on practical analysis.

Representatives of market support institutions acknowledged that they should intensify their efforts to improve the existing consultative mechanisms. However, they complained about being awkwardly placed to rise to the challenge. They explained that not all State agencies are receptive to the idea of consulting with the private sector. At the same time, donor and international agencies tend to have their own priorities and often leave market support institutions with ambitious generic or macro-level recommendations that are difficult to implement without continuous and extended support. Most of the market support institutions lack the tools, knowledge, skills and experience to implement the suggested recommendations and such capacities cannot be built by training only.

Similarly, new services require years to develop, refine and tailor to the specific development needs of the Kyrgyz private sector, said the representatives of market support institutions, who noted that the services they provide remain too narrow to ensure prompt response to the traders' needs. For example, out of the 35 business associations, only ten have the capacity and resources to respond to traders' needs, and these range from small associations (comprising 10 members) to large associations (comprising 750 members). These cater to industry-specific needs through lobbying (and this takes the form of organizing round table discussions and conferences); training activities (mainly seminars) for managers and accountants; trade fairs; the provision of industry specific information; and, legal assistance. The associations also provide general advisory services to help traders prepare the documentary requirements associated with export and im-

port activities. However, their ability to do so is often undermined by their limited knowledge of new trade-related reforms and measures, including those associated with Kyrgyzstan's membership in the Eurasian CU.

The point was also made that policy-making is hampered by what can be considered as passive participation on the part of some government officials, who often undermine the importance of proactive engagement to introduce the necessary changes to legislation and policy measures. In the words of one of the interviewees: "the Government makes the law. It is not our job to do that – we just implement it". Policy-making as well as implementation are also hampered by a strict interpretation of responsibilities, with officials often paying little attention to the need for coordination with other agencies. This attitude towards policy making partly explains the limited role that the National Council on Trade and Transport Facilitation has played since its establishment. Indeed, the Council did not figure during the interviews with the different public and private sector stakeholders, even as the Ministry of Economy is actively involved in supporting and coordinating a unified policy in the area of trade facilitation.

The concerns raised by the different stakeholders suggest the need for a multi-faceted effort that targets the State agencies, market support institutions and the enterprises. Below are a number of recommendations for the Government's consideration.

3.3 At the border control

A total of six government agencies are involved in control functions at main border crossing points (BCPs), located at airports, railway stations and road networks. These agencies include: SCS; State Border Service (SBS); Ministry of Transport and Communications (MoTC); State Inspectorate on Veterinary and Phytosanitary Security; Ministry of Health; and, State Agency on Environmental Protection and Forestry.

Table 3.2 Outstanding needs and recommendations for improving transparency

Outstanding needs	Recommendations
Improving the State agencies' information dissemination function	<ul style="list-style-type: none"> ● Consolidate national inquiry points, such as the one maintained by the SESW, with notification procedures to disseminate up-to-date information to relevant Government agencies, market support institutions and traders. ● Complement the information published on the SESW website with up-to-date information on all new trade-related regulations, especially those associated with Kyrgyzstan's membership in the Eurasian CU. It would be useful to publish key regulations in several languages. ● Each SW agency should publish detailed information on the procedures and documentary requirements that fall under its responsibility, along with a detailed price list. It would be useful to publish such information in several languages. ● Revise existing legislation to allow for setting deadlines for the issuance of trade documents. ● Develop user manuals with detailed instructions for guiding the implementation of regulations. ● Establish rules of procedure and protocols for governing inter-agency cooperation and ensuring regular exchange of information between the SESW and the SW agencies. ● Provide advanced training on emerging trends in public sector management, with a special focus on issues related to whole-government approaches to policy-making and implementation so as to provide public sector officials and legislators with the necessary tools to shift their focus away from a pre-occupation with administrative concerns to policy responsiveness, joint planning and coordinated implementation. ● Provide advanced training on emerging trends in trade policy and trade facilitation for staff responsible for processing and issuing trade document, so as to provide them with the necessary tools and approaches for shifting their focus away from a pre-occupation with rules and procedures towards a greater emphasis on trade facilitation
Strengthening market support institutions with additional capacities and services	<ul style="list-style-type: none"> ● Organize information dissemination seminars throughout the country to familiarize market support institutions with ongoing reforms, especially those associated with the SW, Kyrgyzstan's membership in the Eurasian CU, and potential membership in the EU GSP+ Programme ● Assist key market support institutions in establishing help desk facilities with dedicated staff capable of helping traders prepare trade documents for export and import activities. Such facilities should also be able to provide traders with information on emerging export opportunities, and competitive supply sources. ● Establish training facilities, equipped with trained staff and training material adapted to the local context, within relevant market support institutions, such as the Chamber of Commerce and Industry, in order to familiarize traders with emerging trends in supply chain management, marketing, outsourcing and financial management. The institutions should be also assisted to develop web-based training material, which could be used as reference documents by traders. Examples include thematic video presentations and training sessions on, among others, export and import procedures, supply chain management and single window facilities. Such training materials can be published online on the institutional website of the Chamber of Commerce and Industry and other trade support institutions with broad memberships. ● Strengthen market support institutions that already have a strong lobbying and outreach service with a research facility, so as to enable them to crystalize traders' needs in white papers for the Government's consideration. ● Assist market support institutions in establishing partnerships with their counterparts in trade partner countries, so as to be better placed to help the enterprises improve their competitiveness in local and global markets. An immediate step in this direction would be to organize study tours to institutions that are willing to assist Kyrgyz enterprises.

Outstanding needs	Recommendations
<p>Keeping traders abreast on changes in trade-related regulations and administrative procedures, including their implication for export and import activities</p>	<ul style="list-style-type: none"> ● Publish detailed user manuals for traders, which highlight the implications of regulations and laws and provide a detailed account of the different tasks and business processes that traders have to take to ensure successful completion of import and export procedures. It would be useful to publish these manuals in Russian and in English, and substantiate them with case studies. ● Establish a comprehensive information dissemination system for providing enterprises with up-to-date information on trade-related regulations and procedures. This system could be housed within the SESW and linked to the IT systems of enterprises that are registered with the SW. The system should also be linked with the IT systems of market support institutions that would, in turn, disseminate the information among their members. This would ensure broad outreach since the number of enterprises that are registered with the SW is limited. ● Organize mobilization seminars throughout the country to familiarize enterprises with ongoing reforms, especially those associated with the SW, Kyrgyzstan's membership in the Eurasian CU, and potential membership in the EU GSP+ Programme ● Consider rationalizing the number of public-private consultative mechanisms so as to avoid spreading efforts too thin on the ground. The multiplicity of mechanism carries the risk of fragmenting the discussions across the diverse segments of the private and public sector entities. Moreover, private stakeholders would be better placed to contribute if they give undivided attention to a limited number of consultative mechanisms.
<p>Consolidating overarching public-private sector consultation mechanisms</p>	<ul style="list-style-type: none"> ● Establish a trade facilitation strategy that capitalizes on achievements to date and translates strategic goals identified in different initiatives and legislation into sequenced targets with clear: (i) policy guidelines, objectives and implementation plans for the different State agencies; (ii) mechanisms and procedures for coordinated inter-agency action; (iii) links to regional cross-border trade facilitation initiatives. ● Establish a national trade facilitation committee to act as an overarching umbrella for supporting public-private sector consultations. Kyrgyzstan's previous experience suggests that rather than creating the committee from scratch, it would be more appropriate to house the committee within existing national institutions involved in supporting public-private consultations, such as the the National Council on Development of Business and Investment. The institution in question should be strengthened with the required expertise skills, so as to enable it to provide an umbrella for consolidating discussions under the different working groups, bodies (such as the SESW) and public-private sector consultation mechanisms; convene regular meetings; liaise with the different public and private sector stakeholders; and, provide action-oriented recommendations.⁷⁴ This is important so as to ensure that each of the different bodies take appropriate account of ongoing initiatives and discussions, and avoid unnecessary overlap and duplication of efforts. The secretariat should comprise a core team of experts and dedicated secretariat, and have clear reporting mechanisms to channel the outcome of consultations to the Government. Such mechanisms should feature: (i) minutes of meetings and white papers on topical for submission to the Government; (ii) monitoring reports for measuring progress in the implementation of trade facilitation initiatives and agreed upon actions during meetings; (iii) internal rules of procedure that emphasize the status of the Ministry of Economy as a link between the National Trade Facilitation Committee and the Government. The Government should also consider taking measures to enable the institution assuming the functions of the national trade facilitation committee to achieve a certain degree of self-sufficiency. This could be done by establishing a business plan for launching fee-based services. Alternatively, the Government may consider allocating a modest percentage of customs revenue (maximum of 1 per cent per annum) for financing the Council's activities.

⁷⁴ In 2008, the Government established a National Council on Trade and Transport Facilitation to bring together representatives of relevant public and private sector institutions for the purpose of promoting a unified policy on trade and transport regulations, simplification of trade and transport procedures, and user-oriented infrastructure development. The Council was also meant to guide the implementation of major reform efforts, including the establishment of the single window facility and a "one-stop shop" for traders. During its first year, the Council was chaired by the Prime Minister. However, it did not hold any meetings, since it lacked a dedicated secretariat for servicing the meetings and following up on emerging needs. As such, the Council was placed under the chairmanship of the Ministry of Economy in 2009. Yet in the absence of a dedicated secretariat, the Council was not convened, so that it exists only on paper.

Table 3.3 Border control agencies and their responsibilities

Agency	Role and responsibilities
State Customs Service	<ul style="list-style-type: none"> ⇨ Customs clearance and collection of duties and taxes. ⇨ Anti-smuggling controls. ⇨ Supply chain security. ⇨ Control of Intellectual Property Rights. ⇨ Control of vehicle weight and dimensions.
State Border Service	<ul style="list-style-type: none"> ⇨ Guarding and protecting the border and its territorial integrity, including repelling military incursions. ⇨ Immigration controls at designated crossing points: passport and visa checks. ⇨ Security controls over persons, goods and vehicles (mainly to prevent smuggling of narcotics, firearms, ammunition, and WMD). ⇨ Assisting other law enforcement and environmental agencies of the Kyrgyz Republic to maintain the security and well-being of the community in border regions. ⇨ Gathering intelligence, conducting counter-intelligence, investigation and search operations.
Ministry of Transport and Communications	<ul style="list-style-type: none"> ⇨ Checks on vehicles, carriers, and drivers: weight; dimension; vehicle safety; licensing; implementation of contracts on route maintenance; and observance of national/ international traffic rules. ⇨ Checks on adherence to the schedule of movement of international and local bus routes of international significance.
State Inspectorate of Veterinary and Phytosanitary Safety	<ul style="list-style-type: none"> ⇨ Veterinary quarantine and phytosanitary control.
Ministry of Health	<ul style="list-style-type: none"> ⇨ Health quarantine, anti-epidemic, and anti-epizootic controls.
State Agency on Environmental Protection and Forestry (Not permanently present at all BCPs)	<ul style="list-style-type: none"> ⇨ Prevention of illegal import, export and transit of ecologically hazardous goods, objects of fauna, and raw materials harmful to the environment. ⇨ Prevention of atmospheric pollution by foreign vehicles.

As shown in table 3.3, the agencies' responsibilities are clearly delineated. Inter-agency cooperation at all BCPs is well orchestrated with clear procedures, particularly in relation to simultaneous physical inspections of vehicles and cargo, along with standard operating procedures, which are in place at all BCPs to deal with outbreaks of disease.⁷⁵ Moreo-

ver, all agencies are usually involved in decisions related to the development of BCPs, in order to ensure optimal solutions for the design and layout

⁷⁵ See Law No. 28 of 19 March 1999 "About Border Service of the Kyrgyz Republic"; and Government Decree No.739 of 2004 "On State Border"; Government Resolution No. 556 of 19 November 2007 "On the Measures to Streamline the Operation of International Road, Air and Railway Border Crossing Points, as well as Internal Fixed Road Posts in the Kyrgyz Republic", which provide general provisions on border crossing points, including border regimes, and relevant rights and obligations, procedure of establishing, opening and closing of a check-point, activity arrangement, and coordination with other controlling agencies located at the BCP and in neighboring

countries. See also the 2004 Customs Code (articles 310-311 that set out the principles of carrying out customs control and Chapter 44 that establishes forms and procedures for carrying out customs control); Law No. 15-11/552 of 16 August 2000 "About Strengthening of Customs Control over Moving of the Goods Forbidden to Import on the Territory of the Kyrgyz Republic"; Law No. 35 of 20 January 2014 "About Approval of the Situation on Department of Boundary Veterinary Control of the State Inspectorate for Veterinary and Phytosanitary Safety under the Government of the Kyrgyz Republic"; Order No. 674 of 26 October 2011 "About Approval of the Situation on Carrying out Radiation Control at Check Points on Frontier of the Kyrgyz Republic"; and Government order No. 304 of 1 August 2007 "About Introduction of the Temporary Mode of the Omission through Frontier of the Kyrgyz Republic in the Multilateral Check Point of "Joint Stock Company-Zhol".

of border facilities and efficiencies in the workflow and traffic management.

At the operational level, the agencies execute control functions in a logical and consistent sequence. For inward traffic: passport control → documentary checks → goods/ vehicle examination → release, and the reverse for outward traffic.⁷⁶

As explained by customs officials, the majority of import and export consignments by road and rail are cleared inland at secure cargo depots and warehouses designated as customs processing zones, while air cargo is usually cleared at the airport. The UAIS risk management module automatically assigns clearance/ control channels (Green: clearance without examination; Yellow: documentary examination required; Red: documentary and physical examination required; and Black: immediate detention of goods required), and generates on-screen alerts and instructions for examining officers. This functionality is based on comprehensive risk profiles developed at SCS headquarters. The profiles contain a wide range of relevant parameters, tailored to the country's control requirements.⁷⁷

Import consignments are subject to documentary control and/ or physical checks at the frontier, before the cargo is transported inland under cover of the "delivery control" procedure. This procedure is in effect an internal transit regime, which requires traders to transport cargo in sealed containers, present documentary requirements in a sealed "safe package"⁷⁸ and establish a financial guarantee to cover applicable

duty and taxes. The SCS intends to replace this control system with a GPS tracking system.

Certain types of cargo are sometimes controlled by SBS, which together with the SCS, is responsible for preventing the illegal entry and exit of prohibited items such as arms, ammunition, narcotic drugs and psychotropic substances, radioactive material, and weapons of mass destruction. SBS has only limited responsibilities in relation to the control of cargo, as it is mainly focused on the control of persons. Its involvement in cargo control, either at importation or exportation, is neither a regular nor a routine activity.

The control of goods subject to quarantine requirements, including both imports and cargo in transit, is conducted within the context of mutual recognition agreements. Traders present veterinary or phytosanitary certificate for imports issued by the authorized authority in the exporting country at the border, together with the Kyrgyz licence/ permit (if required by law). The same measures apply to exports, as per the mutual recognition arrangements. The control of goods subject to these requirements falls under the responsibility of the State Inspectorate on Veterinary and Phytosanitary Security, which has staff at BCPs. The staff carry out appropriate checks, including examination of products on arrival, and manage inland quarantine facilities.⁷⁹

The control of goods subject to sanitary and epidemiological requirements is conducted by the Ministry of Health (MoH). Importing such goods is prohibited without a certificate issued by the proper authority in the exporting country, and the Ministry has staff at BCPs who carry out appropriate checks and manage inland quarantine facilities. Exporting goods subject to sanitary

⁷⁶ The Customs Code was adopted in 2004 and last amended in 2013. Areas not covered by the Customs Code are governed by the tax code (Law No. 230 of 17 October 2008), and areas not covered by either of the two laws are governed by the civil code.

⁷⁷ The risk-assessment scores are based on six criteria: the volume of imports; country of origin; classification in the Harmonized System; amount of customs duty exemptions; mode of transport; and previous violations of customs laws. See Law No. 108 of 18 February 2012, which establishes the risk assessment criteria for customs.

⁷⁸ This system also used in Belarus, Kazakhstan and the Russian Federation. The customs documents are sealed in a tamper-proof plastic envelope, the purpose of which is to eliminate unauthorized access to the docu-

ments, reduce interference with cargoes in transit and, thereof, pre-empt informal payments.

⁷⁹ See Government Resolution No. 251 from of 30 May 2008 "About Approval of Rules of the Organization of works on Issue of Phytosanitary Documents in case of Import and the Export of Quarantinable products issued by the State Inspectorate for the Plant Quarantine under the Ministry of the Agriculture, Water, Economy and Processing Industry".

and epidemiological requirements also requires a certificate that is issued by the Ministry.⁸⁰

In cases where two or several agencies decide to control shipments, inspections are carried out simultaneously, and this also applies to inland facilities (cargo depots or warehouses) used for storing import consignments for customs clearance. For example, if the SBS decides to examine cargo, it does so simultaneously with other border agencies scheduled to carry out control functions.

Recent efforts to further rationalize border control processes saw the introduction of the “clearway system” for passenger control, whereby traders could choose between the red and green corridors for customs clearance.⁸¹ Efforts also involved transferring the responsibility for vehicle weight and dimension checks at Torugart and Irkeshtam BCPs with PRC from MoTC to SCS, amidst plans to extend this arrangement to the remaining BCPs. The arrangement will be even more effective when the equipment (properly calibrated) is installed at all BCPs.

Moreover, in 2015, the Government was planning to introduce an Authorized Economic Operator (AEO) scheme and add an AEO Module to the SWIS. An AEO scheme would allow regular and reliable monitoring of the overall performance of traders, thereby providing a more holistic approach than the existing one, which relies mainly on transaction-based evaluation of individual import entries. The AEO scheme would also enable traders to benefit from simplified clearance procedures and is consistent with the Revised Kyoto Convention

requirements,⁸² which are said to form the basis of Kyrgyzstan’s Customs Code of 2004 and its subsequent revisions.

The results of the assessment suggest that there remains room for further improvements. Around 50 per cent of the interviewed exporters said they complete customs clearance in 1 day. Another 20 per cent said that the procedures are completed in 1 to 2 days. Exporters who reported completing these procedures in 1 to 4 hours constituted only 10 per cent of total exports, and the remaining said that they do not know since customs clearance is handled by customs brokers.

On the import side, customs clearance tends to be more time consuming. Around 50 per cent of the interviewed importers said that they complete customs clearance procedures in 2 to 3 days. Another 10 per cent said that they complete these procedures in 3-5 day, and a similar percentage said that it takes 1 day to clear their goods. Only 10 per cent said that they clear their goods in 1 to 4 hours, and the remaining 30 per cent said that they do not know since customs clearance is handled by customs brokers.

It is worth noting that traders who reported speedy completion of customs clearance procedures said that use the services of customs brokers, and noted their satisfaction with the quality of the services received. They explained that customs brokers help speed up the fulfilment of documentary requirements and the customs clearance procedures due to their good working relations with the different State agencies. Some noted that they select brokers, who are “strongly” recommended by State agencies.

However, this extensive use of customs brokers for purposes other than the submission of electronic customs declarations is limited to enterprises with financial means. Traders who do not use the services of brokers said that they rely on their own staff, so as to avoid accruing additional costs. For these traders, customs clearance is a rather com-

⁸⁰ Government Resolution No. 35 of January 2014 “On Approval of Provision on Department of Border Veterinary Control of State Inspection on Veterinary and Phytosanitary Safety under the Government of the Kyrgyz Republic”; and, Government Resolution No. 583 of 7 October 2014 “On Approval of the List of Goods imported to the Kyrgyz Republic, that are Subject to Phytosanitary Control and Sanitary-Epidemiological Control when being Moved Across the State Border of Kyrgyzstan”.

⁸¹ See Government Resolution No.69 of 12 February 2013 “About approval of the Instruction on customs control of the goods using system of the double corridor”.

⁸² International Convention on the Simplification and Harmonization of Customs Procedures, World Customs Organization, 1999 (as amended).

plex undertaking, owing to the lack of clarity over customs procedures. It is worth noting that the fees charged by customs brokers, could reach USD 400 per transaction, depending on the range of services and the number of required documents. Goods that do not require certificates or licenses, such as apparel, tend to cost less than, for example, communication equipment that requires several certificates.

As explained below, the delays reported by traders are mainly caused by the shortfalls in inter-agency cooperation; cumbersome inspection procedures; weaknesses in the customs clearance process; and, weaknesses in the rule of law. Also contributing to the delays is the lack of adequate facilities at border crossing points (section 3.6)

Shortfalls in inter-agency coordination

Inter-agency cooperation could be improved by a further delegation of control functions. As previously mentioned, recent reform efforts have seen the transferring the responsibility for vehicle weight and dimension checks at Torugart and Irkeshtam BCPs with PRC from MoTC to SCS. However, the MoTC was still maintaining documentary control functions at all BCPs, thus undermining the benefits derived from the delegated vehicle control. The MoTC realizes the need to address this and noted that vehicle related documentary control could be either delegated to SCS or to another agency, or carried out by MoTC inspectors at inland facilities for vehicle control. Thus an immediate measure would be to expand and roll out the delegation of this control function, as an established procedure at all BCPs.

At the same time, more could be done to improve risk management systems, as border control agencies use their own risk management systems, and in some cases, these systems are less focused on goods. Moreover, the risk management systems of the agencies are not electronically linked with that of SCS, though information is shared between the agencies at the operational level. This situation begs the need to establish a link between the individual agencies' risk management system and that of the UAIS, as the latter has established itself

as the backbone of Kyrgyzstan's broader risk management system.

In addition, the results of the assessment suggest that the UAIS risk management system could benefit from further improvements. The percentage of cargo assigned by the system to the green channel is extremely low, and contrasts with the high percentage of cargo assigned to the red channel which approaches 30 per cent. It would also be useful to establish local risk parameters and profiles, which reflect the specific conditions at particular borders.

Developing the risk management function of the border control agencies along these lines requires several years and considerable investments in information management systems. It also requires targeted training to shift the focus of border control officers towards greater emphasis on trade facilitation and improve coordinated border control management. An equally important requirement would be the strengthening of BCPs with the required facilities as explained below.

The above measures are tuned with the realities on the ground and are likely to deliver immediate results. In the long term, the Government may consider adopting a common risk management framework for guiding border control, taking into account that such a framework: (i) implies formal agreements to the sharing of information and intelligence that control agencies may well be reluctant to agree to, and (ii) is complex to establish and maintain. The sharing of electronic information would be a particular challenge, since the existing IT systems in several control agencies are weak, and incompatible.

Cumbersome inspection procedures

Around 60 per cent of the respondents said that all their consignments (100 per cent) are subject to physical inspection by customs and other border control agencies. They noted that although carried out in one designated area, the inspections are often intrusive. Moreover, some reported that they are required to un-pack the cargo, which creates additional costs in the form of delays and dam-

aged goods, especially if the goods in question are fragile.

Traders also reported that their goods are often subject to a procedure that is akin to pre-shipment inspection. Around 67 per cent of exporters and 46 per cent of importers said that their goods are subject to this procedure, which is carried out by the State Inspection on Veterinary and Phytosanitary Safety for issuing Phytosanitary Certificates. It is worth noting that Kyrgyzstan does not have pre-shipment inspection requirements in place, and the Government has emphasized that the introduction of these requirements will be compliant with the WTO Agreement on Preshipment Inspection.⁸³ In general, pre-shipment inspection is used to assist exporters in ensuring compliance with regulatory requirements in target markets. This type of inspection is also used to help importers ensure compliance with national regulatory requirements, and improve overall financial reporting for customs and taxation purposes.

Respondents gave contrasting answers as to the impact of the procedure in question on the export/import processes. Exporters said that while they understand the usefulness of this type of inspection, in that it allows for verifying customs classification, the price, the quantity of goods and adherence to quality requirements before shipment to countries of destination, the procedure causes considerable delays that could go up to an entire day in view of the long waiting lines. Others said that this type of inspection does not result in any delays, and saw the procedure as helpful, in that it enables them to improve on their preparations for exports.

As for importers, the majority did not deem pre-shipment inspection as helpful, and several respondents lamented the significant delays that this type of inspection causes. Some reported that the delays could go up to an entire week, as customs usually re-calculates the customs value. The reasons that prompt this type of inspection are not clear. For example, several traders who

exported/imported the same category of goods under the same customs regime gave contrasting answers. Some reported that their goods are subject to pre-shipment inspection, while others said that their goods are not subject to this type of inspection.

Weaknesses in the customs clearance process

Customs clearance is carried out following a four-phased process: documentary control; calculation and payment of customs duties; cargo examination and release of the goods. The four phases are undertaken by different officials, with individual phases assigned to specific officials.

Customs clearance is complicated by lack of clarity over customs valuation of imports. Customs valuation is guided by the Customs Code and subsequent laws,⁸⁴ which are consistent with the principles and requirements of the WTO Valuation Agreement. Customs valuation is based on the following six methods:

1. Transaction value of imported goods.
2. Transaction value of identical goods.
3. Transaction value of similar goods.
4. Deductive method.
5. Computed method.
6. Fallback method.

According to the existing legislation, the transaction value of imported goods constitutes the main method, and the customs value should be calculated based on reliable, quantitatively determinable, and well-documented information. If this method cannot be used, then the remaining methods should be used consistently following the above-mentioned order (i.e., each subsequent method can be applied when the customs value cannot be determined by using a previous method).

In situations where it is necessary to prove customs value, the trader must provide the customs authorities with additional information, as requested. If customs officials doubt the accuracy of

⁸³ See the Government's notification to the WTO in 2001 (G/PSI/N/1/Rev.1).

⁸⁴ See article 227 of the Customs Code of Kyrgyzstan and Kyrgyz Government Resolution No. 674 of 26 October 2011.

the provided information, the trader has the right to defend the information. If no proof of accuracy is given, customs officials have the right to reject the customs value method used by the applicant, and the trader could appeal. The trader could also seek advance ruling to speed up customs clearance.

The assessment reveals that in practice, SCS tends to work from the standpoint that the customs value is routinely under-declared by importers, and that documents presented – in particular the invoice – cannot be relied upon. Customs officials frequently request additional documentary evidence, including contracts, orders, receipts and bank statements, but their default method is to use the SCS list of reference prices, which is not published.

Officials explained that the list invariably indicates the necessity of introducing an upward revision to the invoice prices. Thereafter, the importer could either accept the SCS assessment or appeal. Given that the consignments cannot be moved before resolving the dispute over the customs value, importers invariably choose to pay. Some traders claim that the SCS is prepared to negotiate the necessity of introducing an upward revision upon receipt of informal payments.

The difficulty is that the SCS has good reason, based on evidence, to proceed with the assumption that some imports are deliberately undervalued. It also has limited means for verifying its assumptions and arriving at more sensible judgments, beyond the trade documents presented by the importer. Part of the solution lies in the development of the SCS post-clearance audit function. This function involves comprehensive trader audits, which feature considered examination of commercial processes and systems (e.g., quantity discounting and stock clearance) associated with imports. The information generated from these audits could be used for adjusting the parameters of the risk management system and for refining risk profiles. This is a more holistic approach than the existing one, which relies mainly on examining data from individual import entries.

Such changes require a review of the risk management system as a whole. In addition, there is a need to encourage more traders to use the advance ruling procedure, since it allows importers to obtain rulings on tariff classification, origin and customs valuation. Around 71 per cent of the interviewed traders reported using this procedure and they all said that they are satisfied with the customs rulings, though some lamented the customs' slow response. Traders who did not use advance rulings provided responses that point to a general lack of awareness of this procedure. Some said that this procedure does not exist. Others said that this procedure is not required by law. Yet others said that it "makes no sense". Then there are those who said that they do not use this procedure because it is not "effective", since the customs rulings are not binding.

Traders also reported delays in effecting payments at BCPs. The Government has already established a single cashier through which traders could make all the necessary payments.⁸⁵ However, only 13 per cent of the interviewed exporters and 10 per cent of the interviewed importers said that they effect their payments through the single cashier. The remainder still use the individual cashiers of the border control agencies (around 73% of the exporters and 80 per cent of the importers), and reported that they experience significant delays due to long waiting lines. Traders who pay through the single

⁸⁵ Article 243 of the Customs Code states: 1. Customs payments are paid in cash desk or into the accounts of customs offices open for these purposes according to the legislation of the Kyrgyz Republic according to the procedure, determined by the instruction approved by the Government of the Kyrgyz Republic, except for the case, stipulated in Item 4 Articles 206 of the Code. 2. Customs payments are paid in national currency of the Kyrgyz Republic. 3. Customs payments can be paid in the non-cash procedure in the form of calculations by payment orders, cash, and also with use of credit cards according to the legislation of the Kyrgyz Republic. 4. On request of the payer customs offices shall issue the written confirmation of payment of customs payments. 5. Calculation and adjustment of customs payments are made according to the procedure, determined by the Government of the Kyrgyz Republic. Articles 246-78 specifies deadlines for payments and instances where delayed payment is granted; while articles 253-258 specify types of payment guarantee.

cashier said the delays are less significant, since there is only one waiting line.

Weaknesses in the rule of law

The majority of respondents (including traders, officials and representatives of business associations) reported misuse of power by officials and the prevalence of informal payments, even when

the questions posed by the interviewers were not related to the rule of law.

Around 71 per cent of the interviewed traders said that they make informal payments, which ranged between som 200 and som 5000 per shipment. Respondents explained that in some cases, making these payments is inevitable. For example, customs officers have the power to decide as to

Table 3.4 Outstanding needs and recommendations for improving at the border control

Outstanding needs	Recommendations
Improving inter-agency coordination	<ul style="list-style-type: none"> ● Roll out the delegation of the control functions at Torugart and Irkeshtam BCPs with PRC as an established procedure at all BCPs. ● Establish clear guidelines for fostering inter-agency coordination as part of the trade facilitation strategy.
Consolidating the existing risk management system	<ul style="list-style-type: none"> ● Further refine the risk parameters and profiles of the UAIS central risk management system, in order to increase the percentage of cargo automatically assigned by the UAIS to the green channel, and decrease the percentage of cargo assigned to the red channel. At the local level, risk profiles should be developed for individual customs control points, to reflect the specific control environment. The results and findings emerging from the practical application of the local risk profiles should be progressively used to update and adjust the central risk management system. ● Establish a link between the individual agencies' risk management system and that of the UAIS, as the latter has established itself as the backbone of Kyrgyzstan's broader risk management system.⁸⁷ ● The above require a review of the risk management system as a whole; should be done in parallel with the introduction of the AEO scheme; and should be underpinned by targeted advance training to shift the focus of border control officers towards greater emphasis on trade facilitation and coordinated border control management. ● The SCS post-clearance audit function should be developed to support systems-based trader audits, and then to use the findings to adjust the parameters in the risk management system.¹³
Streamline and simplify physical inspection procedures	<ul style="list-style-type: none"> ● Introduce non-intrusive inspection equipment, such as x-ray and gamma-ray scanners. If made available and used judiciously, such equipment could reduce instances of physical examination to the minimum ● Abolish the existing <i>de-facto</i> pre-shipment inspection procedure.
Improving customs valuation procedures and practices	<ul style="list-style-type: none"> ● Ensure strict application of the WTO Customs Valuation Agreement. Customs value of imported goods should be calculated using Method 1 (the transaction value method). Other methods should be applied in sequence only if the customs value cannot be determined under the first method.⁸⁸ ● Revise existing legislation to make advance rulings binding, and establish detailed instructions for guiding the implementation of this procedure. ● Encourage traders to use the advance ruling procedure, since it allows importers to obtain rulings on tariff classification, origin and customs valuation. In this respect market support institutions have an important role to play in familiarizing the traders with this procedure.
Facilitating payment procedures at BCPs	<ul style="list-style-type: none"> ● Establish additional single cashiers for effecting payments at BCPs

⁸⁶ In this respect giving consideration to the important question of whether the time spent on assessing and debating the value of goods imported by small, irregular importers is justifiable vis-à-vis the revenue involved.

⁸⁷ The only exception is that the sequence of Methods 4 and 5 may be reversed at the request of the importer.

which trader could proceed to inspection and the type of inspection to be carried out. If the trader in question refuses to provide informal payments, the customs officer threatens to open each consignment or delay inspection. Since physical inspection may damage the goods, and since customs is not obliged to compensate for the resulting damage, traders feel that they have no option but to comply. Business associations noted that micro, small, and medium sized enterprises are usually at the receiving end of such practices.

The results of the survey also suggest that the established rules for placing goods in temporary storage (склад временного хранения – CBX) are not always respected.⁸⁸ Traders are required to place all inbound and outbound consignments in temporary storage facilities. However, the majority said that they do not place the cargo in temporary storage facilities, but, nonetheless pay the established fee of som 1200 (USD 25).

3.4 Documentary requirements and use of electronic documents

The reduction of documentary requirements has constituted a key element of Kyrgyzstan's trade facilitation efforts. Existing legislation limit the number of documentary requirements for exports to a maximum of three documents, including:⁸⁹

- Invoice.
- Shipping documents: TIR carnet, air waybill, CMR note, air waybill, CIM/SMGS consignment note;
- License or permit for export if the goods in question are subject to export licensing requirements by law.

Documentary requirements for trade activities under the remaining customs regimes⁹⁰ are limited

to 6 documents, except for cases specified in Customs Code (see table 3.5).

However, limited progress has been made in rationalizing and standardizing information requirements. This is especially since the SWIS was designed around the “as is” processes. Indeed, in 2015, there were no uniform standards across agencies for structuring documentary requirements and data collection. A review of the licenses and permits issued by the different agencies showed that each form has around 30 fields, of which only 11 are in common with other forms, thereby creating data redundancy and slowing processing times.

At the same time, the fact that the SWIS did not involve fundamental changes in the working practices and formalities of government agencies meant that several agencies continue to rely on paper-based procedures to process requests for trade documents. There were also discrepancy between the capital and the regional provinces in the pace of migrating towards paperless environments. For example, while the Department for Disease Prevention and Sanitary and Epidemiological Supervision under the Ministry of Health in Bishkek processed the sanitary-epidemiological conclusion using the SW system, the regional office in Talas province processed the said document manually using the old paper-based system (See Annex 1).

There was also limited evidence of management systems having been developed within the Government agencies to ensure that applications for licenses and permits are processed quickly, or to agreed deadlines, as suggested by some traders. Several agencies were doubtful about such an exercise. For example, officials from CSM said that setting time limits for issuing trade documents would be difficult, in view of the variety of products and parameters, which need to be taken into account when issuing certificates.

⁸⁸ See Customs Code, Articles 74-76.

⁸⁹ See Government Regulation No.250 of 30 May 2008, which reduced the number of mandatory documentary requirements; and Government Resolution No. 474 of 29 August 2013.

⁹⁰ Article 81 of the Customs Code lists 13 customs regimes: release for free circulation; reimport; customs

warehouse; duty-free shop; conversion on customs area; conversion under customs control; outward processing; temporary import; temporary export; export; re-export; transit; destruction; refusal for benefit of the state; special customs regimes.

Table 3.5 Documentary requirements for trade activities in Kyrgyzstan under the different customs regimes (excluding the export regime)⁹¹

Trade documents	Justification	Instructions
Transport documents	<ul style="list-style-type: none"> ● TIR Convention of 1975 ● Railroad waybill – in compliance with Agreement on international goods transport (AIGT) of 1 November 1951 ● International waybill CMR – in compliance with the Convention on international road transportation of goods of 1956 ● Airbill – Convention on international civil aviation. 	<ul style="list-style-type: none"> ● Sea waybill / bill of lading – for the sea transportation. ● CMR note – for the road transportation. ● Bill of lading – sometimes used for transportation within the CIS instead of the CMR note. ● TIR carnet. ● Air waybill – for the air transportation. ● CIM/SMGS consignment note – for the railroad transportation. ● Hold baggage manifest – for post baggage transportation (contains same information as other bills). ● Baggage ticker – issued for cargo transported as parcel. ● Postal documents.
Confirmation of Origin	In accordance with the Customs Code, Agreement on creating of free document trade zone, confirming the origin of the good – certificate of origin or declaration of origin.	Certificate of origin or declaration of origin, as follows: <ul style="list-style-type: none"> ● Certificate of origin of goods in form ST-1 [CG-1] confirming that goods originate from CIS countries customs territories – issued by an authorized body of a CIS country. ● Certificate of origin of goods in form A – issued by an authorized body of an exporter country that grants preferences to Kyrgyzstan. ● Declaration of origin of goods – a written declaration about the origin of goods by a producer, a seller or an exporter issued to export goods and on any commercial or other goods related documents. ● “FEZ” form for Free Economic Zones
Contract	<ul style="list-style-type: none"> ● The contract provides the basis for a relocation of goods and transport vehicles across a customs border ● In accordance with art.7.1 “instruction on customs registration and customs control of goods transported across the customs border of the Kyrgyz Republic”, established in Law No. 961 of 28 December 2004. 	Any of the following documents could be used in lieu of contracts: <ul style="list-style-type: none"> ● Invoice. ● Documents confirming market or barter deal, bill of sales. ● International or intergovernmental agreements (on demand). ● Decisions of governmental bodies (on demand). ● Order to a transporter to relocate goods and transport vehicles (on demand). ● Documents confirming authority of a party for conducting customs operations (a copy of a passport of declarant, a power of attorney or a letter) should be presented in originals and in certified copies. ● Donation, an inheritance entitlement, a power of attorney for ownership or employment. ● Invitation to participate in exhibition sales (on demand). ● Letter of a party (donor) on humanitarian aid provision (on demand). ● Documents confirming ownership rights on goods and transport vehicles. ● Purchase/sale via e-commerce (in certain cases).

⁹¹ Provided by the SCS.

Trade documents	Justification	Instructions
Export Declaration	Instruction on customs registration and customs control of goods and transport, transported across the customs border of the Kyrgyz Republic, adopted by Law No. 961 of 28 December 2004	
Payment documents	To confirm customs taxes payment	<ul style="list-style-type: none"> ● Payment can be confirmed by providing one of the following documents: ● Bank order as of moment of debiting of payee's account in bank. ● Treasury obligation. ● Document confirming funds deposit on customs' account. ● Security deposit agreement on goods or other property. ● Receipt as of moment of funds deposit in customs' cash desk. ● Bank warranty in cases defined by the legislation of the Kyrgyz Republic. ● Third party warranty. ● Insurance act; ● Reconciliation act or other document confirming previous excess payment of customs duties or taxes. ● Inter-treasury mandate.
Other documents	Goods subject to control measures	<ul style="list-style-type: none"> ● License, in case goods when goods are subjected to licensing according to the Law of the Kyrgyz Republic "On licensing". ● Permits, conclusions, decisions issued by authorized state or other bodies according to the legislation of the Kyrgyz Republic. ● Certificates issued by authorized state or other bodies or declaration of conformity accepted by producer (supplier) according to the legislation of the Kyrgyz Republic.

Moreover, State agencies and traders often abandon the SWIS altogether. This is especially the case when additional information is required. Rather than communicating the required information in the form of an electronic notification using the SW system, the agencies approach traders directly. Traders also tend to circumvent the SW facility and visit the agencies in person to obtain the list of documentary requirements or seek further clarifications, including for cases

where the agency in question has already notified the trader through the SW. Some traders said that personal visits speed up the issuance of documents, and reported that such visits involve informal payments.

As shown in the table 3.6, these conditions have meant repetitive submission of information requirements, as state agencies often require overlapping support documents.

Table 3.6 Support documents for fulfilling information requirements associated with trade activities in Kyrgyzstan⁹²

State Agency	Trade document	Support documents
Ministry of Economic Development and Trade	Export/import permits	<ol style="list-style-type: none"> 1. Application form; 2. The original contract for export-import of goods (works and services) with the application of changes and / or additions to the contract, copies and translation, certified by the signature of the applicant (the head of a legal entity) and sealed; 3. A copy of the sales contract, certified in the prescribed manner above, if the participant in foreign trade transactions is not the manufacturer of the goods (works and services); 4. A copy of the document confirming the state registration in the Ministry of Justice of the Kyrgyz Republic (for legal entities) in government statistics (for individuals), in the State (for foreign individuals and entities that are not registered as legal entities and individual entrepreneurs in the Kyrgyz Republic); 5. Document confirming the applicant's registration with the tax authorities at the place of state registration (copy of TIN or a certificate from the tax authorities indicating TIN); 6. Proof of the absence of debt on tax deductions to the budget (tax office); 7. Copies of customs declarations confirming the execution of export-import operations of goods (works and services) for the previously issued license; 8. The certificate of origin form ST-1 and its copy (the Chamber of Commerce of the Kyrgyz Republic); 9. Certificate of quality product and a copy thereof; 10. A document confirming payment of the license fee; 11. A copy of the license for certain types of licensed activities, according to the legislation of the Kyrgyz Republic in accordance with the decision of RCC №260 dated May 31, 2001 "Regulations on the licensing of certain activities".
State Agency on Communication under the Government of Kyrgyzstan	Permit to import radio electronic goods (REG) and high frequency devices (HFD) and other goods with radio frequency radiation and electromagnetic waves	<ol style="list-style-type: none"> 1. The application for the issuance of authorization to the Head of the State Communications Agency under the Government of the Kyrgyz Republic; 2. Copies of shipping documents for the import of means of communication (invoice, invoice, contract, contract); 3. The power of attorney for the right to obtain the authorization and a copy of the passport.
Department of Drug Supply and Medical Equipment under the Ministry of Health	Certificate	<ol style="list-style-type: none"> 1. A letter of guarantee; 2. A copy of the contract agreement accompanied by a translated version, certified by the signature of the head and sealed; 3. A copy of the invoice (invoice), certified in the prescribed manner above, if the participant of foreign trade transactions is not the manufacturer of the goods; 4. A copy of the license for pharmaceutical activity when submitting the first letter of guarantee.

⁹² SESW website at: <http://trade.kg/index.php/18-2012-09-07-12-03-21/40-2012-09-07-11-23-46?tmpl=component&print=1&page=>

State Agency	Trade document	Support documents
State Tax Service under the Government of Kyrgyzstan	License to import ethyl alcohol and alcoholic beverages.	<ol style="list-style-type: none"> 1. Application form; 2. A copy of the contract (agreement) for the supply of ethyl alcohol and alcoholic products certified by signature and seal of the applicant; 3. A copy of the document confirming the state registration in the Ministry of Justice of the Kyrgyz Republic; 4. Document confirming the applicant's registration with the tax authorities at the place of state registration (copy of TIN or a certificate from the tax authorities indicating TIN); 5. Proof of absence of debt on tax deductions in the budget; 6. The letter of guarantee to provide the certificate of origin and quality certificate upon receipt of goods into the customs territory of the Kyrgyz Republic; 7. A document confirming payment of the license fee; 8. Notice of the State Agency of quota on imports of alcoholic products originating from countries not members of the WTO.
State agency for automobile and water transport under the Ministry of Transport and Communications	License for passenger and freight transportation by road and water transport; License for bus and motor station activity; Permit to drive on the territory of foreign countries during international freight transportation by automobile	<ol style="list-style-type: none"> 1. Application form; 2. A document confirming payment; copies to: <ol style="list-style-type: none"> 3. Documents confirming the availability of production (technical repair) database and vehicles; 4. Documents confirming the qualification of responsible professionals; 5. Document the data on existing vehicles (watercraft) and confirming their compliance with legal and technical conditions for obtaining a license for freight and passenger transport (technical passport - with the mark of the passage of the annual inspection, the ship's certificate with a certificate of seaworthiness).
Department for Disease Prevention and State Sanitary and Epidemiological Surveillance at the Ministry of Health	Sanitary-Epidemiological Conclusion	When importing: <ol style="list-style-type: none"> 1. Application-declaration; 2. The certificate of origin of products, goods or other proof of origin; 3. The original documents confirming the safety and quality of products, goods, or copies certified by the authority which issued a permit or a notary; 4. The contract (contract) for the supply of products, goods; 5. Waybill. When exporting: <ol style="list-style-type: none"> 1. Application-declaration; 2. The contract, agreement, deed for the purchase of products and goods. When exporting their own production business entities provide additional sanitary-epidemiological conclusion of the current object under the requirements of sanitary rules, norms and hygienic standards issued by the territorial CSSES
Chamber of Commerce	Certificate of origin.	<ol style="list-style-type: none"> 1. Written application; 2. A copy of the agreement (contract) for the supply of goods; 3. The act of examination, confirming the existence of conditions for the production of export products, (for individuals - a copy of a certificate of land or procurement act); 4. A copy of the invoice (invoice) confirming the exact name and quantity of exported goods. 5. Power of Attorney of the certificate of origin.

State Agency	Trade document	Support documents
State Agency on Environment Protection and Forestry under the Government of Kyrgyzstan	Permission for the import and export of flora and fauna	<ol style="list-style-type: none"> 1. Customs declaration; 2. Documents confirming the legality of obtaining, acquisition, use, disposal, ownership to the flora and fauna. 3. A copy of the phytosanitary certificate (for flora objects); 4. A copy of the certificate of origin (for flora objects); 5. A copy of the veterinary certificate corresponding form; 6. A copy of a document confirming full payment for the use of natural resources; 7. A copy of the document confirming the payment for the issuance of permits.
Bishkek Centre for testing, certification and Metrology Centre of Standardization and Metrology under the Ministry of Economic development and Trade	Certificate of conformity.	<ol style="list-style-type: none"> 1. Application for certification of products; 2. The invoice for imported products in the Kyrgyz Republic; 3. The contract for the supply (if necessary); 4. Shipping documents for imported products (for oil-waybill indicating the serial number of the party and the size of consignment, certificate of quality); 5. Documents on the quality system or the certificate of conformity or test reports, if any; 6. Technical documentation at the manufacturer's certification of serial production.
State Inspection for veterinary and phytosanitary safety under the Government of Kyrgyzstan	Veterinary certificate; issuance of permits for import and export of goods under control of the State Veterinary Inspection; transit permits; and requests for permits from the transit countries.	<ol style="list-style-type: none"> 1. Application form; 2. Taxpayer Identification Number for importers; 3. The contract manufacturer for the supply of controlled goods; 4. Records of inspections of livestock farms, zoobaz, other places of quarantine and veterinary-sanitary conclusion (for the import of live animals); 5. The presence of industrial control processing; 6. A copy of the statement of Agriculture (authority) of the exporting State, from the state register of breeding achievements permitted for use on imported seed varieties, animal breeds breeding material (for the import of breeding material); 7. The trade name of the drug (trade name), formulation, packaging, registration information of each of the imported drugs exporting countries (number and date), the lack of information as part of imported drugs, psychotropic substances and their precursors subject to control (for the import of medicines).
National Centre for Certification in Construction under the State Agency on Architecture of Construction and Housing Management under the Government of Kyrgyzstan	Certificate of conformity.	To obtain a certificate of compliance with the applicant shall submit documents.

Also contributing to the repetitive submission of information are the mandatory documentary requirements, including permits and licenses for exporting and importing for a variety of goods and

certificates for around 70 per cent of imports. As shown in box 3.3, the number of permits, licenses and certificates was 33 in early 2015, with up to 46 accompanying forms.

Box 3.3 List of mandatory trade-related permits and licences in Kyrgyzstan

1. The sanitary and epidemiologic conclusion on production, application (use), realization to the population of new types of production (for the first time developed and introduced), new technological processes of production, import and export of production on the territory of the Territory.
2. The reference confirming production belonging to medicines and products of medical appointment.
3. The admission on import of radio-electronic means both high-frequency devices, and other radio-electronic means (State communication agency at PKR).
4. The certificate of conformity (State communication agency at PKR)
5. Certificate of conformity. Recognition (State communication agency at PKR)
6. License for the international freight transportation by the motor transport to natural persons
7. License for the international freight transportation by the motor transport to legal entities
8. Permission to journey of vehicles in the international message.
9. License for export of specific types of goods.
10. License for import of specific types of goods.
11. Veterinary certificate of the Form No. 2,3.
12. Veterinary certificate of the Form No. 1,2,3.
13. Veterinary certificate of a form No. 1.
14. Veterinary certificate of a form No. 1,2,3 on import and transit of goods.
15. Veterinary certificate of the Form No. 1.
16. Veterinary certificate of a form No. 5 (and, b, c, d, f, e).
17. Veterinary certificate of the Form No. No. 2,3.
18. Phytosanitary certificate.
19. Import quarantine permission.
20. Act of carrying out quarantine examination and examination.
21. Permission to a rascreditovaniye.
22. Certificate of conformity (body of an assessment of compliance).
23. Voluntary certificate of conformity (body of an assessment of compliance).
24. Certificate of conformity (recognition). (Body of an assessment of compliance).
25. Certificate of origin ST-1 Form.
26. Certificate of origin Form "A".
27. Certificate of origin Original Form.
28. Certificate of origin FEZ Form
29. Certificate of conformity (Obligatory) .
30. Certificate of conformity (Voluntary)
31. Import license (import) of the car tires which were in the use as waste.
32. Import license for plants and animals into the borders of the Kyrgyz Republic, including fish and other water organisms, including for their acclimatization, reproduction and installation in the reservoirs of the Kyrgyz Republic.
33. Export license for plants and animals leaving the territory of the Kyrgyz Republic, including fish and other water organisms, including for their acclimatization, reproduction and installation in the reservoirs of the Kyrgyz Republic.

The repetitive submission of information often contrasts with existing legislation. A case in point is the repetitive submission of the trade name certificate, which is provided by and registered with the Kyrgyz Patent and Trademark Bureau, KyrgyzPatent. Traders are requested to re-register their trade names with the customs in return for fees to obtain protection against fraudulent use of their trade names, since customs maintains its own registry of trade names.

The customs' involvement in protecting intellectual property rights is well established in the Kyrgyz Customs Code. The latter stipulates that trademark holders, once having duly registered their trademark rights with the relevant authority, may request that Customs actively monitor imports for a specified period in order to prevent the importation of counterfeits in return for protection fees. Traders who choose to obtain this protection are requested to register their trademarks with the SCS and are encouraged to provide it with pertinent information relative to the importation of the goods in question.⁹³

Thus obtaining customs protection is not mandatory, and is limited to the protection of trademarks, and not trade names. It should be noted that using trade names for protecting trademarks runs against the basic tenets of trade law.⁹⁴ Moreover, experiences of other countries show that where the customs authority is involved in protecting trade names, traders are only requested to record non-registered trade names.

The assessment also reveals that obtaining documentary requirements is complicated by capacity shortfalls within State agencies. For exporters, the most difficult document to obtain is the export per-

mit for food products. Some traders reported that they are usually informed about the Ministry's decision within 5 days from the formal submission of the request and support documents. However, several traders said that it is often the case that the decision is delayed, and that they are left without any formal notification as to whether their request was accepted with adverse cost consequences.

A case in point is an exporter of processed food, who was told that the request was lost. The trader had to re-submit the request and support documents several times along with a formal letter of complaint addressed to the Ministry. At the time of the interview, the trader in question had spent two weeks trying to obtain the export permit, and was still awaiting feedback from the Ministry. The trader also reported that he usually pays the amount of som 500 per request in the form of fees, even though the permit is supposed to be issued free of charge.

Another difficult to obtain document is the Phytosanitary Certificate for exports. Traders said that the process is delayed by paper work (as they have to submit several support documents), and the slow response of the State agency in question. Some traders said that delays could be avoided by means of informal payments, which enable them to obtain the document in 2 days.

The same concerns were reported in relation to obtaining the Sanitary and Epidemiological Conclusion. Exporters reported that obtaining this document is delayed by the lengthy laboratory tests, which usually takes one week to complete. Some exporters said that they usually provide up to som 1000 in informal payments, in order to obtain the document in 5 days. It is also worth mentioning that the Sanitary and Epidemiological Conclusion is not recognized in any country of the Customs Union and the European Union, so that products are always re-tested.

Drawing on the results of the interviews, table 3.7 classifies the mandatory trade documents for exports by level of difficulty and provides the costs per document. The table suggests that exporters are more pre-occupied with the cumbersome nature of the administrative procedures, so that the

⁹³ See Kyrgyzstan's Customs Code, Articles 340-343.

⁹⁴ Trade name, which is the official name under which a company does business, does not afford any trademark protection. If anything, trade names and trademarks should be distinguished for consumer protection and for averting lawsuits. If a company uses its trade name to identify products and services, it could be perceived that the trade name is functioning as a trademark, which could potentially infringe on existing trademarks. For a detailed discussion on the distinction between trademarks and trade names, see Thomas R. Lee, Glenn L. Christensen and Eric D. DeRosia (2008) *Trademarks, Consumer Psychology, and the Sophisticated Consumer*, Atlanta, USA: Emory University.

time required to obtain trade documents becomes a secondary issue. For example, several documents are rated as rather easy even when it takes traders up to five days to obtain. Thus traders seem to be

overwhelmed by the demanding procedures, so that the timeframe for obtaining the trade documents is relegated secondary importance.

Table 3.7 Trade documents for exports by level of difficulty and cost

Trade document	Level of difficulty	Time frame (in days)	Costs per document (som)	Product
Export Permission	Rather difficult	10	500	Honey
Sanitary and Epidemiologic Conclusion	Rather difficult	8	3500-10000	Confectionery flour products and dairy products
Phytosanitary Certificate	Difficult	2	250	Dairy products
Veterinary Certificate	Easy	1	1000	Dairy products
Commodity-transport Consignment Note	Easy	1	800	Electric heaters
Cargo Declaration	Easy	1	800	Electric heaters
Conformity Certificate	Easy	1-2	1300	Electric heaters
Transport Consignment note	Easy	1		Blouses, dresses, suits and trousers
Certificate of Origin (FEZ)	Easy	1	1380	Scarfs, caps, bags
Certificate of Origin (ST-1)	Easy	1 hour	1368	Pasta
	Easy	2	1400	Blouses, skirts, suits
Sanitary and Epidemiologic Conclusion	Rather easy	2	1200	Dairy products
	Rather easy	5	5000	Apple, dried fruits, nut kernels
Cargo Customs Declaration	Rather easy	1	1000	dairy products
Certificate of conformity	Rather easy	7	5000	Pasta
Phytosanitary Certificate	Rather easy	3	1000	Apple, dried fruits, nut kernels
Conformity Certificate	Rather easy	3	1300	Glassware
Export Declaration	Rather easy	1	1000	Confectionery and dairy products
Certificate of Origin (ST-1)	Rather easy	3	1500	Sofas, sleeping fonts
	Rather easy	2	2500	Metal tile, metal siding, water drain systems
	Rather easy	1	1368	Dairy products
Phytosanitary Conclusion	Rather easy	1	400	Dried fruits, nut kernels and beans
Conformity Certificate	Rather easy	1	3500	Dried fruits, nut kernels and beans
	Rather easy	3-5 days	3500	Logging station and borehole devices

On the import side, traders singled out import licenses⁹⁵ as rather difficult to obtain, due to the long list of documentary requirements and the long waiting time for receiving feed back from the relevant authorities. As shown in table 3.6, traders have to provide 11 support documents to obtain import permits, and products have to be first approved by the by State Commission on National Security. For some traders, obtaining this document may take up to 30 days.

Traders also highlighted the Sanitary and Epidemiological Conclusion and the Conformity Certificate as difficult to obtain, due to the cumbersome procedures that come in addition to the time consuming and expensive laboratory tests. The costs for obtaining these certificates are particularly high for traders who import diversified product groups. Respondents said that they are requested to provide several samples (i.e., a sample for each product group), so that the waiting time for the results is multiplied. This is especially the case of conformity certificates, which could take up to 20 days to obtain. Trader also noted that the process is complicated by the fact that legislation does not provide a time frame for the issuance of these documents. Yet another difficult document to obtain is the veterinary certificate. Several traders reported resorting to informal payments to speed up the procedure.

Table 3.8 classifies the mandatory trade documents for imports by level of difficulty and provides the costs per document. As was the case with exporters, the table suggests that importers measure the level of difficulty in terms of the complexity of administrative procedures. For example, obtaining the results of radiologic test results can take up to 3 days, and it takes 5 days to obtain registration⁹⁶ of the imported medical product from

the Ministry of Health. Yet both documents were classified as easy to obtain.

The costs for obtaining the required trade documents are compounded by informal payments, which traders deliver to speed up the process. Indeed, traders estimated the costs associated with obtaining mandatory trade documents to account to up to 10 per cent of the total costs associated with export and import activities.

The process of obtaining trade documents could be improved by a move towards paperless trade; a strategic goal that the Government is keen on achieving. However, only 25 per cent of the surveyed exporters and 21 per cent of the importers said they use electronic documents; namely, customs declaration and the CoO.

The traders complained that they are still required to present the documents in paper form for Customs clearance purposes. It should be noted here that even in developed countries, paper documents are not completely eliminated. At issue is to ensure that parallel systems do not emerge, whereby data is processed and checked twice – manually and automatically. In 2015, there was no evidence of such parallel systems in Kyrgyzstan. At issue is also the non implementation of the law “About the Electronic Document and Digital Signature”, which should be observed by all State agencies, including those responsible for issuing trade documents.⁹⁷ Officials noted that this law is not observed by State agencies, which requests traders to submit trade documents in paper forms. It is also not observed by traders, who also insist on obtaining a hard copies of electronic documents.

The above-mentioned problems and shortcomings are well understood by SESW that is working closely with development partners to further improve the SWIS platform, revise legislation, and implement business process re-engineering (BPR) in government agencies. However, the SESW ability to deliver on these expectations is undermined by the lack of resources, even as it operates as a commercial enterprise and charges users fees for

⁹⁵ Products that are subjected to mandatory import licenses are listed in Government decree No. 202 of 2013. These products must be approved by State Commission on National Security.

⁹⁶ This measure is established for the purposes of maintaining overall quality control and affordability of medicine. See Law No. 91 “On Medicine” of 2003 and Order of the Ministry of Health of Kyrgyzstan No. 431 “On approval of the regulations for simplified state registration of medicine” of 2003 and subsequent amendments.

⁹⁷ See law No. 92 of 17 July 2004 “About Electronic Document and Digital Signature”.

Table 3.8 Trade documents for imports by level of difficulty and cost

Trade document	Level of difficulty	Time frame (in days)	Costs (som)	Product
Import licence	Rather difficult	30 days	N/A	Radio frequency products and other electronic products.
Conformity Certificate	Rather difficult	3-4 days	750	Bicycle and cycle accessories
		7-20 days	1000	Dresses, jackets, accessories
		7 to 20	500	Baby carriages
Sanitary and epidemiologic conclusion	Rather difficult	10	15000	Consignment containing several products (clothes)
		5	1772	Orange, tangerine
	Difficult	10	5000	Clothes
Commodity-transport consignment note	Easy	1-2 days		All products
Cargo customs declaration	Easy	1	300	Maxi tea
Act of radiation inspection	Easy	1	95	Orange and tangerine
Conformity Certificate	Easy	2	1200	Oranges, tangerines
Packing list	Easy	2	0	Printer consumables
Invoice on transportation	Easy	2	0	Printer consumables
Conformity Certificate	Rather easy	7	1000	On all types of the imported production
Import permit	Rather easy	5	1000	Cigarettes
Sanitary and Epidemiologic Conclusion	Rather easy	5	10000	Cigarettes
CoO (ST-1)	Rather easy	3	2500	Food products
Conformity Certificate	Rather easy	3	4000	Food products
Veterinary Certificate	Rather easy	3	3000	Food products
Act of radiation inspection	Rather easy	3	2500	Pears and apples
Registration of product with the Ministry of Health	Rather easy	5	500	Medicine

its services. Officials from the centre explained that the utilization levels remain too low, and were against increasing user fees, as such a move would only deter existing and potential traders from using the system. Similar concerns were raised by MoTC. Officials explained that while the Ministry is committed to linking its own system with the SWIS, the fees charged by the SESW are likely to discourage traders from using the facility.

This means that efforts to support the SESW should feature a special emphasis on ensuring its self-sufficiency. This could be achieved by allocating a modest percentage of customs revenues (a maximum of 1 per cent per annum) to finance the center's activities. This would be a more appropriate approach to follow, as opposed to expanding the centre's services as suggested by some stakeholders. The centre has a rather demanding mandate. Introducing new tasks could risk spreading the staff's efforts too thin on the ground, and distracting them from their core functions and responsibilities.

The success of the SESW, as well as the effectiveness of the SWIS, is also highly dependent on the institutional capacity and performance of the SW agencies. In this respect, implementing the BPR in these agencies gains much importance, especially if it eliminates or reduces cash payments. Moreover, the SWIS would benefit from a more effective interface with the banking system in order to make electronic payments easier. In addition, more needs to be done to enforce compliance with existing laws as well as transparency in relation to regulations, procedures, fee rates, and service standards.

The above assumes the active participation of SW agencies, including in decision making processes. The assessment reveals that this is not necessarily the case. Several officials reported the lack of coordination among the various SW agencies during the design stage and following the introduction of the SWIS, so that implementation was inconsistent. Officials also lamented what they described as resistance to change; the lack of competent IT staff within the different SW agencies; the opaque pricing schemes that are used to determine the fees

for trade documents; and the unresolved challenges associated with harmonizing the IT systems of the different state agencies in a manner that allows for data interoperability.

There is also a need to encourage traders to use electronic documents. Traders who use such documents said that a transition towards increased reliance on paperless trade would have more changes to succeed if underscored by a rationalization and streamlining of administrative procedures and a revamping of the management information systems of all concerned State agencies. These traders reported that if these conditions were met, and if the use of electronic documents became mandatory and traders were properly trained so that they could submit all information requirements through a single channel as envisaged by the SW initiative, enterprises would reap immediate benefits in the form of time savings and reduced financial costs. This is especially since a move towards paperless trade will reduce direct contacts with the different State agencies to the minimum and, therefore, eliminate the additional travel costs (associated with visiting the different State agencies) and informal payments.

Traders who do not use electronic documents lamented that they do not want to accrue additional costs in the form of training and new IT systems, given their limited resources. Others reported that even if they were to switch to electronic submissions, they would still have to approach State agencies in person, since the agencies insist that all documents should be stamped and bear official signatures. Yet, others questioned the benefits from online submissions when traders are still required to submit the trade documents in question in paper form. Then there are those who were of the view that a move towards electronic submissions would be met with limited success, given the country's weak ICT infrastructure.

The limited use of electronic documents is also due to the fact that the use of SWIS remains optional for traders. In addition, some stakeholders noted that the established procedure obtaining the electronic customs declaration through the UAIS, whereby requests could only be submit-

Table 3.9 Outstanding needs and recommendations for rationalizing and standardizing information requirements

Outstanding needs	Recommendations
Streamlining and standardizing documentary requirements and associated administrative procedures	<ul style="list-style-type: none"> ● Abolish unnecessary procedures that add no practical value to export/import processes. Traders do not need to feel obliged to approach the State agencies in person in order to obtain stamped trade documents and obtain official signature. Similarly, there is no need to re-register trade names with the customs, and the practice of using trade names for protecting trademarks should be abolished because it runs against the basic tenets of trade law. ● Speed up the business process re-engineering (BPR) in government agencies within SW agencies so as to eliminate instances of repetitive submission of information requirements, and reduce direct contact between officials and traders to the minimum. The BPR should be based on a thorough examination of the business processes underpinning the information flows within and between agencies. In this respect, the UNECE/ESCAP Business Process Analysis provides a useful tool for undertaking such an examination. ● Once the above measures are completed, revise the pricing schemes used by SW agencies to determine the fees for trade documents. ● Equip State agencies with the required digital signature technology following international standards from the National Institute of Standards and Technology (NIST), International Telecommunications Union (ITU-T), European Telecommunications Standards Institute (ETSI), Internet Engineering Task Force (IETF), World Wide Web Consortium (W3C), and International Organization for Standardization (ISO)/International Electrotechnical Commission (IEC) standards bodies.
Developing the capacities of SW agencies	<ul style="list-style-type: none"> ● Equip SW agencies with modern ICT systems and ensure that these systems are harmonized to allow data interoperability. ● Strengthen individual SW agencies with core teams of experts in ICT management and best practices in trade facilitation ● Establish internal rules of procedure for guiding the issuance of trade documents
Consolidating the SWIS platform	<ul style="list-style-type: none"> ● Ensure the active participation of SW agencies in the planning and decision-making processes associated with the SWIS further development. In this respect, the National Trade Facilitation and Transport Council could play an important role for encouraging and coordinating the participation of these agencies. ● Establish a more effective interface between the SWIS with the banking system, in order to facilitate electronic payments. ● Consider immediate measures for ensuring the SESW self-sufficiency. In this respect, the Government may consider allocating a modest percentage of customs revenue (maximum of 1 per cent per annum) for financing the Council's activities. ● The SESW should initiate a significant and sustained marketing effort to familiarize traders with the services of the SW facility. The aim should be to attract new customers, and persuade existing users to rely exclusively on the SWIS for complying with information requirements.
Promoting wider use of electronic documents by traders	<ul style="list-style-type: none"> ● Ensure the implementation of the law "On Electronic Document and Digital Signature". Immediate steps, as suggested by some State officials, include amending the laws governing the procedures and activities of individual State agencies, with a view to provide clear guidelines for implementing digital signatures. State agencies should also receive advanced training in this area, and equipped with the required tools and management information systems to ensure data storage security. ● Organize mobilization seminars to familiarize traders with the SWIS and the electronic submission of trade documents ● Develop advanced training services in consultation with the SESW and market support institutions to provide traders with the required knowledge and skills for using the SWIS system, and host these services within market support institutions. ● Consider launching credit facilities to enable enterprises to update their IT systems. Such credit facilities could be jointly financed by the Government, donors and commercial banks and managed by non-government organizations within the context of SME credit guarantee schemes.

ted by customs brokers or customs specialists, is a discriminatory measure. It also contradicts with existing legislation does not require traders to use Customs brokers for handling customs clearance.⁹⁸ They argued that access to the UAIS should be also made available for traders, upon fulfilling the certification requirements. Customs officials were aware of this contradiction, and noted that Customs is considering to introduce procedure to that effect.

The concerns and challenges raised by the different stakeholders paint a determination to ensure the successful implementation of trade facilitation efforts, and a pre-occupation with enabling the SMEs to reap benefits from these efforts. Table 3.9 provides a number of recommendations which address these concerns.

3.5 Regional cooperation and transit trade

As previously mentioned, Kyrgyzstan's landlocked status and distance from international maritime routes has rendered enterprises completely dependent on the transport facilities of neighboring country to participate in international trade. In terms of main transit countries, Kazakhstan is the main gateway to the Russian Federation and Eastern Europe, and is the main transit country for the majority of the surveyed enterprises. Other transit countries include PRC, Tajikistan and Uzbekistan.

Thus, for Kyrgyzstan, just as the case of other landlocked countries, the issue of regional cooperation constitutes a permanent fixture of the Government's development agenda. Kyrgyzstan is a member of: the Commonwealth of Independent States (CIS), the Shanghai Cooperation Organization (SCO), the Economic Co-operation Organisation (ECO), the Eurasian Economic Community (EurAsEC) as well as the Asian Development Bank (ADB) Central Asia Regional Economic Cooperation Program (CAREC), the Transport Corridor Europe-Caucasus-Asia (TRACECA) international program and the United Nations Special Program for the Economies of Central Asia (SPECA).

These regional bodies and initiatives involve a number of agreements to which Kyrgyzstan is a signatory. Most notable are the ECO Transit Transport Framework Agreement (1998) to which Kyrgyzstan is also a signatory; ECO Framework Agreement on transit transport, which integrates the principles and provisions of the UNECE TIR Convention; CAREC Cross-border Transport Agreement; TRACECA Basic Multilateral Agreement (MLA) of (1998) to which Kazakhstan, Tajikistan and Uzbekistan are also signatories; the Quadrilateral Traffic in Transit Agreement (1995) for facilitating transit trade by road between China, Kyrgyzstan, Kazakhstan and Pakistan; the PRC- Kyrgyzstan -Uzbekistan Transit Road Transport Agreement (1998); CIS agreement on weight and dimensions (Minsk, 1999) to which Kazakhstan, Tajikistan and Uzbekistan are also signatories; CIS Agreement on weight certificates (2004) to which Kazakhstan, Tajikistan and Uzbekistan are also signatories; CIS Agreement on harmonization of border customs control (1994) to which Kazakhstan, Tajikistan and Uzbekistan are also signatories; CIS Agreement on customs transit procedures (1998) to which Kazakhstan, Tajikistan and Uzbekistan are also signatories. In addition, Kyrgyzstan has ratified a number of UNECE's transport conventions and protocols, which are listed in Table 3.10.

The above-mentioned regional coordination arrangements and international conventions set the principles and procedures for governing cross-border and transit transport between Kyrgyzstan and its neighboring countries along with bilateral agreements.

Transit of goods to/ through Kazakhstan is regulated by a bilateral agreement that took effect on 11 May 2005 to allow the transport of cargo through the customs territory of Kazakhstan under a guarantee commitment from the Kyrgyz SCS. The carrier, or its guarantee bank in Kyrgyzstan, provides the SCS with a deposit that is equal to the amount of customs duties that need to be paid in Kazakhstan. If the goods do not leave Kazakhstan, the SCS transfers these duties to the Kazakh customs. This agreement is not reciprocated for Kazakh goods transported through the Kyrgyzstan.

⁹⁸ See Chapter 42 of the Customs Code.

Table 3.10 Kyrgyzstan's participation UNECE Transport Conventions and Protocols¹⁰⁰

Area	UNECE Transport Conventions and protocols
Road traffic and road safety	<ul style="list-style-type: none"> ● Road Traffic of 1949 ● Road Traffic of 1968 ● Protocol on Road Signs & Signals, 1949 ● Road Signs & Signals of 1968
Other Legal Instruments Related to Road Transport	<ul style="list-style-type: none"> ● Contract for the International Carriage of Goods by Road (CMR) of 1956 ● Protocol to the Convention on the Contract for the International Carriage of Goods by Road of 1978
Border crossing facilitation	<ul style="list-style-type: none"> ● Customs Convention on the Temporary Importation of Commercial Road Vehicles, of 18 May 1956 ● Customs Container Convention of 1972 ● TIR Convention of 1975 ● Harmonization of Frontier Controls of Goods of 1982
Dangerous goods and special cargo	<ul style="list-style-type: none"> ● Perishable Foodstuffs of 1970

A similar agreement was established with Tajikistan covering the transit of goods through both countries. This agreement, which is reciprocal, came into effect on 15 March 2006. It comes in addition to the 1998 agreement on mutual recognition of customs documentation and customs maintenance (customs sealing and stamps) between the two countries.

Transit trade between Kyrgyzstan and Uzbekistan is regulated by two inter-governmental agreements on transit transport and on mutual recognition of customs documentation and customs maintenance, which were signed in 1996, while transit between Kyrgyzstan and the PRC is governed by a bilateral agreement, dated 1 June 1994. The agreement allows Chinese trucks to travel

through Kyrgyzstan as far as Bishkek and Osh, and Kyrgyz trucks to travel in PRC as far as the freight terminals of Topo (104 km from the Torugart BCP and Symkana, which is 5 km from the Irkeshtam BCP). Travel beyond these points requires a license for road haulage operations, which can be obtained from the Chinese authorities.

The results of the survey suggest that the above-mentioned regional and bilateral agreements have not brought about the desired benefits for Kyrgyz traders. To begin with, and as noted by officials, the agreements have rendered a complex regulatory framework for the transport sector, which is difficult to manage, especially in view of the State agencies' limited institutional capacity. For traders, freight forwarders, brokers and transport operators, compliance is difficult and time-consuming, since the agreements differ in terms of scope, provisions, procedures and documentary requirements. For legislators, the diverse requirements that the agreements involve undermine effective harmonization of transport legislation and regulations between Kyrgyzstan and its neighboring countries.

At the same time, the practical benefits from regional agreements are undermined by their limited focus. Aside from articulating broad policy objectives and principles for guiding the development of regional transit transport systems, the agreements mainly address key constraints to cross-border transport, such as restrictions on the entry of vehicles and different vehicle dimension standards. The agreements do not spell out common regulations and procedures.

The point was also made that regional agreements lack effective enforcement and dispute settlement mechanisms, at a time when transit trade continues to be disrupted by border tensions. The agreements cannot prevent signatory countries from taking actions that are inconsistent with the agreements, and do not help settle trade disputes that may arise from such actions.

For example, officials noted that Kyrgyzstan acts according to the inter-governmental agreement of 1996 and does not impose duties on Uzbek car-

⁹⁹ The conventions listed in the table have been ratified by Kyrgyzstan.

riers transiting through the country. Uzbekistan, on the other hand, imposes a fee (currently USD 300) on Kyrgyz carriers. It also imposes customs escort fees for inland transit to customs clearance points, and the level of fees is charged on the basis of the distance travelled; the longer the journey the higher are the charged fees. Transporting goods to/through Uzbekistan is also hampered by weak inter-agency cooperation, with negative consequences for cross-border traffic management. For example, freight forwarders reported that the average waiting time at Dustlik customs post exceeds 24 hours.

Problems were also reported by traders who transport cargo to/through Kazakhstan. Entry into the customs territory of Kazakhstan often requires the provision of informal payments to border control agencies. These include around USD 28 per truck, which are paid for border guards and customs officers to skip waiting lines (these are fixed amounts that are not subject to negotiations), and between USD 165 to 225 for obtaining the approvals/signatures of the different border control agencies.

Traders also reported that once the cargo reaches Georgievka town in Kazakhstan (located a few kilometers away from the border), they should pay USD 28 per truck if the freight is destined to Almaty, and between USD 60-90 per truck if the freight is destined to Germany. Similarly, traders reported having to deliver informal payments in the tune of USD 280 to officials from the Ministry of Transport and USD 14 to State Auto Inspection representatives (ГИАИ) at the town of Otar (Western Kazakhstan) checkpoint before continuing their journey across Kazakhstan. In addition, when travelling along Kazakh highways traders are often pulled over by patrol officers and have to pay a minimum of USD 6 per truck to avoid delays.

Informal payments are also complicating trade with Tajikistan and the Russian Federation. Traders said that they resort to informal payments in order to speed up customs clearance procedures in Tajikistan. They also reported being forced to provide informal payments to officials at the Russian BCP; the amount of which varies according to the size of cargo and could reach USD 1500.

Traders also face delays when transporting their goods by road through the PRC. Freight forwarders said that they are requested to turn in their passports upon arrival at the Toholoy and Ulu-chat BCPs, and end up waiting for up to 30 days (length of the visa) before receiving a freight shipment. Traders see such delays as directly linked to inter-ethnic tensions between the two countries, and argue that the delays undermine their ability to compete with their Chinese counterparts.

Freight forwarders added that transporting good to/through the PRC is effectively suspended during official holidays, which spans over an entire month in February, as the PRC closes its BCP. Significant delays are also experienced during the period immediately after the re-opening of the BCPs, owing to the long waiting lines.

Yet another major concern for traders and officials is the absence of a common insurance guarantee system for governing transit cargo between Kyrgyzstan and its neighboring countries. This system is critical for establishing a financial security mechanism, whereby the customs administrations in respective countries are reimbursed in case of revenue leakages or if goods are diverted for local consumption en-route.

Officials reported that providing separate guarantees¹⁰⁰ for individual countries is expensive. The alternative procedure (where guarantee procedures are not in place) is cumbersome, as it involves establishing customs escort, sometimes in a convoy, to accompany the goods from the point of entry in the customs territory of the neighboring country to a designated area (a dry port or inland container depot) for completing customs clearance procedures that usually involve time-consuming inspections. The fees charged for this service are high, and assembling sufficient vehicles to make up a convoy takes up precious time. In addition, the convoy

¹⁰⁰ A guarantee can be provided as a bond by a bank, or as a form of insurance by a guarantor who can be reinsured internationally by well-known and reliable insurance companies.

vehicles usually arrive at their destination simultaneously, thus creating an uneven workload for customs at the point of clearance and generating significant processing delays.

Establishing bilateral and regional guarantee systems with neighboring countries, while helpful, is insufficient, since such systems would be limited to the national territories to which they apply. In other words, bilateral and regional agreements cannot provide a chain guarantee from country to country. Such a guarantee can only be provided by the TIR Convention, which involves a single transit procedure from the point of departure to the point of destination with an international guarantee, thereby enabling countries to dispense with customs escorts and payment of customs deposits. Thus Kyrgyzstan and its neighboring countries could consider using the TIR system for governing the transit of goods within the region. This would require consensus among stakeholders on using TIR Carnets as the principal security for movement of transit cargo. It is worth mentioning that the PRC is considering joining the TIR Convention, and its accession would certainly simplify transit trade for Kyrgyz traders.

However, the survey reveals the TIR system is not widely used by traders, despite the concerted efforts that have been invested in promoting it. The Kyrgyz Republic International Road Transport Operators (AIRTO-KR), which was established in 1999, became a member of the International Road Transport Union (IRU) and joined the TIR system in November 2000, has an impressive record. The number of TIR permits issued by AIRTO-KR increased from 425 in 2002 to 18,000 permits in 2011. In 2015, TIR was widely used for the transit of goods – mainly fruit and vegetables – from Kyrgyzstan to Europe, Iran, and Turkey¹⁰¹, and is virtually indispensable for such long-range transport. However, this impressive record masks the fact that TIR Carnets remain

the mechanism of choice for only a limited segment of enterprises and carriers. Its fixed costs are too high for most of the enterprises, who usually handle small volumes with fluctuating schedules (e.g. at harvest time). This issue can be addressed by developing the country's trucking industry as explained in section 3.6 (see Table 3.17)

The results of the assessment shows that developing a common guarantee system for transit cargo would be insufficient unless anchored in bilateral or regional transit transport agreements, which cover the different aspects of transit trade. Such agreements should provide comprehensive procedures on such issues as customs guarantee for trucks; market access (quotas, permits); driver visa, licenses, working hours; documentation for cargo and transport; conditions of carriage (temperature, sanitary); technical requirements for vehicles; and, weight and axle load. The agreements should also provide a system of appeals in Customs matters based on the Revised Kyoto Convention and a dispute settlement mechanism.

There is also the needs to develop inland infrastructure facilities at BCPs, notably between the Kyrgyzstan and PRC, in order to do away with what is, in effect, an internal transit regime that need not exist (section 3.2). The limited space and lack of facilities, coupled with security considerations, means that customs clearance is not feasible at the BCPs. As a result, goods are cleared, on both sides of the border, at inland bonded warehouses and depots. Transit consignments must accordingly be covered either by a customs guarantee, or be escorted by customs to the point of clearance.

Finally, improving regional cooperation and transit trade is difficult in the absence of adequate institutional capacities within the MoTC. Top and middle management lacks the expertise and skills in the areas of logistical support and supply chain management. This has meant, as noted by freight forwarders, that Kyrgyzstan still lacks a strategic framework for guiding the day-to-day management of the transport sector. This has also meant

¹⁰¹ More than 60% of Kyrgyz vehicles with TIR carnets are refrigerated vehicles, carrying goods produced not only in the Kyrgyz Republic, but also in Uzbekistan and Tajikistan. Source: The Kyrgyz Republic: Trade Facilitation and Logistics Development Strategy Report, ADB, 2009.

Table 3.11 Outstanding needs and recommendations for facilitating transit trade

Outstanding needs	Recommendations
Establishing a regional insurance guarantee system for transit cargo	<ul style="list-style-type: none"> ● Kyrgyzstan and its neighboring countries could consider using the TIR Carnets for governing the movement of transit cargo within the region. Alternatively, a regional insurance guarantee system could be developed to provide the much needed financial security mechanism for customs authorities.
Harmonizing and simplifying cross-border transport procedures and documentation between Kyrgyzstan and its immediate neighbors	<ul style="list-style-type: none"> ● Develop a framework agreement for guiding future bilateral and regional transit transport agreements between Kyrgyzstan and its immediate neighbors. The framework can be established at the regional level or bilaterally, and should provide comprehensive procedures on: customs guarantee for trucks; market access (quotas, permits); driver visa, licenses, working hours; documentation for cargo and transport; conditions of carriage (temperature, sanitary); technical requirements for vehicles; and, weight and axle load. The agreements should also provide a system of appeals in Customs matters based on the Revised Kyoto Convention and a dispute settlement mechanism.
Harmonizing customs control procedures between Kyrgyzstan and its immediate neighbors	<ul style="list-style-type: none"> ● Establish bilateral agreements with Kazakhstan and the PRC for mutual recognition of customs control procedures, and of customs seals and stamps. Customs control procedures can also be harmonized within the context of regional and bilateral transit transport agreements.
Strengthening the MoTC with expertise skills	<ul style="list-style-type: none"> ● Provide advance training courses to top and middle management as well as staff responsible for the day-to-day work on best practices on transport and supply chain management. ● Provide advance training courses to top management on negotiations and commercial diplomacy. ● Establish a dedicated research unit within the Ministry capable of conducting strategic analysis and maintaining a monitoring and evaluation system to measure progress in implementing the national transport strategy. ● Develop a strategic framework with comprehensive procedures for guiding the implementation of the transport strategy and the day-to-day management of the transport sector
Fostering inter-agency coordination between Kyrgyzstan and its immediate neighboring countries	<ul style="list-style-type: none"> ● Kyrgyzstan may consider establishing bilateral coordinating committees to ensure effective implementation of existing transit agreements with its immediate neighbors. Such committees should bring together senior representatives and meet periodically to review the adequacy of all transit arrangements established under bilateral and regional agreements. The committees should provide clear guidelines, including agreed upon monitoring and evaluation methods, for supporting regular consultations between representatives of government institutions dealing with review the day-to-day implementation of transit procedure.
Developing inland infrastructure facilities at BCPs between Kyrgyzstan and PRC	<ul style="list-style-type: none"> ● Establish facilities for vehicle and goods inspection. ● Establish parking areas where vehicles, especially trucks, can be located – out of the inward and outward traffic lanes – whilst documentary inspections are being completed, as well as overnight resting areas for commercial vehicles on roads leading to BCPs. An immediate step in this direction would be to explore the possibility of financing these facilities through PPPs.

that problems reported to it by traders, such as the difficulties they face at the Toholoy and Uluchat BCPs, remain unaddressed. Respondents complained that the ministry lacks the capacity, expertise skills and resources to arrive at a negotiated solution with the PRC authorities.

Table 3.11 provides a number of recommendations for the Governments consideration.

3.6 Inland transport infrastructure: rail and road networks

As previously shown, Kyrgyzstan's development prospects are limited by inadequate inland transport infrastructure. The railway network is small, running 467 kilometres in total length, with a broad track gauge (distance between the rails).¹⁰² It is also fragmented, divided between the Southern and the Northern regions, and featuring a series of dead-end branch lines. Separate railway lines connect Kyrgyzstan with Kazakhstan in the North and Uzbekistan in the South, and the two regions are not connected by rail. The Northern line runs from Issyk-Kul to Kazakhstan passing through the capital city, Bishkek, while four dead-end lines at Tas-Kumyr, Zhalal-Abad, Osh and Kyzyl-Kiya in the South-Western part of the country connect the large populated and industrial centres with the Fergana railway ring in Uzbekistan.¹⁰³

The railway network is operated by a public company "Kyrgyz Temir Zholy – KTJ" (Railways of Kyrgyzstan) under the MoTC. KTJ also provides cargo and passenger services, but lacks the required expertise knowledge as well as financial resources. Its locomotive fleet is in a state of disrepair, so that the logistical constraints associated with the frag-

mented nature of the railway network are compounded by the lack of adequate services.¹⁰⁴ The use of rail transport for commercial traffic is also undermined by border tensions with Uzbekistan.

Under such conditions, commercial traffic load is very low, with only 5 per cent of total freight transported by rail. Moreover, the bulk of this freight passes through Kazakhstan and is handled at the Lugovaya rail container terminal situated outside Bishkek, which leads to congestion. Officials noted that transport by rail will be substantially improved if the trunk rail line from China through Kyrgyzstan to Uzbekistan is constructed as planned, noting that the line will transform Kyrgyzstan from a dead end for rail transport into a transit country.

The above-mentioned shortfalls have meant that the bulk of commercial freight is transported by road. This is all the more so because the fragmented nature of the railway network has meant that traders have to also use trucks to complete the journey. For example, goods imported by railway from Kazakhstan pass through the northern border, specifically Bishkek (or marginally Talas province) or via Uzbekistan into Jalal-Abad and Osh regions, and are then loaded into trucks for completing the journey to their final destination, and vice versa for outbound cargo.

Kyrgyzstan's road network runs 34,000 kilometers in length, including 18,800 kilometers of public roads and 15,190 kilometers of private-industrial roads with restrictive access. Public roads are composed of 4,160 kilometers of international roads, 5,680 kilometers of republican roads and 8,970 kilometers of local roads.¹⁰⁵ Over 50 per cent of the freight is transported by international roads, which form part of sub-regional networks. As shown in box 3.4, these roads connect the country with Europe (via Kazakhstan, the Russian Federation and Uzbekistan) and with the Eastern and Southern parts of Asia (via PRC and Pakistan).

¹⁰² Kyrgyzstan uses broad style track gauge of 1,520 millimeters, inherited from the pre-independence period. This comes in contrast to the standard gauge of 1,435 millimeters used in most high-speed railways in Europe. Logistics Processes and Motorways of the Sea (2013), Logistics Processes and Motorways of the Sea (LOGMOS) Master Plan. Annex 9.1: Country Profile- Kyrgyzstan

¹⁰³ Logistics Processes and Motorways of the Sea (2013), Logistics Processes and Motorways of the Sea (LOGMOS) Master Plan. Annex 9.1: Country Profile- Kyrgyzstan.

¹⁰⁴ Logistics Processes and Motorways of the Sea (2013), Logistics Processes and Motorways of the Sea (LOGMOS) Master Plan. Annex 4: Railway Sector Review.

¹⁰⁵ Logistics Processes and Motorways of the Sea (2013), Logistics Processes and Motorways of the Sea (LOGMOS) Master Plan.

Box 3.4 Major international roads used by the Kyrgyz carriers¹⁰⁷

- Bishkek–Naryn–Torugart–Kashgar (PRC)
- Bishkek–Osh–Sary–Tash–Irkeshtam–Kashgar (PRC)
- Osh–Kok–Tala–Pulgon–Batken–Isfana, linking Batken with the rest of Kyrgyzstan and the capital Bishkek (the route passes through Uzbekistan twice and once through Tajikistan).
- Bishkek–Taraz (Kazakhstan) –Shymkent (Kazakhstan) –Tashkent (Uzbekistan)
- Osh–ZhalalAbad–Andizhan (Uzbekistan)
- Bishkek–Almaty (Kazakhstan) –Ust–Kamenogorsk (Kazakhstan) –Russia
- Bishkek–Almaty (Kazakhstan)–Karaganda (Kazakhstan)–Astana (Kazakhstan)–Kostanay (Kazakhstan) –Russian Federation
- Bishkek–Korday (Kazakhstan)–Karaganda (Kazakhstan)–Astana (Kazakhstan)–Petropavlovsk (Kazakhstan) – Russian Federation
- Bishkek–Shymkent (Kazakhstan)–Kzyl-Orda (Kazakhstan)–Aktobe (Kazakhstan)–Russian Federation.

Table 3.12 CAREC corridors that run through Kyrgyzstan

Corridor No.	Name	Coverage	Route in Kyrgyzstan
1	Europe – East Asia	Runs from the border with the Russian Federation to PRC via Kazakhstan and Kyrgyzstan.	Bishkek–Naryn–Torugart Road
2	Mediterranean–East Asia	Covers Azerbaijan, Kazakhstan, Turkmenistan, Uzbekistan, Tajikistan, Kyrgyzstan and the PRC	Osh–Sarytash–Irkeshtam Road
3	Russian Federation–Middle East and South Asia	Runs from west and south of Siberian region of the Russian Federation through Afghanistan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan to the Middle East and South Asia	Osh–Sarytash–Karamyk road
5	East Asia–Middle East and South Asia	Covers the PRC, Kyrgyzstan, Tajikistan and Afghanistan	Irkeshtam–Sarytash–Karamyk road

Source: Asian Development Bank (ADB), CAREC

As for major internal road networks used for transporting freight, these include Bishkek–Balykchy–Karakol (located in the far Eastern part of Kyrgyzstan around 150 kilometers from the borders with PRC) and Bishkek–Talas (located in the North-Western part of Kyrgyzstan on the borders with Kazakhstan and Uzbekistan).

Efforts to develop inland transport infrastructure have involved the improvement of existing road networks, the unification of the country's railway network and the construction of transport corridors to create direct links with international markets. These efforts have been proceeding within the context of regional initiatives, including CAREC and TRACECA. All the international roads listed in box 3.4 form part of regional initiatives, such as TRACECA, and as shown in table 3.12, four of the transit corridors

under construction within the context of CAREC run through Kyrgyzstan.

Kyrgyzstan also participates in the Euro-Asian Transport Links (EATL) project,¹⁰⁷ which involves identifying road and rail routes that should be accorded priority treatment by national governments and donors for bolstering trade between the two continents. The EATL network spans the following three corridors in Kyrgyzstan:¹⁰⁸

¹⁰⁶ Logistics Processes and Motorways of the Sea (2013), Logistics Processes and Motorways of the Sea (LOGMOS) Master Plan. Annex 9.1: Country Profile- Kyrgyzstan.

¹⁰⁷ For further are available at: <http://www.unece.org/trans/main/eatl.html>

¹⁰⁸ For further details, see UNECE (2012) Euro-Asian Transport Linkages: Paving the Way for a More Efficient Euro-Asian Transport. New York and Geneva: UN Publications. Available at: http://www.unece.org/fileadmin/DAM/trans/main/eatl/docs/EATL_Report_Phase_II.pdf

- Northern line corridor from Lugovaya station (Kazakhstan) - Rybach'e station (Balykchi)
- (Kyrgyzstan)
- Southern line corridor from Uchkyrgan station (Uzbekistan) - the border Shamaldy_Sai station (Uzbekistan) - Tach-Kumyr station (Kyrgyzstan)
- Southern line corridor from Savai station (Uzbekistan) - Kara-Cuu-Osh station (Kyrgyzstan) and Xanabad (Russian Federation) - "Kok-Jangak" (Kyrgyzstan)

Other important inland transport development initiatives evolve around the construction of: the previously mentioned transcontinental railway line PRC–Kyrgyzstan–Uzbekistan, which has been ranking high on the two countries' agendas over the past two decades; the TRACECA railway line north-south Russia-Kazakhstan-Kyrgyzstan-Tajikistan; and, the intra-state railway network route Balykch–Kochkor–Kara Keche–Arpa–Kara–Suu.

The results of the traders' survey brings forward a number of capacity shortfalls that should be taken

into account as the Government forges ahead with the above-mentioned reform efforts. As shown in table 3.13, for exporters, transport by air ensures fast delivery of goods, including to distant markets, however, in terms of costs, it is only convenient for small volumes. Transport by rail is cheap, but only for large volumes. Some traders also lamented that this transport mode is unreliable, as delivery is often delayed. Moreover, since the railway network does not reach the adjoin customs posts, traders accrue additional costs in the form of customs fees, since they customs staff should to be present during the loading/unloading of goods. Traders are also hampered by the country's insufficient and obsolete rolling stock. The majority complained about shortages in standard rail cars and said that they often resort to informal payments to avoid delays

Transport by road appeared to be the exporters' transport mode of choice, as it is cheap, relatively fast when exporting to nearby markets and offers a broader choice of routes. However, it is not convenient for fragile goods and for large consignments (as it is more expensive compared to rail

Table 3.13 Evaluation of transport modes: Exporters' perspective

Transport mode	Advantages	Disadvantage	Cost per shipment (Som)	Product
Air	Fast delivery	Expensive	100'000	Honey, honey with additives, jam
	Fast delivery, including to distant markets	Only suitable for small volumes	11'400	Heaters
	Fast delivery	Expensive	250	Caps, scarves, bags
Rail	Cheaper than trucks	more long on time expenditure	17'100	Heaters
	Reliable (100 per cent delivery rate)	None	80'000	Glassware
	Cheaper mode for transporting large volumes (compared to road)	Unreliable (full delivery is uncertain)	170	Scarfs, caps, bags
	Cheap	Not suitable for distant markets	500'000	Beans
	Cheap	Slow (long waiting lines)	100,000-400, 000	Shirts, coat, skirts, suits, jackets and blouses

Transport mode	Advantages	Disadvantage	Cost per shipment (Som)	Product
Road	Cheap	Slow (long waiting lines)	160'000	Honey
	Reliable	None	30'000	Cheese
	Cheap	Slow (long waiting lines)	17'100	Heaters
	Fast delivery	Not suitable for transporting large volumes (it becomes expensive compared to rail)	600'000	Dried fruits, apple, Greek nut
	Broad choice of routes	Roads at BCPs are in a poor condition.	USD 600-1200	Pies and cakes
	Small quantities	Not suitable for fragile goods	50'000	Glassware
	Convenient	Slow (long waiting lines)	65'000	Coat, blouses, dresses
Road	Cheap	Suitable for small volumes only	55	Caps, scarfs, bags
	Suitable for small volumes	None	50'000	Furniture
	Cheap	None	288'000	Metal tile, metal siding, water drain systems
	Fast delivery	Expensive, especially when transporting large volumes	957'000	Beans, vegetables, fruit, berries
	Fast delivery	Dangerous (high accidents of cargo theft).	100'000	Logging equipment

transport). It is also dangerous, as it exposes traders to high incidents of theft, and involves long waiting lines due to congestions. These problems still persist even as the Government has taken measures to address problems of congestion by demarcating the Ak-Tilek BCP for the transport of agricultural products.¹⁰⁹ Previously, these products were transported through various BCPs, especially Ak-Jol as it is located along the main route for exporting of products to/through Kazakhstan.

Similar concerns were raised by importers, who as shown in table 3.14 also use maritime transport

for moving goods from distant markets. Respondents highlighted that this transport mode is only used for a limited part of the journey. For example, goods imported from Korea are transported by sea to a PRC port, where the goods are unloaded for transport by rail to their target destination in Kyrgyzstan. They noted that maritime transport helps them cut down on costs, and offers a safe mode of transport in that it involves adequate protection against cargo theft.

Thus for traders, addressing the fragmented railway networks and the poor road networks would go a long way in facilitating their participation in international trade, since transport by air is prohibitively expensive for large volumes and maritime transport can only be used for a limited part of the journey. The fragmented nature

¹⁰⁹ Framework Agreement between the Government of the Kyrgyz Republic and the Government of the Republic of Kazakhstan on Establishment of International Centres of Cross-Border Cooperation 'Karasu – Ak-Tilek' and 'Aisha-Bibi – Chon Kapka'.

Table 3.14 Evaluation of transport modes: Importers' perspective

Transport mode	Advantages	Disadvantage	Cost per shipment (Som)	Product
Air	Fast delivery	Expensive	87	Clothes
	Fast delivery and reliable	Expensive	175'000	Bicycles
	Fast delivery and safe	Expensive	3'500'000	Paint and varnish production, filling, laminate
Rail	Cheap and offers the possibility of transporting large volumes	Slow: long waiting lines, especially for obtaining empty waggons	316'800	Ice cream, canned food
	Large volumes	None	10'000	Bathroom equipment, tiles
	Large volumes	Slow: long waiting lines at the border and this results in damages, especially if the goods are perishable	8'000'000	Food
	Cheap	Slow: long waiting lines (5-7 days)	1'700'000	Paint and varnish production, filling, laminate
Road	Fast delivery and broader choice of transport routes	Long waiting lines	N/A	Cigarettes
	Traders can be present at the BCPs for supervising the loading and unloading of goods	Dangerous (high incidents of cargo theft)	100'000	Bicycles
	Fast delivery	Dangerous (high incidents of cargo theft)	85'000	Dresses, jackets, accessories
	Fast delivery	Only convenient for small volumes	316'800	Coffee, olives
	Large volumes	Dangerous (high incidents of cargo theft)	7'000	Tile, bathroom equipment
	Relatively cheap	Long waiting lines	2'000'000	Food
	Affordable and reliable (in terms of meeting delivery deadlines)	None	500'000	Tangerines, oranges
	Cheap	Dangerous (high incidents of cargo theft)	550'000	Tangerines, apples, pears
Fast delivery, and safe (low incidents of cargo theft)	None	28	Clothes	

of the railway network has also put some regions in a disadvantaged position. For example, the reliability of inbound cargo from Lugovoya Station in neighbouring Kazakhstan is not an issue for traders in Bishkek, owing to the capital city's proximity to the Kazakh border, while for those in Osh there are concerns on the overdependence on the railway connection through Uzbekistan, where border tensions and rigid customs controls may result in delays.

There is also the need to address the problem of poor road networks at major BCPs, particularly the Chaldovar BCP and the Akzol-Chu BCP along the Bishkek-Almaty road, which together with the Chaldovar BCP, absorb the bulk of the country's commercial traffic. The roads at these BCPs are narrow, with no parking and waiting areas for trucks and other vehicles, thereby causing traffic congestion and long waiting lines. In addition, the fact that railway lines do not extend to customs clear-

Table 3.15 Outstanding needs and recommendations for developing inland transport infrastructure

Outstanding needs	Recommendations
Addressing the delays and congestions at BCPs	<ul style="list-style-type: none"> Consider the establishment of permanent SCS presence at rail container earmarked for development (Osh and Balykchin, for example), as this will help circumvent the delays resulting from the fact that railway lines do not extend to customs clearance areas. Develop road marking, signage, directions, and lighting in line with international standards
Improving the range and quality of rail transport services	<ul style="list-style-type: none"> Restructure and modernize rail transport services through private sector participation and improved corporate governance. Develop the services and institutional capacity of Temir Jolu State Company, which is the sole provider of railway services, and consider the option of opening this sector for private service providers. Modernize the country's rolling stock

ance areas renders inevitable the manual unloading of goods at rail yards for subsequent inland road transport and for customs attendance, with negative consequences for transaction costs in the form of delays and damaged goods.

The problem of inadequate road networks is compounded by harsh weather conditions in winter, particularly along the Bishkek - Naryn-Torugart (PRC) road and the Osh - Sary Tash – Irkeshtam (PRC) road. Transporting cargo through these roads becomes dangerous and traders experience significant delays due to traffic congestion.

Table 3.15 provides a number of recommendations for addressing the problems reported by the interviewed stakeholders. The recommendations focus on immediate measures that can be taken by the Government, which could bring immediate benefits to traders, and are complemented by targeted recommendations for improving logistical services in section 3.6. Needless to say, developing the country's inland transport infrastructure requires extensive efforts, the definition of which falls beyond the scope of this study.

3.7 Logistical services

Kyrgyzstan's logistics sector comprises a number of freight forwarders, represented by the Kyrgyz Republic Forwarders Association that is based in Bishkek. Forwarding and transport companies are represented by small carriers that tend to use

imported second-hand trucks or old truck fleets. Thus, the truck fleets tend to break down often and are problematic in terms of safety and environmental impact.

In addition, traders have a limited choice of companies offering multi-modal transport services. Local companies are mostly small, and lack the facilities and expertise to provide quality services, while international companies charge high fees. Moreover, both local and international companies cater for small shipments cargo, due to largely to the underdeveloped logistics infrastructure. The country lacks modern logistics centers that could consolidate freight for the international market in sufficient volumes and allocate them to the most efficient transportation mode.

Traders also reported problems in using containerized shipments, including the high container fees and significant delays with delivery. One trader reported that the shipment arrived after 150 days instead of 25 days. It is also worth mentioning that only 7 per cent of the traders use containerized shipments and these are mainly importers. The problems reported by traders can be explained by the lack of adequate support for containerized shipments and the imbalance on container traffic between Kyrgyzstan and its trading partners as most of the containers loaded abroad and shipped to Kyrgyzstan return to the exporting country empty.

Furthermore, logistical services at most of the BCPs customs posts are inadequate, lacking the required space and facilities for vehicle and goods inspection. Officials reported that there are only few warehouses and storage facilities outside Bishkek. For the surveyed enterprises, and as shown in table 3.16, the BCPs with Kazakhstan are essential for participating in international trade. Traders lamented the lack of qualified personnel and proper equipment for cargo loading as well as the lack of adequate space and facilities for vehicle and goods inspection.

The assessment also showed that goods are unloaded by hand, resulting in damaged merchandise and that BCPs lack non-intrusive inspection equipment, such as x-ray and gamma-ray scanners. If made available and used judiciously, such equipment could reduce instances of physical examination to the minimum. Moreover, most of the BCPs operate without proper traffic management systems, evidenced by the absence of segregation between commercial and private traffic. In addition, the agencies' offices are dispersed, so that traders spend considerable time walking from one office to another.

Similar concerns were raised by representatives of market support institutions, who added that the existing legislation compounds the difficulties experienced by traders. Traders are required to pass through special warehouse facilities for inspection purposes, even as these lack the space to accommodate inbound and outbound cargo. This often leads to such situations, whereby traders resort to informal payments to circumvent the placement of goods in storage facilities.

The negative consequences of the lack of logistical services on the traders' competitiveness cannot be over-emphasized, as it combines with the and poor inland infrastructure to inflate transaction costs. Transport and logistical services account for up to 20 per cent of the total costs accrued by the surveyed importers, and up to 30 per cent of the total costs accrued by the surveyed exporters.

Officials from the MoTC noted that the above-mentioned shortfalls form the focus of development efforts, and noted that infrastructure facilities should go hand in hand with targeted interventions to develop the logistical sector. They

Table 3.16 BCPs used by the surveyed enterprises

BCPs	Transport mode	Use	Land routes
Manas	Air	Exports and imports	Manas International Airport is the main international airport in Kyrgyzstan, located 25 kilometres north-northwest of Bishkek.
Chaldovar	Road and rail	Exports and imports	Located in the Chuy region along the Bishkek - Chaldovar - Shymkent road, Chaldovar is used for transporting cargo to and through Kazakhstan by road. Shipments by rail are transported from the Chaldovar station to Merke (Lugovaya) station in Kazakhstan.
Ak-Jol	Road	Exports and imports	Located along Bishkek – Ak-Jol – Kordai – Almaty road, this BCP handles most of the commercial traffic between Kyrgyzstan and Kazakhstan. Although there is the additional Chaldovar post, Truck drivers, especially from Bishkek, are wary of using this post because of the long distance.
Ak-Tilek	Road	Exports and imports	Located 30 kilometers east of Ak-Jol and once Bishkek's main freight crossing point with Kazakhstan, this BCP is only used for the transport of perishable goods.
Karamyk	Road	Exports	Located at the borders with Tajikistan.
Torugart	Road	Exports	Located at the borders with PRC along Bishkek - Naryn-Torugart main road, it constitutes the main BCP between Kyrgyzstan and the PRC.
Irkeshtam	Road	Imports	Located at the borders with PRC along Osh - Sary - Tash - Irkeshtam main road

drew attention that these objectives are enshrined in the Ministry's General Strategy for the Development of Road Transport, which emphasizes the upgrading of BCP infrastructure as a priority area along with the simplification and standardization of transport related cross-border procedures and the development of road infrastructure. They also provided as an example the plan to construct a modern logistics center in Osh.

In terms of immediate priorities, the MoTC emphasized the urgent need to establish adequate parking areas at BCPs where vehicles, especially trucks, can be located – out of the inward and outward traffic lanes – whilst documentary in-

spections are being completed, or whilst drivers and passengers take refreshment and rest breaks. Such parking facilities would help reduce waiting lines and congestion at the BCPs. The creation of overnight parking areas for commercial vehicles on roads leading to BCPs is another proposed measure which could further reduce congestion. These facilities are in tune with international best practices, particularly the IRU Model Highway Initiative. The MoTC was also of the opinion that further upgrades to inland cargo terminals could be undertaken within the context of public-private partnership (PPP) schemes. Table 3.17 proposes a number of recommendations for the Government's consideration.

Table 3.17 Outstanding needs and recommendations for developing the logistics sector

Outstanding needs	Recommendations
Eliminating congestion and waiting lines at BCPs	<ul style="list-style-type: none"> ● Establish facilities for vehicle and goods inspection. ● Improve traffic management through the proper segregation, into separate lanes, of trucks, buses and cars ● Improve work organization, through the co-location of control agency offices, with a logical work-flow from one to another. ● Introduce non-intrusive inspection equipment, such as x-ray and gamma-ray scanners ● Establish parking areas at BCPs where vehicles, especially trucks, can be located – out of the inward and outward traffic lanes – whilst documentary inspections are being completed, as well as overnight parking areas for commercial vehicles on roads leading to BCPs. An immediate step in this direction would be to explore the possibility of financing these facilities through PPPs.
Improving the set-up for supporting multi-modal transport	<ul style="list-style-type: none"> ● Establish multi-modal carrier liability regimes for protecting exporters and importers in international markets.
Modernize the trucking industry	<ul style="list-style-type: none"> ● Adopt new regulations that encourage market entry of competent and financially capable operators. This includes reconsidering the minimum size company in terms of fleet size and/or capitalization and standards for vehicle safety ● Encourage the establishment of international trading companies on a joint venture basis between domestic and international companies. Such companies could play an important role in overcoming the problem of small shipments faced by local exporters. ● Modernize the trucking industry through adopting new regulations that encourage market entry of competent and financially capable operators. This includes reconsidering the minimum size company in terms of fleet size and/or capitalization and standards for vehicle safety.

Chapter Four

Regulatory and standardization policies

4.1 Introduction

Kyrgyzstan's system of quality control and quality assurance has been undergoing concerted reforms since the country's accession to the WTO, so as to ensure full compliance with internationally recognised best practices. The previous chapter suggests that more needs to be done to achieve this strategic goal. Traders experience significant difficulties in obtaining quality and conformity certificates in view of the complex administrative procedures and overall low of transparency in trade policy-making and implementation. The previous chapter also proposed a number of recommendations for addressing the regulatory and procedural barriers responsible for inflating transaction costs associated with obtaining documentary requirements. The successful implementation of these recommendations depends, to a large extent, on the institutional capacities of the different State agencies involved, in terms of expertise knowledge, organizational structures and basic infrastructure, particularly testing laboratories.

Drawing on the results of interviews with representatives of relevant State agencies, this chapter identifies capacity shortfalls in the institutional set-up underpinning technical regulation, standardization, quality assurance and metrology (SQAM). The chapter shows that significant progress has been achieved in institutionalizing market-based standardization policies and in modernizing quality assurance and metrology systems. Yet, there remains much room for improvement.

The chapter starts by providing an overview of Kyrgyzstan's SQAM system. It then highlights the main shortfalls that have been contributing to the regulatory and procedural barriers reported by traders

and market support institutions, and their impact on trade activities and overall consumer and environmental safety in Kyrgyzstan. The chapter also provides action-oriented recommendations for the Government's consideration. It argues that capitalizing on achievements to date and ensuring the successful implementation of suggested recommendations requires going beyond the piece-meal approaches that have underscored much of the reforms, and increased support from donors given the limited financial resources available from the public purse.

4.2 Kyrgyzstan's system standardization, quality assurance and metrology

At the heart of Kyrgyzstan's SQAM system is the Centre for Standardization and Metrology (CSM) under the Ministry of Economy.¹¹⁰ The Centre constitutes the national standardization body, and is the authorised body responsible for metrology with a mandate to deliver on the following objectives:

- Promoting scientific and technological progress.
- Improving the enterprises' export competitiveness.
- Improving disaster risk reduction to safeguard against natural and human-induced disasters.

¹¹⁰ The CSM is the successor of the National Institute for Standards and Metrology of the Kyrgyz Republic (NISM), also known as Kyrgyzstandard. See Law No. 91 of 12 February 2010 "About the Center for standardization and metrology under Department of Economic Affairs of the Kyrgyz Republic".

- Promoting efficient use of resources.
- Promoting compliance with technical regulations.
- Providing technical and information compatibility, comparability of measurements and tests, inter-changeability of products.
- Ensuring the safety and protection of human and animal life and health; the environment; and, private and public property.

These broad objectives entail diverse responsibilities in the fields of:

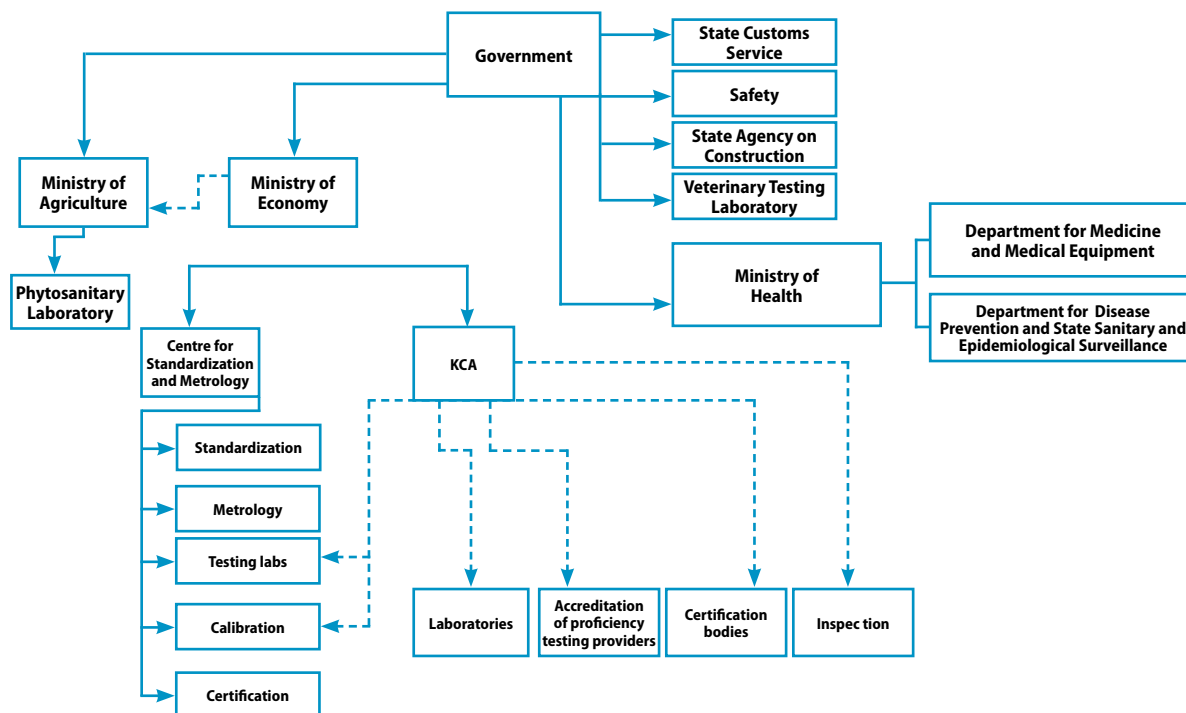
- Standardization: developing legislation and procedures on technical standards; developing national standards in the field of science, engineering and technology in accordance with international rules and recommendations; and, harmonising national standards with regional and international standards.
- Metrology: ensuring the uniformity of measurements and their compliance with the International System of Units; calibra-

tion and adjustment of measuring instruments; and, certification and type approval of testing and diagnostic equipment.

- Conformity Assessment: product testing and certification based on applications by governmental and private sector bodies.
- Information dissemination: developing and maintaining the "National Information Fund" of technical regulations and standards; acting as the national enquiry point for information about national and international requirements for standardisation, metrology, and conformity assessment; and, providing training and consulting services.

Supporting and guiding the CSM is the Ministry of Economy in its capacity as the lead agency responsible for developing and managing a unified state policy on technical regulation as well as ensuring compliance with the country's obligations under the WTO-administered Agreement on Technical Barriers to Trade (TBT) and Agreement on Application of Sanitary and Phytosanitary Measures (SPS).

Figure 4.1 Kyrgyzstan's system of quality control and quality assurance



Decision-making on SQAM issues is organized by the Ministry of Economy, with the active participation of line Ministries and relevant State agencies. These include the Ministry of Agriculture, the Ministry of Health, SCS and an assortment of specialized agencies responsible for quality control and quality assurance.

Each of these agencies maintains its own consultation mechanisms in the form of specialised teams and working groups, which bring together experts from relevant public and private sector institutions to discuss decisions on specific administrative, legal and technical issues. The institutional relations among the different agencies and between these agencies and the Ministry of Economy are depicted in figure 4.1, which highlights direct reporting relations (in lines) and oversight responsibilities (dotted lines).

4.3 Technical regulation

Technical regulation is based on the Law “About the Basis of Technical Regulation”, which sets the guidelines for the development, adoption and application of mandatory requirements to products, processes/methods of production, storage, transportation, sale, use and disposal of products.¹¹¹ The law features a clear emphasis on preventing unnecessary trade barriers, stipulating that technical regulations should focus on protecting the life and health of consumers, animals and plants.

Consistent with the EU’s New Approach, technical regulations are elaborated by means of identifying the essential safety requirements that a product should conform to, and are guided by regulatory impact assessments (RIAs).¹¹² For products that are subject to mandatory certification, technical regulations are elaborated by means of referencing to the relevant standards (i.e., listing those standards that the product should conform to).

¹¹¹ See Law No. 67 of 22 May 2004 and its subsequent amendments.

¹¹² See Order of the Ministry of Economy No. 99 of 12 April 2010 “About Approval of Methodical Recommendations about Forming and Refining of Programs of Development of Technical Regulations, Recommendations about Development of Technical Regulations, Establishment of forms of Assessment of Conformity”.

Technical regulations are drafted by technical committees, which are coordinated by the Ministry of Economy. The Ministry also sanctions new technical regulations before submission to the Cabinet for approval and adoption. As of 2015, Kyrgyzstan had adopted 50 national technical regulations. Most of these were developed over the past five years, and focus on safety of transport vehicles, on safety of transportation processes, on safety requirements of food products and the processes of their production, storage, transportation, sale, and disposal, on safety of buildings and structures, on safety of construction items, on module approach to procedures for conformity evaluation, on electromagnetic compatibility, on the safety of buildings construction, medicines, bottled natural water, confectionary, juices, milk, flour, winery products, ethyl spirit, vodka, sugar, beer.

Technical regulations to date have been developed by means of transposing the EU and WTO-compliant Eurasian Economic Community (EurAsEC) common regulations into national laws, whereby the text of the regional technical regulations was adopted directly and made national laws. This approach enables swift harmonizing technical regulations, as it ensures compliance with the requirements of the WTO Agreement on TBT and renders EU compliant regulations equivalent to their corresponding, separate directives for the purpose of conformity assessment.

However, by issuing the identical text of the regional technical regulations in national legislation, the Government would have to amend national laws to integrate changes and revisions introduced by either of the regional bodies, at a time when the regional technical regulations in questions may not be necessarily turned to the specific conditions of the Kyrgyz economy and its enterprise sector.

Thus, it would be more appropriate to consider incorporating harmonization principles in national regulations or referencing relevant regional technical regulations that correspond to national regulatory requirements. This approach would be more appropriate as it allows for proper consultations with the private sector and other national stakeholders and for conducting extensive RIAs. In con-

ducting such assessments, regulators should consider adopting a broader approach, which focuses on ensuring that principles of risk management are more effectively applied and consistently integrated into decisions by regulators and industry, pertaining to quality and safety concerns across the product lifecycle.

Addressing these shortfalls is all the more important, since as shown in the remaining sections, Kyrgyzstan is still in the process of dismantling mandatory standards and consolidating the required capacities for implementing technical regulations, including institutional capacities to support conformity assessment, accreditation, product certification and metrology functions.

The remaining sections provide a number of recommendations for the Government's consideration, and these should be complemented by an overall strategy for guiding quality control and quality assurance. The basic principles and building blocks for such a strategy are fragmented across an assortment of legislative acts and initiatives, such as the SW initiative. Missing is a unified

strategy document, which brings these building blocks into a coherent framework.

In establishing such a document, the Government should go beyond addressing SQAM issues to ensuring an efficient and seamless interplay between the SQAM and trade facilitation systems, since much of the regulatory and procedural barriers stem from the lack of coordination between the agencies supporting the two systems and the often competing objectives of the respective agencies.

In this respect, the Trade Facilitation and Transport Council could play a lead role in identifying the shortfalls and gaps that impede the two systems from functioning in a coordinated and congruent manner. Discussions should focus on harmonizing the disparate regulations, administrative procedures and consolidating them into a logical sequence; identifying the required institutional set-ups and capacity requirements for implementation and joint action; and, areas that could benefit from increased harmonization with trading partners.

Table 4.1 Outstanding needs and recommendations in the area of technical regulation

Outstanding needs	Recommendations
<p>Developing national expertise knowledge and skills in the area of technical regulation development</p>	<ul style="list-style-type: none"> ● Consider alternative approaches to regulatory harmonisation, such as incorporating harmonization principles in national regulations or referencing relevant regional technical regulations that correspond to national regulatory requirements. In this respect, UNECE Recommendation L is of particular importance, as it sets out an "International Model for Technical Harmonization Based on Good Regulatory Practice for the Preparation, Adoption and Application of Technical Regulations via the Use of International Standards".¹¹⁴ ● Integrate the principles of risk management into technical regulation development. In this respect, UNECE Recommendation R on "Managing Risk in Regulatory Frameworks" provides a useful reference model. It provides guidance on setting framework objectives, identifying and assessing risk, and selecting and implementing risk management strategies in a manner that supports coherence across risk management policies and regulations.¹¹⁵
<p>Building the required institutional capacity for implementation</p>	<ul style="list-style-type: none"> ● Establish a strategic framework for guiding quality control and quality assurance, which goes beyond addressing SQAM issues to ensuring an efficient and seamless interplay between the SQAM and trade facilitation systems. ● Assign the Trade Facilitation and Transport Council a lead role in articulating the strategic framework

¹¹³ UNECE Recommendation L is available in Russian and in English at: <http://www.unece.org/trade/wp6/recommendations/recommendations.html>

¹¹⁴ UNECE Recommendation R is available in Russian and in English at: <http://www.unece.org/trade/wp6/recommendations/recommendations.html>

4.4 Standardization

Standard setting is guided by the Law “About the Basis of Technical Regulation” and the Law “About the Centre for Standardization and Metrology”. As previously mentioned, standard setting falls under the domain of CSM, that is a member of the CIS Inter-government Commission on Standardization, Metrology and Certification.¹¹⁵ The Centre is also a correspondent member of the International Organization for Standardization (ISO), and although not a member of International Electro technical Commission (IEC), the Centre has been participating in the IEC Affiliate Country Programme since 2003.

Kyrgyzstan is still in the process of replacing the common CIS state standards with international standards. Standard setting proceeds within the context of 23 technical committees, which bring together experts and relevant public and private sector stakeholders and are coordinated by the CSM Division on Standardization. As is the case with technical regulations, international standards by, among others, ISO, International Electrotechnical Commission (IEC) and Codex Alimentarius, are adopted, as they exist, and are implemented fully. This approach to standard setting is a strategic one, as it ensures an efficient and effective harmonization of technical regulations, and improves market access conditions for Kyrgyz exports to European markets. Traders can use harmonized standards to demonstrate that products, services or processes comply with relevant EU legislation.

The national registry of standards, which is maintained by the National Information Fund of Technical Regulations and Standards, encompassed around 22,600 standards in 2015, including:

- National standards of the Kyrgyz Republic
- International (regional) standards
- National standards of other countries
- Standards of international organization
- Standardization rules, norms and recommendations

¹¹⁵ The Commission is recognized by International Organization for Standardization (ISO) as a regional organization for promoting international standards.

By and large, the transition towards international standards has taken the form of adopting the common CIS standards (GOST), which are being developed and harmonized with the EU standards and ISO standards within the context of the CIS Inter-government Commission on Standardization, Metrology and Certification. This has meant that the national registry is dominated by GOST standards (Table 4.2).

Table 4.2 Kyrgyzstan’s registry of standards

Standards	Share
Regional standards (GOST)	90,37%
National standards of other countries	5,68%
National standards of Kyrgyzstan	2,63%
International standards	1,32%

Officials explained that CIS countries constitute Kyrgyzstan’s main trade partners, and since CSM is a member of the CIS Inter-government Commission on Standardization, Metrology and Certification, adopting such a regional approach to harmonization is a natural path to follow. They noted that Kyrgyzstan is also cooperating with European countries to adopt European standards, including Poland (for food products) as well as Germany and Netherland (for medicine). Yet, with less than 50 per cent of the country’s national standards harmonized with international standard, the road to complete the transition from mandatory to voluntary standards remains long.

As is the case with technical regulations, CSM and the technical committees could benefit from increased support and assistance in the area of standard setting. This is important to speed up the dismantling of mandatory standards in a manner that is commensurate with the enterprises’ needs and stage of development. Interviews with officials suggest that the country still lacks the resources either to demonstrate that international standards are inappropriate to local circumstances or to develop its own standards.

Agencies as well as enterprises also lack the experience to participate in international standard set-

Table 4.3 Outstanding needs and recommendations in the area of standardization

Outstanding needs	Recommendations
Strengthening the CSM and the technical committees with expertise skills in the area of standard setting	<ul style="list-style-type: none"> ● Ensure that technical assistance projects allocate adequate resources to allow CSM staff and members of the technical committees to effectively contribute to relevant meetings of ISO technical committees, subcommittees and working groups. ● Provide advanced training courses to CSM staff and members of the technical committees on standardization policies and topical issues of relevance to their work and to national strategic priorities.
Revising the Law “About the Basis of Technical Regulation”	<ul style="list-style-type: none"> ● The law should be revised to reflect the existing system of standardization and incorporate international best practices, such as the principles of the EU harmonized legislation (especially self-certification and the presumption of conformity).
Establishing technical equivalency arrangements with major trading partners	<ul style="list-style-type: none"> ● Explore the possibility of entering into technical equivalence agreements with main trading partners, which have adopted technical regulations that effectively achieve the same regulatory objectives. ● Explore with major trading partners the possibility of establishing comprehensive MRAs, which cover several different industries and regulatory issues.

ting. Standards bodies do not have the resources required to engage effectively with domestic constituents or to participate in international standards bodies, and the enterprises do not necessarily have the financial and human resources needed to participate in international standards activities.

This impeded participation has two important results. First, international standards that are developed are most often those that respond to developed country priorities, not to developing country priorities.

Moreover, even where international standards respond to developing country needs, their specifications are more likely to be suited to large, multinational companies rather than to labour-intensive SMEs. For example, the ISO technical committee in charge of developing the ISO 14001 environmental management system standard has identified, as an important strategic priority, the need to ensure that future revisions of ISO 14001 consider the particular needs of SMEs as well as developing country stakeholders. Without considerable technical and financial assistance, the difficulties that developing countries have with involvement in international standards bodies can be expected to become more serious in the future

Thus, standard setting agencies could benefit from advanced training so that they become standards makers as opposed to international standards-takers. Such training should be also provided to agencies involved in the development of technical regulations, to ensure responsiveness to the enterprises’ needs. There is also the need to amend the Law on Standardization, so as to bring it in tune with the country’s current system of standardization and overall strategic objectives.

Where international standards on which technical regulations could be based do not exist, the TBT Agreement encourages members to enter into technical equivalence agreements with trading partners, which apply technical regulations, which achieve the same regulatory objectives.¹¹⁶ Such agreements offer the most efficient tool for technical harmonisation, since they imply that products do not have to comply with the regulations of the importing country, provided that the same objectives are fulfilled by the two sets of requirements. Should establishing such agreements prove to be difficult, the Government could consider establishing comprehensive MRAs, which cover several different industries and regulatory issues. As shown

¹¹⁶ See article 2.7 of the TBT agreement.

in section 4.5, MRAs to date tend to have a limited focus. Table 4.3 provides a number of recommendations for the Government's consideration.

4.5 Conformity assessment, accreditation and product certification

The legislative basis for conformity assessment is set out in the laws on technical regulation; on the accreditation of conformity assessment bodies; on products subject to certification requirements; and, on veterinary and phytosanitary control.¹¹⁷ The laws provide: (i) general procedures for mandatory certification of products; (ii) the list of products subject to mandatory certification of conformity; (iii) procedures for approving conformity declarations; (iv) the list of products subject to sanitary and phytosanitary (SPS) control measures; (v) and, technical safety norms applicable to products subject to mandatory control.

In addition, Kyrgyzstan recognizes the results of conformity assessment procedures in a number of countries. As of 2015, mutual recognition agreements were signed with Azerbaijan, Armenia, Bela-

rus, Georgia, Kazakhstan, the Republic of Moldova, PRC, the Russian Federation, Tajikistan, Turkmenistan, Ukraine and Uzbekistan, so that conformity certificates and declarations as well as test records issued in these countries are recognized by Kyrgyz authorities in cases where products requirements are equivalent.

Kyrgyzstan also acknowledges conformity certificates and declarations for products originating from Iran, Slovakia and Turkey (based on inter-agency agreements on mutual recognition of certification authorities, testing laboratories/centres, results of testing and certification, conformity certificates and conformity signs). It has also products carrying the "CE" mark, irrespective of the country of origin, provided that the mark is confirmed by appropriate documents (the certificate of conformity or the declaration of conformity).

The conformity assessment system is supported by CSM and the Kyrgyz Centre for Accreditation (KCA) under the Ministry of Economy. CSM, through its Division on Standardization, coordinates the work on conformity assessment procedures with relevant State agencies, while the KCA is responsible for accrediting conformity assessment bodies (CABs), including testing and calibration laboratories, certification bodies as well as inspection bodies providing conformity assessment services. As of 1 June 2016,

below CABs were accredited:

- 85 testing laboratories accredited to ISO/IEC 17025 with ILAC recognition
- 3 calibration laboratories accredited to ISO/IEC 17025 with ILAC recognition
- 13 certification bodies for products accredited to ISO/IEC Guide 65 and ISO/IEC 17065 on conformity assessment requirements for bodies certifying products, processes and services (transition period).
- 1 certification body offering Quality Management System (QMS) certification, accredited to ISO/IEC 17021 on conformity assessment requirements for bodies pro-

¹¹⁷ See Law No. 795 of 16 November 2006 "About Accreditation of Conformity Assessment Bodies in the Kyrgyz Republic"; Law No. 206 of 1 April 2009 "About Approval of the Inventories Imported into the Kyrgyz Republic, Subject to Phytosanitary Control and Sanitary-and-Epidemiologic Control When Moving through the Frontier of the Kyrgyz Republic" and its subsequent amendments; Law No. 512 of 23 October 2007 "On Mandatory Product Conformity Assessment by adoption of Declaration of Conformity"; Law No. 416 of 30 August 1996 "On State Inspection on Standardisation and Metrology under the Government of Kyrgyz Republic"; Law No. 61 of 12 April 2005 "About Veterinary Science" and its subsequent amendments; Government Resolution No. 901 of 30 December 2006 "On Identification of Safety measures in the area of Veterinary, Plant Quarantine, Epidemiology, Sanitary and Ecology"; Law No. 319 of 10 June 2013 "About approval of the Situation on Department of Prophylaxis of Diseases and the State Sanitary-and-Epidemiologic Supervision of the Ministry of Health of the Kyrgyz Republic; and, Order of the Ministry of Economy No. 99 of 12 April 2010 "About Approval of Methodical Recommendations about Forming and Refining of Programs of Development of Technical Regulations, Recommendations about Development of Technical Regulations, Establishment of forms of Assessment of Conformity"; Government Resolution No. 639 of 30 December 2005 "On Mandatory Assurance of Conformity of Products".

- viding audit and certification of management systems
- 1 body for personnel certification accredited to ISO/IEC 17024. 21 inspection bodies for vehicle control accredited to ISO/IEC 17020 on conformity assessment requirements for bodies providing audit and certification of management systems
- 3 proficiency testing providers accredited to ISO 43 and ILAC G13

The KCA complies with ISO/IEC 17011 on general requirements for accreditation bodies assessing and accrediting CABs, and is a signatory to the multilateral agreement with the International Laboratory Accreditation Cooperation (ILAC) for accreditation of testing laboratories to ISO/IEC 17025 on general requirements for the competence of testing and calibration laboratories. The centre is also a member of the Pacific Accreditation Cooperation, which is one of the principal regional organizations of the International Accreditation Forum (IAF) for operating MRAs for accreditation.

As for the authorized State bodies responsible for ensuring compliance with mandatory requirements, these include:

- Department of State Sanitary and Epidemiological Surveillance of the Ministry of Health, which is responsible for the supervision of compliance with mandatory requirements concerning hygiene, radiology and sanitary measures, including animal health, the biological and chemical safety of off-the-shelf products.¹¹⁸

¹¹⁸ See Law No. 319 of 10 June 2013 "About approval of the Situation on Department of prophylaxis of diseases and the state sanitary-and-epidemiologic supervision of the Ministry of Health of the Kyrgyz Republic". As stipulated in Article 2 of the law, the Department is tasked with the following responsibilities in the sphere of supervision and control: carrying out monitoring, efficiency evaluation of the state and target programs, preventive and anti-epidemic actions, the analysis of influence of risk factors on the population; organizing carrying out actions for prophylaxis of contagious, parasitogenic and priority noninfectious diseases, develops references on control of risk factors in the republic territory; organizing, carries out control and supervision of objects, irrespective of patterns of ownership and departmental accessory, on fulfillment of require-

- State Veterinary Department of the Ministry of Agriculture and Melioration, which is responsible for the supervision of compliance with mandatory requirements concerning the biological safety of feed and feed supplements
- State Inspectorate for Veterinary and Phytosanitary Safety under the Government, which is responsible for border control functions for import, export, re-export, transit and intra republican transportation of animals, products and raw materials of the animal origin. The inspectorate is also responsible for internal and external quarantine.¹¹⁹
- State Inspectorate of Environmental and Technical Safety under the Government, which is responsible for is the state supervision and control over compliance with the health and safety requirements for the human, animal and plant life, the environment as well as prevention of any adverse effects. This includes ensuring compliance with the requirements of the statutory legal enactments, technical regulations on mechanical, seismic, fire, environmental, industrial, and energy, biological, chemical and radiation safety for products (facilities)

ments of technical regulations and other regulatory legal acts in the field of public health care, to identification, forecasting of possible influence of biological, volumetric, radiation and other physical factors for health of the population and working, to taking a step according to the legislation of the Kyrgyz Republic; providing control over the implementation of actions for non-admission of import and diffusion contagious and parasitosis, including especially dangerous and quarantine infection contaminations; participating in investigation and liquidation of mass venenatings, epidemics, occupational diseases, accidents, natural disasters, environmental disasters and other emergency situations, life-threatening and population health; carrying out sample drawing for laboratory examination within the state sanitary-and-epidemiologic supervision; and, exercising control of imported and exported products according to the legislation of the Kyrgyz Republic.

¹¹⁹ See Law No. 35 of 20 January 2014 " About approval of the Situation on Department of boundary veterinary control of the State inspectorate for veterinary and phytosanitary safety under the Government of the Kyrgyz Republic"; and Law No. 175 of 30 December 2014 "About Veterinary Science".

and / or related manufacturing processes, construction, installation, commissioning, operation, storage, transportation, use, sale, landfilling, disposal, and utilization.

- Department for Chemical Treatment, Protection and Quarantine of Plants of the Ministry of Agriculture and Melioration, which is responsible for supervision of compliance with mandatory requirements concerning the ecological safety of chemicals and plant protection substances.
- Department for Medicine and Medical Equipment of the Ministry of Health, which is responsible for supervision of compliance with mandatory requirements concerning the ecological and chemical safety of medicine (except veterinary medicine), and for ensuring safety of medicinal items and biologically active additives.
- State Inspectorate for Energy and Gas of the Ministry of Industry, Energy and Fuel Resources, which is responsible for supervision of compliance with mandatory requirements concerning electricity safety, electromagnetic compatibility of electro-technical products, equipment and devices.
- State Inspectorate for Supervision of Industrial Safety and Mining of the Ministry of Emergency Situation, which is responsible for supervision of compliance with mandatory requirements concerning safety of fuel and energy sector products, buildings, structures and technical devices at hazardous production facilities, and of circulation of explosive materials of industrial purpose, including oil products.
- State Agency for Architecture, Construction and Housing under the Government, which is responsible for supervision of compliance with mandatory requirements concerning safety of buildings and structures, construction materials, items and construction patterns.
- State Fire Prevention Service of the Ministry of Emergency Situations, which is respon-

sible for supervision of compliance with mandatory requirements concerning fire safety and that of pyrotechnical items.

- State Automobile Inspectorate of the Ministry of Internal Affairs, which is responsible for supervision of compliance with mandatory requirements concerning safe operation of vehicles and transport equipment.

The assessment reveals that quality control and quality assurance is undermined capacity shortfalls. To begin with the KCA operates under binding financial constraints, owing to the low level of demand on its accreditation services. Officials from the centre explained that the majority of the existing CABs are publically owned, and, given the Government's budget constraints, are unable to afford the accreditation fees, even though the level of these fees is the lowest in the region. As such, the centre remains heavily dependent on the Government, which can only cover the wage bill of the centre's 15 permanent employees (10 of which are directly involved in accreditation processes and 5 are Lead Assessors)..

The Government cannot invest in improving the centre's services, even if the costs are modest. This had been the case with ILAC's peer assessments. Similarly, the Government has been unable to cover the costs for translating the guides and technical documents by specialized international organizations from English into Russian. Officials explained that the centre has only 3 staff, who are fluent in English, and while they are highly qualified Lead Assessors (1 for laboratories, 1 for certification and 1 for inspection bodies), they cannot possibly attend to the centre's translation needs. The centre is unable to attract qualified staff, since its salary scale is at par with that of the public sector, and could not generate enough income from fees. The fees for accrediting CABs, set at USD 1000 by the Antimonopoly Authority, are too low to allow for achieving any degree of self-sufficiency.

Yet another area requiring immediate attention is the KCA's management information system. The centre still uses up to 150 paper-based forms to gather information requirements associated with the issuance of accreditation certificates, and each

form should be filled out manually and archived (in hard copies).¹²⁰ Officials reported that efforts to modernize the ICT system have resulted in the proliferation of fake product certificates. Previously, all printed forms (which are uniquely numbered) were registered with the Ministry of Economy, so that the Ministry, which maintains a register of issued certificates, had a precise inventory of all printed forms, including blank forms and certificates. In 2015, this system was abandoned, as part of the Government's broader effort to move towards a paperless environment where certificates were issued electronically. Thus, the Ministry of Economy can no longer discern the number of printed blank forms, since it does not have a precise inventory of all printed forms. Officials noted that it is possible to print 1000 forms, but register only 500 and use the remaining forms for issuing fake certificates. They added that some agencies sell certificates directly to importers at customs posts.

Moreover, the centre lacks the necessary expertise skills for attending to new accreditation areas, including: ISO 22003 for the audit and certification of food safety management system; Hallal inspection; and, the accreditation of Proficiency Testing (PT) and Inter Laboratory Comparison (ILC) providers according to ISO/IEC 17043 on general requirements for the competence of providers of proficiency testing schemes and for the development and operation of proficiency testing schemes. The latter is critical for improving the services of the 4 PT providers operating in Kyrgyzstan and the establishment of new PT programmes, especially for food industry where there are high export potentials. Similarly, the 16 certification bodies for products, which are accredited to ISO/IEC 17065 on conformity assessment requirements for bodies certifying products, processes and services, are not recognized by ILAC.

Officials stressed that resorting to competent technical assessors/experts from abroad for accrediting laboratories, which has been the case so far, is only effective in the short term, since these charge high

fees. For Kyrgyz laboratories, it would be more cost effective to obtain the required accreditation from the KCA, and this specially applies to accreditation areas associated with strategic products, services and processes. Yet, strengthening KCA's institutional capacity is only one element in ensuring proper accreditation of existing testing laboratories. The majority of the laboratories lack the required equipment and expertise skills, so that their accreditation by external experts, which is the only available option, is difficult, with adverse consequences for trade and consumer safety.

Cases in point are the laboratory for machines and furniture and the laboratory for consumer goods, packing, textile and light industry. The first laboratory could benefit from a refurbishment of existing testing equipment for furniture, and lacks proper equipment for electric safety tests (existing equipment does not even allow for conducting elementary tests, such as electric strength, leaking current and inadequate handling). The second laboratory requires modern equipment, so as to enable it to carry out complete tests of toys, special packaging materials like those in contact with food, full range of tests for textiles, both for clothing and for an industrial use, paper products, and so on. Modernizing the existing laboratories requires huge investments, which according to the Ministry of Economy's estimates are in the region of USD 30 million. These estimates do not include the costs associated with training and the maintenance of testing equipment.

The assessment also reveals lapses in the quality assurance system. Officials lamented the absence of a proper market surveillance system for consumer goods. Concerns were also raised by the State Agency for Architecture, Construction and Housing. Officials lamented that any enterprise could venture into manufacturing construction materials, since this activity is not subject to licensing requirements. Yet, the Government has included construction materials in the list of products subject to mandatory certification. They noted that the national system has the capacity for the certification of construction products, with laboratories accredited to ISO/IEC 17025 and the cer-

¹²⁰ See Government Order No. 178 of 25 March 2010 "About Approval of New Blank Forms of the Certificate of Conformity and the Declaration of Conformity".

Box 4.1 Kyrgyzstan's State Inspectorate of Environmental and Technical Safety: Mandate and work methods

SIETS, which is seated in Bishkek, operates through 20 regional offices and covers: industrial and labour safety; architecture and construction; energy supply safety; fire safety; ecology surveillance; soil use surveillance; and water supply safety. SIETS has trained inspectors, who are required to take advanced refresher courses every three years. It is a member of the EurAsian Economic Council Committee for Industrial Safety, which focuses on harmonizing inspection systems in the region and attracts investments for developing inspection facilities, and has signed MOUs with Japan, Korea and the United Kingdom.

Inspections are carried out within the context of risk-based planning, and enterprises could address their inquiries to SIETS through a hotline. Inspection plans are prepared based on risk assessments, and submitted to the Ministry of Economy for approval one year in advance. Enterprises that are assessed as posing a high risk (due to shortfalls in, for example the equipment, product, technology and works) are inspected once a year. Enterprises with medium risk levels are inspected once every three years, while those with low risk levels are inspected one every five years.¹²²

The Ministry's decision is released in three copies (one for the SIETS, one for the enterprise in question and one for the Ministry), containing the date of the inspection(s) and audited areas, and is communicated to the enterprise not less than 10 days before the planned inspection.¹²³ Officials explained that the enterprises cover the costs associated with inspection, including the technical and testing work that is outsourced to specialized laboratories. SIETS inspectors are obliged to prepare a checklist for each audit, and are expected to file nonconformities as found on the site even if these were beyond the checklist.

The inspected enterprise has 10 days after the receipt of the Inspection Report to provide its feedback on the reported nonconformities or to complain. At the end of this period, the Chief Inspector issues a written notification to communicate the decision to the enterprise in question. In cases of violations, the decision should detail the essence of discovered violations; set deadlines for eliminating the violations (3 days if the violations affect the security, life or health of consumers or 30 days in other cases); and, specify penalties.¹²⁴

tification bodies accredited to ISO/IEC ISO 17065. However, the laboratories use outdated testing equipment, which was imported from Korea a few decades ago. Moreover, and as shown below, consumer and environmental safety is difficult to ensure, owing to the lack of relevant measurements devices.^{121 122 123}

The assessment also shows that the State Inspectorate of Environmental and Technical Safety (SIETS), which assumed all surveillance functions from the relevant line Ministries in 2012, could benefit from targeted assistance. As shown in box 4.1, the SIETS procedures and methods are in tune with international best practices. Officials noted that the SIETS could benefit from increasing the number of inspectors in regional offices. The assessment also shows that SIETS often carries unplanned inspections in response to complaint or as follow-up to inspections,¹²⁴ and attaches limited importance to research and analysis.

¹²¹ Law No. 72 of 25 May 2007 "On Procedure for Conducting Inspections of Business Entities".

¹²² Law No. 72 of 25 May 2007 "On Procedure for Conducting Inspections of Business Entities".

¹²³ See SIETS Regulation No. 136 of 20 February 2012.

¹²⁴ Unplanned inspections should also be submitted to the Ministry of Economy for approval.

The impact of the above-mentioned lapses in the legislative framework is compounded by instances of poor implementation. For example, officials also drew attention that there was evidence that some conformity certificates are issued on the spot without relevant tests. The point was also made that while existing legislation stipulates that adherence to mandatory requirements could be established by self-declaration of conformity or by a conformity certificate,¹²⁵ in practice, self-declarations have not gained widespread acceptance and traders have to still provide conformity certificates.

The assessment also suggests that more could be done to improve SPS control measures. As explained by officials from the State Inspection of Veterinary and Phytosanitary Safety, inspectors with mobile laboratories for veterinary and hygiene testing are deployed at customs posts and throughout the country. Samples are taken from stores and storage facilities at a regular basis and the inspectors are authorized to issue the permission for placing the products that pass the testing and verification processes on the market.

¹²⁵ See Law No. 512 of October 23, 2007 "On Mandatory Product Conformity Assessment by adoption of Declaration of Conformity".

However, in the absence of competent testing laboratories, these measures remain insufficient. The laboratory for phytosanitary testing under the Ministry of Agriculture and Melioration, which was accredited to ISO/IEC 17025 in June 2015 lacks key equipment. Similarly, the State laboratory for food testing under the Centre for Standardization and Metrology is not accredited, as it is equipped for classical tests (using basic analytical methods and equipment) for only 11 of the 17 characteristics required for certification of product safety. Potential exporters are thus compelled to either send samples overseas for testing, at a considerable cost, or seek markets where technical requirements are not too demanding. Others, noted officials, have forgone exporting altogether. Officials explained that only a limited range of food products is exported, and products are usually re-tested and recertified in the countries of destination. Under such circumstances, the Law on Food Security¹²⁶ remains unimplemented, as the Government is unable to ensure food safety.

The Government is also unable to help exporters of milk and dairy products. Traders reported that they have been finding it increasingly difficult, if not impossible, to access the Kazakh markets since 2012 following the Kazakh Government decision to impose restrictions on imports of milk and dairy products originating from Kyrgyzstan to protect its consumers from foot-and-mouth disease (FMD). Officials explained that these restrictions were imposed because the Kazakh Government found the information provided by the Kyrgyz veterinary services about the epizootic situation in the country unsatisfactory. It should be noted that Kazakhstan imposed similar restrictions on its imports of meat and milk from Kyrgyzstan in 2011.

Indeed, a recent report by the European Commission for the Control of Foot-and-Mouth Disease (EuFMD) found the country to be rife with certain FMD strands.¹²⁷ There is little to prevent movement of FMD viruses from Afghanistan, where infection

is rife, into Tajikistan through contiguous livestock farming communities spanning the border and through uncontrolled (and uncontrollable) trade in small ruminants through Tajikistan to Kazakhstan where they fetch far higher prices. The disease could also be transmitted through products originating in China.

FMD control has been demonstrated to be technically feasible. In this respect the European Commission for the Control of Foot-and-Mouth Disease (EuFMD) principles of Progressive Control Pathway (PCP) for FMD control provide a comprehensive framework for guiding such efforts. These principles encourage countries to develop national risk reduction strategies that are supportive to and anchored in a regional approach, which features setting up a regional surveillance system based on a risk reduction strategy that address threats from formal trade activities and from smuggling.¹²⁸

There is also the need to reconsider the existing allocation of functions between the different agencies. While there is a clear distinction between the regulatory aspects of SPS measures, (with the Ministry of Economy tasked with the responsibility of coordinating, all the work associated with technical regulation) and inspection functions (which are delegated to the State Inspectorate for Veterinary and Phytosanitary Safety), coordination of veterinary and phytosanitary control is complicated by administrative divisions. The veterinary laboratory is under the State Inspectorate for Veterinary and Phytosanitary Safety, while the laboratory for phyto testing is under the Ministry of Agriculture. Officials explained that this complicates inspections of food products at border crossing points, which requires the simultaneous support of both laboratories, starting from sampling through testing, experts' availability and the issuance of the required trade documents. Some reorganisation should be considered.

¹²⁶ See Law No. 183 On Food Security of 4 August 2008.

¹²⁷ See the "Food and Mouth Disease Situation Monthly Report" by European Commission for the Control of Foot-and-Mouth Disease (EuFMD), February 2015, available at: http://www.fao.org/fileadmin/user_up-

[load/eufmd/docs/FMD_monthly_reports/2015/February_2015Final.pdf](http://www.fao.org/fileadmin/user_upload/eufmd/docs/FMD_monthly_reports/2015/February_2015Final.pdf)

¹²⁸ Further information on the PCP's principles are available at: <http://www.fao.org/ag/againfo/commissions/eufmd/commissions/eufmd-home/progressive-control-pathway-pcp/en/>

Table 4.4 Outstanding needs and recommendations for developing conformity assessment, accreditation and product certification

Outstanding needs	Recommendations
<p>Improving the capacity of KCA</p>	<ul style="list-style-type: none"> ● Provide advance training for staff and experts on the following standards and related processes: ISO/IEC 22003 (audit and certification of food safety management system); Hallal meat inspection; ISO/IEC 17043 (proficiency testing schemes); ISO/IEC 17065 (product certification), ISO/IEC 17020 (inspection bodies), ISO/IEC 17021 (management systems certification), ISO/IEC 17025 (general requirements for the competence of testing and calibration laboratories) and ISO 17024/IEC (certification of persons). ● Implement a BPR process to streamline and automate product certification. Documentary requirements and data collection has to be restructured using electronic formats such as UN/EDIFACT or XML formats, and be followed by a rigorous streamlining of administrative procedures to dispense with unnecessary requirements and practices. There is also a need to consolidate the ICT system of KCA with a monitoring and tracking functionality that allows for establishing an accurate and up-to-date inventory of issued certificates. ● Accord priority to securing donor support and financial assistance to KCA and to existing CABs, so that they could obtain the required accreditation. This will increase the level of demand on KCA's services and will enable it to increase the fees charged for its services. In the long run, and once the KCA registers increased demand on its services, consider restructuring the KCA so that it could operate on market-based principles and achieve self-sufficiency. In this respect, Kyrgyzstan could draw on the experience of the United Kingdom Accreditation Service (UKAS), which is operates as is a non-profit-distributing private company, limited by guarantee, which brings together members instead of shareholders and works closely with the Government based on clear guidelines that are articulated in a memorandum of understanding. The members who represent relevant public and private sector entities, and the UKAS has its own staff and generates funds from service fees based on strategic business plans.
<p>Developing the country's system of testing laboratories</p>	<ul style="list-style-type: none"> ● Accredite laboratories to ISO/IEC 17065 (product certification), in accordance with ILAC Arrangements. ● Develop the capacity of existing testing laboratories with modern equipment and expertise skills. Priority should be given to laboratories engaged in supporting the food sector, furniture, consumer products, construction materials and machinery. ● Support the regular participation of laboratories in proficiency testing programmes (where applicable) and inter-laboratory comparisons, as this is important for fulfilling the requirements of ISO/IEC 17025 and ILAC's policy (ILAC P9).
<p>Establishing a market surveillance strategy</p>	<ul style="list-style-type: none"> ● Establish a law for governing market surveillance. ● Develop a market surveillance strategy using UNECE Recommendations M and Recommendation N, which provides a reference framework for coordinating inter-governmental efforts to contain sub-standard and counterfeit goods drawing on best practices and international standards.¹²⁹ ● Establish in cooperation with trade partners a track-and-trace warning system, similar to EU's Rapid Exchange of Information System (RAPEX) alert system for unsafe consumer products and consumer protection. ● Establish FMD control system based on the EuFMD principles of Progressive Control Pathway (PCP). ● Consolidate market surveillance with crisis management function, supported by a core team of experts and organisational structures, to mitigate and ensure swift response to crisis situations in local markets. UNECE recommendation P "Crisis Management within a Regulatory Framework" provides useful guidelines for establishing such a function.¹³⁰

¹²⁹ UNECE Recommendations M and N are available in both English and Russian languages at: <http://www.unece.org/trade/wp6/recommendations/recommendations.html>

¹³⁰ UNECE Recommendation P is available in both English and Russian languages at: <http://www.unece.org/trade/wp6/recommendations/recommendations.html>

Outstanding needs	Recommendations
Strengthening the SPS control measures	<ul style="list-style-type: none"> ● Equip State agencies with the required expertise skills to support the proper introduction of the HACCP system at the enterprise level, as stipulated by law. ● In addition to developing the capacity of the food testing laboratory, modernize the laboratory for phytosanitary testing under the Ministry of Agriculture and Melioration, and the laboratory for veterinary diagnosis with the proper equipment and expertise skills: <ul style="list-style-type: none"> – The laboratory for phytosanitary testing should be furnished with the required equipment and expertise skills to master the new and widely-used enzyme immunoassay (EIA) and polymerase chain reaction (PCR) testing methods. – In the field of veterinary science: the two units of Centre for Veterinary Diagnostics and Expertise received accreditation (Chemical-toxicological department – for qualitative determination of antibiotics in the products of livestock and bees; virology department – for diagnosis of FMD), but this accreditation does not automatically lead to ensuring control over the mentioned products and meeting sanitary and veterinary supervision requirements in the Customs Union. – The validation of the EIA method for quantitative determination of antibiotics and other chemical-therapeutic means is lacking, and this requires, among others, respective test systems, certified reference-materials and participation in proficiency testing programmes. – The accreditation of other units of the Centre for Veterinary Diagnostics and Expertise is needed. ● Reconsider the existing allocation of functions between the different agencies to allow for dispensing with the administrative divisions that are impeding proper coordination of veterinary and phytosanitary control ● Consider signing an MOU with OIE (World Organisation for Animal Health).
Strengthening the capacity of the State Inspectorate of Environmental and Technical Safety (SIETS)	<ul style="list-style-type: none"> ● Expand the pool of trained inspectors in regional offices ● Establish a special research and analysis facility to allow for moving beyond the prevailing singular focus on the inspection function to addressing the all-important guidance function that enterprises need to ensure adherence to mandatory safety requirements. Such a balanced approach would also help further improve the risk-based planning as well as refining inspection checklists.
Addressing the gaps in the legislative basis of quality control and quality assurance	<ul style="list-style-type: none"> ● Introduce proper licensing requirements for regulating enterprises engaged in manufacturing construction materials and consumer goods. ● Introduce measures to tighten the administrative procedures associated with issuing product certifications, so as to dismantle the current practices of issuing fake and on-the-spot certificates without proper testing. Implementing the BPR is an important step in this direction, and should be complemented with additional measures to sensitize traders on the damaging consequences of existing practices on their export competitiveness and on consumer safety.

Moreover, officials from CSM and the Ministry of Economy reported that the Hazard Analysis and Critical Control Points (HACCP) system for food manufacturing is yet to be introduced at the enterprise level as stipulated by the law.¹³¹ Progress is un-

determined by the lack of experts within the relevant State agencies at the regional and district levels, so that they are incapable of helping food factories adopt the HACCP system or of undertaking the rigorous inspection functions associated with the system. Progress is also impeded by the significant investment and long learning curve that the adoption of this system would entail for enterprises, the bulk of which lack the required financial resources. Representatives of trade support institutions expressed similar concerns, and noted that there are a few, if any, food factories that are capable of fulfilling the requirements of the HACCP system.

¹³¹ See Government Resolution No. 409 of 12 July 2013 “About the measures accepted by the Ministry of Agriculture and land improvement of the Kyrgyz Republic on development of food and processing industry and agro marketing”. The HACCP system allows for ensuring food safety through the analysis and control of biological, chemical, and physical hazards from raw material production, procurement and handling, to manufacturing, distribution and consumption of the finished product.

Table 4.4 provides a number of recommendations for the Government's consideration.

4.6 Metrology

As previously mentioned metrology falls under the domain of CSM in its capacity as the national body for metrology. The centre is responsible for establishing and maintaining the national standards of units, including the reproduction of basic and derivative dimensions of the International System of Units (SI), and for legal metrology. It should be noted that Kyrgyzstan is a corresponding member of the International Organization for Legal metrology (OIML) and is an associate member of OIML regional organisation "The Euro-Asian Cooperation of National Metrological Institutions" (COOMET).

However, the centre's ability to deliver metrological services, including calibration, verification

and the certification of testing and diagnostic equipment, is undermined by shortfalls in legal metrology. In 2015, legal metrology covered base units, including mass, temperature, length, and pressure along with a limited range of electrical, optical and chemical units, rendering it difficult to ensure traceability of measurements results.

As shown in table 4.5, the laboratories lacked of modern facilities, with the bulk of existing equipment dating back to the pre-independence period. If it were not for the competent staff, and its extensive experience in testing, measurements and calibration, the laboratories would have been fallen out of use. The staff spends considerable effort finding solutions to circumvent the limitations of the outdated equipment, at a time when they could put their knowledge for improving metrology services.

Table 4.5 Status of equipment in Kyrgyzstan's main metrology laboratories

Laboratory	Assesment
Calibration Laboratory for Temperature	The laboratory has the full range of temperatures covered by relevant calibration facilities.
Calibration Laboratory for Mass	Responsible for providing general legal metrology services. It ensures full traceability of mass measurements through its 1st class standard, which is traceable to the higher standard in Kazakhstan. Existing equipment is sufficient, though it could benefit from further improvement.
Laboratory for physical and Chemical Measurements	Basic equipment is available and well maintained. However part of the equipment is rather old.
Bishkek Centre for Certification, Tests and Metrology	This centre operates on a commercial basis, and caters to the industrial sector's needs. It uses available equipment and maintains a range of equipment that is no longer needed, due to the collapse of some industries. Staff were aware that it would be easy to scrap the equipment, but noted that once scraped it would be difficult to obtain the equipment should the need arise in the future.
Laboratory for Thermo-technical Measurements	Appropriately equipped laboratory for given services
Calibration Laboratory for Higher Pressures	Well-equipped laboratory but new sophisticated calibration bench was not in operation yet.
Laboratory for Force and Torque	Available equipment is inherited from the pre-independence period. While the equipment is complete and operational, there are two dead weight machines with a multiplication ratio of 1:10 on the lever side and force capacity from nearly zero to several tons. As the mechanical parts are in good shape, the machines need general maintenance and modern sensors for handling data and test/calibration results with use electronic means (ICT). The modern sensors could also be used for calibration of O rings for force measurements, and decisions on their use should be explored both in Kyrgyzstan and in neighboring countries
Laboratory for Mechanical Tests	Equipped with universal testing machines of different sizes and ranges, which can be used for testing consumer and light industry products. Strengthening the laboratory with electronic instruments is desirable.

Under such conditions, Kyrgyzstan depends on Kazakhstan and the Russian Federation for the calibration of measurement devices. A case in point is the control of inbound shipments contaminated by radiation. Customs officials cited, as a telling example, the difficulties that border control agencies have been facing in handling inbound vehicles originating from Japan in the aftermath of the Fukushima accident of 2011.

Officials explained that vehicles with high radiation exposure levels continue to be detected, but not in a timely manner given the absence of relevant calibration services, (Kyrgyzstan relies on Kazakhstan for the calibration of measurements devices for radiation). Moreover, with tens of radioactive contaminated vehicles still held up in impound lots, traders have been filing lawsuits to receive compensation for losses.

Table 4.6 Outstanding needs and recommendations for developing the metrology system

Outstanding needs	Recommendations
Developing the country's system of calibration laboratories	<ul style="list-style-type: none"> ● Conduct detailed analysis of needs of industries, so as to acquire an accurate understanding of the type of calibration facilities and methodologies that should be put in place to ensure consumer safety and improve overall export competitiveness. This should be accorded priority since there is a lack of calibration equipment for ensuring consumer safety and boosting export competitiveness. ● Improve the calibration facilities of existing laboratories and train the staff on the use of the new equipment and associated methodologies. Priority should be given to for measurements of radioactivity and radioactive gases (radionuclides) released from the soil (Radon). In this respect, the Government could consider, together with CSM, conducting a feasibility study for determining the costs and benefits of developing the required facilities for measuring radioactivity and radioactive gases released from the soil.
Developing the system of legal metrology	<ul style="list-style-type: none"> ● Further develop the body of laws, regulations, administrative and technical procedures, so that legal metrology could cover weighing and measuring devices used in sales of food, petroleum products (gas pumps, gas meters), transportation (weighing stations, taxi meters), and chemicals. <ul style="list-style-type: none"> – Establish metrological traceability of measurement results. According to the requirements of ILAC Policy on the Traceability of Measurement Results, traceability of measurements can be ensured through the measurements made with the use of measuring instruments calibrated by: – National metrology institutions of other countries which services CMC-lines are included into the International Bureau of Weights and Measures (BIPM) Key Comparison Database (KCDB). Presence of the International Committee for Weights and Measures (CIPM) Mutual Recognition Arrangement (MRA) logo is optional and the KCDB serves as the only source to confirm traceability of measurements. – Calibration laboratories, accredited by one of the partners that signed the ILAC MRA. Traceability of measurements is confirmed by the presence of the ILAC MRA logo or the logo of the accreditation body being a signatory to the ILAC MRA. – Certified reference materials.
Addressing the gaps in the legislative basis of quality control and quality assurance	<ul style="list-style-type: none"> ● Establish measures for ensuring the adherence of private calibration laboratories to established laws.

¹³² The credibility of measurements devices and the lack of calibration services were a major issue in these suits.

Concerns were also raised by officials from the State Agency for Architecture, Construction and Housing, who lamented the lack of laboratory facilities for fire safety and measurements of radioactive gases (radionuclides) released from the soil (Radon), noting that Kyrgyzstan is a seismic area where soil radioactivity should be under control and where both the construction materials and buildings much resist earthquakes of magnitude

over 8 degrees on the Richter scale. While the required laws for energy efficiency of building and heat protection have been recently established, including the duty to elaborate energy passport for all new buildings, there are no technical facilities for the measurements of the relevant quantities of construction physics.

CSM officials also drew attention that their efforts to ensure consumer and environmental safety are often defeated by private sector laboratories, which provide testing results at low cost using poor equipment and sell fake testing reports.

¹³² Most of the vehicles were sent back to Japan. However, in 2015, Japan did not accept to receive tens of contaminated cars.

Chapter Five

Implications for regional integration

5.1 Introduction

As shown in Chapter 1, trade development has ranked high on the Kyrgyz Government's development agenda over the past three decades, as a critical element for the achievement of sustained growth with equity. Development efforts proceeded within the context of a comprehensive economic liberalization agenda, anchored in multilateral agreements and regional cooperation arrangements geared to bolster the contribution of trade in income generation and expand potential gains from implemented reforms.

Most important among these gains have been the much needed improved market access conditions and technology transfers. The Government thus adhered to most of the WTO non-binding agreements and sector initiatives, including, amongst others, agreements on tariff concessions with respect to chemical and pharmaceutical products, textiles, steel, nonferrous metals, research, agricultural equipment, furniture, paper, and several other categories of products.

Yet, the economy continues to be held back by the structural weaknesses inherited from the pre-independence period. The manufacturing sector is still dominated by labor-intensive activities with low value-added, especially since the bulk of FDI inflows have been going into the primary sector. At the same time, exporters are witnessing the erosion of their competitiveness in global markets under the weight of high transport costs.

The Government believes that the limited success in reaping the expected benefits from reforms to date is partly due to the predominance of non-tariff barriers, which by inflating transaction costs,

creates serious disincentives for new investments and increased exports. Interviewed officials insisted that these barriers could only be removed by bringing the entire institutional and legal structures underpinning trade activities into full and complete adherence to international standards and best practices. Officials were of the view that this strategic objective could be best achieved by anchoring reform measures in regional cooperation arrangements, which allow for going beyond the all-important imperative of trade facilitation to cover bottlenecks stemming from quality control and quality assurance systems.

As of June 2015, Kyrgyzstan was preparing to join the EurAsEC (CU) and has recently applied for membership in the new European Union (EU) Generalized System of Preferences Plus (GSP+) scheme. Each of these options offers important opportunities for trade expansion and diversification. They also present significant challenges, and the Government's response to these challenges will define the development prospects of the Kyrgyz economy in the coming decades.

This chapter identifies these challenges and highlights their implication for future trade development efforts. It starts by providing a brief overview of the evolution of Kyrgyzstan's trade with the EU and Eurasian community, in terms of export structures and overall trade patterns. It shows how Kyrgyzstan's trade relations with the two regions have been historically shaped by a combination of push and pull factors, which locked the economy in an adverse development trajectory. While the pull factors associated with the level of international demand for Kyrgyzstan's products have been driving export growth over the past decade, the push factors shaping the country's supply capacity have

been effectively setting the limits to the prospects for export diversification.

Most notable among the push factors have been the industries' inability to meet international quality standards and other regulatory requirements, which lends further evidence to the urgent need to improve the SQAM system. The lack of adequate capacities for meeting international best practices in the area of trade facilitation constitute an additional supply side shortfall, and brings into focus the necessity of scaling up the country's reform efforts along the lines of the recommendations listed in the previous chapter.

As the Government embarks on implementing these recommendations, it has to take into account the new requirements associated with joining the Eurasian CU and potential membership in the EU GSP+ scheme. The chapter highlights these requirements and their implications for future reform effort, particularly the necessity of establishing a coherent approach that allows for ensuring an efficient and seamless interplay between the SQAM and trade facilitation systems (Chapter four). It also proposes a number of recommendations for the Government's consideration.

5.2 Evolution of Kyrgyzstan's trade with the European and Eurasian countries

As shown in chapter 1, rather than constituting a driving force of economic growth, trade has been a major contributor to Kyrgyzstan's economic vulnerability. Barring gold and oil products, which are highly sensitive to fluctuations in global prices, exports are dominated by products with low value-added and are concentrated with a few trading partners.

This erosive trade pattern finds constitutes a continuing trend from the pre-independence period, reflecting a limited success in capitalizing on the first wave of reforms that ushered the country's entrance into the WTO. Most notable among these gains were the increased investments and new export opportunities that were generated by the consolidation of free market operations. Rather

than stimulating a structural transformation in the industrial sector towards activities with high value-added, the post-WTO accession period saw the increased importance of gold mining as the main source of income growth, as FDI inflows went into this sector at the expense of the agricultural and manufacturing activities.

The rise of gold mining increased the importance of the EU countries as the main outlet for Kyrgyz products. These countries increased their share in Kyrgyzstan's total exports from 9.1 per cent in 1995-1996 to 37.5 in 2000, while the traditional CIS countries saw their share decline from 19.5 per cent to 6.6 percent.

Once gold is excluded, another export pattern emerges; one that is heavily concentrated with the traditional trading partners in the CIS region, particularly the Eurasian CU member countries of Kazakhstan and the Russian Federation. As shown in table 5.1, the two countries' have come to constitute the main outlet for Kyrgyzstan's non-gold exports, as the once strategic export markets of Uzbekistan lost their importance under the weight of border tensions. In 2000, Uzbekistan constituted the major outlet for Kyrgyzstan's exports (net of gold), with a share of 28.9 per cent, followed by the Russian Federation (21 per cent) and Kazakhstan (10.8 per cent). Subsequent years saw Uzbekistan's share in Kyrgyzstan's exports (net of gold) plummet to an average of 5 per cent in 2011-13, while the shares of Kazakhstan and the Russian Federation increased to 37.6 per cent and 25 per cent, respectively. Subsequent years also saw the share of the EU in Kyrgyzstan's exports (net of gold) assume a declining trend to reach 4.9 per cent in 2011-13 down from 11.7 per cent in 2000, suggesting the industries' deteriorating export competitiveness in the EU markets.

The increased concentration of Kyrgyz exports with Kazakhstan and the Russian Federation seems to be mainly driven by pull factors. As shown in figure 5.1, Kyrgyzstan's share in the total imports of the Russian Federation as assuming a declining trend since 2009, owing to the economic recession that hit the country under the weight of global

Table 5.1 Kyrgyzstan's export partners (1995-2013)

Export partners	1995-96 (Total exports)	2000 (Total exports)	2000 (Gold excluded)	2011-13 (Total exports)	2011-13 (Gold excluded)
EU27 members	9.1	37.5	11.7	2.5	4.9
Kazakhstan	19.5	6.6	10.8	19.1	37.6
PRC	11.4	8.7	11.4	2.7	5.2
Uzbekistan	20.2	17.7	28.9	2.5	5
Tajikistan	1.8	1.5	2.4	2.4	4.6
Iran, Islamic Rep.	1.1	1.3	2.2	0.5	0.9
Afghanistan	1	0.9	1.5	1.1	2.2
Russian Federation	26	12.9	21.1	12.7	25
Turkey	0.9	1.4	2.3	3.9	7.7
Switzerland	0.3	6.8	0.3	40.1	0.5
United Arab Emirates	0.1	0.3	0.5	8	1.6
Rest of the World	8.5	4.3	7.1	4.7	4.8

Source: UN Comtrade

economic crisis and since early 2014 the economic sanctions and counter-sanctions related to the Russia-Ukraine tensions.¹³³

In contrast, Kyrgyzstan's share in Kazakhstan's imports has been assuming an increasing trend since 2009, albeit annual fluctuations that mirror the country's growth performance. For, although Kazakhstan was hard hit by the global economic crisis, the economy bounced back quickly in 2009 because of the government's stabilization policy. However, this growth has been slowed in subsequent years owing to capacity constraints in the oil industry, less favourable terms of trade, and an economic slowdown in the Russian Federation.¹³⁴

¹³³ For a brief analysis of the Russian economy's performance, see, for example, World Bank (2014) "Policy uncertainty clouds medium-term prospects", Russian Economic Report No. 32, September; available at: http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2014/10/08/000350881_20141008110829/Rendered/PDF/912390WP0WB0RE00Box385330B00PUBLIC0.pdf

¹³⁴ World Bank (2014) "Kazakhstan country programme snapshot", October; available at: <http://www.worldbank.org/content/dam/Worldbank/document/Kazakhstan-Snapshot.pdf>

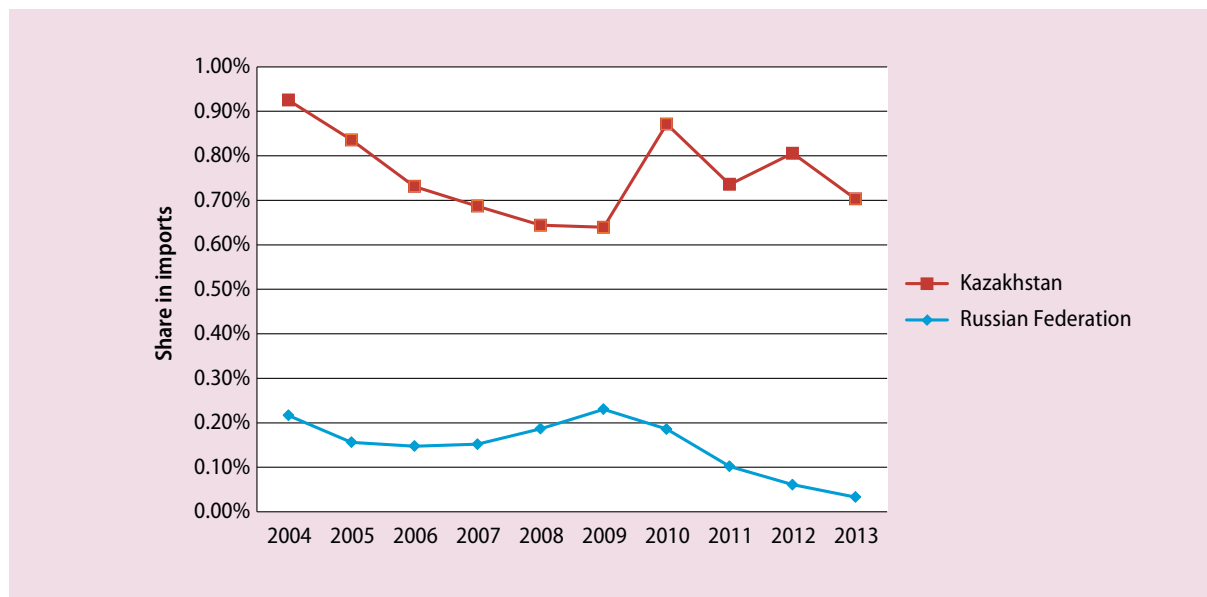
Whereas exports of Kazakhstan and the Russian Federation appear to be mainly driven by pull factors, exports to the EU seem to be a mainly driven by push factors. This is clearly demonstrated in figure 5.2, which shows the share of Kyrgyzstan in the EU's total imports as stagnating in the range of 1 to 1.5 percent since 2003. If anything, Kyrgyzstan's exports to this region appear to be immune to economic crisis that have besieged the EU region since 2009.

The Kyrgyz enterprises' limited success in competing in the EU markets is further highlighted from a cursory examination of composition of Kyrgyzstan's non-gold exports. As shown in table 5.2, the share of the top 20 products sold in the EU markets in Kyrgyzstan's total exports to this region jumped from 56 percent in 2003 to 80 per cent in 2011-13, suggesting increased product concentration. Cotton, which used to represent the major export to EU in 2003, saw its share in the top 20 exports to the region plunging from 43 per cent in 2003 to 2 per cent in 2013, mirroring the overall contraction of this sector (chapter 1, table 1.1).

At the same time, products that have registered improved export performance over the past decade are either unable to compete in EU markets or are experiencing an erosion in their export competitiveness. Cases in point are textiles and garments,

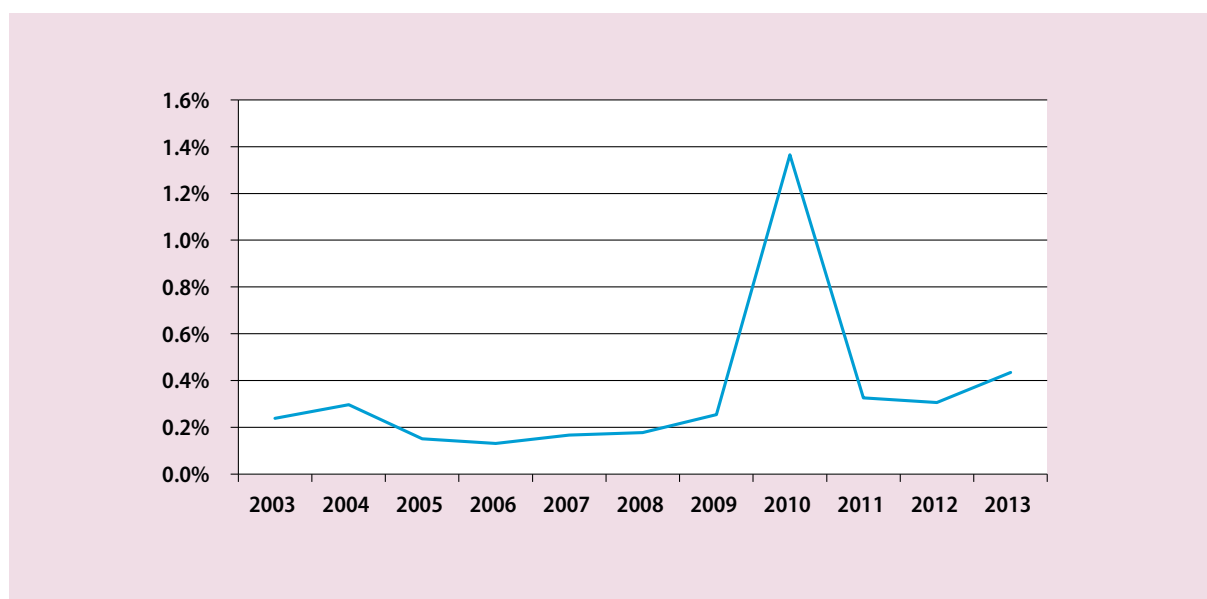
which do not figure on the list of key exports to this region, due to the EU's high MFN rates, and kidney beans, which saw their share in the total top 20 exports to the EU decline from around 21 per cent in 2011 to around 18 per cent in 2013.

Figure 5.1 Kyrgyzstan's share in the total imports of the Russian Federation and Kazakhstan



Source: UN Comtrade via WITS 6-Digit

Figure 5.2 Share of Kyrgyzstan in the imports of EU (2003-2013)



Source: UN Comtrade

Table 5.2 Kyrgyzstan's top 20 exports to the EU: 2003, 2011-2013

Product	2003	2011	2012	2013	2003	2011	2012	2013
	Value (in thousands USD)				Share			
Kidney beans, incl. white pea beans (Phaseolus vul...	569	7,401	8,005	9,184	1.72%	20.43%	18.09%	17.77%
Tobacco, not stemmed/stripped	316	1,662	3,276	667	0.95%	4.59%	7.40%	1.29%
Petroleum oils & oils obt. from bituminous mins. (...		4,717	7,576	11,811		13.02%	17.12%	22.85%
Silicon, cont. by wt. not <99.99% of silicon		399	1,129			1.10%	2.55%	
Reaction initiators, reaction accelerators & catal...		782	719	407		2.16%	1.63%	0.79%
Cotton, not carded/combed	14,281	1,356	429	863	43.12%	3.74%	0.97%	1.67%
Waste & scrap of precious metal/metal clad with pr...		623	470	399		1.72%	1.06%	0.77%
Waste & scrap of stainless steel	972	923	522	405	2.94%	2.55%	1.18%	0.78%
Copper waste & scrap		3,613	5,362	4,712		9.97%	12.12%	9.12%
Aluminium waste & scrap		270	219	423		0.75%	0.50%	0.82%
Unwrought lead, refined		560	548	352		1.55%	1.24%	0.68%
Unwrought lead other than refined, n.e.s. in 78.01		450	163	200		1.24%	0.37%	0.39%
Internal combustion piston engines (diesel/semi-di...		1,826	2,367	3,438		5.04%	5.35%	6.65%
Parts suit. for use solely/princ. with the engines...		102	378	434		0.28%	0.85%	0.84%
Pumps n.e.s. in 84.13		302	630	106		0.83%	1.42%	0.20%
Filtering/purifying machines and apparatus for gases, other than intake air filters for int. comb.engines		138	472	990		0.38%	1.07%	1.91%
Parts suit. for use solely/princ. with the mach. o...		614	651	354		1.70%	1.47%	0.69%
Gear boxes for the motor vehicles of 87.01-87.05		1,112	132	1,893		3.07%	0.30%	3.66%
Parts and accessories of the motor vehicles of headings 87.01 to 87.05	2,566	2,743	1,237	3,040	7.75%	7.57%	2.80%	5.88%
Games other than video games/ billiards, operated by coins/ banknotes		0	666	0		0%	1.50%	0%
Grand Total	18,704	29,593	34,950	39,678	56.48%	81.70%	78.99%	76.76%

Source: UN Comtrade via WITS 6-Digit

Exports to the Eurasian CU countries are more diversified, with the top 20 products sold in these countries representing around 60 per cent of Kyrgyzstan's total exports to this region. However, they are concentrated in products with low value-added. As shown in table 5.3, these products are dominated by fresh agricultural and food products, in addition to garments and textiles, benefiting from the more favorable MFN rates.

To gain further insight into Kyrgyzstan's export structure figure 5.3 goes beyond the top 20 exports to the EU and the Eurasian CU countries and captures major exports in 10 categories (excluding gold) by destination in 2013. In so doing, it reveals that Kyrgyzstan's exports to Kazakhstan and the EU are actually more diversified than those destined to the Russian Federation. Exports to Kazakhstan comprise miscellaneous manufactured goods, including textiles and garments, followed by food

Table 5.3 Kyrgyzstan's top 20 exports to the Eurasian CU countries: 2003, 2011-2013

Product	2003	2011	2012	2013	2003	2011	2012	2013
	Value (in thousands USD)				Share in top 20 exports			
Petroleum oils & oils obt. from bituminous mins. (...)	0.00	32,711	42,337	53,972	0%	6.42%	7.63%	11.53%
Float glass & surface ground/polished glass, non-w...	4,086.11	N/A	15,663	26,692	2.65%	N/A	2.82%	5.70%
Electrical energy (optional heading)	8,497.38	68,853	48,579	20,296	5.50%	13.51%	8.75%	4.34%
Women's/girls' dresses (excl. knitted or crocheted...)	362.79	18,911	24,325	18,313	0.23%	3.71%	4.38%	3.91%
Precious metal ores & concs. (excl. silver ores & ...)	113.32	7,743	25,220	17,447	0.07%	1.52%	4.54%	3.73%
Women's/girls' blouses, shirts & shirt-blouses (ex...)	105.35	20,707	22,033	15,383	0.07%	4.06%	3.97%	3.29%
Women's/girls' trousers, bib & brace overalls, br...	663.46	16,168	15,667	13,535	0.43%	3.17%	2.82%	2.89%
Cotton, not carded/combed	26,767.13	27,434	27,770	12,762	17.33%	5.38%	5.00%	2.73%
Carrots & turnips, fresh/chilled	507.10	8,263	5,853	11,852	0.33%	1.62%	1.05%	2.53%
Apples, fresh	409.55	8,141	10,765	10,176	0.27%	1.60%	1.94%	2.17%
Parts & accessories n.e.s. in Ch.90. for machines/...	0.00	5,071	4,040	10,113	0.00%	0.99%	0.73%	2.16%
Tobacco, not stemmed/stripped	10,627.21	10,302	6,956	9,247	6.88%	2.02%	1.25%	1.98%
Apricots, fresh	214.68	5,129	12,178	8,779	0.14%	1.01%	2.19%	1.88%
Electric filament lamps (excl. sealed beam/ ultra-v...)	8,100.02	7,963	8,461	8,212	5.24%	1.56%	1.52%	1.75%
Mosaic cubes and the like, of oth. calcareous ston...	0.51	2,631	4,937	7,587	0.00%	0.52%	0.89%	1.62%
Women's/girls' anoraks (incl. ski-jackets), wind-c...	0.00	6,786	8,845	6,808	0.00%	1.33%	1.59%	1.45%
Hosiery, knitted or crocheted, of cotton	141.31	6,651	11,054	6,806	0.09%	1.30%	1.99%	1.45%
Men's/boys' trousers, bib & brace overalls, breech...	3,794.33	10,241	8,540	6,777	2.46%	2.01%	1.54%	1.45%
Potatoes other than seed potatoes, fresh/chilled	37.78	18,453	10,246	6,541	0.02%	3.62%	1.85%	1.40%
Milk & cream, not concentrated/sweetened, fat cont...	2,068.33	10,428	10,477	6,224	1.34%	2.05%	1.89%	1.33%
Grand Total	66,496.36	292,587	323,947	277,523	43.04%	57.40%	58.35%	59.30%

Source : UN Comtrade via WITS 6-Digit

and live animals, manufactured goods classified chiefly by material and machinery and transport equipment. This export mix is similar to the one destined to the rest of the world, though the latter is mainly driven by food and live animals. Exports to the EU also show a significant degree of diversi-

fication, driven by commodities (with 23 per cent share of total exports excluding gold), along with machinery and transport equipment and food and live animals. In contrast, exports destined to the Russian Federation are confined to mineral fuels, lubricants and related materials.

Figure 5.3 Breakdown of Kyrgyzstan's exports by destination-2013 (SITC top level)

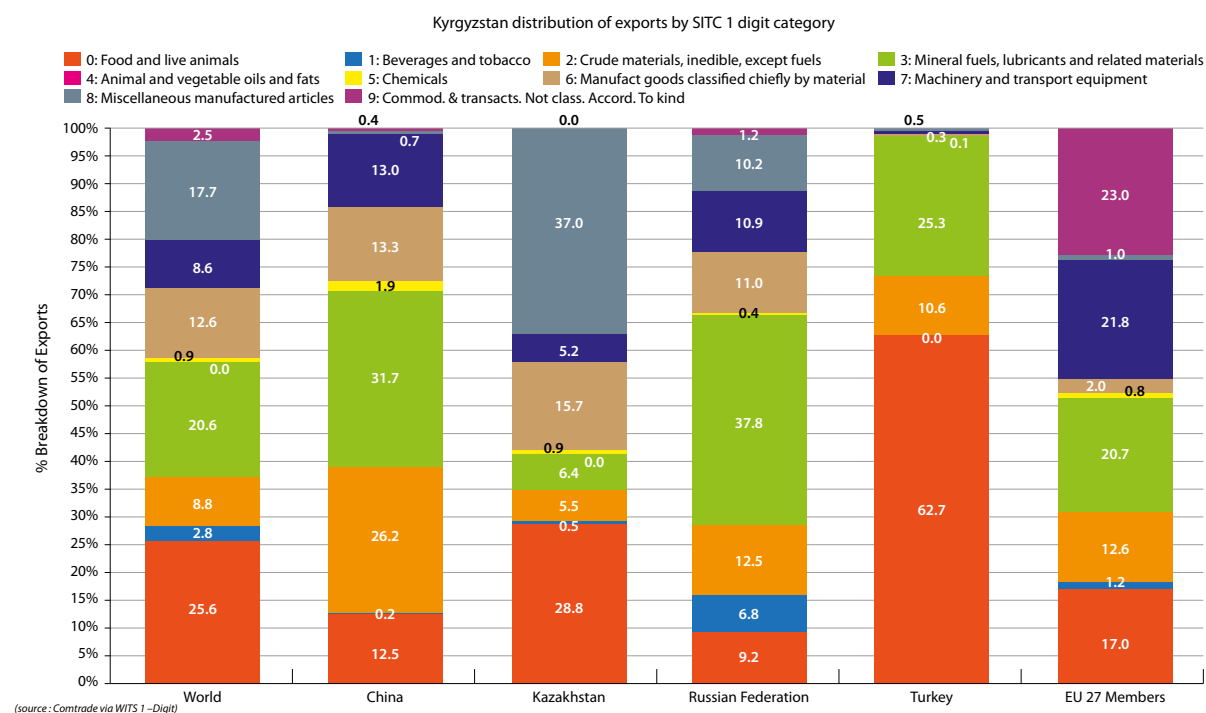
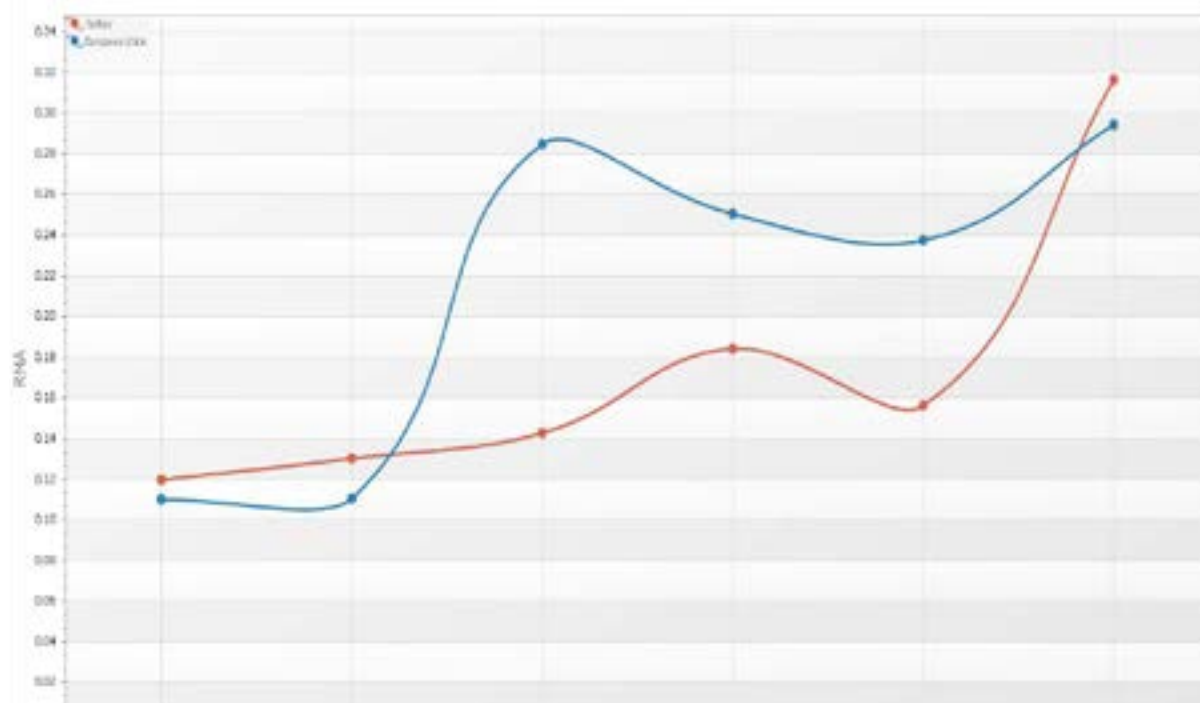


Table 5.4 Kyrgyzstan's export concentration index, excluding gold (2003-2013)

Year	China	EU 27	Kazakhstan	Russian Federation	Tajikistan	Uzbekistan	World
2003	0.09	0.22	0.05	0.11	0.07	0.30	0.05
2004	0.09	0.16	0.06	0.09	0.07	0.06	0.04
2005	0.08	0.10	0.06	0.11	0.08	0.07	0.03
2006	0.08	0.17	0.07	0.08	0.11	0.08	0.03
2007	0.12	0.15	0.08	0.04	0.10	0.12	0.03
2008	0.08	0.16	0.10	0.05	0.04	0.20	0.02
2009	0.05	0.13	0.12	0.04	0.04	0.08	0.02
2010	0.10	0.12	0.10	0.04	0.07	0.07	0.03
2011	0.10	0.09	0.09	0.05	0.13	0.09	0.03
2012	0.29	0.11	0.04	0.08	0.19	0.08	0.03
2013	0.13	0.14	0.02	0.18	0.19	0.08	0.04

Source: Calculations using Comtrade data via WITS 6-Digit

Figure 5.4 Kyrgyzstan RMA on the exports to the EU and Turkey with respect to exports to the Eurasian CU



Source: TradeSift calculations based on UN Comtrade data

To take the analysis a step further, table 5.4 traces the changes in Kyrgyzstan's export concentration index¹³⁵ over time. It shows that Kyrgyzstan's exports to the EU, Kazakhstan and Uzbekistan as becoming increasingly diversified.¹³⁶ In contrast, exports to the Russian Federation, PRC and Tajikistan have become less diversified over time.

The above-mentioned analysis suggests that while the pull factors emanating from the Kazakhstan and the Russian Federation have played a major role in determining Kyrgyzstan's export growth, the continued concentration of exports in a few products is mainly the result of push factors. The enterprises continue to lack the required technological capabilities for improving their productivity and for venturing into new activities.

¹³⁵ This is the Herfindahl-Hirschman Product Concentration Index, which measures the dispersion of trade value across exported products. The less diversified are the exports the closer the index value to 1.

¹³⁶ A fall in the index reflects increased diversification in the country's export mix.

The lack of reliable and high quality transport services at competitive prices is another factor. As shown in chapter three, not only do traders operate in the absence of adequate transport services, they also accrue high costs, which vary by transport mode. Empirical evidence shows that transport costs also vary by product. For example, for cotton exports from Kyrgyzstan to Russia, transport costs are below 10 per cent of the FOB (Free on Board) price of exports. On the other hand, for several agricultural products (tobacco, apple juice concentrate), transport costs from Central Asia quickly approach prohibitive levels even for deliveries to Russia (around 16 percent for tobacco), thus limiting exports in spite of ample local supplies and processing capacities.¹³⁷

Kyrgyzstan's ability to achieve greater levels of export diversification is also a function of mar-

¹³⁷ See, Raballand, G., A. Kunth, and R. Auty (2005). Central Asia's transport cost burden and its Impact on trade. *Economic Systems*, No. 29, March, pp: 6-31.

ket access conditions facing enterprises. This is clearly demonstrated in figure 5.4, which, using the Revealed Market Access (RMA), which compares market access levels into the EU countries in relation to the Eurasian CU member countries of Belarus, Kazakhstan and the Russian Federation after controlling for the size of the economies in question.¹³⁸ While the value of the RMA is below 1, as distance and, thus, transport costs, renders market access conditions to the EU less favorable than the Eurasian CU members. Nonetheless, an examination of the evolution of the RMA, suggests that the barriers to trade with the EU and Turkey have fallen over time in relation to those in the Eurasian CU. The value of the RMA has been assuming an increasing trend (getting closer to one), which means that, when controlling for the size of the economies, exports to the EU and Turkey have risen in comparison to exports to the Eurasian CU countries.

5.3. Challenges and opportunities from membership in the EU GSP+ arrangement

As motioned in Chapter 1, Kyrgyzstan is considering to apply for membership in the new GSP+ scheme, which came into effect on 1 January 2014 as part of the EU's reformed GSP regime. Kyrgyzstan, which is currently a beneficiary of the standard GSP regime, meets the GSP+ eligibility criteria, since it is a vulnerable country,¹³⁹ and has signed and ratified a series of international con-

ventions on, among others, human rights, good governance and anti-corruption.¹⁴⁰

The benefits from the new GSP+ scheme, which involves duty free access to products that receive limited tariff preferences under the Standard GSP scheme, have to be measured against the changes that were introduced to the GSP regime as a whole. These changes concentrate duty preferences on developing countries that are most in need, broaden the product scope subject to preferences and ensures swifter removal of benefits extended to those countries that register sustained improvement in their overall economic performance.¹⁴¹

To begin with, tariff preferences under the General and the GSP+ scheme are withdrawn from countries classified by the World Bank as “high” or “upper middle income” economies for three consecutive years. Countries benefitting from another trade arrangement with the EU (i.e. other autonomous arrangements or bilateral Free Trade Agreements), which provides at least the same tariff preferences as GSP for substantially all trade are also removed from the list of eligible GSP beneficiaries.¹⁴² These changes in the eligibility criteria have reduced the number of GSP beneficiary countries from 177 countries to 88. Moreover, product coverage under the new GSP+ scheme has been broadened to cover around 91 per cent of the EU customs tariff lines, including many textiles, clothing, footwear, raw materials, vehicles and machinery and food

¹³⁸ The RMA index controls (or normalizes) for the size of the markets, which constitutes a key factor driving the level of exports, in order to determine the presence of economic and institutional barriers, including previous commercial ties, common language, levels of trade facilitation and trade barriers. If RMA is above 1, this suggests that the country faces fewer market access obstacles in the destination country than in the comparator one. If the RMA is less than one, then this suggests unfavourable market access conditions in the destination country. An RMA less than one could, for example, arise either because of differences in distance between the markets under comparison or because of trade barriers in one of the markets.

¹³⁹ Vulnerable countries have to meet the specific criterion as established in EU Regulation 972/2012

¹⁴⁰ Decisions on extending GSP+ preferences to new countries are made on a case-by-case basis, and are triggered by formal membership applications from eligible countries, and Kyrgyzstan figures in the list of eligible countries published by the EU. The list of eligible countries is available at: http://trade.ec.europa.eu/doclib/docs/2012/november/tradoc_150043.pdf. The list has been since then revised, as some countries have been removed, including for example, Turkmenistan.

¹⁴¹ For further details, see EU Regulation 978/2012 of the European Parliament and of the Council of 25 October 2012 applying a scheme of generalised tariff preferences and repealing Council Regulation (EC) No 732/2008, [2012] OJ L 303/1, The terms of “Everything but Arms” (EBA) scheme were maintained. The EBA scheme provides for duty free and quota free access of all goods, with the exception of arms, from least developed countries

¹⁴² Eligibility to the “Everything but Arms” (EBA) scheme was maintained. The EBA scheme provides for duty free and quota free access of all goods, with the exception of arms, from least developed countries.

and live animals.¹⁴³ All these products figure on Kyrgyzstan's top 20 exports, and the expanded list offer an additional advantage for the country as it now includes Kidney beans.

Subsequent regulations also spared GSP+ beneficiary countries from product graduation mechanism.¹⁴⁴ This mechanism only applies to the Standard GSP scheme, and the threshold has been increased so that the preferences are suspended when the average value of EU imports from the country in question exceeds 17.5 per cent of the total value of EU imports of that product from all GSP beneficiary countries for three consecutive years (14.5 per cent for textiles and clothing).

Subsequent regulations also stipulate the re-introduction of normal customs duties for certain specific products from a beneficiary country, if such products are imported in volumes and/or prices, which could cause "serious difficulties" to EU producers. The EU is further entitled to remove GSP and GSP+ preferences for products from the textile, agriculture and fisheries sector should imports increase significantly.¹⁴⁵

Thus, potential gains from the new GSP+ scheme depend on the similarity of export structure between the beneficiary country in question and the excluded countries. The more different the export structure, the lower the benefits for the beneficiary country. For example, the exclusion of a major exporter of vehicle parts will not have an effect for beneficiary countries that do not export these products to the EU.

The potential benefits from the new GSP+ scheme also depends on the reaction of the excluded countries. It would be simplistic to assume that the exclusion of a country will drive out its products

from the EU market. Excluded countries may react by reducing their prices in order to offset the loss of preference. This is particularly the case in situations where the excluded countries boast competitive industries. It would be reasonable to assume that these industries would engage in a cutthroat competition to the detriment of the remaining beneficiary countries.

Moreover, beneficiary countries will also have to constantly review their export strategies, in order to keep pace with the shifting list of beneficiary countries (Box 5.1).¹⁴⁶ The list is reviewed by 1 January of each year to lift preferences for countries that no longer comply with the abovementioned criteria.¹⁴⁷

As shown in figure 5.5, the degree of similarity between Kyrgyzstan's structure of exports to the EU and that of some major excluded countries, estimated for products covered by the reformed GSP regime, is low. This also applies to the Russian Federation and Brazil. Although the degree of similarity between the export structures of the two countries and that of Kyrgyzstan is relatively higher than the other excluded countries, it remains well below one.¹⁴⁸

This means that potential benefits from membership in the GSP+ regime to Kyrgyzstan will be mainly a function of the share of the excluded countries in the EU markets at least in the first few years. This is clearly demonstrated in table 5.5, which compares the size of the exports of these countries relative to the exports of Kyrgyzstan for the top 20 products that the latter sells in EU. The focus on the top 20 products is even more justified by the fact that they are all covered by GSP+ regime.

¹⁴³ Differently put, taking into account those tariff lines with Most Favourable Nation (MFN) tariff equal to zero, the GSP Plus regime leaves only 9 per cent of tariff lines are today outside GSP preferences. The list of products covered by the new regime is provided in Annex V of the EU Regulation 972/2012. The EU incorporated new products since then and these are available at: http://trade.ec.europa.eu/doclib/docs/2012/october/tradoc_150026.pdf

¹⁴⁴ See EU Regulation 1803/2013. The list of GSP sections subject to such graduation will be published in a separate EU Regulation (978/2012).

¹⁴⁵ See EU Regulation 1803/2013.

¹⁴⁶ Changes to list of eligible countries are published online and are available at: http://ec.europa.eu/trade/policy/countries-and-regions/development/generalised-scheme-of-preferences/index_en.htm

¹⁴⁷ To allow countries to adapt to the change in a country's status, a decision to remove a country from the list on the basis of its World Bank's classification is effected from one year after the entry into force of such a decision. A decision to remove a country from the list because it has concluded a preferential market access arrangement with the EU enters into force 2 years after the date of application of the arrangement in question.

¹⁴⁸ The calculation used the EU's Common Nomenclature, which is based on a 6 digits classification, the FK index estimations may overestimate the degree of similarity, as products not covered at 8 digits level appear as covered.

Box 5.1 The shifting list of GSP and GSP+ beneficiary countries

Shortly after its entrance into force on 1 January 2014, the new GSP+ preferences were granted to Armenia, Bolivia, Costa Rica, Cape Verde, Ecuador, El Salvador, Georgia, Guatemala, Mongolia, Peru, Pakistan, Panama and Paraguay. However, in September 2014, the EU announced withdrawing GSP preferences from Peru, Colombia, Honduras, Nicaragua, Panama, Costa Rica, El Salvador and Guatemala, as of 1 January 2016, due to the application of preferential market access arrangements (a free trade agreement) with the EU.

Most recently, the EU granted GSP preferences to Botswana, Cameroon, Côte d'Ivoire, Fiji, Ghana, Kenya, Namibia, and Swaziland, since these countries ceased to be covered by the market access arrangements with the EU.¹⁵⁰ The EU also re-introduced Botswana and of Namibia, which no longer enjoy another preferential access to the EU.

The EU also announced, in September 2014, the withdrawal of GSP preferences extended to Turkmenistan as of 1 January 2016 due to its economic development level. Other excluded countries include China, Thailand, Ecuador and the Maldives, which no longer benefit from GSP preferences as of 1 January 2015, because of their World Bank classification in the past three years.

In addition, since the new GSP regime's entrance into force, the following 8 high-income countries were removed from the GSP list of beneficiary countries: Saudi Arabia, Kuwait, Bahrain, Qatar, United Arab Emirates, Oman, Brunei Darussalam; Macao, along with the following 12 upper-middle income countries: Argentina, Brazil, Cuba, Uruguay, Venezuela; Belarus, Russia, Kazakhstan; Gabon, Libya, Malaysia, Palau.

Source: TradeSift calculations based on UN Comtrade data

Table 5.5 suggests that the exclusion of Uruguay is unlikely to be of major consequence, since the size of Kyrgyzstan's exports exceeds that of Uruguay and this applies to all of Kyrgyzstan's top 20 exports. The possibility that the Uruguayan companies engage in price-based competition is low, since they do not enjoy a strong position in the EU markets.¹⁴⁹

In contrast, exporters of kidney beans stand to benefit from the exclusion of Argentina, since its exports are 9.4 times higher than those of Kyrgyzstan are. However, for exporters targeting Turkey, which by virtue of its CU with the EU is also a provider of GSP+ preferences, the exclusion of Argentina brings significant opportunities, since the size of its exports are modest compared to Kyrgyzstan.

The potential benefits to Kyrgyzstan also depend on the difference between the applied duty preferences under the reformed GSP regime and preferences applied under the previous GSP regime. Excluded countries selling products where the difference is significant will have to reduce their prices significantly to maintain their position on the EU markets. In cases where the excluded companies are in a position to do so, and where the difference between the previous and current applied duty preferences is modest, the Kyrgyz enterprises will find it difficult to compete.

Thus, given the low degree of similarity between the Kyrgyzstan's export structure and that of the excluded countries, the potential gains to will be modest, at least during the immediate run. Only a limited range of products is likely to register a surge in exports, the extent to which the excluded country(ies) would engage in cutthroat competition.

Kyrgyzstan's success in capitalizing on new opportunities also depends on the enterprises' ability to meet regulatory requirements applied in the EU. These requirements feature a growing list of environmental, health and safety standards and technical regulations that threaten to restrict access to EU markets. This is all the more so in view of the country's weak quality control and quality assurance system, particularly in relation to food safety.

Kyrgyzstan's Notifications through the EU Rapid Alert System for Food and Feed (RASFF) show that exporters of nuts are finding it difficult to comply with the SPS requirements. As shown in table 5.6, nuts originating from Kyrgyzstan, particularly pistachios, have been denied entry into several EU markets due to aflatoxins problems. It should be noted that nuts were the only products reported through RASEF since 2008, lending further evidence to the food industry's poor export competitiveness. As mentioned in the previous chapter, food producers export a narrow range of goods,

¹⁴⁹ These arrangements are provided by Regulation (EC) No 1528/2007

Table 5.5 Size of the excluded countries' exports in relation to that of Kyrgyzstan (Average 2011-2013)

Product	Argentina	Azerbaijan	Brazil	Iran	Kazakhstan	Malaysia	Russian Federation	Uruguay
Kidney beans, incl. white pea beans....	9.4	-	0.2	0.0	-	-	0.0	-
Tobacco, not stemmed/stripped	0.6	-	18.2	-	0.9	0.0	0.0	-
Petroleum oils & oils obt. from bituminous mins.	0.0	39.9	187.8	0.3	205.1	23.9	6,704.0	0.0
Silicon, cont. by wt. not <99.99% of silicon	-	-	-	-	-	0.5	9.7	-
Reaction initiators, reaction accelerators & catal...	0.0	-	0.1	19.7	0.0	0.1	1.2	-
Cotton, not carded/combed	9.2	0.0	25.3	-	43.3	0.5	-	-
Waste & scrap of precious metal/ metal clad with pr...	3.3	-	161.6	-	6.5	10.1	5.3	0.5
Waste & scrap of stainless steel	4.2	-	67.1	2.9	37.6	0.3	173.5	0.2
Copper waste & scrap	-	-	5.8	-	0.1	0.0	0.1	0.3
Aluminium waste & scrap	0.1	-	7.8	-	2.2	0.0	-	0.1
Unwrought lead, refined	0.0	-	-	5.6	300.9	12.4	29.8	-
Unwrought lead other than refined, n.e.s. in 78.01	0.3	0.6	-	-	6.5	0.8	3.2	-
Internal combustion piston engines (diesel/semi-di...	0.0	0.0	1.2	-	0.1	0.9	4.4	0.0
Parts suit. for use solely/princ. with the engines...	83.2	0.0	1,770.0	8.0	2.2	12.9	33.7	0.2
Pumps n.e.s. in 84.13	0.8	0.2	0.8	-	1.6	1.2	1.1	0.0
Filtering/purifying mach. & app. for gases, other ...	0.6	0.0	21.7	0.0	0.2	14.6	9.4	0.0
Parts suit. for use solely/princ..	0.0	0.1	64.4	-	0.6	5.4	86.8	0.0
Gear boxes for the motor vehicles of 87.01-87.05	84.4	-	42.3	0.0	0.1	0.3	2.2	0.0
Parts & accessories of the motor vehicles of 87.01...	5.7	0.0	38.5	0.2	0.1	16.6	2.1	0.0
Games other than video games/ billiards, operated b...	0.0	1.4	0.1	-	1.0	0.2	120.3	-

and these are mainly destined to the neighboring country of Kazakhstan. Moreover, these products have to be re-testing in countries of destination.

Traders are also unable to comply with EU certification requirements for genetically modified organism (GMO) food products, given the absence of accredi-

ed laboratories for conducting the required tests and analysis. Representatives of market support institutions explained that, nonetheless, the State Inspection on Veterinary and Phytosanitary Safety issues GMO certificates, to the detriment of exporters. These accrue additional costs at a time when the EU authorities do not recognize Kyrgyzstan's GMO certificates.

Table 5.6 Notifications through the RASFF affecting products from Kyrgyzstan

Date	Notification type	Notification basis	Notifying country	Justification
10/03/2008	Border rejection	Border control - consignment detained	Italy	aflatoxins (B1 = 41.9; Tot. = 47.8 / B1 = 47.4 47.4; Tot. = 53.5 / B1 = 66.9; Tot. = 74.9 µg/kg - ppb) in pistachios from Kyrgyzstan, dispatched from Turkey
15/01/2009	Border rejection	Border control - consignment detained	Bulgaria	aflatoxins (B1 = 27; Tot. = 29 / B1 = 1; Tot. = 1.1 / B1 = 10; Tot. = 12 µg/kg - ppb) in walnuts without shell from Kyrgyzstan
12/02/2010	Border rejection	Border control - consignment detained	Belgium	aflatoxins (B1 = 37; Tot. = 45 / B1 = 11; Tot. = 12 / B1 = 9.8; Tot. = 11 / B1 = 3.7; Tot. = 4.5 µg/kg - ppb) in pistachio kernels from Turkey, with raw material from Kyrgyzstan
24/02/2010	Border rejection	Border control - consignment detained	Belgium	aflatoxins (B1 = 101; Tot. = 138 / B1 = 61; Tot. = 78 / B1 = 61; Tot. = 80 µg/kg - ppb) in pistachios from Kyrgyzstan, dispatched from Turkey
14/01/2011	Border rejection	Border control - consignment detained	Belgium	aflatoxins (B1 = 76; Tot. = 79 / B1 = 22; Tot. = 23 µg/kg - ppb) in pistachio kernels from Kyrgyzstan, dispatched from Turkey

Source: EU RASFF

Table 5.7 Breakdown of NTMs applied in the EU by frequency (2012)

NTM Code	NTM description	Number of affected tariff lines	Share in total applied NTMs
A	Sanitary and phytosanitary measures (SPS)		
A1	Prohibitions/restrictions of imports for SPS reasons	8819	9.7
A2	Tolerance limits for residues and restricted use of substances	9480	10.4
A3	Labelling, marking and packaging requirements	5110	5.6
A4	Hygienic requirements	4842	5.3
A5	Treatment for elimination of plant and animal pests and disease-causing organisms in the final product	11	0.0
A6	Other requirements on production or post-production processes	2584	2.8
A8	Conformity assessment related to SPS	11642	12.8
B	Technical barriers to trade (TBT)		
B1	Prohibitions/restrictions of imports for objectives set out in the TBT agreement	9420	10.4
B2	Tolerance limits for residues and restricted use of substances	1074	1.2
B3	Labelling, marking and packaging requirements	16276	17.9
B4	Production or post-production requirements	1142	1.3
B6	Product identity requirement	87	0.1
B7	Product-quality or -performance requirement	7103	7.8
B8	Conformity assessment related to TBT	12492	13.7
C	Pre-shipment inspection and other formalities		
C4	Import-monitoring and -surveillance requirements and other automatic licensing measures	132	0.1
E	Licences, quotas, prohibition & other quantity control		
E1	Non-automatic import-licensing procedures other than authorizations for SPS or TBT reasons	278	0.3
E2	Quotas	1	0.0
E3	Prohibitions other than for SPS and TBT reasons	30	0.00033
G	Finance measures		
G1	Advance payment requirement	264	0.3
H	Anti-competitive measures		
H1	State-trading enterprises, for importing; other selective	92	0.1
Total number of tariff lines affected by NTMs		90,879	~100

Source: United Nations Conference on Trade and Development (UNCTAD) Trade Analysis and Information System (TRAINS)

Other non-tariff measures (NTMs) that Kyrgyz traders are likely to face can be discerned from table 5.7, which breaks down these measures in terms of the number of tariff lines (at 8 digits) they affect. The table shows that traders are likely to face demanding labelling, marking and packaging requirements, which appear as the most frequent NTM affecting almost 18 per cent of the tariff lines. Conformity assessment measures (A6 and B8) also show a high frequency, affecting around 27 per cent of the total tariff lines.

Some products may be affected by multiple or different types of NTMs. This is especially the case of food products that are subject to SPS

and technical measures such packaging requirements. Table 5.8, which provides the distribution of NTMs across the Harmonized Schedule (HS) chapters, shows that most notable among these are the pharmaceuticals (chapter 30), followed by the preparation of vegetables, fruit, nuts or other parts of plants (chapter 20), where SPS conformity assessment measures are demanding. The third group of most affected products are machinery and equipment (chapter 84), where TBT measures are particularly significant. For food products, the control FMD, along the lines explained in the previous chapter is critical for complying with the EU SPS and safety requirements.

Table 5.8 Breakdown of NTMs applied in the EU by HS chapters

HS Chapter	Description	A1	A2	A3	A4	A5	A6	A8	B1	B2	B3	B4	B6	B7	B8	C4	E1	E2	E3	G1	H1	Grand Total	Share
30	Pharmaceutical products	1581	1665	900	855		25	2038	498		1763			17	452	50						9844	10.8
20	Preparations of vegetables, fruit, nuts or other parts of plants	1275	1784	923	840		646	2151	510		1661						25			25		9840	10.8
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof		76	76					462	397	468	418		2477	3340	1					17	7732	8.5
40	Rubber and articles thereof	666	867	170	332		338	1172	208		748	2		86	97	2	138			138	2	4966	5.5
85	Electrical machinery and equipment and parts thereof;		14	14					329	328	391	311		1487	2080						3	4957	5.5
22	Beverages, spirits and vinegar	364	546	465	364		182	829	176		640				1		4			4		3575	3.9
15	Animal or vegetable fats and oils and their cleavage products prepared edible fats; animal or vegetable waxes	455	448	379	344		194	526	424		580				114							3464	3.8
29	Organic chemicals								1729		940	2	2	1	456							3130	3.4
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	111	140	70	70		35	152	200	155	391	167		519	846	59					12	2927	3.2
10	Cereals	486	422	234	178		153	460	122		260			23			44			44		2426	2.7
11	Products of the milling industry; malt; starches; inulin; wheat gluten	494	424	352	282		141	354	77		287				2		1			1		2415	2.7

HS Chapter	Description	A1	A2	A3	A4	A5	A6	A8	B1	B2	B3	B4	B6	B7	B8	C4	E1	E2	E3	G1	H1	Grand Total	Share	
16	Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates	238	332	118	196	11	80	456	100		296		11		40	8	5		5			1896	2.1	
80	Tin and articles thereof	277	307	134	134		67	446	76		247			67	45	1	1		1			1802	2.0	
21	Miscellaneous edible preparations	226	304	117	135		92	373	141		282				18	2	2		2			1692	1.9	
28	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or of isotopes	4	4		2		2	8	703		539	60	35	17	262	2					25		1663	1.8
12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruits; industrial or medicinal plants; straw and fodder	336	210	180	142		71	304	100	6	195			42	11		12					1609	1.8	
70	Glass and glassware	170	270	119	96		48	289	51		240			101	78	3	3					1468	1.6	
81	Other base metals; cermet; articles thereof	195	232	102	102		51	268	141		258			32	59							1440	1.6	
71	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal and articles thereof; imitation jewellery; coin	228	233	144	128		64	275	95		200			27	9		11			11		1425	1.6	
62	Articles of apparel and clothing accessories, not knitted or crocheted								149		392	7		188	562						7	1305	1.4	
Rest of Chapters		1713	1202	613	642	0	395	1541	3129	188	5498	175	39	2019	4020	10	32	1	30	30	26	21303	23.4	
Share of top 20		80.6	87.3	88.0	86.7	100.0	84.7	86.8	66.8	82.5	66.2	84.7	55.2	71.6	67.8	92.4	88.5	0	0	88.6	71.7	76.6		

Source: TRAINS

Table 5.9 Revealed Comparative Advantage for the top 20 exports to the EU

Product	2003	2011	2012	2013
Kidney beans, incl. white pea beans (Phaseolus vul...	0.98	0.99	0.99	1.00
Tobacco, not stemmed/stripped	0.98	0.96	0.97	0.97
Petroleum oils & oils obt. from bituminous mins. (...)	-1.00	0.15	0.27	0.35
Silicon, cont. by wt. not <99.99% of silicon	-0.89	-0.42	0.38	-1.00
Reaction initiators, reaction accelerators & catal...	-1.00	0.44	0.48	0.17
Cotton, not carded/combed	0.98	0.87	0.91	0.85
Waste & scrap of precious metal/metal clad with pr...	-0.74	-0.21	-0.16	0.09
Waste & scrap of stainless steel	0.77	0.03	-0.03	0.21
Copper waste & scrap	0.25	0.38	0.65	0.61
Aluminium waste & scrap	0.84	0.11	0.11	0.24
Unwrought lead, refined	-1.00	0.13	0.29	0.00
Unwrought lead other than refined, n.e.s. in 78.01	-1.00	0.67	0.10	0.21
Internal combustion piston engines (diesel/semi-di...	-0.76	0.05	0.37	0.50
Parts suit. for use solely/princ. with the engines...	-1.00	-0.95	-0.78	-0.76
Pumps n.e.s. in 84.13	-0.81	-0.11	0.25	-0.44
Filtering/purifying mach. & app. for gases, other ...	-1.00	-0.85	-0.48	-0.23
Parts suit. for use solely/princ. with the mach. o...	-0.86	-0.67	-0.57	-0.70
Gear boxes for the motor vehicles of 87.01-87.05	-0.87	-0.66	-0.79	-0.48
Parts & accessories of the motor vehicles of 87.01...	-0.33	-0.54	-0.71	-0.49
Games other than video games/billiards, operated b...	-0.88	-0.66	0.42	-0.56

Source: TradeSift calculations using data from Comtrade via WITS 6-Digit

At the same time, Kyrgyzstan's efforts to diversify its exports are likely to be undermined by the GSP RoO. The challenges that traders might face are not related to the RoO per se, as these were relaxed and simplified these in 2010, including moving to the single transformation process.¹⁵⁰ Rather, they are mainly caused by the exclusion of Kyrgyzstan's neighboring trading partners from the GSP regime. Kyrgyzstan will not be able to use the regional accumulation method with its main trading partners, including China, Kazakhstan and the Russian Federation, and cumulating with other neighboring countries, such as Uzbekistan, might be difficult, in view of the prevailing regulatory and procedural barriers to trade (Chapter 4). Thus, the exclusion of Kyrgyzstan's major trading partners from the GSP regime may constitute an impediment for exporters, as regional accumulation is reduced.

A request for extended regional cumulation so that it includes other EU partners should be considered. This would also put Kyrgyz enterprises in a better position to increase their exports to the EU. As shown in table 5.9, measured in terms of the Revealed Comparative Advantage (RCA) of the top exports to the EU, Kyrgyzstan seems to be an efficient supplier of kidney beans, tobacco and cotton. However, it exhibits negative normalized RCA for several products, particularly machinery and vehicles, which are exported in modest quantities. If anything, it is surprising that Kyrgyz enterprises succeed in selling these products in EU markets, especially since these products do not benefit from tariff preferences.

Thus, the analysis suggests that Kyrgyzstan's ability to reap benefits from membership in the EU GSP+ scheme depends to a large extent on the Government's ability to develop its quality control and quality assurance system, as a pre-condition for improving market access conditions facing enterprises in the EU markets. Equally important is exploring the possibility of extending regional cumulation, so that it includes other EU partners and the development of transport infrastructure

¹⁵⁰ See EU Regulation 1063/2010.

and associated auxiliary services to reduce the additional transaction costs associated with the country's land-locked status and remoteness from international maritime routes.

There is also the need to speed up efforts to standardize, streamline and automate documentary requirements, which generate additional unnecessary costs for traders. This is all the more necessary to enable the enterprises to benefit from the EU's self-certification system that will replace the system of certification of origin by public authorities as of 1 January 2017. Under this system, exporters will be able to directly provide their customers with statements on origin through a registered exporter system (REX), which will be introduced for that purpose.

Indeed, access to the GSP regime will be conditional upon the beneficiary countries' success in consolidating the administrative and ICT systems required for managing the GSP rules of origin and related procedures, including the application of regional cumulation. Each beneficiary country will need to establish an electronic record of registered exporters, following specific guidelines that are communicated by the EU to the relevant authorities upon the country's entrance into the GSP regime. The Government should also familiarize traders, especially SMEs, with the new export opportunities offered by the GSP+ scheme and ensure that national enquiry points, such as the one maintained by the SESW, disseminate notifications to relevant national parties on the EU's trade-related regulatory requirements and administrative procedures.

The above-mentioned actions will allow enterprises to achieve economies of scale. Achieving economies of scope requires parallel efforts to improve the manufacturing sector's technological capability at the enterprise level, since establishing a developed quality assurance and quality control system will not result in automatic improvements in the enterprises' production processes. The aim should be to enable enterprises to better assimilate and improve on new technologies. This is particularly since only 10 per cent of the country's current exports to the EU are eli-

gible for GSP preferences (see table 5.8). Delving into the details of these efforts falls beyond the scope of this paper. It suffices to say that such efforts involve an intricate exercise, which requires innovative approaches that create dynamic synergies between trade and industrial development.

Without addressing these challenges, especially those related to the RoO and FMD control, Kyrgyz enterprises will not be able to capitalize on the new opportunities provided by the EU GSP+ scheme. This comes across clearly from empirical evidence, provided in table 5.10, which points to the country's low utilization of GSP preferences under the previous regime. The table, which breaks down EU imports from the country by import regime eligibility (GSP, MFN and Unknown), provides the value of EU imports from Kyrgyzstan, which effectively received GSP tariff preferences (the first two columns) and those that did not receive such preferences despite their eligibility (third column). To take the analysis a step further the table also provides the value of imports that received positive and zero MFN (fifth and sixth columns), and the shares of imports under the different regimes (the bottom panel of the table). The utilization rates of preferences are provided in the last column.¹⁵¹

The table shows that the Kyrgyzstan's exports to the EU have become increasingly concentrated in the zero MFN regime. In 2003, around 16 per cent of EU imports from Kyrgyzstan received positive GSP tariff preferences, while the share of imports that received zero MFN treatment stood at around 59 per cent. In 2013, the share of EU imports that received positive GSP preference plummeted to around 2 per cent, while the share of imports that received zero MFN treatment increased to 93 per cent. This shift was underpinned by a reduction in the share of imports receiving GSP preferences from around 81 per cent in 2003 to around 27 per cent in 2013.

¹⁵¹ The utilization rates= the value of products that effectively received GSP preferences (sum of the first two columns) / the value of total imports eligible for GSP preferences (sum of the first four columns)

Table 5.10 EU's imports from Kyrgyzstan by eligibility and import regime (Euro thousands)

Year	GSP				MFN		Unknown	Total imports
	GSP>0	GSP=0	MFN	Unknown	MFN>0	MFN=0		
2003	2,065.5	425.2	560.8	37.0	0.0	7,725.2	2,207.7	13,021.4
2004	1,833.8	894.0	8,901.5	34.7	72.7	10,496.3	277.6	22,510.4
2005	1,944.8	817.4	3,846.4	7.1	49.0	8,691.7	185.9	15,542.3
2006	2,405.7	749.3	825.6	271.9	554.6	10,498.3	960.9	16,266.2
2007	2,364.4	438.4	1,543.1	228.3	1,120.7	16,839.2	226.2	22,760.4
2008	1,372.7	972.1	6,667.0	0.0	349.9	17,812.4	421.3	27,595.5
2009	2,772.1	239.2	2,820.3	0.0	0.0	22,960.1	508.5	29,300.2
2010	1,273.4	262.1	706.9	1.1	811.9	195,134.5	240.1	198,429.9
2011	1,669.5	233.4	1,838.8	81.5	712.6	48,773.1	306.4	53,615.2
2012	484.0	218.8	2,589.3	0.1	659.5	50,167.3	122.9	54,242.0
2013	828.8	268.2	2,967.3	29.2	876.9	72,116.5	125.9	77,212.8
Shares (in percentages)								Utilisation Rate
2003	15.86	3.27	4.31	0.28	0.00	59.33	16.95	80.65
2004	8.15	3.97	39.54	0.15	0.32	46.63	1.23	23.39
2005	12.51	5.26	24.75	0.05	0.32	55.92	1.20	41.75
2006	14.79	4.61	5.08	1.67	3.41	64.54	5.91	74.19
2007	10.39	1.93	6.78	1.00	4.92	73.98	0.99	61.27
2008	4.97	3.52	24.16	0.00	1.27	64.55	1.53	26.02
2009	9.46	0.82	9.63	0.00	0.00	78.36	1.74	51.64
2010	0.64	0.13	0.36	0.00	0.41	98.34	0.12	68.44
2011	3.11	0.44	3.43	0.15	1.33	90.97	0.57	49.77
2012	0.89	0.40	4.77	0.00	1.22	92.49	0.23	21.35
2013	1.07	0.35	3.84	0.04	1.14	93.40	0.16	26.80

Source: Eurostat traditional international trade database (ComExt)

Kyrgyzstan's exports that have effectively received GSP tariff preferences in 2011-2013 are provided in table 5.11.¹⁵² Products that registered 100 per cent utilization rate of the GSP preferences included fresh and provisionally preserved mushrooms, yarn, some garments, some footwear products

and camera lenses, and the value of exports for all these exports was modest. Other products registering high utilization rates include some dairy products, some handicrafts and footwear. These products should therefore receive priority treatment in future enterprise development efforts, in addition to kidney beans, white peas, and tobacco, which have been introduced to the GSP+ list of eligible products.

¹⁵² The table lists only those products with a total export value exceeding EURO 10,000.

Table 5.11 Breakdown of Kyrgyzstan's exports receiving GSP preferences by product (average 2011-13)

HS Code	Description	GSP>0	GSP=0	MFN	UNKNOWN	UTILISATION RATE
07095910	FRESH OR CHILLED CHANTERELLES		20,090			100.00
07095990	FRESH OR CHILLED EDIBLE MUSHROOMS (EXCL. CHANTERELLES, FLAP MUSHROOMS, MUSHROOMS OF THE GENUS "AGARICUS" AND TRUFFLES)	55,530				100.00
07115900	MUSHROOMS AND TRUFFLES, PROVISIONALLY PRESERVED, E.G., BY SULPHUR DIOXIDE GAS, IN BRINE, IN SULPHUR WATER OR IN OTHER PRESERVATIVE SOLUTIONS, BUT UNSUITABLE IN THAT STATE FOR IMMEDIATE CONSUMPTION (EXCL. MUSHROOMS OF THE GENUS "AGARICUS")	154,963				100.00
07119070	CAPERS PROVISIONALLY PRESERVED, E.G. BY SULPHUR DIOXIDE GAS, IN BRINE, IN SULPHUR WATER OR IN OTHER PRESERVATIVE SOLUTIONS, BUT UNSUITABLE IN THAT STATE FOR IMMEDIATE CONSUMPTION			10,640		0.00
07123900	DRIED MUSHROOMS AND TRUFFLES, WHOLE, CUT, SLICED, BROKEN OR IN POWDER, BUT NOT FURTHER PREPARED (EXCL. MUSHROOMS OF THE GENUS "AGARICUS", WOOD EARS "AURICULARIA SPP" AND JELLY FUNGI "TREMELLA SPP.")	58,935		499,485		10.55
07135000	DRIED, SHELLED BROAD BEANS "VICIA FABA VAR. MAJOR" AND HORSE BEANS "VICIA FABA VAR. EQUINA AND VICIA FABA VAR. MINOR", WHETHER OR NOT SKINNED OR SPLIT			10,860		0.00
08023200	FRESH OR DRIED WALNUTS, SHELLED	283,767		385,297	55,610	39.16
08132000	DRIED PRUNES			70,783		0.00
08133000	DRIED APPLES		34,480	964,573	27,570	3.36
08134030	DRIED PEARS			53,920		0.00
08134095	DRIED FRUIT, EDIBLE (EXCL. NUTS, BANANAS, DATES, FIGS, PINEAPPLES, AVOCADOS, GUAVAS, MANGOES, MANGOSTEENS, PAPAW'S "PAPAYAS", TAMARINDS, CASHEW APPLES, LYCHEES, JACKFRUIT, SAPODILLO PLUMS, PASSION FRUIT, CARAMBOLA, PITAHAYA, CITRUS FRUIT, GRAPES, APRICOTS, PLUMS, APPLES, PEARS AND PEACHES, UNMIXED)			24,030		0.00
12093000	SEEDS OF HERBACEOUS PLANTS CULTIVATED MAINLY FOR FLOWERS, FOR SOWING		5,720	6,160		48.15
21069092	FOOD PREPARATIONS, N.E.S., NOT CONTAINING MILKFATS, SUCROSE, ISOGLUCOSE STARCH OR GLUCOSE OR CONTAINING, BY WEIGHT, < 1.5% MILKFAT, < 5% SUCROSE OR ISOGLUCOSE, < 5% GLUCOSE OR < 5% STARCH	18,443		2,000		90.22

HS Code	Description	GSP>0	GSP=0	MFN	UNKNOWN	UTILISATION RATE
21069098	FOOD PREPARATIONS, N.E.S., CONTAINING, BY WEIGHT, >= 1,5% MILKFAT, >= 5% SUCROSE OR ISOGLUCOSE, >= 5% GLUCOSE OR >= 5% STARCH	13,900		18,965		42.29
24011060	SUN-CURED ORIENTAL TYPE TOBACCO, UNSTEMMED OR UNSTRIPPED	220,583		274,650		44.54
27101968	FUEL OILS OBTAINED FROM BITUMINOUS MATERIALS, WITH A SULPHUR CONTENT OF > 1% BY WEIGHT (EXCL. FOR UNDERGOING CHEMICAL TRANSFORMATION, AND CONTAINING BIODIESEL)		10,450			100.00
34031990	LUBRICATING PREPARATIONS, INCL. CUTTING-OIL PREPARATIONS, BOLT OR NUT RELEASE PREPARATIONS, ANTI-RUST OR ANTI-CORROSION PREPARATIONS AND MOULD-RELEASE PREPARATIONS, BASED ON LUBRICANTS, CONTAINING, BY WEIGHT, < 70% OF PETROLEUM OIL OR OIL OBTAINED FROM BITUMINOUS MINERALS (EXCL. PREPARATIONS FOR THE TREATMENT OF TEXTILE MATERIALS, LEATHER, FUR SKINS OR OTHER MATERIALS)			11,560		0.00
38121000	PREPARED RUBBER ACCELERATORS			10,310		0.00
39076080	POLY"ETHYLENE TEREPHTHALATE", IN PRIMARY FORMS, HAVING A VISCOSITY NUMBER OF < 78 ML/G			104,030		0.00
40116300	PNEUMATIC TYRES, NEW, OF RUBBER, HAVING A "HERRING-BONE" OR SIMILAR TREAD, OF A KIND USED ON CONSTRUCTION OR INDUSTRIAL HANDLING VEHICLES AND MACHINES AND HAVING A RIM SIZE > 61 CM			95,050		0.00
42021299	TRUNKS, SUITCASES, VANITY CASES AND SIMILAR CASES, WITH OUTER SURFACE OF PLASTICS OR TEXTILE MATERIALS (EXCL. THOSE WITH AN OUTER SURFACE OF PLASTIC SHEETING OR MOULDED PLASTIC MATERIAL, AND EXECUTIVE-CASES)			14,590		0.00
51071090	YARN OF COMBED WOOL CONTAINING >= 85% WOOL BY WEIGHT (EXCL. UNBLEACHED AND THAT PUT UP FOR RETAIL SALE)	126,980				100.00
52051200	SINGLE COTTON YARN, OF UNCOMBED FIBRES, CONTAINING >= 85% COTTON BY WEIGHT AND WITH A LINEAR DENSITY OF 232.56 DECTEX TO < 714.29 DECTEX "> MN 14 TO MN 43" (EXCL. SEWING THREAD AND YARN PUT UP FOR RETAIL SALE)	65,780		40,000		62.19
52081216	PLAIN WOVEN FABRICS OF COTTON, CONTAINING >= 85% COTTON BY WEIGHT AND WEIGHING > 100 G TO 130 G/M ² , UNBLEACHED, WITH A WIDTH OF <= 165 CM	249,460				100.00
57021000	KELEM, SCHUMACKS, KARAMANIE AND SIMILAR HAND-WOVEN RUGS, WHETHER OR NOT MADE UP	15,620				100.00
57049000	CARPETS AND OTHER FLOOR COVERINGS, OF FELT, NOT TUFTED OR FLOCKED, WHETHER OR NOT MADE UP (EXCL. FLOOR TILES WITH AN AREA OF <= 0,3 M ²)	4,803		19,567		19.71

HS Code	Description	GSP>0	GSP=0	MFN	UNKNOWN	UTILISATION RATE
61044400	WOMEN'S OR GIRLS' DRESSES OF ARTIFICIAL FIBRES, KNITTED OR CROCHETED (EXCL. PETTICOATS)	13,580		255		98.16
64029991	FOOTWEAR WITH UPPERS OF PLASTICS AND OUTER SOLES OF RUBBER OR PLASTICS, WITH IN-SOLES OF A LENGTH OF < 24 CM (EXCL. COVERING THE ANKLE, FOOTWEAR WITH A VAMP MADE OF STRAPS OR WHICH HAS ONE OR SEVERAL PIECES CUT OUT, FOOTWEAR INCORPORATING A PROTECTIVE METAL TOECAP, INDOOR FOOTWEAR, SPORTS FOOTWEAR, WATERPROOF FOOTWEAR OF HEADING 6401, ORTHOPAEDIC FOOTWEAR AND TOY FOOTWEAR)	27,320				100.00
64052099	FOOTWEAR WITH UPPERS OF TEXTILE MATERIALS (EXCL. WITH OUTER SOLES OF RUBBER, PLASTICS, LEATHER OR COMPOSITION LEATHER, WOOD OR CORK, INDOOR FOOTWEAR, ORTHOPAEDIC FOOTWEAR AND TOY FOOTWEAR)		108,300	25,414		80.99
70023900	TUBES OF GLASS, UNWORKED (EXCL. TUBES OF GLASS HAVING A LINEAR COEFFICIENT OF EXPANSION $\leq 5 \times 10^{-6}$ PER KELVIN WITHIN A TEMPERATURE RANGE OF 0 _T C TO 300 _T C OR OF FUSED QUARTZ OR OTHER FUSED SILICA)			16,160		0.00
73102990	TANKS, CASKS, DRUMS, CANS, BOXES AND SIMILAR CONTAINERS, OF IRON OR STEEL, FOR ANY MATERIAL, OF A CAPACITY OF < 50 L AND OF A WALL THICKNESS OF ≥ 0.5 MM, N.E.S. (EXCL. CONTAINERS FOR COMPRESSED OR LIQUEFIED GAS, OR CONTAINERS FITTED WITH MECHANICAL OR THERMAL EQUIPMENT, AND CANS WHICH ARE TO BE CLOSED BY SOLDERING OR CRIMPING)			47,457		0.00
82019000	SCYTHES, SICKLES, HAY KNIVES, TIMBER WEDGES AND OTHER HAND TOOLS OF A KIND USED IN AGRICULTURE, HORTICULTURE OR FORESTRY, WITH WORKING PARTS OF BASE METAL (EXCL. SPADES, SHOVELS, MATTOCKS, PICKS, HOES, RAKES, AXES, BILLHOOKS AND SIMILAR HEWING TOOLS, POULTRY SHEARS, SECATEURS AND SIMILAR ONE-HANDED PRUNERS AND SHEARS, HEDGE SHEARS, TWO-HANDED PRUNING SHEARS AND SIMILAR TWO-HANDED SHEARS)		90,910	2,913		96.89
84131900	PUMPS FOR LIQUIDS, FITTED OR DESIGNED TO BE FITTED WITH A MEASURING DEVICE (EXCL. PUMPS FOR DISPENSING FUEL OR LUBRICANTS, OF THE TYPE USED IN FILLING STATIONS OR IN GARAGES)			19,220		0.00
84149000	PARTS OF : AIR OR VACUUM PUMPS, AIR OR OTHER GAS COMPRESSORS, FANS AND VENTILATING OR RECYCLING HOODS INCORPORATING A FAN, N.E.S.			43,150		0.00

HS Code	Description	GSP>0	GSP=0	MFN	UNKNOWN	UTILISATION RATE
84238190	WEIGHING MACHINERY OF A MAXIMUM CAPACITY ≤ 30 KG (EXCL. OF A SENSITIVITY ≤ 50 MG; PERSONAL WEIGHING MACHINES; HOUSEHOLD SCALES; SCALES FOR CONTINUOUS WEIGHING OF GOODS ON CONVEYORS; CONSTANT WEIGHT SCALES AND SCALES FOR DISCHARGING A PREDETERMINED WEIGHT, INCL. HOPPER SCALES; CHECK WEIGHERS AND AUTOMATIC CONTROL MACHINES FOR A PRE-DETERMINED WEIGHT; FOR WEIGHING AND LABELLING PACKED GOODS; FOR USE IN SHOPS)			16,820		0.00
85184030	AUDIO-FREQUENCY ELECTRIC TELEPHONIC AND MEASUREMENT AMPLIFIERS			23,050		0.00
87032490	MOTOR CARS AND OTHER MOTOR VEHICLES PRINCIPALLY DESIGNED FOR THE TRANSPORT OF PERSONS, INCL. STATION WAGONS AND RACING CARS, WITH SPARK-IGNITION INTERNAL COMBUSTION RECIPROCATING PISTON ENGINE OF A CYLINDER CAPACITY > 3,000 CM ³ , USED (EXCL. VEHICLES FOR THE TRANSPORT OF PERSONS ON SNOW AND OTHER SPECIALLY DESIGNED VEHICLES OF SUBHEADING 8703.10)			321,900		0.00
87033390	MOTOR CARS AND OTHER MOTOR VEHICLES PRINCIPALLY DESIGNED FOR THE TRANSPORT OF PERSONS, INCL. STATION WAGONS AND RACING CARS, WITH COMPRESSION-IGNITION INTERNAL COMBUSTION PISTON ENGINE "DIESEL OR SEMI-DIESEL ENGINE" OF A CYLINDER CAPACITY > 2,500 CM ³ , USED (EXCL. VEHICLES FOR THE TRANSPORT OF PERSONS ON SNOW AND OTHER SPECIALLY DESIGNED VEHICLES OF SUBHEADING 8703.10)			20,180		0.00
87115000	MOTORCYCLES, INCL. MOPEDS, WITH RECIPROCATING INTERNAL COMBUSTION PISTON ENGINE OF A CYLINDER CAPACITY > 800 CM ³			12,000		0.00
90021900	OBJECTIVE LENSES (EXCL. FOR CAMERAS, PROJECTORS OR PHOTOGRAPHIC ENLARGERS OR REDUCERS)	10,990				100.00
90139090	PARTS AND ACCESSORIES FOR LASERS AND OTHER INSTRUMENTS, APPARATUS AND APPLIANCES NOT SPECIFIED OR INCLUDED ELSEWHERE IN CHAPTER 90, N.E.S.			17,810		0.00
90318038	ELECTRONIC INSTRUMENTS, APPARATUS AND MACHINES FOR MEASURING OR CHECKING, N.E.S. IN CHAPTER 90			10,210		0.00

Source: Eurostat ComExt

5.4. Challenges and opportunities from membership in the EurAsEC Customs Union

As mentioned in Chapter 1, Kyrgyzstan was also preparing for membership in the EurAsEC CU of Armenia, Belarus, Kazakhstan and the Russian Federation, which involves a common external tariff (CET) in relation to third countries and the harmonization of trade-related regulatory and procedural measures.¹⁵³ The Government deems membership in the EurAsEC CU and the new GSP+ scheme as compatible policy options for bringing its institutional and regulatory framework up to international standards and best practices, especially in the areas of trade facilitation, quality control and quality assurance.

Membership in the EurAsEC CU also constitutes the first step towards joining the Eurasian Economic Union (EAEU), which entered into force in January 2015. The EAEU upholds the basic principles established under the EurAsEC CU, including:

- Harmonization of national legislation in the field of technical regulation.
- Development and adoption of technical regulations of the CU and of EurAsEC containing mandatory requirements for products subject to technical regulation.
- Implementation of relevant international standards as a basis for technical regulations.
- Implementation of a common procedure for the development of technical regulations in the territory of each CU and EurAsEC Member States.
- Implementation of common templates and rules for conformity assessment.

¹⁵³ The EurAsEC CU of Belarus, Kazakhstan and the Russian Federation was established on 1 July 2010 when the Treaty on the Customs Code of the Customs Union entered into force. The legal basis of the Eurasian CU was set out in previous treaties, including, amongst others, the Agreement on the Customs Union (1995), Treaty on the Customs Union and Single Economic Space (1999) and the Agreement on the Commission of the Customs Union (2007).

- Common rules on the accreditation and conformity confirmation bodies and accreditation of test laboratories participating in the process of mandatory confirmation of conformity.

-

The EAEU also maintains the EurAsEC CU agreements and common approaches for supporting trade facilitation and regulatory cooperation, including, amongst others:

Unified Customs Tariff Regulations (including, but not limited to, a common commodity classification nomenclature and a customs tariff) provides for the unified customs duties for goods imported into the territory of the CU.

Unified Customs Non-Tariff Regulations of the CU, which allow imposing certain economic limitations on cross-border trade activities within the CU territory, such as quantitative restrictions, exclusive export and/or import rights with respect to certain goods, expert supervision, foreign trade licensing and special foreign trade constraints (including such constraints imposed for the purposes of compliance with certain international sanctions and/or for protection of the legitimate national interests of the member states, such as homeland security and public health).

Agreement on Mutual Administrative Assistance between Customs Authorities, which stipulates, among others, sharing information about risks of violation of national and CU customs legislation.

Unified list of imported products that are subject to mandatory conformity (with the issuance of uniform documents).

- A common certification mark (EAC).
- Unified list of goods that are subject to import and export licensing requirements.
- Unified list of goods subject to sanitary - epidemiological surveillance
- A unified register for intellectual property rights, whereby, pursuant to the CU Code, traders are required to register trade names

and trademarks so as to prevent the importation of counterfeit products into the customs territory

- An Integrated Information System for Foreign and Mutual Trade of the Customs Union (IISVVT), including a common Single Window facility aligned with international standards by January 2020.¹⁵⁴
- Single rules of country origin and customs valuation of goods
- Single Customs Code, which establishes unified customs clearance procedures, including customs valuation and RoO, and features trade facilitation measures. The Customs Code provides for streamlining and standardizing documentary requirements, the institutionalization of Authorized Economic Operators-AEOs and the automation of customs procedures.

Beyond these core elements, the EAEU deepens and expands the scope of regional integration by providing for the establishment of a Single Economic Space, which guarantees the free movement of goods, services, capital and labor between member countries.¹⁵⁵ Moreover, as of 2011,¹⁵⁶ the

EAEU legal basis has come to include its members' commitments to the WTO, as established under the provisions of their respective Protocols of Accession. This means that treaties and decisions by the EAEU apply only to the extent that they do not conflict with its members' commitments with the WTO, and that the latter's rules override CU obligations when they conflict. Infringements of commitments with the WTO by the EAEU or by national bodies are considered as a direct violation to the EAEU laws, and could be challenged before the EurAsEC Court.

Once its membership in the CU enters into force, which is expected to take place in 2015, Kyrgyzstan will assume an active role in shaping the CU common rules and procedures through the Eurasian Intergovernmental Council that is convened at least once every four months and adopts decisions by consensus. Kyrgyzstan will also participate in the Supreme Eurasian Economic Council, which takes over the decision-making function in cases where the Council fails to reach consensus.¹⁵⁷ Similarly, Kyrgyzstan will contribute to operational decisions, as well as the approval of draft decisions for the consideration of the Council, by joining the Collegium of the Commission, which will consist of 12 delegates (3 per member state), representing relevant public and private sector stakeholders. The decisions of the Collegium are adopted by consensus, or, by qualified majority of no less than two third of the members.

In addition, Kyrgyzstan will be supported by the Eurasian Economic Commission (EAEC), which was established in 2011 to take over the tasks of guiding and coordinating regional reforms from the CU Commission (CUC), including customs and tariff regulations, customs administration, and technical regulations. The EAEC was also mandated with the establishment of trade regimes with third countries; coordination of agreed monetary, macroeconomic, energy, and competition policies; regulation of natural monopolies; government subsidies

was signed by Belarus, Kazakhstan and the Russian Federation on 19 May 2011.

¹⁵⁴ See "Agreement on the establishment, operation and development of the Integrated Information System for Foreign and Mutual Trade of the Customs Union (IISVVT)" of 21 September 2010; Decision No. 68 of the Supreme Eurasian Economic Council of 29 May 2014 on "Main Directions for Single Window Development in the Regulation of Foreign Economic Activities". A Draft Decision of the Supreme Eurasian Economic Council "On the action plan to implement the Key Directions for the 'Single Window' System Development in the Foreign Trade Regulation" was discussed at the 38th session of the Board of the Eurasian Economic Commission of 24 December 2014.

¹⁵⁵ Since January 2012, the three countries have signed a number of basic agreements that formed the basis for creating the Single Economic Space, which culminated in the signing of the Agreement on the Eurasian Economic Union on 29 May 2014, and the Treaty on termination of Eurasian Economic Community on 10 October 2014. The Eurasian Economic Community was terminated in 1 January 2015, which marked the entry of the Eurasian Economic Union into force. The common customs code was also modified to allow for improved data harmonization, pursuant to the EEC Council Resolution No. 233 of 18 December 2014, which approved the Agreement on EAEU Customs Code.

¹⁵⁶ See the Treaty on the Functioning of the CU in the Framework of the Multilateral Trading System, which

¹⁵⁷ In addition, a separate regional body will be established in 2025 to oversee the formation and regulation of the EAEU common financial market.

to industry and agriculture; and harmonization of public procurement legislation in the fields of transport, migration, and regulation of financial markets.¹⁵⁸

The terms of Kyrgyzstan's entry into the EurAsEC CU were set out in a Roadmap that was endorsed by the Supreme Eurasian Economic Council in May 2014.¹⁵⁹ The road map lists 181 reform measures in the areas of trade facilitation and quality control, which are geared to usher Kyrgyzstan into the CU and lay the grounds for its eventual membership in the EAEU as set out in the Treaty on the accession of Kyrgyzstan to the Eurasian Economic Union of December 2014 (Box 5.2).

Box 5.2 Kyrgyzstan's Roadmap for acceding the EurAsEC CU: Reform areas

- Customs administration
- Technical regulations
- SPS and veterinary control
- Transport
- Custom and tariff regulation
- Application of special protective, antidumping and countervailing measures
- Trade policy
- Fiscal policy
- Statistics
- Infrastructure

The reform measures are geared at ensuring consistency with the CU legislation and procedures and, thereof, achieve the desired deep integration. Nonetheless, Kyrgyz decision-makers should seek to extend the transition periods for implementing legal reforms to allow enough time for addressing the capacity shortfalls identified in the previous chapter and for enabling the enterprises to adjust to the CU rules and procedures.

Extending the transition periods is even more necessary to cushion the economy against the nega-

tive impact of the upward revisions that will be introduced to the tariff schedule, in order to align it with the CU common CT (CCT) average rate.¹⁶⁰ While the CCT average has been reduced from 10.5 to 7.8 per cent, and will continue to gradually fall to reflect the Russian Federation's concessions with the WTO, as provided in its Protocol of Accession, Kyrgyzstan will still have to increase its Customs Tariff (CT) by an average of around 3 per cent in excess of its WTO commitments.¹⁶¹ This increase will involve significant changes to the country's tariff schedule with the WTO, since around 46.6 per cent of the tariffs do not tally with those of the CCT.¹⁶² These upward revisions will lead to trade diversion away from non-CU countries, especially the PRC, which has registered a significant increase in its share in Kyrgyzstan's total imports over the past decades (table 5.12). Trade diversion effects are also likely to be generated by the CU RoO, which involve demanding controls on the origin of imports from countries outside the Customs Union.¹⁶³

¹⁶⁰ The CU members have not adopted a CCT for oil, petroleum, gas, electricity and pharmaceuticals. The common markets for oil, petroleum products and gas will only enter into force by 2025, while the common market for electricity and pharmaceuticals will be effected by 2019 and 2017, respectively

¹⁶¹ Kyrgyzstan's bound most-favored-nation (MFN) average CT rate is 5 per cent, while the average rate of the potential CT, considering its obligations to the WTO, is 7.7 per cent. See, Alexander Pavlov (2012) "Assessing the Economic Effect of Kyrgyzstan's Accession to the Customs Union", Eurasian Integration Yearbook, Eurasian Development Bank: Almaty, Kazakhstan.

¹⁶² Alexander Pavlov (2012) "Assessing the Economic Effect of Kyrgyzstan's Accession to the Customs Union", Eurasian Integration Yearbook, Eurasian Development Bank: Almaty, Kazakhstan. Kyrgyzstan's bound most-favored-nation (MFN) average CT rate is 5 per cent, while the average rate of the potential CT, considering its obligations to the WTO, is 7.7 per cent. The CU members have not adopted a CCT for oil, petroleum, gas, electricity and pharmaceuticals. The common markets for oil, petroleum products and gas will only enter into force by 2025, while the common market for electricity and pharmaceuticals will be effected by 2019 and 2017, respectively

¹⁶³ See Agreement on Uniform Rules of Origin of Goods of 25 January 2008; and Agreement on Rules of Origin of Goods, Originating from Developing and Least Developed Countries of 12 December 2008.

¹⁵⁸ The EAEC's mandate is set out in the Agreement on the Eurasian Economic Commission, which was signed on 18 November 2011.

¹⁵⁹ See Supreme Eurasian Economic Council's Decision No. 74 of 29 May 2014.

Table 5.12 Kyrgyzstan's main sources of supply¹⁶⁴

Countries	1995-96	2011-13
Russian Federation	21.2	33.3
PRC	1.0	22.8
EU27	11.4	10.4
Kazakhstan	18.5	9.5
United States	4.0	4.4
Japan	1.4	4.1
Turkey	6.3	3.2
Ukraine	1.3	2.7
Belarus	0.8	2.5
Uzbekistan	16.2	1.6
Rest of the World	17.7	5.5

Source: UN Comtrade

Given its proximity to Kyrgyzstan, Kazakhstan is likely to see a rise in its importance as a major source of supply. This is all the more so in view of the significantly diversified product mix it offers to Kyrgyzstan. Indeed, as shown in table 5.13 Kyrgyzstan's imports from Kazakhstan have registered increased diversification, especially since 2010, while imports from the Russian Federation have become more concentrated.

Table 5.13 Trade Concentration Index for Kyrgyzstan's imports

Year	PRC	EU 27	Kazakhstan	Russian Federation	World
2003	0.03	0.03	0.25	0.05	0.04
2004	0.03	0.04	0.11	0.08	0.03
2005	0.03	0.02	0.07	0.13	0.03
2006	0.03	0.02	0.05	0.19	0.04
2007	0.02	0.02	0.09	0.16	0.04
2008	0.01	0.02	0.10	0.03	0.01
2009	0.01	0.03	0.09	0.01	0.01
2010	0.01	0.02	0.08	0.17	0.03
2011	0.01	0.03	0.06	0.15	0.02
2012	0.01	0.03	0.07	0.16	0.02
2013	0.01	0.03	0.06	0.16	0.02

Source: TradeSift calculations using data from Comtrade via WITS 6-Digit

¹⁶⁴ These countries accounted for 94.5 per cent of Kyrgyzstan's total imports in 2011-13 up from 83.8 per cent in 1995-96 reflecting an increased concentration of trading partners.

Trade diversion is likely to be more pronounced for products that are bound at zero MFN rate and where CU partners are not efficient supplier. Previous research work shows that the Russian Federation is the most efficient supplier of petroleum products, sunflower oil and lumber, measured in terms of normalized RCA, while Kazakhstan is the most efficient CU supplier of wheat products. In contrast, Belarus stands as the least efficient source of supply, especially in view of its distance from Kyrgyzstan.¹⁶⁵

Trade diversion effects could also occur from EU partners to CU partners, especially for vehicles where there is an overlap between imports from the CU members and the EU. As in Table 5.14, vehicles and related parts form the largest segment of Kyrgyzstan's top 20 imports from the EU, and the EU appears to be an efficient supplier for most of these products. This is not the case for the CU members, which were found to be inefficient suppliers of the said products.¹⁶⁶

The impact of trade diversion is compounded by the price effects resulting from the integration of Kyrgyzstan into the larger market of the CU. Empirical evidence suggest that the price dynamics in a combined market, such as that of a CU, are inherently influenced by the member State with the largest market. The impact of these dynamics is likely to be manifested in those sectors, where this member State has a comparative advantage. A case in point is the clothing industry, which is considered as an important contributor to income growth in Kyrgyzstan. The overall price level will be determined by the Russian Federation, which will create upward pressures on both the labour wages in Kyrgyzstan.¹⁶⁷

¹⁶⁵ See Gonzalez, J-P and Maximiliano M-P (2013) "Kyrgyz Republic Trade, Trade Policy and Export Opportunities: A comprehensive Analysis of Trade with the European Union", Itreas Consulting.

¹⁶⁶ Ibid.

¹⁶⁷ Shelburne, R.C. and Pidufala, O. (2006), "Evolving Trade Patterns in the CIS: The Role of Manufacturing", United Nations Discussion Paper Series No. 2006.2, accessed on 02-06-11, http://www.unece.org/fileadmin/DAM/oes/disc_papers/ECE_DP_2006-2.pdf.

Furthermore, Kyrgyzstan will have to align its legislation with the provisions of the EAEU free trade agreements with other countries, and this may have a negative impact on the export sector. As of 2015, the EAEU had signed trade agreements with Montenegro and Serbia, amidst negotiating to conclude similar agreements with New Zealand, Vietnam, CIS countries and the European Free Trade Association. Kyrgyzstan will have to sign similar agreements with these bilateral and regional trading partners upon joining the CU. This will negatively impact market access conditions since Kyrgyzstan was accorded the most favoured nation treatment by over 140 countries. In addition, Kyrgyzstan, which currently does not apply any special protective, antidumping or countervailing measures against third countries will have to introduce such measures as part of aligning its trade regime with the CU requirements.

All this lends further evidence to the necessity of extending the transition period for affecting the CCT. This measure is available for CU members. For example, as of 1 July 2011, Kazakhstan adopted a package of regulations on customs administration of goods in respect of which special rates will apply during a transitional period. The list consists of 88 product groups, including pharmaceuticals, medical equipment, railway cars, green houses, polyethylene plastics, foil. It would also be appropriate to consider excluding from the CCT those sectors where trade diversion is likely to be particularly pronounced.¹⁶⁸ There is also the need to coordinate closely with WTO members when introducing special protective measures, in order to avoid retaliatory measures.

¹⁶⁸ For a discussion of this option, see Gonzalez, J-P and Maximiliano M-P (2013) "Kyrgyz Republic Trade, Trade Policy and Export Opportunities: A comprehensive Analysis of Trade with the European Union", Itcas Consulting.

Table 5.14 Kyrgyzstan's top 20 imports from the European Union (Thousand USD)

Product Name	2003	2011	2012	2013	2003 Share	2011 Share	2012 Share	2013 Share	2011 RCA	2012 RCA	2013 RCA
Cane/beet sugar & chemically pure sucrose, in soli...	2,179	3,576	8,926	1,826	2.32%	0.81%	1.61%	0.29%	-0.35	-0.24	-0.42
Petroleum oils & oils obt. from bituminous mins. (...)		11,583	12,471	16,863		2.62%	2.25%	2.65%	-0.09	-0.07	-0.08
Medicaments (excl. of 30.02/30.05/30.06) consistin...	3,059	45,849	58,463	67,430	3.25%	10.38%	10.57%	10.62%	0.37	0.37	0.36
Mixtures of odoriferous subs. & mixts. (incl. alco...	988	3,929	4,417	3,505	1.05%	0.89%	0.80%	0.55%	0.49	0.47	0.46
New pneumatic tyres, of rubber, having a herring-b...	365	3,375	3,248	6,928	0.39%	0.76%	0.59%	1.09%	0.50	0.51	0.51
Used pneumatic tyres of rubber	569	4,855	8,207	6,624	0.61%	1.10%	1.48%	1.04%	0.18	0.16	0.13
Oriented strand board & waferboard, of wood (excl...	4	2,019	4,471	5,649	0.00%	0.46%	0.81%	0.89%	0.13	-1.00	-1.00
Particle board, of wood, n.e.s. in 44.10	15	7,173	13,493	16,156	0.02%	1.62%	2.44%	2.54%	0.13	-0.56	-0.35
Sanitary towels & tampons, napkins & napkin liners...	1,399	8,317	7,736	7,705	1.49%	1.88%	1.40%	1.21%	0.07	0.02	-0.04
Parts suit. for use solely/princ. with the mach. o...	176	14,793	14,647	13,233	0.19%	3.35%	2.65%	2.08%	0.24	0.23	0.22
Road tractors for semi-trailers (excl. of 87.09)	616	18,932	36,297	60,674	0.65%	4.28%	6.56%	9.55%	0.30	0.32	0.25
Vehicles (excl. of 87.02 & 8703.10) princ. designe...	355	30,569	44,327	41,036	0.38%	6.92%	8.01%	6.46%	0.32	0.33	0.33
Vehicles (excl. of 87.02 & 8703.10) princ. designe...	138	15,374	17,996	18,520	0.15%	3.48%	3.25%	2.92%	0.41	0.35	0.37
Vehicles princ. designed for the tpt. of persons (...)		8,136	6,887	7,765		1.84%	1.24%	1.22%	0.04	0.07	0.04
Vehicles princ. designed for the tpt. of persons (...)		4,565	6,532	7,160		1.03%	1.18%	1.13%	0.26	0.25	0.33
Motor vehicles for the tpt. of gds. (excl. of 8704...	791	8,074	13,954	26,118	0.84%	1.83%	2.52%	4.11%	-0.07	-0.03	-0.07
Motor vehicles for the tpt. of gds. (excl. of 8704...		12,513	23,396	20,099		2.83%	4.23%	3.16%	0.03	0.05	0.03
Motor vehicles for the tpt. of gds. (excl. of 8704...	10	3,017	11,473	7,878	0.01%	0.68%	2.07%	1.24%	0.35	0.34	0.33
Trailers & semi-trailers for the tpt. of gds. (exc...	295	4,805	10,099	8,849	0.31%	1.09%	1.83%	1.39%	0.25	0.26	0.20
Helicopters of an unladen wt. >2000kg		18,003				4.07%			0.68	0.69	0.60
Grand Total	10,959	229,456	307,040	344,017	11.65%	51.92%	55.50%	54.16%			

Source: Comtrade via WITS 6-Digit

5.5 Implications for trade facilitation, quality control and quality assurance

The impact of Kyrgyzstan's membership in the EAEU CU and the GSP+ will depend on the Government's ability to sequence CU-related reform measures in a manner that allows for ensuring consistency across the different reform areas; maintaining a predictable trading environment; and, according sufficient time for enterprises, especially small and medium enterprises (SMEs), to comply with the CU new rules and regulations.

There is no doubt that membership in the CU provides an important impetus for trade facilitation efforts as well as those associated with improving the country's quality assurance and quality assurance system. The CU trade regime is based on international and EU standards and regulations, the TBT and SPS Agreements and best practices in the area of trade facilitation. Indeed, membership in the CU brought about a renewed reform effort in 2015, aimed at bringing 112 laws into consistency with the CU rules and regulations (Annex 2). This renewed effort will contribute to addressing a number of regulatory and procedural barriers identified in chapters three and four.

Nonetheless, as shown below, the reforms imply huge investments, which exceed the resources available to the indebted Kyrgyz Government and require years to bring to successful conclusion. Moreover, some bring restrictions for Kyrgyz exports and non-CU trading partners. Thus, it would be sensible to extend the transition periods for implementing the revised/new regulations and measures.

This is all the more so since the next few years are likely to be punctuated by uncertainties resulting from the uneven pace of regulatory reforms in the CU territory. This is particularly the case of CU technical and sanitary regulations, which are yet to be fully harmonized, so that exporters are still subject to national level inspection and certification requirements and associated procedures. The same applies to the legal framework for transport by road, which has not been fully developed, so that gaps in national legislation still exist.

This is also the case of trade facilitation reforms, which are in their early stage. There remains much work to be done at the national level to achieve the strategic goal of establishing a SW facility by 2020. CU members are at various stages of customs modernization, and are still in the process of streamlining administrative procedures and harmonizing trade data with international standards. Completing these national processes is an important precondition for ensuring interoperability of trade data exchanged among CU members, and this is well recognized in the Draft Decision of the Supreme Eurasian Economic Council "On the action plan to implement the Key Directions for the 'Single Window' System Development in the Foreign Trade Regulation".¹⁶⁹

There are also the challenges associated with the shifting CU regulations, which are continuously evolving as changes are introduced to take into account experiences gained. These changes reflect the complexities associated with the consolidation of the EAEU CU, which involve a multi-level harmonization effort that goes beyond the macro level of strategic goals (i.e., convergence of strategic goals of cooperation) and the meso level of regulatory cooperation (i.e. convergence of policy goals) to include the implementation level of instruments and institutions. This is a rather ambitious and demanding effort, which set the EAEU apart from other regional integration experiences, where the focus was on convergence of policy goals in order to allow enough space for addressing national specificities.¹⁷⁰

Thus, as Kyrgyzstan proceeds to fulfil its obligations under the Roadmap and ensure complete alignment of its legal framework with the CU requirements, it should accord special emphasis on

¹⁶⁹ The draft decision was discussed at the 38th session of the Board of the Eurasian Economic Commission of 24 December 2014. For an analysis of Belarus and Kazakhstan trade facilitation efforts, see UNECE national studies on regulatory and procedural barriers to trade (<http://www.unece.org/tradewelcome/studies-on-procedural-and-regulatory-barriers-to-trade.html>). It should be noted that both countries are yet to develop SW facilities.

¹⁷⁰ For example, this is the premise of the EU new approach to technical harmonization and standards.

Table 5.15 EAEU vision of a paperless customs environment: The Revised Customs Code¹⁷¹

Old Customs Code	Revised Customs Code
Documentary requirements are submitted in hard copies or electronically	Priority is for electronic submission. Hard copies can be used: For introducing the goods under customs. For customs transit procedure. With respect to the goods for personal use. With respect to shipment. With respect to commercial and other documents.
Administrative procedures are performed manually	Taking into consideration the level of customs modernization, customs procedures could be automated, including: Registration of declaration. Release of goods. Refusal to release goods. Documentary control.
Customs declarations are submitted along with copies of commercial, transport and other documents	Taking into consideration the level of customs modernization, the new Customs Code abolishes the requirement to submit copies of commercial, transport and other documents for customs clearance purposes.

creating dynamic synergies between national and regional reforms. The remainder of this section highlights key areas for achieving such synergies. These areas should be given priority and factored into immediate trade development and capacity-building plans.

Trade facilitation

The EAEU vision on trade facilitation is best expressed in the revised Unified Customs Code that was approved by the EAEC Collegium in December 2014, which integrates the concept of a paperless customs environment.¹⁷² As shown in table 5.15, the revised Code features an emphasis on electronic processing of documents and introduces the principle of “one-stop-shop” to streamline procedures. The revised Customs Code ushered in improvements in the common layout structures for electronic customs and transit declarations, which were modified to ensure further data harmoniza-

tion between member states.¹⁷³ In this sense, the revised Customs Code and the action plan to implement the Key Directions for the Single Window provide new impetus for Kyrgyzstan’s SW development efforts

The alignment of Kyrgyzstan’s Customs Code with the revised CU Code is the least challenging task, since reforms to date put SCS in an advantageous position to support the consolidation of a paperless Customs environment. The SCS has already commenced preparations for integrating the UAIS into IT systems of CU member States, and adjusting the system’s functionality to tally with the CU business processes.¹⁷⁴ The challenges for data rationalization and harmonization are also likely to be minimal, since the common electronic customs declaration is based on the Single Administrative Document (SAD). In addition, the SCS, and the SESW, are well placed to contribute to the development of the regional SW, drawing on the experience gained in this area.¹⁷⁵

¹⁷¹ Adapted from a presentation by Mr. Dmitry Nekrasov, Director of the Department of Customs legislation and law-enforcement practice of the Eurasian Economic Commission, delivered at the international conference on legal issues of international trade, taxation and customs regulation between Russia and the European Union, Belgium, Brussels 12 November 2014.

¹⁷² See EAEC Collegium Decision No. 233 “On the Draft Agreement on the Customs Code of the Eurasian Economic Union” of 18 December 2014.

¹⁷³ Board of the Eurasian Economic Commission Decision No. 236 “On the Amendments of some EEC Board Decisions Regarding the Structure and Formats of Electronic Copies of Customs Documents” of 18 December 2014.

¹⁷⁴ In late 2014, the SCS was in the process of sourcing a software developer to introduce the necessary changes to the UAIS.

¹⁷⁵ See “Agreement on the establishment, operation and development of the Integrated Information System for Foreign and Mutual Trade of the Customs Union (IIS-VVT)” of 21 September 2010.

The SESW is also well placed to contribute to the fulfillment of the CU requirements regarding the consolidation of a common system for generating trade statistics, keeping in mind that this task requires the development of the management information systems of all State agencies supporting export and import activities. It is also well placed to support contribute to the fulfillment of CU requirements regarding the harmonization of indirect tax handling and the establishment of a common system for supporting data exchange on tax payments; a task which falls squarely with the tax authorities.

The CU requirements also provide a useful reference framework for modelling Kyrgyzstan's AEO scheme. Following consultations with the business community and WCO recommendations, the CU revised Customs Code extends the list of benefits accorded to AEOs; articulates clear procedures of granting, suspension and revocation of the AEO status, and provides the possibility of mutual recognition of AEO status between CU members. The challenge would be to adapt the CU AEO scheme to the specificities of Kyrgyzstan. In particular, the revised Customs Code stipulates more rigorous eligibility requirements. The criteria for granting AEO status have been increased from 6 to 13, so that they cover economic activities and financial solvency. The requirements are difficult to meet for Kyrgyzstan's enterprises, especially SMEs.

Kyrgyz enterprises are also likely to experience difficulties in organizing their imports, since the CU revised Customs Code does not allow Delivery Duty Paid (DDP) deliveries to all member states of the Customs Union, with registration in only one of the countries. This is so because the three countries are yet to harmonize their VAT rates, so that the requirement VAT payments when delivering from one member state to another remains unchanged. Registrations are still required with the authorities of the member States in question.

Furthermore, the revised Customs Code upholds the "residency principle" of the customs declaration. This means that the applicant can only submit a customs declaration to specific customs bodies

of one of the CU countries where he is registered or permanently lives, and this requirement acts as a non-tariff barrier for non-CU countries (i.e., third party countries).

Traders will also face the negative consequences associated with the harmonization of customs procedures, which involve the cancellation of the simplified declaration procedure for goods imported by individuals for commercial purposes. The upward revisions will deal a strong blow to several sectors, especially the garments industry, as imported fabrics and other supplies needed for production will be more costly than the current weight-based taxes. Since Kyrgyzstan is a net importer of fabrics, this change could substantially increase the cost of clothing and apparel production and may result in Kyrgyz products becoming less competitive in CU markets.

There are also the challenges associated with the use of electronic documents, at least in the short term, as CU members adopt legislation on data protection, identification, authentication and authorization, the equivalence of paper and electronic documents, as well as the use of electronic signatures and trusted third party services.

Border control

An immediate concern for border control functions raised by officials relates to the elimination of borders with Kazakhstan. Officials noted that this will place the onus of controlling the bulk of imports destined to the CU territory originating from the PRC on Kyrgyzstan at a time when Kyrgyzstan is ill equipped to rise to this challenge.

These concerns lends further evidence to the necessity of according priority to improving BCP with the PRC, along the lines specified in chapter three. BCP upgrades stipulated under the Road Map could directly contribute to addressing this challenge, as they will involve fostering inter-agency coordination, the installation of non-intrusive inspection equipment (x-ray and gamma-ray machines), radiation control pillars, and new weighbridges, all of which facilitate joint control and allow for speeding up border control and proce-

dures, since there should be fewer occasions on which it is necessary to unload cargo.

In the immediate term, BCP upgrades should also concentrate on (i) reducing congestion and queues, by providing adequate space and facilities for vehicle and goods inspection; (ii) improving traffic management through the proper segregation, into separate lanes, of trucks, buses and cars; and, (iii) improving work organisation, through the co-location of control agency offices, with a logical work-flow from one office to another.

There is also the need to address traders' concerns, which suggest a rise in non-tariff barriers between the EurAsEC CU territory and third party trading partners. For example, exporters noted that crossing Kazakhstan's common border with the Russian Federation now takes up to 24 hours, as opposed to 2-3 hours before Kazakhstan's entry into the CU. In addition, logistics service providers reported that cargo transported by road to the Russian Federation is subject to unnecessary administrative measures at the Kazakh-Russian border. Vehicle drivers said that they are requested to fill out a checklist form, commonly referred to as *begunok*, which has to be approved by eight state agencies. While the number of required signatures will be reduced to three once Kyrgyzstan joins the CU, it remains high. Several traders also lamented long waiting lines at Kazakh customs clearance posts. These concerns tally with evidence to date, which shows clearance times on the Kazakh border for trucks entering from non-CU countries as increasing by up to 47 per cent.¹⁷⁶

At the same time, it should be noted that most Eurasian CU is yet to be consolidated into a common customs territory, with around 600 product groups exempted from the CCT¹⁷⁷ and several product groups subjected to national health and safety requirements. This means that in all the CU

countries, customs authorities still maintain control functions at the internal borders. Given the weaknesses in Kyrgyzstan's quality control and quality assurance system, and the country's vulnerability to FMD strands, exporters, especially food producers, are likely to face difficult market access conditions.

Transit trade

The terms and conditions for governing goods in transit remain in flux as the EAEU is still in the process of designing a common transit procedure for the CU territory. Interviewed officials were of the understanding that this procedure is likely to be modelled around the customs transit guarantee system, which has been recently piloted in the Russian Federation.

This system, which operates through deposit cards issued by the customs authorities, allows deposits equal to part/total amount of duties, taxes and other charges due on importation in the country of transit or destination. Interviewed officials also noted that this system might be used as an alternative to, if not actually replacing, the TIR system. This issue, they added, has not yet been fully clarified, although Kyrgyzstan has an obligation under the Roadmap to apply an adjustment of the guarantee amount per TIR Carnet, in accordance with the amount established in the Member States. If the adjustment involves an upward revision, transport costs will rise.

Kyrgyzstan will also have to align its road and rail transport regulations with the requirements of the CU. In particular, the Agreement on the Implementation of Road Transport Controls at the external Borders of the Customs Union of 22 June 2011, which will govern the process of abolishing the road transport controls at the Kyrgyz/Kazakh border. Implementing this agreement will require adhering to the CU rules for simplifying the administrative procedures associated with the transport of goods by road within the CU territory and on harmonizing rules for access to the international road haulage.

¹⁷⁶ Asian Development Bank (2012) Implications for CAREC of the Customs Union between Russia, Belarus and Kazakhstan.

¹⁷⁷ According to the Eurasian Economic Commission, around 600 products are exempted from the CCT. See <http://belarusdigest.com/story/ukraine-can-help-belarus-exemptions-eurasian-economic-union-17393>

This is a rather demanding task, as it will also require renegotiating transport agreements with the immediate neighbors of Tajikistan and Uzbekistan, and adjusting the country's transport strategy. This means that it will take time for the expected cost benefits to materialize. Traders will nonetheless see a reduction in documentary requirements, as EAEU Agreement stipulates that carriers registered in any of the CU member States will be allowed to operate in the territories of the other members without prior authorization.¹⁷⁸

As regards rail transport, Kyrgyzstan will have to align its rail transport regulations with the requirements of the Agreement on Regulating Access to Rail Transport Services, including the Basic Principles on Tariff Policies of 9 December 2010. This includes adhering to the common rules and conditions governing access to infrastructure for freight forwarders in CU member states; the standard requirements for freight forwarders and the common tariff policy.

Officials lamented that benefits from this agreement are likely to be undermined by the current conditions of poor rail transit traceability within the CU territory and between the PRC and the Customs Union. Officials recognised that this problem could be best addressed by establishing a protocol on the exchange of information to enable forwarders, Customs and transport operators to track and trace goods in transit. It was not clear as to whether establishing such system will be accorded priority treatment at the CU level. Officials also lamented the lack of reliable schedules for container and freight wagons; and, the lack of appropriate terminal facilities at the borders with the PRC. Addressing these concerns, noted the officials, is important for ensuring reliable transit services.

Concern were also raised in relation to the changes in the duration of stay accorded to truck drivers passing through the Russian Federation in the aftermath of the EurAsEC CU. Freight forwarders reported that this period has been reduced from

90 to 30 days, rendering it difficult to complete the necessary preparations for long-distance trips (e.g., Latvia). Drivers often go beyond the authorized duration of stay, and are thus subject to penalties of up to USD 225 per day. Some reported resorting to informal payments to avoid penalties.

In addition, freight forwarders noted the cumbersome procedures for transporting goods to the Russian Federation by road, which involve obtaining a "permission to enter the country for a freight forwarder" (commonly referred to as "dozvol") along with a "patent" from the Russian Ministry of Transport. Forwarders said that obtaining these documents is time consuming, and is often rendered costly in view of weaknesses in the rule of law. Forwarders said that they have to pay between USD 300-400 for obtaining the patent, which originally costs around USD 50.¹⁷⁹

Traders also drew attention to irregularities in the implementation of procedures. For example, it is often the case that Kazakh Customs officers register transit cargo passing through the Kyrgyz-Kazakh border as if it were destined to Kazakhstan, and levy customs duties and excise taxes accordingly. Traders then face additional costs at the Kazakh-Russian border in the form of penalties for failing to ensure proper registration of the cargo at the Kyrgyz-Kazakh border.

Technical regulations

As previously, mentioned, CU members have agreed to adopt common technical regulations. Such regulations are limited to certain products, which are deemed risky. These products along with the corresponding technical regulations are set out at the regional level in unified lists of products within the context of the EurAsEC and the CU processes, and member States are expected to integrate the common technical regulations into

¹⁷⁸ See the Protocol on the coordinated transport policy (Agreement on the Eurasian Economic Union of 29 May 2014, Annex 24).

¹⁷⁹ Kyrgyz traders will no longer be subject to this requirement upon the country's entry into the CU. The EAEU Agreement stipulates that carriers registered in any of the CU member States be allowed to operate in the territories of the other members without prior authorization. See the Protocol on the coordinated transport policy (Agreement on the Eurasian Economic Union of 29 May 2014, Annex 24).

their national legislation upon their adoption at the CU level.¹⁸⁰

This means that the list of products subject to mandatory technical rules within the CU territory as well as the legitimate objectives for guiding the development of technical regulations are analogously determined by the EAEU.¹⁸¹ National regulations for the identified risky products can only be applied pending the development and adoption of the common technical regulations, and CU members cannot adopt further regulations with

respect to these products, nor can they introduce mandatory technical requirements for products not included in the lists of 'risky' products maintained by the EurAsEC and the CU.

Kyrgyzstan will have to adopt the CU common technical regulations, abbreviated as "TR TS" or "TR CU". These include 21 regulations that have already entered into force, which cover, amongst others, infrastructure, machinery and equipment, fuel, pyrotechnic products, perfume and cosmetics, textile, products and foodstuffs. Kyrgyzstan will also have to adopt the technical regulations that have been approved (13), and those that are still pending approval (15).

The move towards the system of common technical regulations brings with it a more restrictive approach to technical regulations development. There is a marked difference between the TBT Agreement, the EurAsEC Agreement on Technical Regulation Policy Coordination and the CU Agreement on Uniform Technical Regulation Principles in relation to the fundamental purposes of technical regulation. Article 2.2 of the TBT Agreement prescribes an illustrative list of legitimate objectives for guiding the development of the technical regulation.¹⁸²

The EurAsEC and CU approach, as upheld in the EAEU Agreement, goes beyond the list prescribed in the TBT Agreement and includes other objectives, namely, protection of property, enhance-

¹⁸⁰ The CIS approach to harmonization in the field of technical regulation is different from the one applied within EAEU. The CIS Agreement Draft Agreement on the Fundamentals of the Harmonization of Technical Regulations, approved by the CIS Economic Council on 23 May 2005, proposes the development of reference models, as opposed to the mandatory interstate technical regulations that are being developed within the context of the EurAsEC CU. The said agreement marked the first regional effort to harmonize technical regulations. It paved the way for the EurAsEC Agreement on Implementation of Coordinated Policy in the Field of Technical Regulation, Sanitary and Phytosanitary Measures of 25 January 2008; the Regulation on Development of Technical Regulations of EurAsEC, which was approved by EurAsEC Interstate Council in Decision No. 1175 of 17 August 2008; and, the CU Agreement on Uniform Principles and Rules of Technical Regulation in the Republic of Belarus, Republic of Kazakhstan and the Russian Federation of 18 November 2010. The implementation of latter is guided by the Regulation on Development, Adoption, Amendment and Cancellation of Technical Regulations of the Customs Union, adopted by the Council of the Eurasian Economic Commission in Decision No. 48 of 20 June 2012. The EAEU Agreement integrates the provisions of the CU Agreement on Uniform Principles and Rules of Technical Regulation, and prohibits under Article 52) the adoption of technical regulation for any other objectives outside the ones adopted at the CU level.

¹⁸¹ There are a few exceptions as the EAEU Agreement introduced a closed list of product, the regulation of which remains within the sovereignty of Member States. Specifically, Article 3 of Annex 9 to the EAEU Agreement stipulates that the peculiarities of technical regulation of defence production, supplied under government defence procurement, used for the purposes of the protection of state secrecy or other information of restricted use, as well as the technical rules on the safety of nuclear energy use, as well as the processes of design engineering, construction, installation, debugging, exploitation, storage, transportation, realization, utilization and waste management of nuclear energy products and objects would remain regulated by the domestic legislation of the EAU Member States. All other aspects of technical regulation shall be adopted at the level of EAU only.

¹⁸² Article 2.2 of the TBT states that "... technical regulations shall not be more trade-restrictive than necessary to fulfil a legitimate objective, taking account of the risks non-fulfilment would create. Such legitimate objectives are, inter alia: national security requirements; the prevention of deceptive practices; protection of human health or safety, animal or plant life or health, or the environment". It should be noted that in addition to the objectives listed under article 2.2 of the TBT, others have been cited (G/TBT/18) in notifications made by Members (while drafting new regulations) to the TBT Committee, including: consumer information and labelling; quality requirements; harmonization; lowering or removal of trade barriers; and trade facilitation. Other objectives may be proposed and accepted. In the *EC – Sardines case*, the European Union had argued that the measure at stake had three objectives, which were acknowledged by the complainant as legitimate: (i) consumer protection; (ii) market transparency; and, (iii) fair competition.

Box 5.3 CU Revised List of Products Subject to Mandatory Requirements (2011)

- | | | |
|---------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------|
| 1. Machinery and equipment. | products. | 40. Medical devices. |
| 2. Low-voltage equipment. | 23. Rail transport infrastructure, including high speed. | 41. Sanitary-engineering products. |
| 3. High-voltage equipment. | 24. Underground (Subway) infrastructure. | 42. Furniture. |
| 4. The devices operating on gas fuels. | 25. Highways. | 43. Chemical products. |
| 5. Equipment operating under excess pressure. | 26. pyrotechnic compositions and products containing them. | 44. Synthetic detergents. |
| 6. Vessels, which work under pressure. | 27. Explosives civilian applications and products containing them. | 45. Household chemical products |
| 7. Equipment for use in potentially explosive atmospheres. | 28. Production of light industry (ready-made piece goods, carpets and rugs, knitted goods, garments and leather goods, shoes, furs and fur products). | 46. Coating materials and solvents |
| 8. Equipment for playgrounds. | 29. Toys. | 47. Fertilizers. |
| 9. Lifts. | 30. Goods for children and adolescents. | 48. Plant protection products. |
| 10. Wheeled vehicles. | 31. Articles for the care of children. | 49. Petrol, diesel and marine fuel, jet fuel and heating oil. |
| 11. Tractors. | 32. Ware. | 50. Alternative fuels. |
| 12. Agricultural machinery. | 33. Products for sanitary purposes. | 51. Lubricating oils and special fluids. |
| 13. Machinery for forestry. | 34. Cosmetic products. | 52. Devices and systems for water, gas, heat, electricity. |
| 14. Tires. | 35. Oral hygiene. | 53. Devices and systems of oil, processed products. |
| 15. Polling stock of railway transport, including high speed. | 36. Packaging. | 54. Food products. |
| 16. Rolling Metro. | 37. Personal protective equipment. | 55. Alcoholic beverages. |
| 17. Light rail, trams. | 38. Means of fire safety. | 56. Feed and feed additives. |
| 18. Objects of maritime transport. | 39. Extinguishing media. | 57. Grain. |
| 19. Objects of inland waterway transport. | | 58. Tobacco products. |
| 20. Small craft. | | 59. weapons for hunting and sports, ammunition. |
| 21. Buildings and Structures. | | 60. Telecommunications facilities. |
| 22. Construction materials and | | 61. Coal and its products. |

ment of energy and resources consumption efficiency.¹⁸³ This has rendered a shifting list of products subject to mandatory technical requirements, as new products are added to reflect newly identified risks (Box 5.3). The number of product groups listed in the CU Unified List of Products Subject to Mandatory Requirements has increased from 47 to 61 product groups, and the bulk of the products are of significant importance for Kyrgyzstan.¹⁸⁴

At the same time, the adoption of new technical regulations may be hampered by any member State by virtue of the CU decision making processes. Consistent with the provisions of Article 2.4 of the TBT Agreement, Article 5 of the EurAsEC Agreement on Technical Regulation Policy Coordination and Article 4 of the CU Agreement on Uniform Technical Regulation Principles stipulate that

¹⁸³ See Article 52 of the EAEU Agreement.

¹⁸⁴ CU Commission Decision No. 526 of 28 January 2011 "About unified list of products for which mandatory requirements are established in the framework of the Customs Union".

relevant international standards, and other documents (i.e., rules, directives and recommendations or any other documents accepted by international standardizing organizations) would be used as the basis for the texts of the EurAsEC and CU technical regulations, except in cases where such documents were absent, or do not conform with the purposes of the technical regulations of the CU, in particular, due to climatic and geographical factors or as well as technological and other particularities.

The CU Commission should publish the draft technical regulation, a report on how it was developed, and an explanatory note on its official website. In situations where a member State claims deviation from the relevant international standards, it must present a detailed justification in a report. The report is then submitted for Interstate along with the draft technical regulation and any comments received from the public.

However, existing laws do not elaborate procedures for Interstate Approval, nor do they establish

mandatory periods for such an approval, stating only that the process of Interstate Approval is determined by the Member States internally.¹⁸⁵ This provision may be effectively used by the Member states to drag out the adoption of the draft technical regulation at the CU level and retain regulatory sovereignty through the domestic mandatory rules, should the development of the draft fall outside the interests of a particular CU Member State.

It should be noted that member States could maintain the national lists of products subject to technical requirements, which existed prior to the adoption of the CU unified list. This means that the unified list could result in increasing the number of products subject to mandatory conformity. Should this be the case, and subject to the mutual agreement of CU members, a member country could request to be exempted from applying some of the mandatory requirements contained in the CU technical regulations. Kyrgyzstan's existing legislation subjects 234 products (HS 4-digit level) to mandatory certification and SPS certificates.¹⁸⁶ This list will be revised following Kyrgyzstan's effective accession to the CU in May 2015, and if this revision carries with it an expansion in the list of products subject to mandatory certification, Kyrgyzstan could request exemptions.

It should be also noted that the move towards common technical regulations involves significant challenges at the implementation level. This is so because the lists of risky products maintained by the EurAsEC and CU priority overlap, as certain products (e.g., tobacco products or bottled water) are featured in both lists. The CU Agreement on Uniform Principles and Rules of Technical Regulation in the Republic of Belarus, Republic of Kazakhstan and the Russian Federation in Article 4 resolves potential conflict between the technical regulations accepted at the level of EurAsEC and at the level of the CU. It stipulates that once EurAsEC technical regulations for products that feature on both lists enter into force, the corresponding CU

technical regulations become null in whole or in certain parts.

However, ensuring compliance with the CU technical regulations may be difficult, given the different legal instruments used for the approval of CU and the EurAsEC rules. According to Article 1 of the EurAsEC Agreement on the Basics of Harmonization of Technical Regulations of the Member States of the Eurasian Economic Community, EurAsEC technical regulations are adopted as annexes to international agreements. In contrast, and as stipulated in the CU Commission Decision No. 527 of 28 January 2011, CU technical regulations are adopted through the Decisions of the Council of the Eurasian Economic Commission in order to speed up the adoption of the common technical regulations.¹⁸⁷

The mentioned difference has significant legal consequences, as ratified international agreements as an integral part of the domestic legal systems of the CU members. Once an international agreement enters into force, it becomes binding and legally enforceable at the national level in each member State. This means that in the event conflicting provisions, international agreements prevail over domestic laws adopted prior to or after the entry of the agreements in question into force. This also means that no further action is required to amend domestic laws or provisions, which conflict or contradict with the provisions of the international agreements.

Thus, the Decisions of the Council of the Eurasian Economic Commission by legal nature do not constitute international agreements, and are in essence regulatory actions of regional bodies. Those actions in strict legal sense do not enjoy direct effect and dominance over domestic laws of the Member states. This means that *stricto sensu* CU technical regulations do not have precedence over national laws, anchored in international treaties and the EurAsEC technical regulations. Should conflict arise, member countries would have to resort to the EurAsEC Court to reach a settlement.

¹⁸⁵ See Article 15 of the Decision of the Council of the Eurasian Economic Commission No. 48 of 20 June 2012.

¹⁸⁶ See Government Resolution No. 639 of 30 December 2005 "On Mandatory Assurance of Conformity of Products"

¹⁸⁷ See Article 20 of the Decision of the Council of the Eurasian Economic Commission No. 48 of 20 June 2012 .

Further complicating the enforcement of the common technical regulations is the fact that a number of issues with direct bearing on the implementation of technical regulations have not been determined at the level of EurAsEC or the CU, and thus remains in the regulatory domain of the Member States. In particular, the application of standards, conformity assessment, quality control and metrological control, the following matters continue to be subject to national laws: the development and adoption of national standards (understood in the terms provided under the article 2 of the TBT Agreement development, adoption); state control and supervision for compliance with the requirements of technical regulations; uniformity of measurements; liability and sanctions for the violations of technical regulations and the corresponding withdrawal of a non-compliant products from the market; national aspects of the system of certificates of conformity assessment and declarations of conformity (barring a few exceptions that will be mentioned later); voluntary conformity assessment; rights and obligations of applicants in the field of mandatory conformity assessment. This implies that the national laws governing the mentioned areas may complicate the enforcement of the common technical regulations.

Quality assurance

To harmonize conformity assessment processes for products where the corresponding technical regulations are yet to be established, existing legislation provided for a common conformity assessment approach. This approach involves the creation of a “Unified List of Products Subject to Mandatory Assessment”, along with a Unified Register of certification bodies and testing laboratories authorized to issue conformity assessment certificates for these products using common conformity assessment schemes and forms (for the certification and declaration of conformity) that are valid throughout the CU territory.¹⁸⁸

¹⁸⁸ See Agreement on the Circulation of Products Subject to Mandatory Assessment in the CU territory of 11 December 2009. The “Unified List of Products Subject to Mandatory Assessment” was revised in 2011, pursuant to CU Commission Decision No. 620 of 7 April 2011 “On New Revision of the Consolidated list

Traders could prove conformity by providing national certificates and declarations or the CU unified forms issued by an accredited certification body and testing laboratory included in the Unified Register. Products will be removed from the list upon the adoption of the corresponding common CU technical regulations and would be, therefore, subject to the technical requirements and conformity schemes set out under the provisions of the common regulations in question.

The common schemes incorporate international best practices in that they are risk based. The schemes are distinguished by seven progressive risk levels, with 1D accorded to products that are pose minimal safety risks measured in terms of resistance to changes in production and use. Thus, Kyrgyzstan will have to bring its conformity assessment regime to integrate the principles of risk management, and this will involve amending around several laws (Annex 2)

Yet, there is the risk that CU members may not accept conformity assessment certificates and declarations of conformity issued in Kyrgyzstan and, thereof, subject exports to re-testing and re-certification procedures. This risk is likely to materialize at least in the short run until Kyrgyzstan’s testing laboratories are brought into compliance with the requirements of membership in the single register of accredited testing laboratories and certification bodies. These requirements relate to formal accreditation by the national accreditation body, past experience, qualification of staff, and demonstrating its ability to prevent the placing on the market and use of non-compliant and/or unsafe products for the term of validity of the accreditation certificate.¹⁸⁹

of products subject to compulsory conformity assessment (confirmation) within the Customs Union with issuance of uniform documents approved by the Decision of the Customs Union Commission of 18 June 2010 No. 319”. On the common schemes for conformity assessment, see the CU Agreement on Mutual Recognition of Accreditation of Certification (Conformity Assessment) Bodies and Test Laboratories (Centers) Performing Work on Conformity Assessment of 11 December 2009.

¹⁸⁹ See CU Commission Decision No. 319 of 18 June 2010 “On Technical Regulation in the Customs Union”.

The move towards the common conformity assessment regime will also result in creating non-tariff barriers to third party countries. Kyrgyzstan will have to introduce restrictions on the right of foreign producers to act as applicants (for a conformity certificate or conformity declaration) for products that are subject to mandatory conformity assessment. CU legislation stipulates that applicants should be national enterprises or traders from the CU member States,¹⁹⁰ and these restrictions have been incorporated into the CU common technical regulations. Thus, a foreign producer should either integrate a national legal entity (an importer, seller or distributor) operating in the CU territory into its supply chain, or authorize a CU-based legal entity to apply for conformity certificates while passing on the responsibility for the quality of the goods. As such, such authorization cannot be established through a power of attorney. Rather, it should be established under a contract, which empowers the national entity to apply for conformity assessment and transfers the liability for non-conformity of the delivered products from the producer to national legal entity.

Another immediate issue relates to the recognition of conformity assessment results issued by third non CU-countries. The EAEU Agreement sets out the principles for a common system of conformity assessment to eliminate the need for mutual recognition of conformity assessment results issued by accreditation bodies in the CU territory and, as such, does not address issues related to mutual recognition.¹⁹¹ Furthermore, as of 2015, the CU has not concluded any international agreements with the third states on the mutual recognition of conformity assessment results.

Member countries are guided by the EurAsEC Agreement on Technical Regulation Policy Coordination, which stipulates that documents of conformity assessment (confirmation) issued outside the common customs area, including documents regarding test results and products imported for distribution within the common customs area, shall be recog-

nized only in case all EurAsEC Member States are parties to the corresponding mutual recognition agreements on conformity assessment. Thus while Kyrgyzstan has created a system of mutual recognition of certificates of conformity, these certificates may not be recognized in the other CU members. Imports destined to Kyrgyzstan may be held back at borders or denied entry if one of the CU members deems that the associated conformity assessment procedures do not offer an assurance of conformity with applicable national technical regulations or standards equivalent their own procedures.

Kyrgyzstan will also have to adapt its legislation to the provisions of agreements on sanitary, veterinary and sanitary, phyto-sanitary quarantine measures, which remain in force. As shown in box 5.4, these involve the application of sanitary, veterinary and sanitary and phyto-sanitary quarantine measures on the basis of scientific-based principles and single lists of products subject to sanitary and epidemiological, phyto-sanitary quarantine and veterinary surveillance (control).

Traders raised a numbers number of concerns, which point to significant non-tariff barriers that Kyrgyz exporters are bound to face upon the country's entry into the CU. For example, food-processing companies reported that Certificates of Compliance, issued by the Bishkek Centre for Testing, Certification, and Metrology, are no longer recognized by the CU members that are now implementing the HACCP system.

Thus, products have to be re-tested by an accredited laboratory in the CU territory, since Kyrgyzstan lacks such laboratories. If products are exported to Kazakhstan, the re-testing is conducted by an accredited laboratory in the country. However, for products destined to the Russian Federation, traders have to first arrange for obtaining the certificate from an accredited Kazakh laboratory, with negative consequences for their transaction costs. These costs reach prohibitive levels if traders export shipments containing different products, since they have to send a sample of each product. In addition, exporters of textiles, garments and footwear reported that they are finding it difficult to comply with the CU certification and labeling requirements.

¹⁹⁰ See CU Commission Decision No. 319 of 18 June 2010 "On Technical Regulation in the Customs Union".

¹⁹¹ See Annex 11 of the EAEU Agreement.

Box 5.4 Customs Union unified sanitary, veterinary and sanitary and phyto-sanitary quarantine measures**Treaty of the Customs Union on phytosanitary measures**

- Common list of products subject to sanitary and epidemiological surveillance (control)
- Procedure of state sanitary and epidemiological surveillance (control) over persons crossing the CU customs border, goods subject to control that are being moved through the customs border and customs territory of the CU
- Common sanitary and epidemiological and hygienic requirements for products subject to sanitary and epidemiological surveillance (control)
- Common product (goods) safety documents

Customs Union Agreement on Sanitary Measures

- Common list of goods subject to veterinary control
- Common veterinary requirements for goods subject to veterinary control (surveillance)
- Procedure of carrying out veterinary control at the customs border and on the customs territory of the CU
- Procedure of carrying out joint inspections and sampling of goods (products) subject to veterinary control (surveillance) on the territory of the CU member states and third countries
- Consolidated list of highly dangerous and quarantine diseases of animals
- Common templates of veterinary certificates (movement, import)

Customs Union Agreement on Plant Quarantine

- List of Quarantine Products subject to quarantine and phytosanitary control (surveillance) while being imported to the common customs territory of the CU
- Procedure of carrying out the quarantine and phytosanitary control (surveillance) at the external border of the CU
- Procedure of carrying out the quarantine and phytosanitary control in respect of quarantine products that are moved within the common customs territory of the CU

Similarly, sanitary-epidemiological conclusion reports, which were accepted under CIS Free Trade Agreement regulations, are no longer accepted by CU members. Importers should submit quarantine control act, which is issued by State Inspectorate for Veterinary and Phytosanitary Security under the Government. These are accepted by Kazakh authorities at Ak-Tilek phytosanitary checkpoint with Kazakhstan. Traders reported that Kazakh SPS agency does not always accept the said document and re-test the products based on CU regulation.

Other concerns point to the creation of non-tariff measures for Kyrgyz traders and non-CU members. For example, interviewed food producers noted that exporting to the Russian Federation requires prior inclusion in the State Register of establishments, which is difficult. Some traders noted that they have been literally unable to export to the Russian Federation, as their efforts to be included in the register were met with failure. It is worth mentioning that the CU legislation also provides for a Register of veterinary establishments. Registration with any of the CU members is valid throughout the CU territory.

Chapter Six

Conclusion

This study identified the main regulatory and procedural barriers to trade in goods in Kyrgyzstan, which are undermining the Government's efforts to set the economy on a path of sustained growth with equity. Traders are burdened by lengthy procedures for fulfilling the documentary requirements for exports and imports. These involve repetitive submission of information and are complicated by the lack of transparency and weaknesses in the rule of law, which further inflate transaction costs by giving way to the proliferation of informal payments.

Efforts to streamline and standardize documentary requirements have featured a strong emphasis on establishing a state-of-the-art SW system, with little attention to the administrative procedures and institutional capacities within and across State agencies. Re-focusing reforms through a re-engineering business processes is urgently needed to avoid building white elephants.

Of equal importance is to attend to the country's weak quality control and quality assurance system. The system lacks the required rule making (standardization and regulation), conformity assessment, and accreditation capacities, so that traders are unable to establish what is required of them, and to credibly demonstrate their compliance with quality standards. With the list of environmental, health and safety standards and technical regulations continuously expanding to reflect the complexities of international supply chains, Kyrgyz traders are likely to face worsening market access conditions in regional and global markets.

Improving the quality control and quality assurance system will not automatically translate into increased and diversified exports. Compliance

with quality specifications requires investments in improving the technological capacity of enterprises. In many cases, this may require investments in specialized production technologies and expensive equipment that may not even be available locally as well as advanced management techniques to ensure compliance with international standards.

For the majority of Kyrgyz enterprises, where their comparative advantage lies in maintaining low capital costs and high labour inputs, even relatively small additional investments in equipment can overstretch available short-term credit limits and result in substantial increases to marginal costs. This is especially the case for SMEs. Moreover, the required equipment or management expertise may not be available locally, and companies may not have the capacity to conduct international searches for suitable suppliers. At the same time, even where equipment and related auxiliary services are available locally, they might be more expensive than imported equipment. Thus, for enterprises the costs of compliance with standards are likely to be higher than for competitors in developed countries.

These are the fundamental requirements that should be addressed in order to accord the trade sector a lead role in supporting the structural transformation of the Kyrgyz economy towards increased specialization in products with high value-added. In this sense, the impact of Kyrgyzstan's membership in the EurAsEC CU and the EU GSP+ will depend on the Government's ability to sequence CU-related reform measures in a manner that allows for ensuring consistency across the different reform areas; maintaining a predictable

trading environment; and, according sufficient time for enterprises, especially small and medium enterprises (SMEs), to comply with the CU new rules and regulations.

This is a rather challenging task, since the deep integration dimension of the CU is yet to be fully defined, and harmonization efforts have been proceeding in an uneven manner across the CU territory, with harmonised rules and procedures criss-crossed with national ones. The process of harmonizing technical regulations is featuring significant restrictions and is proceeding in the absence of mutual recognition of the members differing standards.

To address these challenges, it would be prudent to extend the transitional periods for implementing reforms. It would be also helpful to exclude, at least for the immediate term, from the CCT those sectors that are likely to be most affected by trade diversion and the price effects, particularly food product groups, garments and footwear.

In parallel, emphasis should be given to integrating Kyrgyz enterprises into European production chains by applying to the GSP+ scheme. The focus could be on enabling the enterprises to concentrate on specific components of the value added chain in which they enjoy a competitive advantage (due, for example, to low labor costs).

Commercial partners would typically provide some intermediate inputs, machinery, financing, and a wide range of technological and marketing know-how. Emphasis should also be given to supporting the vertical integration of industries involved in the processing of raw materials that are already competitive (traditional) exports, such as local cotton processed into textile yarn, fabrics, or clothing.

However, such options could only reap benefits if transport costs are reduced. Transport costs are a serious impediment, especially in view of the country's small export volumes, at least in the immediate term and land-locked status. Successful experiences show that gains from infrastructure development are the greatest when implemented on a regional scale, with distinct initiatives launched simultaneously to achieve complementarity. For example, improving the road network along one side of the border may be of limited use in the absence of a comparable connection on the other side. Proceeding along these lines depends on the progress made at the regional level, particularly in ensuring that the EAEU provides a framework for coordinating transport upgrades and creating the required rail infrastructure linkages. For Kyrgyzstan, it is also essential to accord priority to improving inland transport and auxiliary services along the borders with the PRC.

Annex 1

Improving the export competitiveness of Kyrgyzstan's agricultural products : A business process analysis

Contents

Abbreviations	172
A1. Introduction.....	173
A2. Scope of the analysis	176
A2.1 Product selection	176
A2.2 Kidney beans	178
A2.3 Fresh apricots	181
A.3 Kidney beans	182
A3.1 Domain of interest.....	183
A3.2 Core business processes.....	184
A.4 Fresh apricots	215
A4.1 Domain of interest.....	215
A4.2 Core business processes.....	217
A.5 Recommendations	245

Abbreviations

UN COMTRADE	United Nations international trade statistics database
BPA	Business Process Analysis
SARWT	State Agency for Road and Water Transport under the Ministry of Transport and Communications of the Kyrgyz Republic
SIVPS	State Inspectorate for Veterinary and Phytosanitary Security under the Government of the Kyrgyz Republic
CCD	Cargo customs declaration
CoO	Certificate of Origin
SCS	State Customs Service under the Government of the Kyrgyz Republic
DDPSES	Department for Disease Prevention and Sanitary and Epidemiological Supervision under the Ministry of Health of the Kyrgyz Republic
UAIS	Unified automated information system of the State Custom Service
UNECE	United Nations Economic Commission for Europe
r/w	Railway
KR	Kyrgyz Republic
TIR	Transports Internationaux Routiers (International Road Transports)
ITC	International Trade Centre
RF	Russian Federation
CIS	Commonwealth of Independent States
USA	United States of America
HS	Harmonized System
CCI KR	Chamber of Commerce and Industry of the Kyrgyz Republic
FAO	Food and Agricultural Organization

Units of measurement

Ha	hectare
mln.	million
th.	Thousand
cnt.	centner





A1. Introduction

This annex was prepared pursuant to the request of the Ministry of Economy. It uses the UNECE-ES-CAP Business Process Analysis to gain further insights into the regulatory and procedural barriers to trade in key agricultural products and their impact on the sector's overall competitiveness. The analysis focuses on products with high export potentials, namely kidney beans and fresh apricots, which were identified in consultation with the Ministry of Economy.






Two companies were selected to serve as case studies. The first exports kidney beans to Eastern Europe and is located in the city of Talas, while the second is exports amongst other, fresh fruits apricots, and is located in the Issyk Kul province.






The business processes associated with export of the two products are based on extensive interviews with representatives of the two companies, which were conducted by the UNECE consultant in the autumn of 2014. The results of the analysis are presented using:

- Use-case diagrams

Notation	Description and instruction for use
	Subject Boundary: <ul style="list-style-type: none"> – Represents a process area – Includes the name of a subject boundary on top
	Actor: <ul style="list-style-type: none"> – Represents a role which participates in a particular business process. – Can be an individual, an organization, a department, etc. – Is labelled with a role-name – Is placed outside the subject boundary
	Use Case: <ul style="list-style-type: none"> – Represents a core business process – Is labelled with a descriptive verb-noun phrase
	Relationship Association: <ul style="list-style-type: none"> – Links actors with the use cases (business processes) they participate in

- Business process activity diagrams

Notation	Description and instruction for use
	<p>Object</p> <ul style="list-style-type: none"> - Represents a document or information that flows from one activity to another activity - Is labelled with a name of a document
	<p>Decision</p> <ul style="list-style-type: none"> - Represents the point where a decision, depending on the outcome of a specific prior activity, has to be made - Has multiple transition lines coming out of a decision point and connecting to different activities - Attached with labels addressing the condition on each transition line that comes out of an activity and connects to a decision point or vice versa
	<p>Transition line</p> <ul style="list-style-type: none"> - Indicates a sequential flow of activities and information flows in an activity diagram
	<p>Fork (Splitting of Control)</p> <ul style="list-style-type: none"> - Is used to visualize a set of parallel activities or concurrent flow of activities
	<p>Join (Synchronization of Control)</p> <ul style="list-style-type: none"> - Is used to indicate the termination of a set of parallel activities or concurrent flow of activities

Notation	Description and instruction for use
	<p>Object</p> <ul style="list-style-type: none"> - Represents a document or information that flows from one activity to another activity - Is labelled with a name of a document
	<p>Decision</p> <ul style="list-style-type: none"> - Represents the point where a decision, depending on the outcome of a specific prior activity, has to be made - Has multiple transition lines coming out of a decision point and connecting to different activities - Attached with labels addressing the condition on each transition line that comes out of an activity and connects to a decision point or vice versa
	<p>Transition line</p> <ul style="list-style-type: none"> - Indicates a sequential flow of activities and information flows in an activity diagram
	<p>Fork (Splitting of Control)</p> <ul style="list-style-type: none"> - Is used to visualize a set of parallel activities or concurrent flow of activities
	<p>Join (Synchronization of Control)</p> <ul style="list-style-type: none"> - Is used to indicate the termination of a set of parallel activities or concurrent flow of activities

- Time-procedure charts
- Cost charts

This annex is divided into 5 sections. The introduction in section one is followed by background information on the key factors influencing the

export of kidney beans and fresh apricots. Sections three and four describe the core business processes associated with exporting the two products. Section five provides action-oriented recommendations for the Government's consideration.

A2. Scope of the analysis

A2.1 Product selection

The two products that form the focus of this BPA were selected following extensive discussions with the Ministry of Economy. The Ministry identified:

1. white beans, dried (HS code 071333)
2. fresh apricots (080910) as priority products.

It also requested exploring the export potential of a number of agricultural products for possible inclusion in the BPA. These products are listed in table A2.1).

As shown in table A2.2, kidney beans ranks first in terms of export value, constituting 2.3 per cent of Kyrgyzstan's total exports in 2012, followed by fresh apricots. Other products with high export value include apples, milk and cream and potatoes.

Table A2.1 List of identified products for possible inclusion in the BPA

Product group	Main products in the group
Dairy produce; bird's eggs; natural honey; edible products of animal origin, not elsewhere specified or included	Milk and cream, not concentrated nor containing added sugar or other sweetening matter of a fat content, by weight, exceeding 1 % Butter
Edible vegetables and certain roots and tubers	Other potatoes, fresh or chilled
Edible vegetables and certain roots and tubers	Kidney beans, including white pea beans, dried
Edible fruit and nuts; peel of citrus fruit or melons	Fresh apples Fresh apricots
Preparation of vegetables, fruit, nuts or other parts of plants	Other heat treated jams, fruit jellies, marmalades, fruit or nut purée and fruit or nut pastes
Edible fruit and nuts; peel of citrus fruit or melons	Walnuts, fresh or dried, shelled

Table A2.2 Export value of the identified products in 2008-2013 (USD thousand)

HS Code	Description	2008	2009	2010	2011	2012	2013 ¹⁹³
040120	Milk and cream, not concentrated nor containing added sugar or other sweetening matter of a fat content, by weight, exceeding 1 % but not exceeding 6 %	9452	8776	11703	10490	10490	6714
040510	Butter	2095	1399	5191	2975	3527	3219
070190	Other potatoes, fresh or chilled	192	144	10256	18522	10541	7175
071333	Kidney beans, including white pea beans (<i>Phaseolus vulgaris</i>), dried	19219	29627	35101	51813	48249	37754
080810	Apples, fresh	2398	1283	3252	8265	10791	12046
080910	Apricots, fresh	7760	3948	4260	5141	12178	8785
080232	Walnuts, fresh or dried, shelled	9148	4781	4308	6625	6273	7636
200799	Other heat treated jams, fruit jellies, marmalades, fruit or nut purée and fruit or nut pastes	37	66	195	181	336	652

Source: Calculations are based on the International Trade Centre (ITC) Trademap statistics.

¹⁹² Export indicators for 2013 were calculated based on mirror statistics.

Table A2.3 Export-to-import ratio of the identified products in 2012

HS Code	Product Description	Destination countries (main)	Tons	Export/import ratio
040120	Milk and cream, not concentrated nor containing added sugar or other sweetening matter of a fat content, by weight, exceeding 1% but not exceeding 6%	Kazakhstan	17916	40.73
040510	Butter	Kazakhstan	876	1.84
070190	Other potatoes, fresh or chilled	Kazakhstan, Russian Federation	62025	65.76
071333	Kidney beans, including white pea beans (<i>Phaseolus vulgaris</i>), dried	Turkey, Russia Federation, Bulgaria, Macedonia, Georgia, Serbia, Iraq, Romania	61382	14154.54
080810	Apples, fresh	Kazakhstan, Russia Federation	30815	0.98
080910	Apricots, fresh	Kazakhstan, Russia Federation	18469	4160.88
080232	Walnuts, fresh or dried, shelled	Iran, Turkey, Iraq, Moldova, Syria	3418	∞
200799	Other heat treated jams, fruit jellies, marmalades, fruit or nut purée and fruit or nut paste	Russia, Kazakhstan	185	0.43

Source: Calculations are based on the ITC Trademap.

Further analysis revealed high export-to-import ratios for walnuts, beans and apricots in 2008-2012 (Table A2.3). In contrast, fresh apples and exports belonging to jelly and jam product group registered a negative trade balance during the same period.

Table A2.3 also shows the exports of milk, cream, butter and jams as registering positive growth rates. These products have significant export potential, given the availability of raw materials. However, realizing this potential requires considerable investments in modern machinery and equipment.

Given the above, it was decided in consultation with the Ministry of Economy to limit this BPA to ascertaining regulatory and procedural barriers to trade in kidney beans and fresh apricots. The remainder of this section provides background information of the key factors influencing the export competitiveness of the two selected products to set the context for the detailed analysis in sections 3 and 4.

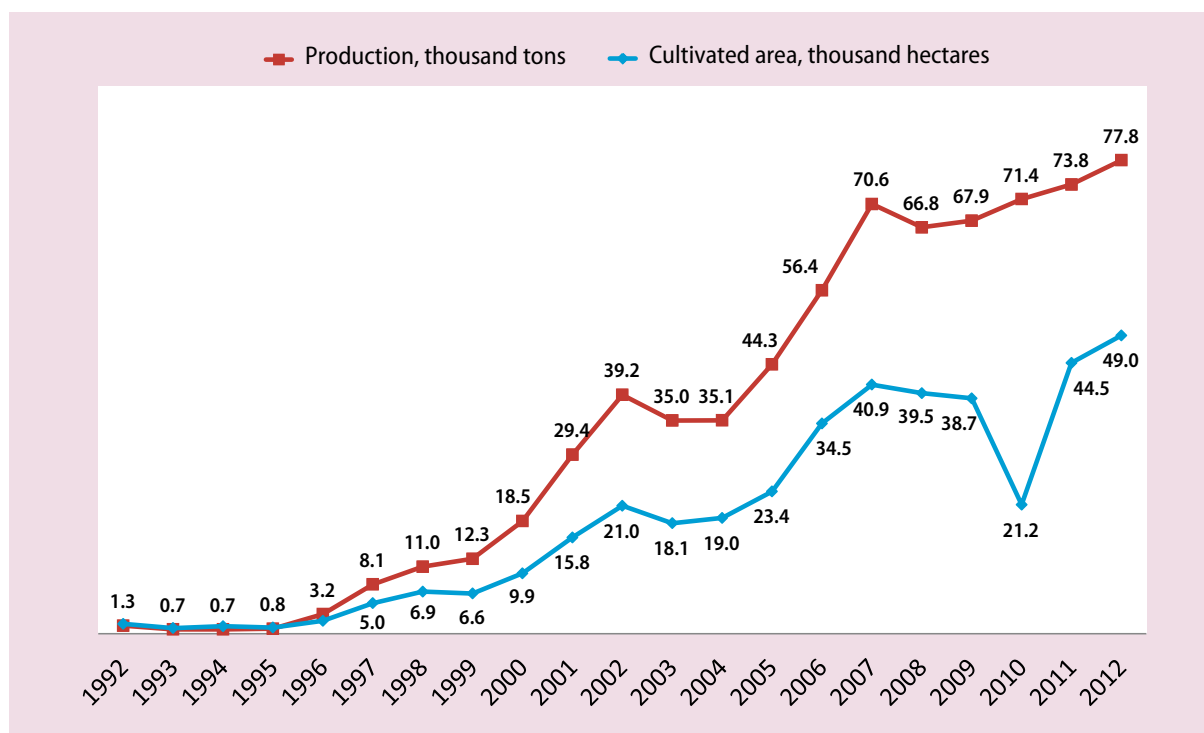
A2.2 Kidney beans

The total cultivated area for kidney beans in Kyrgyzstan was 49 thousand hectares in 2012, with an average crop yield of 15.9 centers per hectare. This constitutes a small fraction of the total cultivated areas for kidney beans at the global level, which was 29,318 thousand hectares in 2012, with an average crop yield of 8.2 centners per hectare.¹⁹³

Over 90 per cent of kidney beans are cultivated in Talas province, given the favorable weather conditions. The cultivation of kidney beans gained steam in late 1990's following the comprehensive land reforms, which saw the privatization of state lands (figure A2.1). The reforms set the stage for increased ownership by small-scale farmers, and as the majority was involved in crop cultivation, the share of kidney beans in the total cultivated lands in Talas province increased from 5 to 38 per cent, so that kidney beans, along with potatoes, re-

¹⁹³ FAO

Figure A2.1 Kidney beans production and cultivated area in Kyrgyzstan



Source: FAO.

placed grain and fodder crops as major cultivated crops.¹⁹⁴

Yet another factor driving the cultivation of kidney beans is trade. Kidney beans are not a traditional staple food in Kyrgyzstan. It gained importance under the influence of foreign entrepreneurs, particularly Turkish food exporters, who gained significant market share in late 1990's in the aftermath of the comprehensive economic liberalization efforts that marked Kyrgyzstan's membership in the WTO. The introduction of kidney beans was also supported by the Government as an important food crop with export potentials. Although the product is also sold by local enterprises, it remains an export crop.

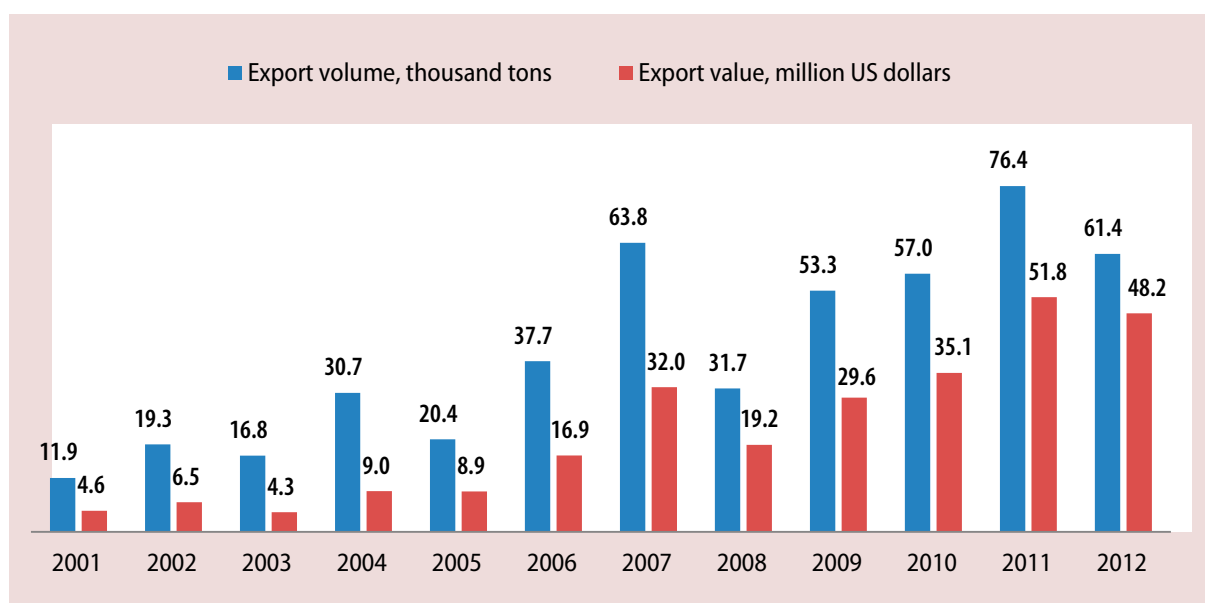
For farmers in the Talas province, the cultivation of kidney beans constitutes a main source of income. However, the sector is dominated by small farms, which use outdated machines or manual methods for harvesting and shelling. Moreover, most of the farmers lack the resources and experience to participate in export activities.

Indeed, farmers only weed out small stones, debris, and other seed-size contaminants, and then sell their produce to local and foreign trading companies, which, in turn, handle all the business processes associated with exports, including transport and customs clearance. Kyrgyz exporters include around 30 companies and farms, which are privately owned and have their own warehouses.

Since, unlike fresh fruits, kidney beans are less vulnerable to storage conditions, local companies use various premises as warehouse facilities. For example, some companies use vehicle garages, which were redesigned to serve as warehouses and could accommodate up to 10,000 tons of produce. Small companies in the rural area use their

¹⁹⁴ K. Tilekeyev. Participation in export activities and its indirect influence on productivity: case study of farmers from Talas province of Kyrgyzstan. University of Central Asia. Report No.13, 2013. (Тилекеев К. Опосредованное влияние участия в экспортной деятельности на продуктивность: Пример фермеров Таласской области Кыргызстана. Университет Центральной Азии. Доклад №13, 2013.)

Figure A2.2 Kyrgyz exports of kidney beans (2001 – 2012)



barns for temporary storage. As such, the majority of warehouses are in poor condition and lack the required facilities for temperature control. It is also worth mentioning that small companies in rural area are not engaged in foreign trade, opting instead to sell their produce to larger companies in the districts.

Warehouses with modern facilities are mainly owned by Turkish trading companies, which also use the facilities for shelling, calibration and packaging operations. These services are offered in addition to those associated with export processes, including shipment, benefiting from the strong working relations that these companies have with freight forwarders.

Yet, despite the above-mentioned unfavorable conditions, Kyrgyzstan ranked 8th globally in terms of total export volume in 2012, with the highest record registered in 2011, when the country exported 76 thousand tons of kidney beans (Figure A2.2). Moreover, the income generated from exports has increased since 2001. This suggests that there is room for improvement, as Kyrgyz share of total exports of kidney beans was only 3.7 percent in 2012, and while the amount of generated revenues has increased, it continues to lag behind the export volume.

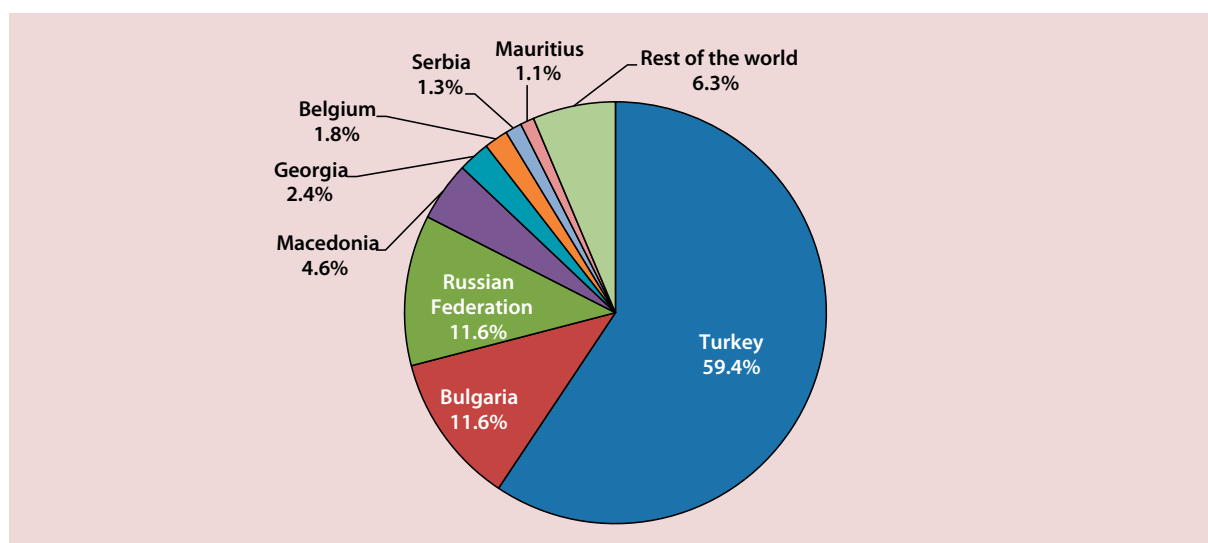
This performance record can be explained by the sector's limited diversification in terms of target markets, with the bulk of exports destined to Turkey (Figure A2.3). Bulgaria and the Russian Federation constitute the second major market, with each accounting for 11.6 per cent of total exports.

Turkey also constitutes the main outlet for kidney beans originating from the Talas province, accounting for around 80 per cent of exports. Other outlets include the Balkans, the Russian Federation and the Caucasus.¹⁹⁵ Thus exports are highly vulnerable to shocks and changes emanating from Turkey. For example, in 2014, the marketing period, which usually ends in February lasted till May, due to poor harvest in Turkey with positive consequences for the Kyrgyz exporters who experienced a surge in revenues.

As such, exporters of kidney beans are actively seeking to find new markets. Available statistics for the period 2008-2012 show consistent at-

¹⁹⁵ Study on the establishment of trade and logistics centres for distribution of fruit and vegetable products in the Kyrgyz Republic. Bishkek, 2013. (Отчет об исследовании вопросов создания Торгово-логистических центров по распределению плодовоовощной продукции в КР. Бишкек, 2013).

Figure A2.3 Kyrgyz beans export markets in 2008-2012.



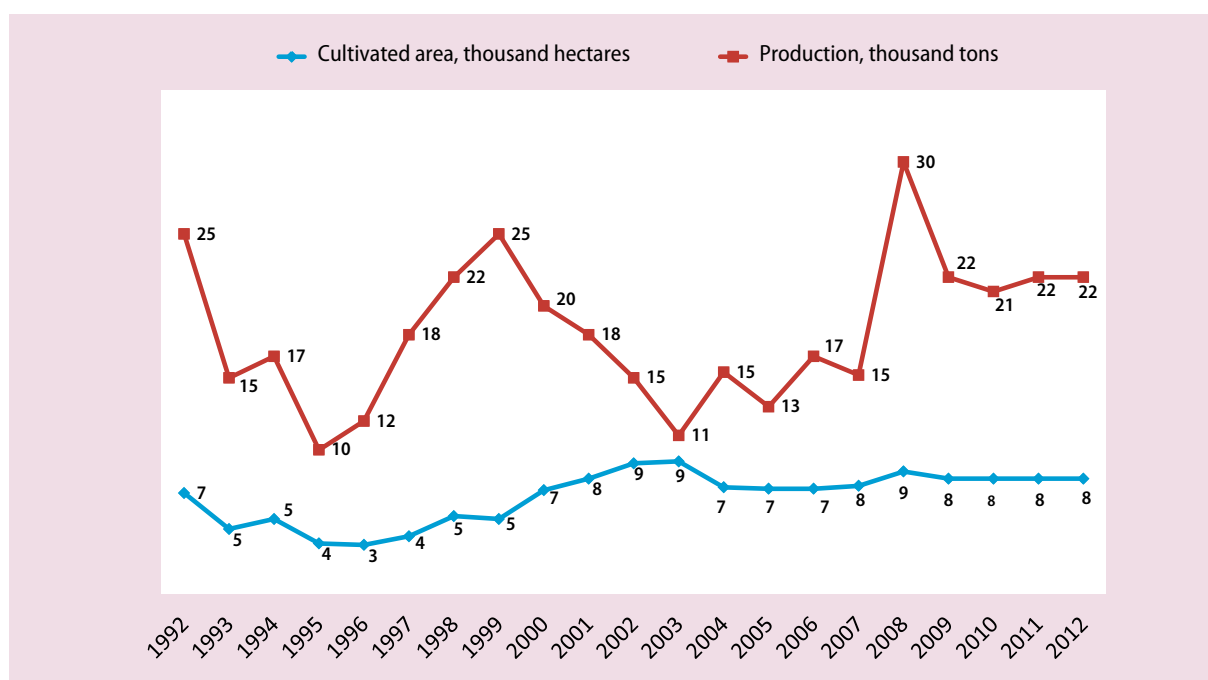
Source: Based on ITC Trademap data

tempts to enter 40 new markets, including Belgium, Mauritius, Romania, Iraq, Albania, Croatia, Poland and Afghanistan. Section A3 highlights the main factors, which have been setting the limits to the exporters' efforts to increase export revenues and establish themselves in new markets.

A2.3 Fresh apricots

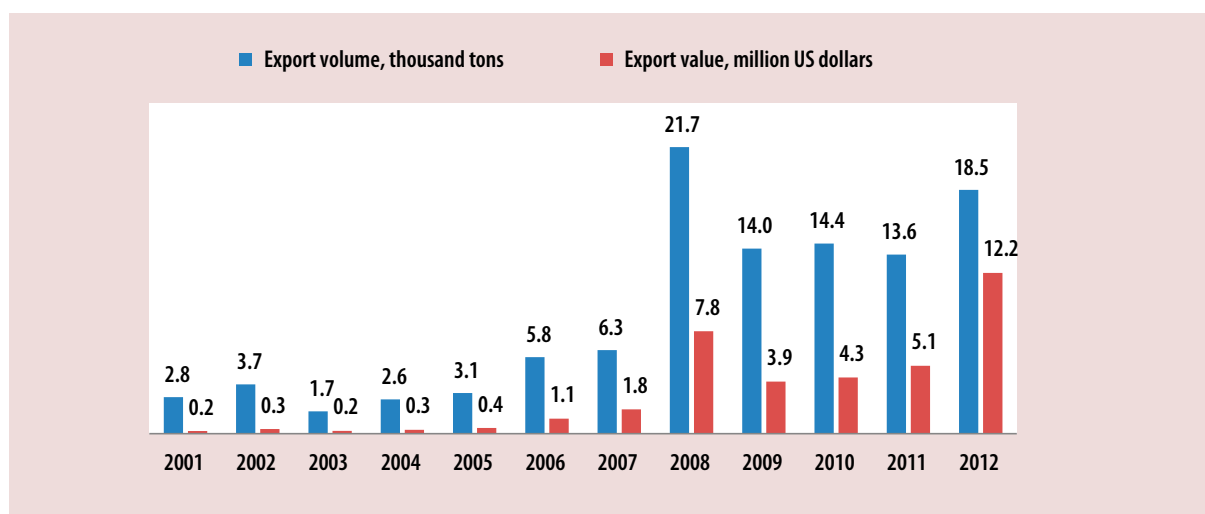
The total cultivated area for fresh apricots in Kyrgyzstan was 8 thousand hectares in 2012 (Figure A2.4). Again, this constitutes a small fraction of the total cultivated area for this product at the global

Figure A2.4 Apricots production and total cultivated area in Kyrgyzstan



Source: Food and Agriculture Organization (FAO) STAT.

Figure A2.5 Kyrgyzstan's exports of fresh apricots in 2001 – 2012



Source: Based on ITC Trademap data.

level, which reached 492 thousand hectares in 2012, with an average crop yield of 80.39 centners per hectare. Turkey is the world leader in terms of output and total cultivated areas. Around 60.7 thousand hectares were allocated for growing fresh apricots in 2012, and total output reached 795.8 thousand tons.¹⁹⁶

Over 80 per cent of fresh apricots are cultivated in the Batken province. Around 15 per cent of the harvest is processed to produce fruit juice, preservatives, jam and jelly, with the remainder sold as dried fruit (80 per cent) or fresh fruit (5 per cent). It is worth mentioning that fresh apricots originating in Kyrgyzstan are sold at a much higher price in export markets compared to domestic markets. This is so because they are sold as organic products, and it is this particular competitive advantage that the Government is keen on exploiting. As shown in figure A2.5, the last few years have witnessed a rise in the exports, with the highest peak registered in 2008 when Kyrgyzstan exported USD 21.7 million worth of fresh apricots.

A.3 Kidney beans

This section describes the business processes associated with the export of kidney beans. It provides the activity diagrams of each process, along

¹⁹⁶ Food and Agriculture Organisation (FAO) STAT.

with a detailed description of the associated laws, sequence of activities undertaken by traders and total cost (time and financial wise).

A3.1 Domain of interest

As previously mentioned, the majority of farmers in the Talas province lack the required resources and experience to engage in trade activities, and rely on private intermediary companies to sell their produce abroad.

The selected exporting company provides a diversified range of services, similar to those offered by its Turkish counterparts. Farmers are only expected to weed out small stones, debris, and other seed-size contaminants. The company handles all the primary processing operations, including shelling, calibration and packaging. It also has its own temporary warehouses, which are in good condition with large facilities for accommodating delivery trucks. The company does not offer transport services, as these are handled by the buyer.

In 2015, the company was considering to invest in modern equipment for harvesting and shelling to reduce costs. As explained by the company's representatives, manual shelling and calibration costs around USD 40 per ton in Kyrgyzstan, as opposed to USD 15-17 per ton in the city of Mersin, Turkey.

They added that Turkish companies often export unshelled beans to Turkey to cut down on costs.

The bulk of exports is destined to the Balkan countries and is transported by rail or by road. The company's main markets include Bulgaria, Romania, Turkey and Serbia, where it has standing clients. The company also exports to the Russian Federation, and was the second major exporter of white kidney beans ('Lopatka' sort shown in picture A3.1) to said country in 2012.

For the purpose of this BPA, it was agreed with the selected company to focus on the processes associated with exporting kidney beans to Serbia. Shipments destined to this country are transported by road via Kazakhstan, Russian Federation, Ukraine, Romania, Hungary and Slovenia, and transport is organized by the buyer who calls upon the services of Russian, Serbian and Bulgarian carriers.

The business processes will be analyzed taking into account existing legislation, particularly Government Resolution No. 474 of 29 August 2013, which, in the case of kidney beans, limits the documentary requirements for customs clearance to the following two documents:

- Invoice.
- Transport document, depending on the transport mode: TIR CARNET, consignment note, CMR note, air waybill, SMGS note;

Exporters also obtain the below documents:

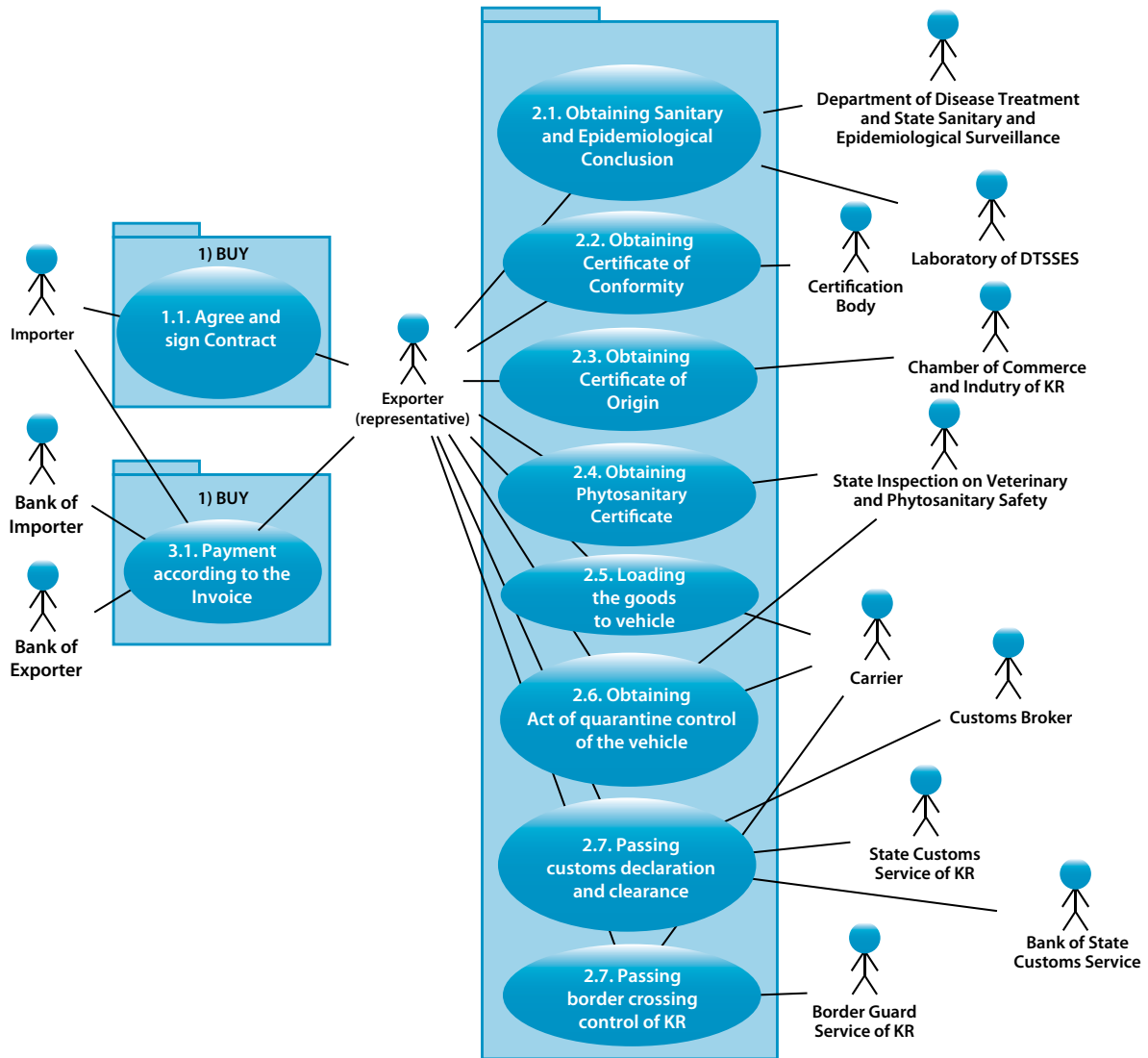
- Sanitary-epidemiological report issued by the Department for Disease Prevention and Sanitary and Epidemiological Supervision under the Ministry of Health of the Kyrgyz Republic.
- Conformity certificate issued by an accredited certification body.
- Phytosanitary certificate issued by the State Inspectorate for Veterinary and Phytosanitary Security at the BCP.
- Certificate of origin issued by the Chamber of Commerce and Industry of the Kyrgyz Republic.

The first three documents are not required by the Serbian buyers, since the products are usually tested by the relevant Serbian bodies. Nonetheless, the selected company, just like other traders, opts for providing these documents to attest to its compliance with national quality

Picture A3.1 White kidney beans ('Lopatka' sort)



Diagram A3.1 Business processes for exporting kidney beans from Kyrgyzstan by road



and safety requirements. The company obtains CoO, so as to benefit from the preferential tariffs accorded to Kyrgyz's exports of kidney beans under the EU Generalized System of Preferences (GSP).

A3.2 Core business processes

The core business processes carried out by the company for exporting kidney beans from Kyrgyzstan are mapped in the using the use case

diagram (see Diagram A3.1). The processes commence with the signing of the contract and end with the loading of the produce for shipment to Serbia.

The export of kidney beans involves 10 core business processes and 14 participants. Table A3.1 provides a breakdown of these processes across the Buy-Ship- Pay model. Detailed description of each business process is given in the remainder of this section.

Table A3.1 Core business processes and stakeholders involved in export of kidney beans

Core business process	Party													
	Importer	Exporter (representative)	Bank of Importer	Bank of Exporter	Department for Disease Prevention and Sanitary and Epidemiological Supervision	Laboratory of DDPPSES	Certification body	Chamber of Commerce and Industry of the KR	State Inspectorate for Veterinary and Phytosanitary Security	Carrier	Customs broker	State Customs Service of the KR	Bank of the Customs	State Border Service of the KR
1. Buy														
1.1. Negotiate and conclude sales contract	x	x												
3. Pay														
3.1. Pay against the invoice	x	x	x	x										
2. Ship														
2.1. Obtain the sanitary-epidemiological conclusion		x			x	x								
2.2. Obtain the conformity certificate		x					x							
2.3. Obtain the certificate of origin		x						x						
2.4. Obtain the phytosanitary certificate		x							x					
2.5. Load the goods to a vehicle		x								x				
2.6. Obtain the vehicle quarantine control act		x							x	x				
2.7. Pass customs control and clearance		x									x	x	x	
2.8. Pass border control of the KR		x								x				x

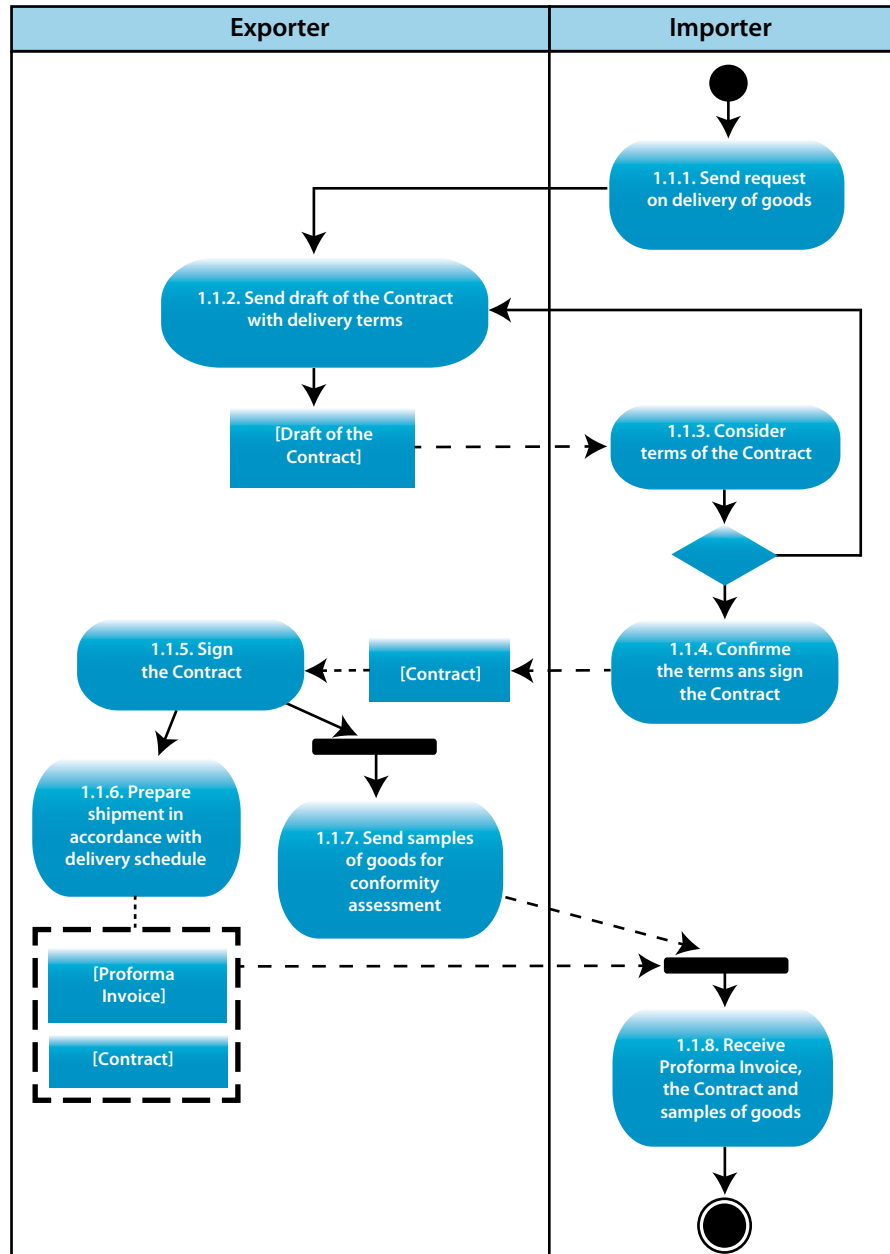
3.1 Buy

1.1 Core business processes – Negotiate and conclude the sales contract

The negotiations over the sales contract takes 5 working days to complete and this is an acceptable time frame for the selected company. The nego-

tiations are initiated by the buyer at the beginning of the harvesting season in August and continue until the end of the season in November. The buyer submits a price quotation, but the negotiations are complicated by price fluctuations under the weight of the fierce competition as exporters try to outbid each other. The prices change from one week to the other throughout the harvesting season as well as the marketing period, which ends in February.

Diagram A3.2 Negotiate and conclude the sales contract



Business process area	1. BUY
Core business process	1.1. Negotiate and conclude the sales contract
Related laws, rules and regulations	<ul style="list-style-type: none"> ● Incoterms 2000 ● The Law №41 of the Kyrgyz Republic 'On State Regulation of Foreign Trade Activities in the Kyrgyz Republic' of July 2, 1997
Business process participants	<ul style="list-style-type: none"> ● Exporter ● Importer
Criteria to begin the business process	<ul style="list-style-type: none"> ● The exporter has established business relations with potential importers ● The product complies with quality and safety regulatory requirements of the importing country ● The exporter has received a tentative purchase order from the importer ● Both parties have the reference details of each other (Individual Taxpayer Number, Registration Certificate, legal address, copy of the Charter, bank details)
Activities and associated documentary requirements to finish the business process	<p>1.1.1. The importer sends the exporter an inquiry for delivery (tentative purchase order) when harvest season starts.</p> <p>1.1.2. The exporter sends to the importer a draft contract with delivery terms. The delivery terms are usually negotiated via e-mails. The importer usually inquires about the prevailing market prices for kidney beans.</p> <p>1.1.3. The importer discusses the terms and conditions proposed by the exporter, and suggest modifications as needed.</p> <p>1.1.4. If the parties have agreed on the contract terms and conditions as well as on first delivery dates, the importer signs the contract and sends it to the exporter.</p> <p>1.1.5. The exporter countersigns the contract. It should be noted the delivery terms of each shipment can be altered (e.g., product price, shipment date, etc.) after signing the contract if the need arises.</p> <p>1.1.6. After signing the contract, the exporter sends the importer a proforma invoice and the signed contract.</p> <p>1.1.7. Sometimes the importer requests samples of product, in order to assess the compliance with the legal requirements of the importing country. However, this is not the case with the selected company that has established relations with the buyer, who organizes for the required tests after receiving the shipment.</p> <p>1.1.8. The Importer receives a proforma invoice, the contract and samples of goods</p>
Output criteria to exit the business process	<ul style="list-style-type: none"> ● The export contract is concluded between the exporter and the importer. ● The exporter can proceed to shipment of goods in accordance with the delivery schedule. ● The importer has received the proforma invoice and can proceed to making a payment
Average time required to complete this business process	5 working days
Costs in USD	None

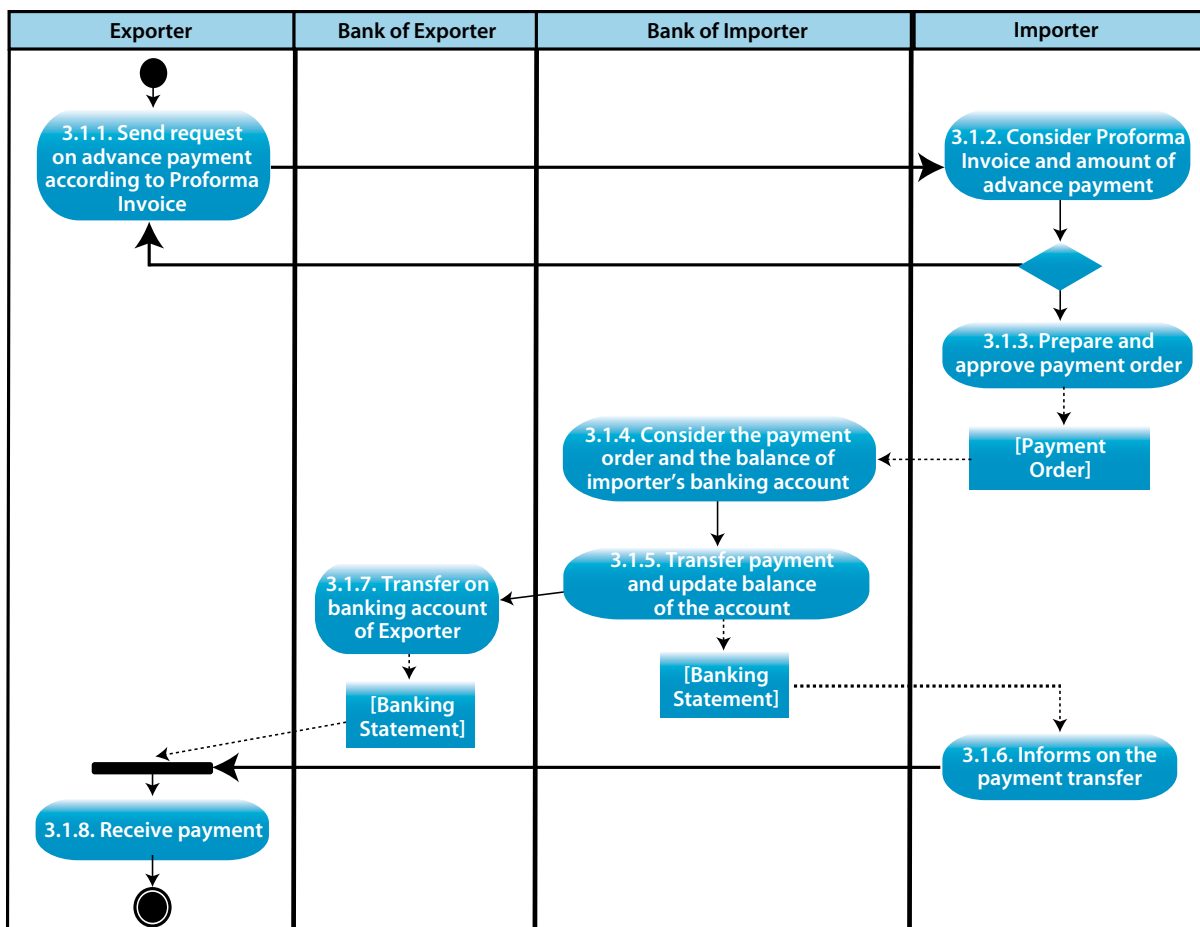
3.2 Pay

3.1 Payment against the invoice

Payment is executed immediately after the contract signature, and before proceeding to shipment. This is done at the request of the exporting company, as advance payment is not required by

the Kyrgyz law. Rather, it is a standard clause that the majority of exporters include in terms of the sales contract to maintain and ensure the sustainability of their operations. However, the payment process takes up to 4 days to complete, owing to weaknesses in the Kyrgyz banking system and inter-banking processes.

Diagram A3.3 Payment against the invoice



3. PAY	
Name of a business process	3.1. Payment against the invoice
Related laws, rules and regulations	<ul style="list-style-type: none"> ● Incoterms 2000 ● The Law of the Kyrgyz Republic 'On State Regulation of Foreign Trade Activities in the Kyrgyz Republic' №41 of July 2, 1997 ● Law of the Kyrgyz Republic 'On Banks and Banking in the Kyrgyz Republic' № 60 of July 29, 1997
Process participants	<ul style="list-style-type: none"> ● Exporter ● Importer ● Bank of Importer ● Bank of Exporter
Criteria to begin the business process	<ul style="list-style-type: none"> ● The export contract is concluded between the exporter and the importer. ● The importer has received the proforma invoice. ● The importer has enough money on the bank account to make a payment as stated in the invoice
Activities and associated documentary requirements to finish the business process	<p>3.1.1. Exporters make deliveries on a pre-paid basis. The exporter sends a request for payment against the invoice.</p> <p>3.1.2. The importer considers the proforma invoice and advance payment amounts.</p> <p>3.1.3. If there are no discrepancies, the importer prepares and approves the payment order to transfer money from his bank account to the exporter's bank account.</p> <p>3.1.4. The bank of the importer considers the payment order and the balance of the importer's banking account.</p> <p>3.1.5. The bank of the importer transfers the payment against the payment order and updates balance of the account.</p> <p>3.1.6. The importer informs the exporter on the payment transfer.</p> <p>3.1.7. The bank receives the transfer and credits money to the exporter's account. In very rare cases bank can delay crediting funds to the account and request from the exporter the invoice or a contract copy. In such cases exporter sends the necessary data to a bank officer. Such delays last no more than 1 day.</p> <p>3.1.8. The exporter is informed about receiving the payment via his bank statement.</p>
Output criteria to exit the business process	<ul style="list-style-type: none"> ● The export contract is concluded between the exporter and the importer. ● The exporter can proceed to shipment of goods in accordance with the delivery schedule. ● The importer has received the proforma invoice and can proceed to making the payment
Average time required to complete this business process	4 working days
Costs in USD	None

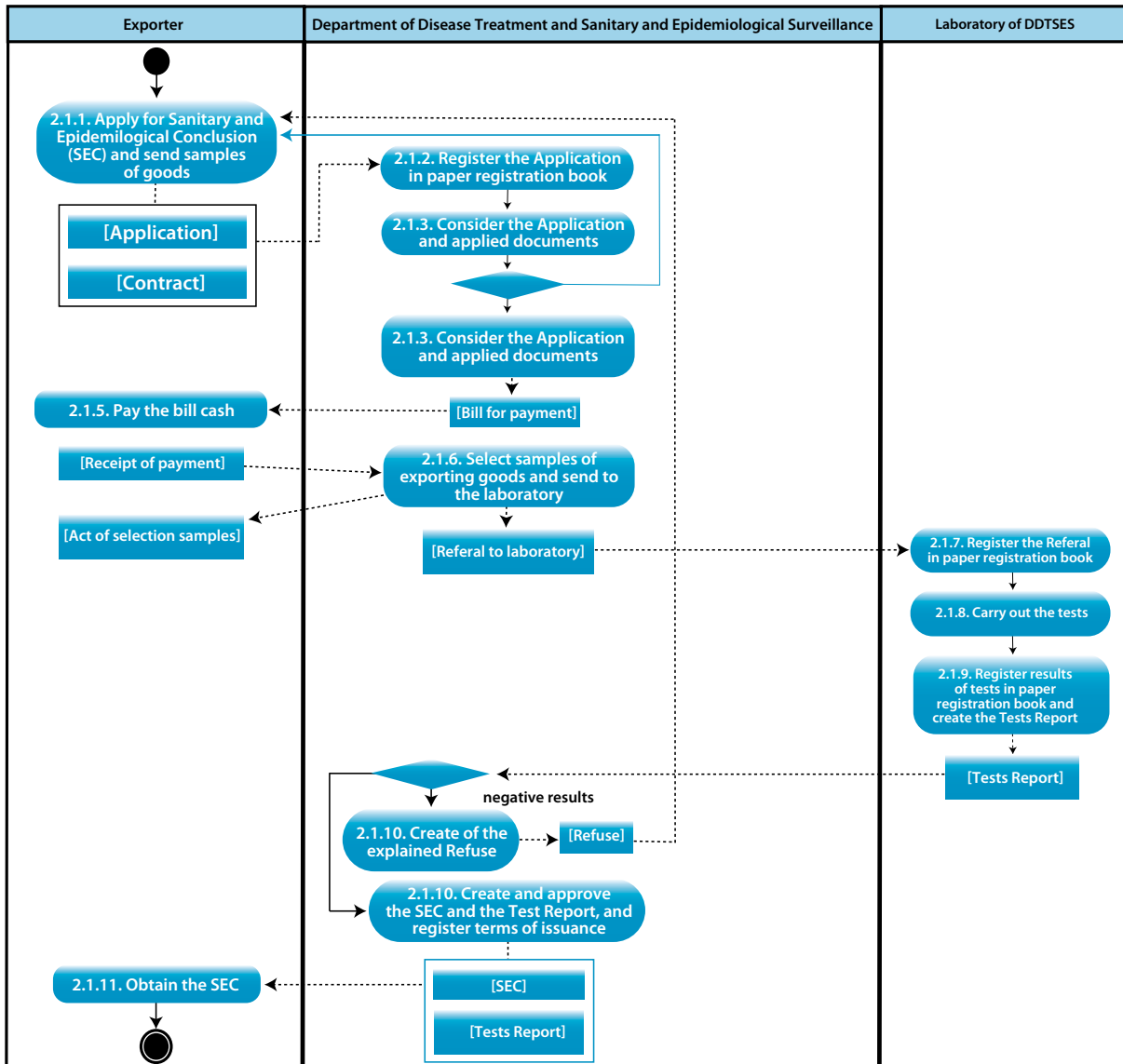
3.3 Ship

2.1. Obtain the sanitary-epidemiological conclusion

For the selected company, obtaining the sanitary-epidemiological conclusion takes one day only, and the document is processed manually, following paper-based methods. This document is provided by the exporters on a voluntary basis (as it is not required by the Serbian authority) as a way for attesting to the product's quality.

The time-frame mentioned by the selected company contrasts with the one reported by the Bishkek-based exporters of fresh fruits, which varies between 10 to 15 days, even as the requests are processed electronically through Single Window Information System (SWIS). Regarding the reasons behind this discrepancy, consultations with stakeholders revealed that this shorter time-frame is not uncommon to traders in the region and that it could be explained by informal payments.

Diagram A3.4 Obtain the sanitary-epidemiological conclusion



Name of a process area	2. Ship
Name of a business process	2.1. Obtain the sanitary-epidemiological conclusion
Related laws, rules and regulations	<p>Law of the Kyrgyz Republic 'On Public Healthcare' № 248 of July 24, 2009 Law of the Kyrgyz Republic 'On Protection of Citizens' Health in the Kyrgyz Republic' № 6 of January 9, 2005 Law of the Kyrgyz Republic 'On State Regulation of Foreign Trade Activities in the Kyrgyz Republic' №41 of July 2, 1997 Resolution of the Government of the KR 'On Approval of the Register of Permitting Documents Issued by Executive Bodies and their Subdivisions' № 103 of February 25, 2004 Resolution of the Government of the KR 'On Sanitary-Epidemiological Control to Ensure Sanitary and Epidemiological Welfare of Population exercised by agencies and institutions of the Sanitary-Epidemiological Service of the KR' № 329 of June 6, 2003 The Regulation on Department of Disease Prevention and State Sanitary and Epidemiological Supervision under the Ministry of Health of the Kyrgyz Republic' (approved by Government Resolution No.319 of June 10, 2013) Regulation on conformity assessment of facilities and ensuring safety measures in the sphere of veterinary, plant quarantine, epidemiology, sanitation and ecology in the Kyrgyz Republic (approved by Resolution of the KR Government № 961 of December 28, 2004)</p>
Business process participants	Department for Disease Prevention and Sanitary and Epidemiological Supervision under the Ministry of Health of the Kyrgyz Republic (DDPSES) Laboratory of DDPSES Exporter
Criteria to begin the business process	The exporter has the signed contract
Activities and associated documentary requirements to finish the business process	<p>2.1.1. The exporter applies for obtaining a sanitary-epidemiological report (SER) with a copy of the contract attached and prepares sending samples of goods for laboratory tests. 2.1.2. An officer of the DDPSES registers the application, which later on is delivered to a DDPSES expert. 2.1.3. The DDPSES expert considers the application and submitted documents. 2.1.4. If there are no reasons to refuse testing, the expert assigns necessary laboratory tests and issues the corresponding bills. 2.1.5. The exporter pays the bills to a cash desk of DDPSES and receives the receipt. 2.1.6. After that the DDPSES expert selects samples of exporting goods and issues an Act of selection samples to the exporter. The DDPSES expert also prepares a referral to a laboratory. 2.1.7. The officer of the DDPSES laboratory registers the referral in the registration book and sends the samples to be tested. 2.1.8. Carrying out laboratory tests in accordance with the referral. 2.1.9. Then the officer of the DDPSES laboratory registers the results of tests and fills in the tests report form. The tests report is an annex to the Sanitary-epidemiological report. 2.1.10. If the products are compliant with food safety requirements, sanitary-epidemiological report is prepared and issuance conditions are registered. Otherwise a document of justified refusal in sanitary-epidemiological report issuance is prepared. This document is also registered. 2.1.11. The exporter obtains the Sanitary-epidemiological report together with the tests report.</p>
Output criteria to exit the business process	The exporter obtained the Sanitary-epidemiological report together with the Tests report.
Average time required to complete this business process	1 working day
Costs in USD	USD 30

Officials noted that obtaining this document does not involve repetitive submission of documents as highlighted by traders. They explained that traders file their applications along with the supporting documents via SWIS. The application is transferred electronically to the Sanitary-Epidemiological Expertise and Services Division (SEES) of the Department for Disease Prevention and Sanitary and Epidemiological Supervision. The applicant submits samples for testing which are then delivered to the laboratory, which are then delivered to the testing laboratory in question (i.e., the trader does not participate in this process). The test reports are then delivered to SEES to draw up and issue the certificate, and the trader then informed that the certificate has been issued. Record-keeping of referrals to laboratory and issued certificates does not affect the business-processes and waiting time for results, which entirely depends on the product testing methods. Officials highlighted that there is no room for informal payments, since there is no contact between the applicant and the laboratory,

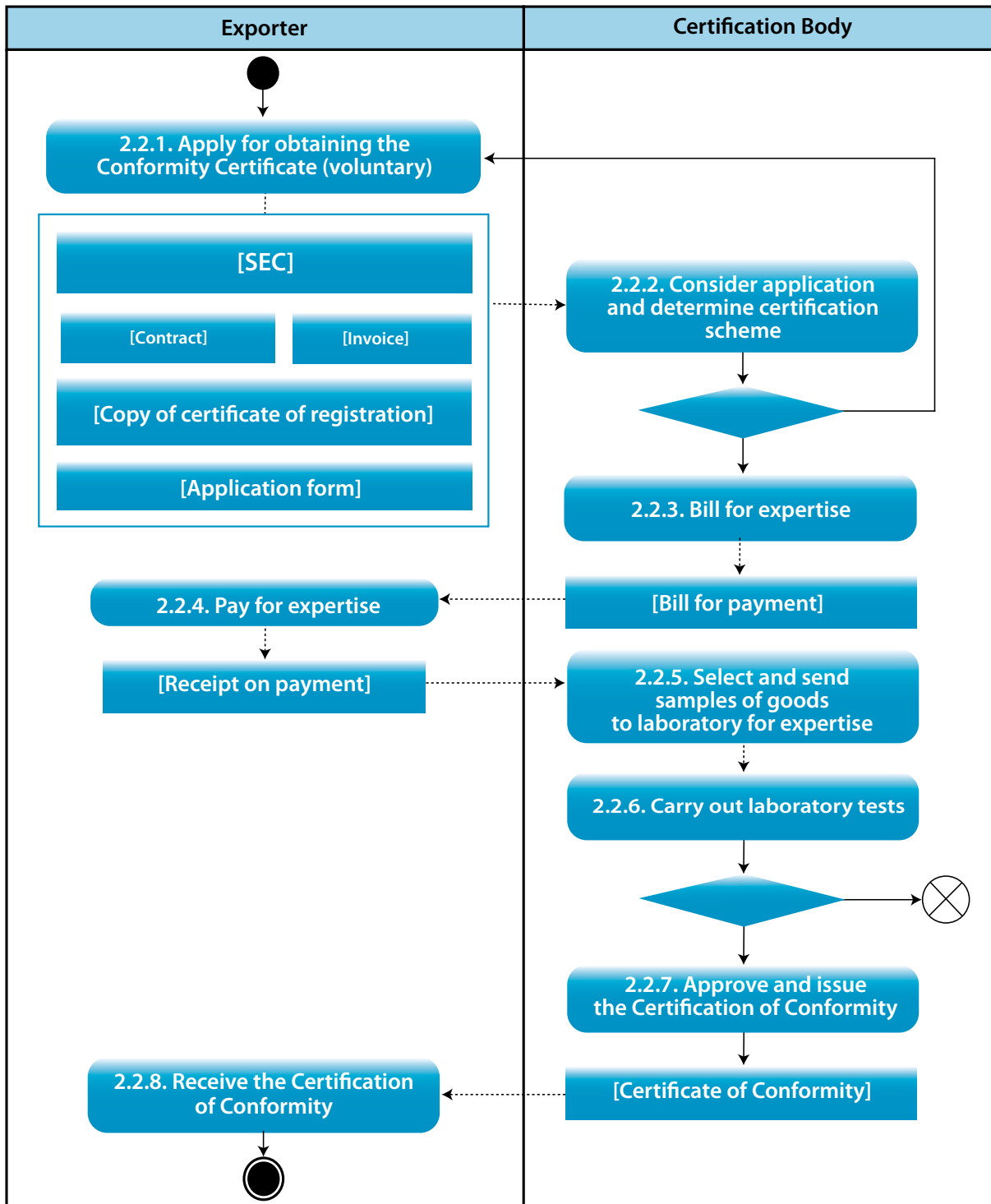
and laboratory experts cannot possibly expedite the process since the time required for releasing the test results is determined by the test method.

Officials also drew attention that in order to simplify the business-processes associated with obtaining this certificate, the SESW is planning to connect the laboratories of the Department for Disease Prevention and Sanitary and Epidemiological Supervision to SWIS. This will allow for issuing the test reports electronically.

2.2. Obtain the conformity certificate

The representatives of the selected company said that it takes 4 hours to obtain the conformity certificate, which contrasts with the longer time-frame (3-5 days) reported by other exporters of fresh fruits (mostly in Bishkek). Regarding the reasons behind this discrepancy, consultations with stakeholders revealed that this shorter time-frame is not uncommon to traders in the region and that it could be explained by informal payments.

Diagram A3.5 Obtain the conformity certificate



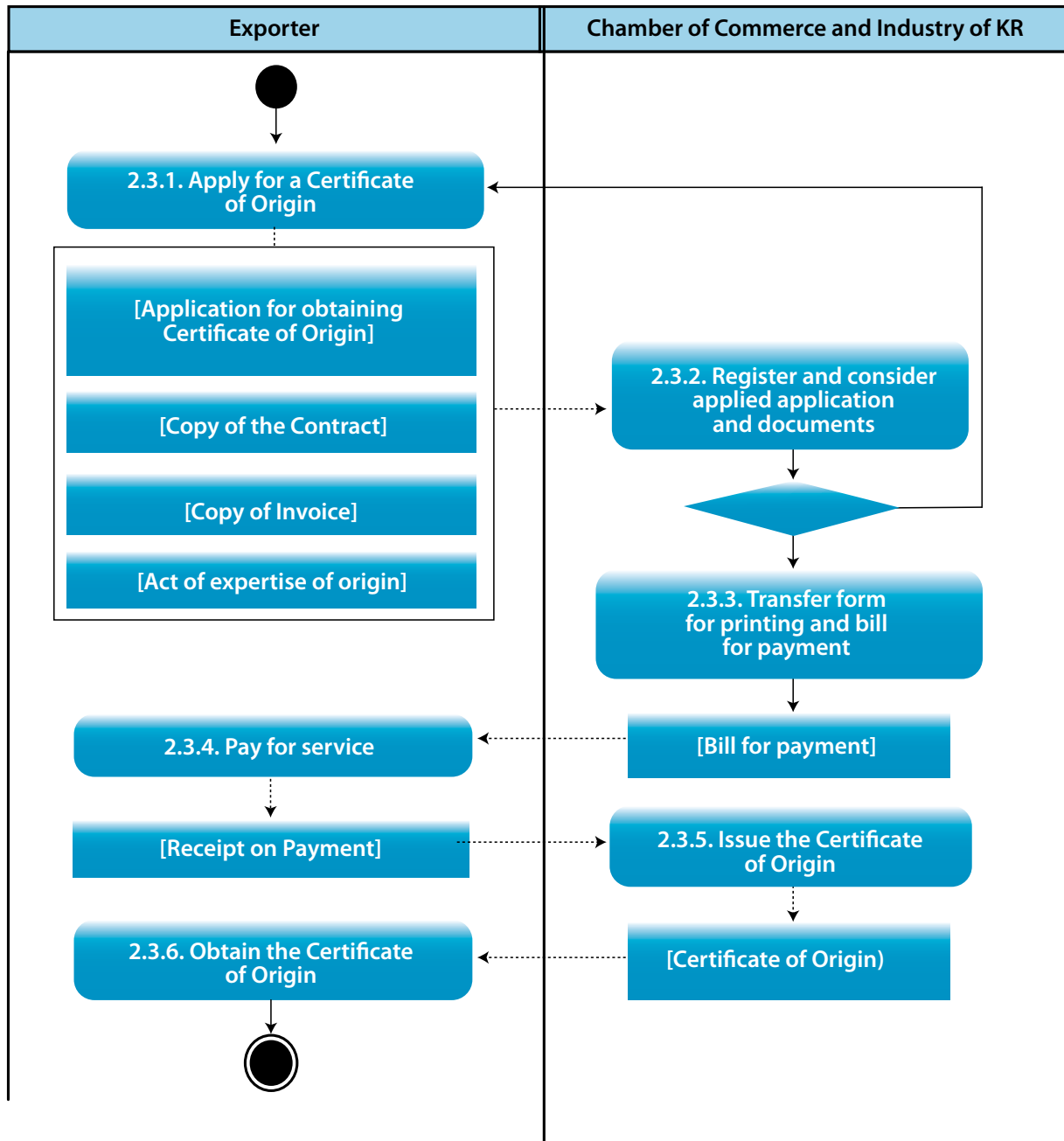
Name of a process area	2. Ship
Name of a business process	2.2. Obtain the conformity certificate
Related laws, rules and regulations	<ul style="list-style-type: none"> ● Law of the Kyrgyz Republic 'On the Fundamentals of Technical Regulation' N 67 of May 22, 2004 ● Law of the Kyrgyz Republic 'On State Regulation of Foreign Trade Activities in the Kyrgyz Republic' №41 of July 2, 1997 ● Resolution of the Government of the Kyrgyz Republic 'On Mandatory Conformity Assessment of Products' No. 639 of December 30, 2005 ● Resolution of the Government of the Kyrgyz Republic 'On Approval of New Forms of Conformity Certificate and Declaration of Conformity' No.178 of March 25, 2010 ● Resolution of the Government of the Kyrgyz Republic 'On Mandatory Product Conformity Assessment by adoption of Declaration of Conformity' No.512 of October 23, 2007 ● Resolution of the Government of the Kyrgyz Republic 'On Approval of the Regulation on Maintenance of the Single State Register of Issued Conformity Certificates and Adopted Conformity Declarations for the Products that were Subject to Mandatory Conformity Assessment Procedure' No.267 of June 2, 2008
Business process participants	<ul style="list-style-type: none"> ● Certification body ● Exporter
Criteria to begin the business process	<ul style="list-style-type: none"> ● The exporter has a signed export contract ● The exporter has the Tests report, issued by the DDPSES ● The Certification body is accredited in the Kyrgyz Accreditation Center
Activities and associated documentary requirements to finish the business process	<p>2.2.1. The exporter applies to the Certification Body for a voluntary conformity certificate and submits the following documents: sanitary-epidemiological report together with the test protocol, contract and invoice copy, copy of the certificate of registration.</p> <p>2.2.2. The certification body considers the application and the submitted documents and determines the certification scheme.</p> <p>2.2.3. If the certification scheme is approved, the certification body issues an invoice for expert evaluation.</p> <p>2.2.4. The exporter makes a payment against the invoice at the cash desk of the certification body and receives a receipt.</p> <p>2.2.5. The certification body takes samples of the products and sends them to the laboratory for testing.</p> <p>2.2.6. The certification body's laboratory conducts the tests according to the certification scheme.</p> <p>2.2.7. If the product samples comply with the safety requirements, the certification body approves and issues the conformity certificate (voluntary).</p> <p>2.2.8. The exporter receives the conformity certificate.</p>
Output criteria to exit the business process	<ul style="list-style-type: none"> ● Exporter received the conformity certificate in the accredited certification body.
Average time required to complete this business process	4 hours
Costs in USD	USD 60

2.3. Obtain the certificate of origin

Obtaining the certificate of origin (CoO) takes 2-3 hours only, because it is based on the act of exper-

tise of origin. The act is issued by the chamber of commerce on an annual basis, following an expertise analysis that is conducted to determine the origin of the product.

Diagram A3.6 Obtain the certificate of origin



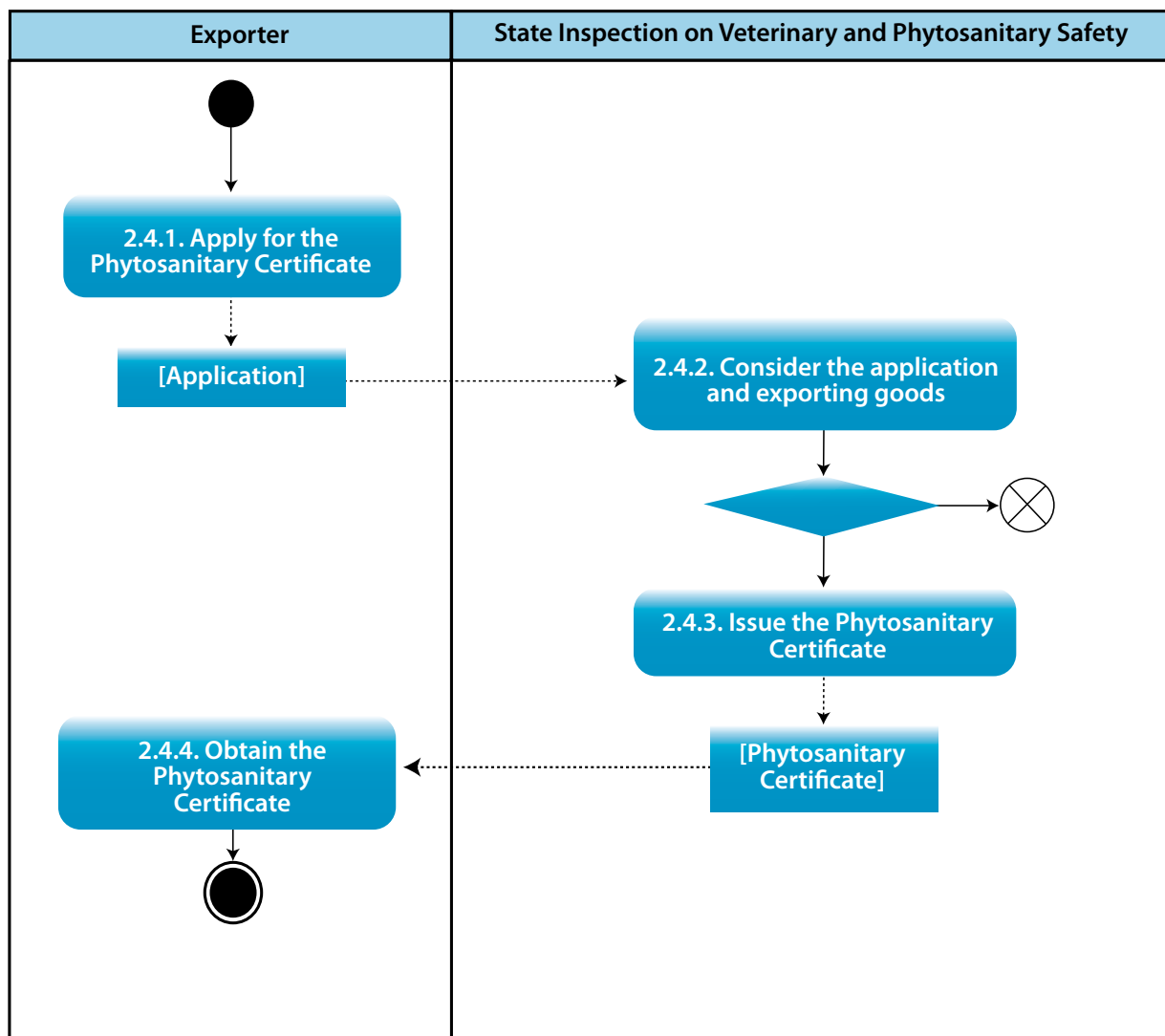
Name of a process area	2. Ship
Name of a business process	2.3. Obtain the certificate of origin
Related laws, rules and regulations	<ul style="list-style-type: none"> ● Law of the Kyrgyz Republic 'On the Chamber of Commerce and Industry of the Kyrgyz Republic' № 1460-XII of April 13, 1994. ● The Law of the Kyrgyz Republic 'On State Regulation of Foreign Trade Activities in the Kyrgyz Republic' №41 of July 2, 1997 ● Regulation of the Presidium of the Chamber of Commerce and Industry of the Kyrgyz Republic №2 of February 5, 2010
Business process participants	<ul style="list-style-type: none"> ● Chamber of Commerce and Industry of the Kyrgyz Republic (CCI KR) ● Exporter
Criteria to begin the business process	<ul style="list-style-type: none"> ● The exporter has copies of the export contract and copies of the invoice ● The exporter has received from the Kyrgyz CCI the act of expertise confirming that there are conditions for manufacture of the export products (for natural persons – copy of the certificate of land plot availability or purchasing act)
Activities and associated documentary requirements to finish the business process	<p>2.3.1. The exporter applies for a certificate of origin and provides the required documents (copies of the contract and copies of the invoice, act of expertise of origin).</p> <p>2.3.2. An authorized officer of the CCI KR registers and considers the application and submitted documents.</p> <p>2.3.3. If the submitted application and documents comply with the requirements of CCI KR regulation, an authorized officer prepares a form of Certificate of Origin for printing and issues an invoice for services.</p> <p>2.3.4. The exporter pays the invoice and gets the receipt.</p> <p>2.3.5. An authorized officer of the Chamber of Commerce and Industry of the KR issues a Certificate of Origin</p> <p>2.3.6. The exporter obtains the certificate of origin.</p>
Output criteria to exit the business process	The exporter obtained the certificate of origin.
Average time required to complete this business process	2-3 hours.
Costs in USD	USD 35

2.4. Obtain the Phytosanitary Certificate

The selected company obtains the phytosanitary certificate in 3-4 hours only, which contrasts with the longer time period reported by traders in other

regions. According to stakeholders who were approached as a follow-up to the BPA, exporters with an established experience and a good track record usually obtain this certificate based on an examination of the documentary requirements that are submitted along with the application form.

Diagram A3.7 Obtain the phytosanitary certificate



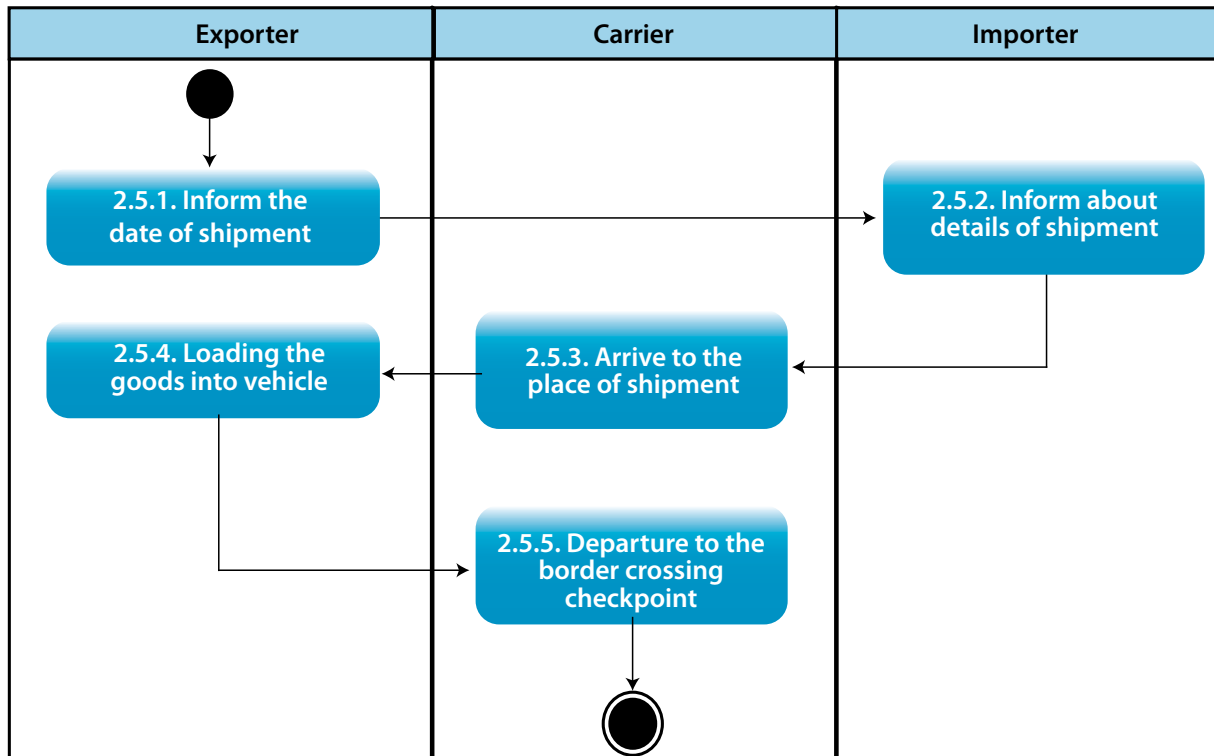
Name of a process area	2. Ship
Name of a business process	2.4. Obtain the Phytosanitary Certificate
Related laws, rules and regulations	<ul style="list-style-type: none"> ● Law of the Kyrgyz Republic 'On Plant Quarantine' №26 of June 27, 1996 ● The Law of the Kyrgyz Republic 'On State Regulation of Foreign Trade Activities in the Kyrgyz Republic' №41 of July 2, 1997 ● Resolution of the Kyrgyz Government of December 30, 2006 No.901 'On Determination of Safety Measures in the sphere of Veterinary, Plant Quarantine, Epidemiology, Sanitation and Ecology' ● Resolution of the KR Government No.251 of May 30, 2008 'On Approval of The Rules of Organizing the Work on Issuance of Phytosanitary Documents when Importing or Exporting Quarantineable Products by the State Inspectorate for Plant Quarantine under the Ministry of Agriculture, Water resources and Processing Industry of the Kyrgyz Republic' ● The Rules of Organizing the work on Issuance of Phytosanitary Documents when Importing or Exporting Quarantineable Products by the State Inspectorate for Plant Quarantine under the Ministry of Agriculture, Water Resources and Processing Industry (approved by Resolution of the KR Government No.251 of May 30, 2008) ● The Regulation on the State Inspectorate for Veterinary and Phytosanitary Security under the Government of the KR (approved by Resolution of the KR Government No.256 of May 7, 2013)
Business process participants	<ul style="list-style-type: none"> ● State Inspectorate for Veterinary and Phytosanitary Security under the Government of the KR (SIVPS) ● Exporter
Criteria to begin the business process	<ul style="list-style-type: none"> ● The exporter has copies of the export contract and copies of the invoice
Activities and associated documentary requirements to finish the business process	<p>2.4.1. The exporter applies to the Manas District Department of Talas Regional Inspectorate for Veterinary and Phytosanitary Security under the Government of the KR (Chon-Kapka phytosanitary checkpoint) for a Phytosanitary Certificate.</p> <p>2.4.2. SIVPS officer considers the application and examines the exported products. The exporter arranges a travel for the SIVPS officer to the place where the products in question are located to do the necessary product examination.</p> <p>2.4.3. If the SIVPS officer does not find any harmful quarantine organisms or other incompliances, he issues the Phytosanitary Certificate.</p> <p>2.4.4. The exporter obtains the Phytosanitary Certificate.</p>
Output criteria to exit the business process	The exporter obtained the Phytosanitary Certificate.
Average time required to complete this business process	3-4 hours
Costs in USD	USD 15

2.5. Load the goods

The loading of goods is a straight forward process that takes 5-6 hours to complete. It is or-

ganized by international carriers (including, European, Russian and Turkish companies), with well equipped vehicles that are in good condition.

Diagram A3.8 Load the goods

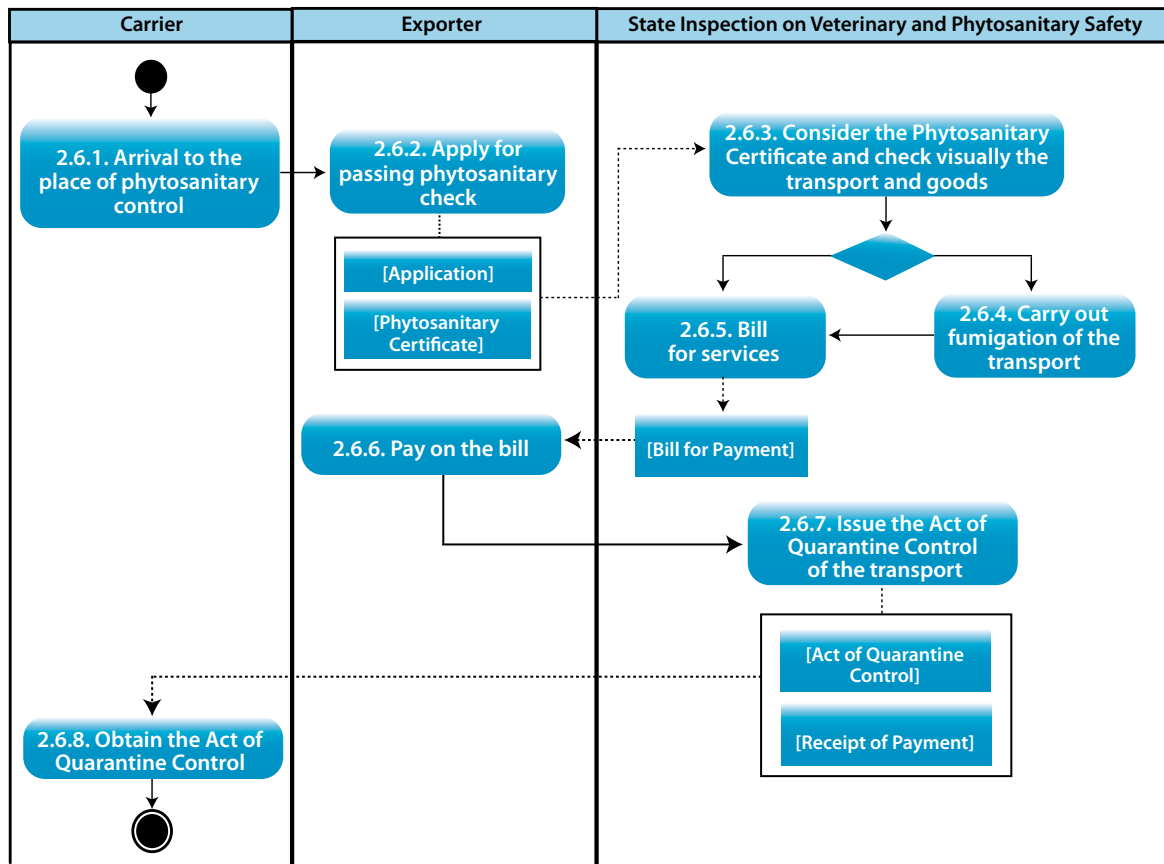


Name of a process area	2. Ship
Name of a business process	2.5. Load the goods
Related laws, rules and regulations	The Law of the Kyrgyz Republic 'On State Regulation of Foreign Trade Activities in the Kyrgyz Republic' №41 of July 2, 1997 Customs Convention on the International Transport of Goods under Cover of TIR Carnets (TIR Convention)
Business process participants	Importer Carrier Exporter
Criteria to begin the business process	The shipment date is due according to the agreement between the importer and exporter The carrier has the TIR carnet, passport, driving license, vehicle registration certificate and trailer registration certificate The exporter has the export contract and invoice; the exporter is ready for shipment
Activities and associated documentary requirements to finish the business process	2.5.1. The exporter informs the importer about the date of readiness for shipment. 2.5.2. The importer provides shipment details to the carrier, which he has a transportation contract with. 2.5.3. The carrier's vehicle arrives at the exporter's place of shipment. 2.5.4. The exporter loads goods to the vehicle and escorts the vehicle to the border checkpoint. 2.5.5. The carrier departs to the border checkpoint.
Output criteria to exit the business process	Goods are loaded on the Carrier's vehicle The Carrier departed to the border checkpoint
Average time required to complete this business process	5-6 hours
Costs in USD	USD 100

2.6. Obtain the vehicle quarantine control act

Inspectorate for Veterinary and Phytosanitary Safety Office of SIVPS is located before the border and there is only visual examination of vehicle condition

Diagram A3.9 Obtain the vehicle quarantine control act



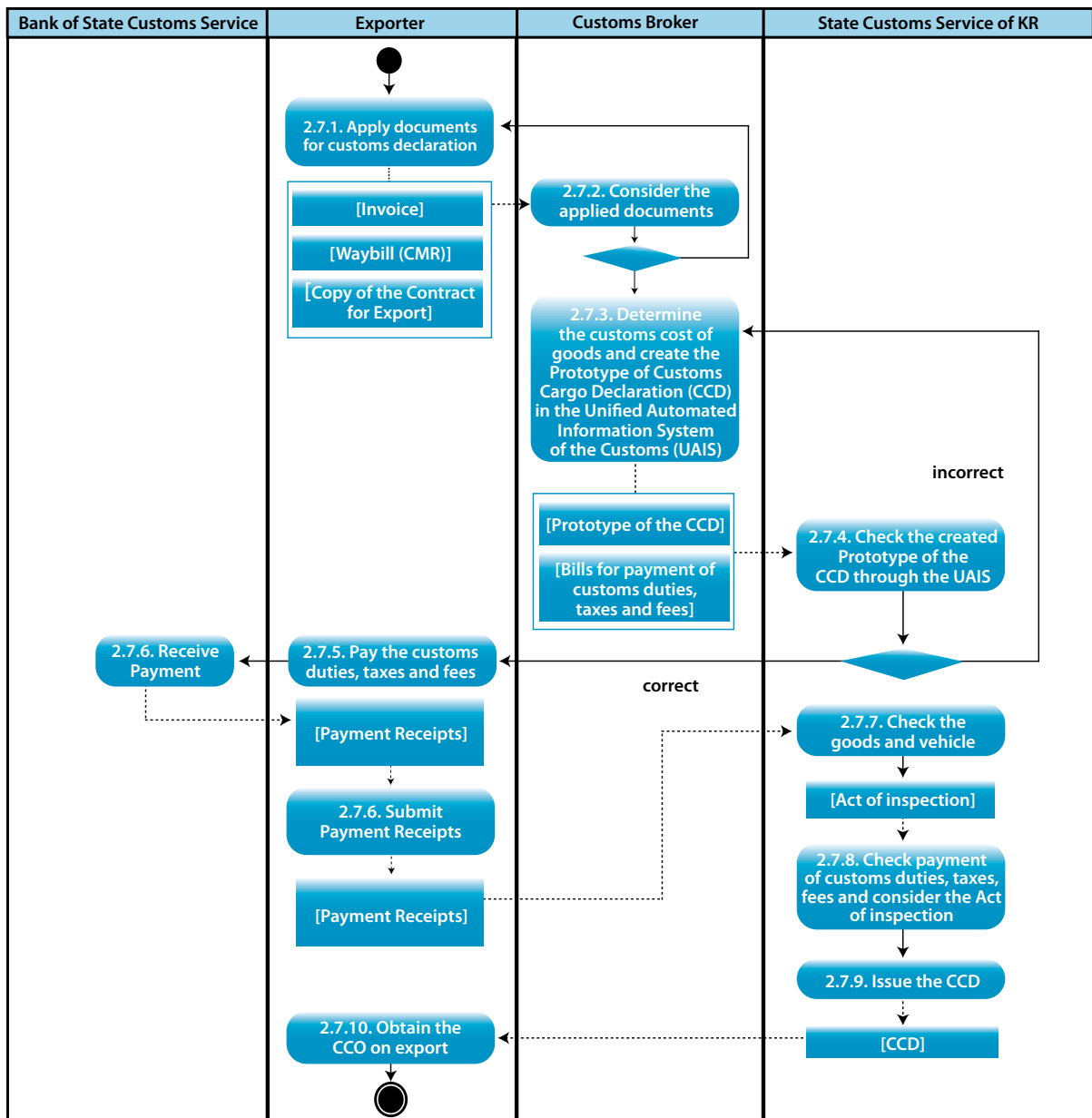
Name of a process area	2. Ship
Name of a business process	2.6. Obtain the vehicle quarantine control act
Related laws, rules and regulations	<ul style="list-style-type: none"> ● Law of the Kyrgyz Republic 'On Plant Quarantine' №26 of June 27, 1996 ● The Law of the Kyrgyz Republic 'On State Regulation of Foreign Trade Activities in the Kyrgyz Republic' №41 of July 2, 1997 ● Resolution of the Kyrgyz Government of December 30, 2006 No.901 'On Determination of Safety Measures in the sphere of Veterinary, Plant Quarantine, Epidemiology, Sanitation and Ecology' ● Resolution of the KR Government No.251 of May 30, 2008 'On Approval of The Rules of Organizing the Work on Issuance of Phytosanitary Documents when Importing or Exporting Quarantineable Products by the State Inspectorate for Plant Quarantine under the Ministry of Agriculture, Water resources and Processing Industry of the Kyrgyz Republic' ● Resolution of the KR Government 'On Approval of Regulation on Crossing Points on the State Border of the Kyrgyz Republic' No.739 of October 7, 2004 ● The Rules of Organizing the work on Issuance of Phytosanitary Documents when Importing or Exporting Quarantineable Products by the State Inspectorate for Plant Quarantine under the Ministry of Agriculture, Water Resources and Processing Industry (approved by Resolution of the KR Government No.251 of May 30, 2008) ● The Regulation on the State Inspectorate for Veterinary and Phytosanitary Security under the Government of the KR (approved by Resolution of the KR Government No.256 of May 7, 2013)
Business process participants	<ul style="list-style-type: none"> ● State Inspectorate for Veterinary and Phytosanitary Safety under the Government of the KR (SIVPS) ● Exporter
Criteria to begin the business process	<ul style="list-style-type: none"> ● The Exporter has the export contract and invoice ● The Exporter loaded goods to the Carrier's vehicle and escorts it ● The Carrier departed to the border checkpoint
Activities and associated documentary requirements to finish the business process	<p>2.6.1. The Carrier arrives to the place of phytosanitary control.</p> <p>2.6.2. A SIVPS inspector visually examines the vehicle for the presence of harmful quarantine organisms.</p> <p>2.6.3. If quarantine organisms are detected, the vehicle is fumigated.</p> <p>2.6.4. Then the inspector issues the invoice for services.</p> <p>2.6.5. The Representative of the exporter pays the invoice.</p> <p>2.6.6. The SIVPS inspector issues a vehicle quarantine control act.</p> <p>2.6.7. The Representative of the exporter obtains the vehicle quarantine control act.</p>
Output criteria to exit the business process	<ul style="list-style-type: none"> ● The Exporter received the vehicle quarantine control act.
Average time required to complete this business process	1-2 hours
Costs in USD	USD 10

2.7. Pass customs control and clearance

This process involves customs and vehicle control. Both are carried out by the customs, and involve customs clearance, the visual inspection

of the cargo and the vehicle, weight control (vehicle), and radioactive control (vehicle). Radioactive control is conducted using modern equipment, and the entire business process is completed in 4-8 hours, if the waiting line is not long.

Diagram A3.10 Pass customs control and clearance

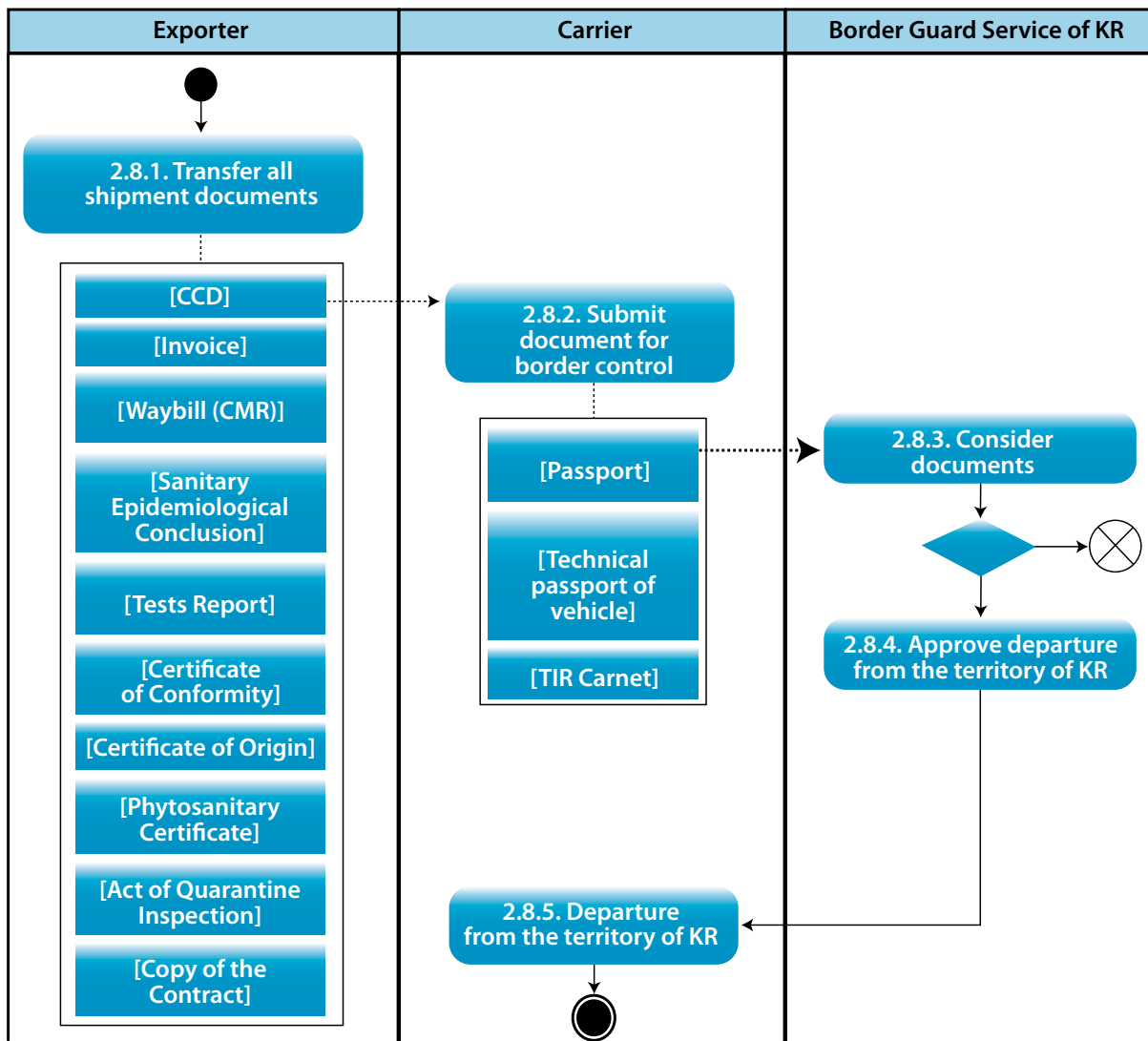


Name of a process area	2. Ship
Name of a business process	2.7. Pass customs control and clearance
Related laws, rules and regulations	<ul style="list-style-type: none"> ● The Customs Code of the Kyrgyz Republic ● Law of the Kyrgyz Republic 'On State Regulation of Foreign Trade Activities in the Kyrgyz Republic' №41 of July 2, 1997 ● Resolution of the KR Government 'On measures relating to implementation of the Tax Code of the Kyrgyz Republic' № 961 of December 28, 2004 ● The Regulation on a Customs Broker (approved by Resolution of the KR Government № 961 of December 28, 2004) ● The Instruction on Control over Calculation and Payment of Customs Fees and Charges (approved by Resolution of the KR Government № 961 of December 28, 2004) ● The Instruction on Customs Clearance and Customs Control over Persons, Transport Vehicles, Goods and Cargoes Moved Across State Border of the Kyrgyz Republic' (approved by Resolution of the KR Government № 961 of December 28, 2004) ● The Instruction on Applying Customs Regimes (approved by Resolution of the KR Government № 961 of December 28, 2004) ● Resolution of the KR Government 'On Approval of Regulation on Crossing Points on the State Border of the Kyrgyz Republic' No.739 of October 7, 2004
Business process participants	<ul style="list-style-type: none"> ● State Customs Service (SCS) ● Bank of State Customs Service ● Customs broker ● Exporter
Criteria to begin the business process	<ul style="list-style-type: none"> ● The exporter received all the documents necessary for transit and customs formalities, as well as for customs clearance in the destination country. ● The exporter has the export contract and the invoice. ● The exporter has loaded goods to the carrier's vehicle and escorts it ● The carrier arrived to the border checkpoint
Activities and associated documentary requirements to finish the business process	<p>2.7.1. The exporter's representative submits the required documents for obtaining the Customs declaration. The Representative of the exporter applies to a customs broker and submits the documents necessary for customs declaration.</p> <p>2.7.2. The customs broker examines the submitted documents.</p> <p>2.7.3. If the submitted documents are ok, the Customs Broker determines customs value of the goods and based on it calculates all the customs duties and fees payable. The Customs Broker creates a prototype of the cargo customs declaration (CCD) in the 'ARM-Broker' module of the Unified Automated Information System (UAIS) of the Customs.</p> <p>2.7.4. Exporter submits application via the UAIS. At the border the to the Customs Clearance officer verifies the data in the system (CCD prototype) and the invoices for determining the amount of customs duties and fees.</p> <p>2.7.5. If the CCD prototype and invoices are correct, the exporter is requested to pay all the customs duties and fees in the Customs Service's Bank.</p> <p>2.7.6. The Bank of the State Customs Service accepts the payment and issues payment receipts</p> <p>2.7.6. The exporter submits customs duties and fees payment receipts to the Customs Clearance Officer.</p> <p>2.7.7. Then the Customs Clearance Officer instructs the Inspection Officer to conduct inspection of goods and vehicle. Inspection Officer prepares an Inspection Act and submits it to the Customs Clearance Officer.</p> <p>2.7.8. The Customs Clearance Officer verifies the amount of customs duties paid along with the Act of Inspection. The latter is an internal document that is issued upon the completion of the control of the cargo and the vehicle.</p> <p>2.7.9. If there are no violations, the customs clearance officer issues the electronic CCD.</p> <p>2.7.10. The representative of the exporter obtains the electronic CCD.</p>
Output criteria to exit the business process	<ul style="list-style-type: none"> ● The exporter paid all the customs duties and fees and the goods were inspected by the customs. ● The exporter obtained the electronic CCD
Average time required to complete this business process	4-8 hours
Costs in USD	USD 100

2.8. Pass border control

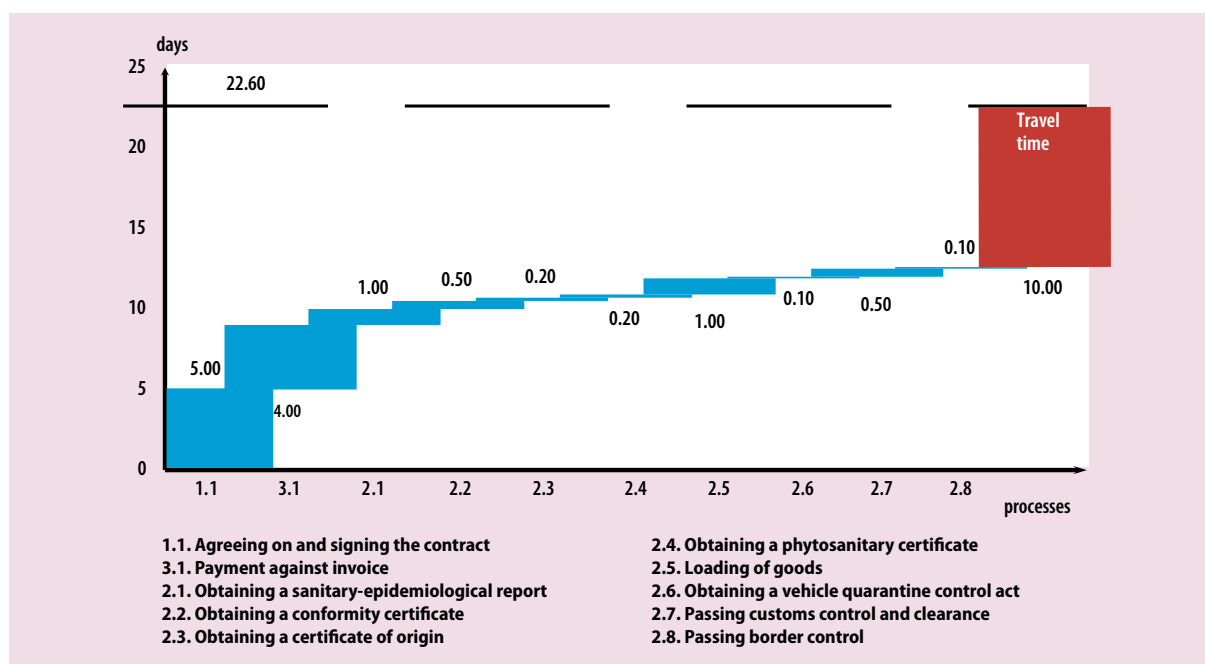
For the selected company, the procedures associated with border control are straight forward and takes two hours to complete if the waiting line is not long.

Diagram A3.11 Pass border control



Name of a process area	2. Ship
Name of a business process	2.8. Pass border control
Related laws, rules and regulations	<ul style="list-style-type: none"> • Law of the Kyrgyz Republic 'On State Border' № 27 of March 19, 1999 • Resolution of the KR Government 'On Approval of Regulation on Crossing Points on the State Border of the Kyrgyz Republic' No.739 of October 7, 2004
Business process participants	<ul style="list-style-type: none"> • The State Border Service under the Government Exporter • Carrier
Criteria to begin the business process	<ul style="list-style-type: none"> • The exporter received all the documents necessary for transit and customs formalities, as well as for customs clearance in the destination country. • The exporter has the export contract and the invoice • The exporter has loaded goods to the carrier's vehicle and escorts it • The carrier arrived at the border checkpoint • The exporter paid all the customs duties and fees and the goods were inspected by the customs. • The exporter obtained the CCD
Activities and associated documentary requirements to finish the business process	<p>2.8.1. Exporter submits all the required support documents for transporting the goods to the destination.</p> <p>2.8.2. The carrier submits the documents (the passport, vehicle registration certificate, TIR Carnet) to an officer of the State Border Service of the Kyrgyz Republic for a check.</p> <p>2.8.3. State Border Service officer examines the documents.</p> <p>2.8.4. If all the documents are in order, the officer scans the carrier's passport and authorizes departure.</p> <p>2.8.5. The carrier crosses the borders.</p>
Output criteria to exit the business process	<ul style="list-style-type: none"> • The carrier departs to destination
Average time required to complete this business process	(2 hours)
Costs in USD	None

Figure A3.1 Time procedure chart of kidney bean export from the Kyrgyz Republic



As shown on figure A3.1, it takes 10 days to complete the business processes associated with exporting kidney beans from Kyrgyzstan to Serbia, and another 13 days for the goods to arrive to their final destination.

The business processes are complicated by cumbersome documentary requirements. As shown in

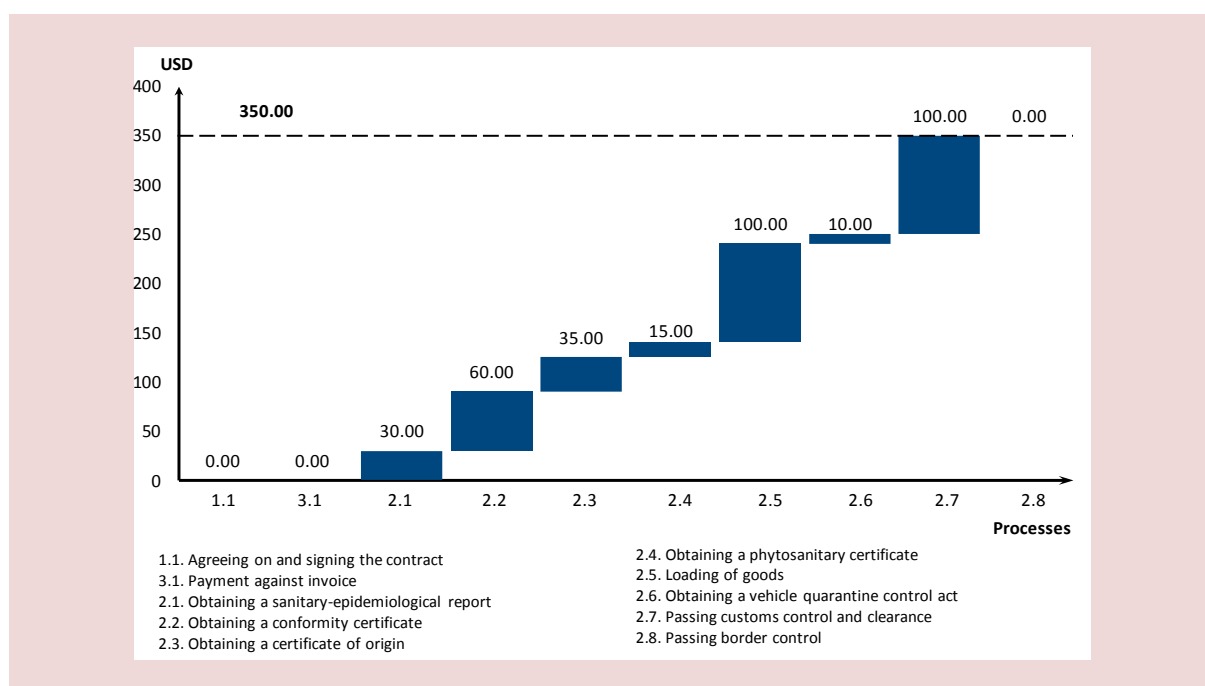
Box A3.1, the trader has to provide 35 documents, including the main trade documents and the associated support documents.

In terms of financial costs, and as shown in figure A3.2, these amount to around USD 350 per shipment in average.

Box A3.1 List of documentary requirements for exporting kidney beans from Kyrgyzstan

1. Draft export contract
2. Proforma invoice
3. Export contract
4. Application for obtaining a sanitary-epidemiological report
5. Copy of the export contract
6. Invoice for the services of sanitary-epidemiological report issuance service
7. Payment receipt for sanitary-epidemiological report issuance
8. Act of selection samples of goods for laboratory tests
9. Referral to the laboratory of DDPSSES
10. Test report of DDPSSES
11. Sanitary-epidemiological report
12. Application for obtaining a conformity certificate (voluntary)
13. Copy of the invoice
14. Copy of the registration certificate of a legal entity (or passport for natural persons)
15. Invoice for conformity assessment service
16. Payment receipt for conformity assessment
17. Conformity certificate (voluntary)
18. Application for obtaining certificate of origin
19. Act of the expertise of origin (or certificate of farmer's possession of the land plot and a consignment note proving purchase of goods)
20. Invoice for certificate of origin issuance
21. Payment receipt
22. Certificate of origin
23. Application for obtaining a phytosanitary certificate
24. Phytosanitary certificate
25. Application for quarantine inspection and control
26. Payment receipt for quarantine inspection and control
27. Quarantine inspection and control act
28. CMR note
29. Prototype of cargo customs declaration (electronic format)
30. Invoice for customs duties and fees
31. Payment receipt for customs duties and fees
32. Certificate of Customs inspection
33. Cargo Customs Declaration (CCD)
34. TIR Carnet
35. Expenditure voucher confirming payment against the invoice

Figure A3.2 Cost of exporting beans



A.4 Fresh apricots

This section describes the business processes associated with the export of fresh apricots. It provides the activity diagrams of each process, along with a detailed description of the associated laws, sequence of activities undertaken by traders and total cost (time and financial wise).

A4.1 Domain of interest

The selected company is a small enterprise located in the city of Karakol in the Issyk-Kul Oblast, which accounts for around 10 per cent of the country's total output of fresh apricots. Apricots in this Oblast are grown in small household gardens, as well as in the gardens of cooperatives and farms. The apricots are mainly sold as fresh fruits in domestic markets, though the last few years have seen an increased export of this fruit to the Russian Federation (with a 53.3 per cent share of total exports) and Kazakhstan (with a share of 49.7 per cent).¹⁹⁷

Procurement for export purposes is undertaken by private trading companies during the harvesting

season (July-August), and is shipped immediately. This is all the more so because the existing warehouses used by farmers and exporters are small, in poor conditions and are mainly used for storing apples and pears.

This BPA focuses on processes associated with exporting fresh apricots to the Russian Federation, since the selected company exports mainly to the Russian Federation (70 per cent of total exports), where it has established clients.¹⁹⁸ The apricots are purchased during the harvesting season, whereby the fruit is picked unripe and then packed in lug boxes provided by the trading company for delivery to the Russian Federation within 7-8 days by road (Picture A4.1).

As previously mentioned, exports of fresh fruits are transported from the northern provinces via Ak-Tilek (Kyrgyz side) – Karasu (Kazakh side) BCP.¹⁹⁹

¹⁹⁸ The selected company also exports to Kazakhstan (30 per cent of total exports)

¹⁹⁹ Framework Agreement between the Government of the Kyrgyz Republic and the Government of the Republic of Kazakhstan on Establishment of International Centres of Cross-Border Cooperation 'Karasu – Ak-Tilek' and 'Aisha-Bibi – Chon Kapka'.

¹⁹⁷ Calculations are based on the ITC Trademap

Picture A4.1 Farmers preparing fresh apricots for shipment abroad



The company arranges the transport, using the services of national carriers. The carriers use trucks with a limited capacity (20 tons), but have long experience in transporting fresh fruits to the Russian Federation.

The company receives the entire payment in cash. The buyers are wholesalers, who pay immediately upon receiving the consignments and take it upon themselves to sell the produce in local food markets throughout the Russian Federation. It should be mentioned that products are subject to vehicle weight control, which is undertaken en route between Issyk-Kul region and border. This control is imposed in view of the long distance from Issyk Kul to border, and the use of public roads.

The business processes will be analyzed taking into account existing legislation, particularly Government Resolution No. 474 of 29 August 2013, which, in the case of fresh apricots, limits the documentary requirements for customs clearance to the following two documents:

- Invoice

- Shipping documents depending on the way of transportation: TIR CARNET, consignment note, CMR note, air waybill, SMGS note.

Exporters also obtain the below documents:

- Sanitary-epidemiological report issued by the Department for Disease Prevention and Sanitary and Epidemiological Supervision under the Ministry of Health of the Kyrgyz Republic.
- Conformity certificate issued by an accredited certification body.
- Phytosanitary certificate issued by the State Inspectorate for Veterinary and Phytosanitary Security at the BCP.
- Certificate of origin issued by the Chamber of Commerce and Industry of the Kyrgyz Republic.

Exporters obtain the CoO, so as to benefit from the preferential tariffs and mutual recognition of conformity certificates and test results accorded to Kyrgyz exports of fresh apricots under the CIS Free Trade Agreement of 1994.

A4.2 Core business processes

As shown in the use-case diagram A4.1 the business processes carried out by the exporter of fresh apricots are similar to those associated with the export of kidney beans, barring the below exceptions:

- The exporter of fresh apricots arranges transport (process 2.5.)

- There is weight control by the State Agency for Road and Water Transport (process 2.6.)
- There will be no banks in the business process "PAY" (process 3.1.).

The export of fresh apricots involves 11 processes and 13 participants. Table A4.1 provides a breakdown of these processes across the Buy-Ship- Pay model. Detailed description of each business process is given in the remainder of this section.

Diagram A4.1 Business processes for exporting fresh apricots from Kyrgyzstan by Road

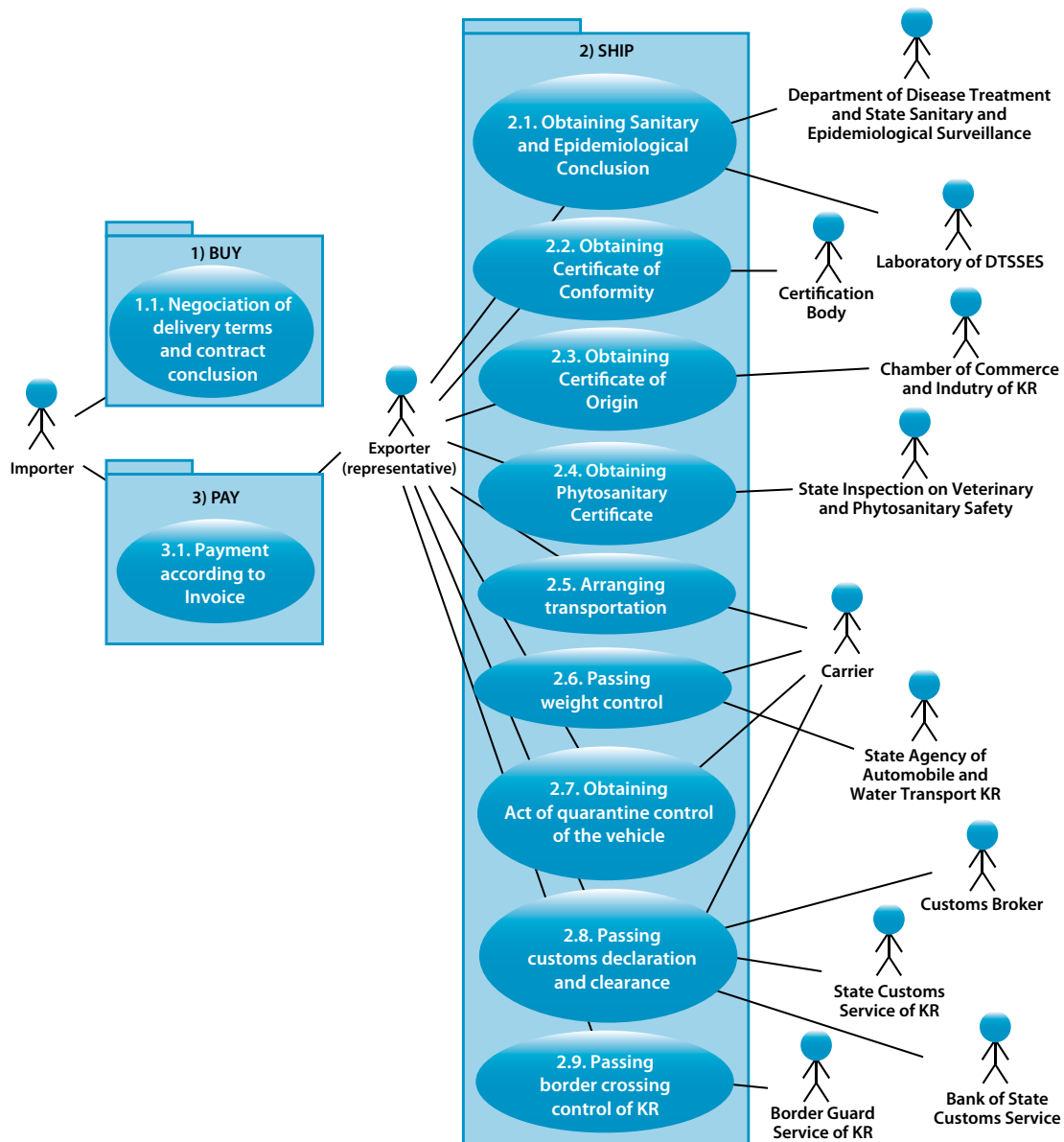


Table A4.1 Core business processes and stakeholders involved in export of fresh apricots

Core business process	Party												
	Importer	Exporter (representative)	Department for Disease Prevention and Sanitary and Epidemiological Supervision	Laboratory of DDPSES	Certification body	Chamber of Commerce and Industry of the KR	State Inspectorate for Veterinary and Phytosanitary Security	Carrier	State Agency for Road and Water Transport	Customs broker	State Customs Service of the KR	Bank of the Customs	State Border Service of the KR
1. Buy													
1.1. Negotiate and conclude sales contract	x	x											
2. Ship													
2.1. Obtain the sanitary-epidemiological conclusion		x	x	x									
2.2. Obtain the conformity certificate		x			x								
2.3. Obtaining the certificate of origin		x				x							
2.4. Obtain the phytosanitary certificate		x					x						
2.5. Arrange transportation		x						x					
2.6. Pass weight control								x	x				
2.7. Obtain the vehicle quarantine control act		x					x	x					
2.8. Pass customs control and clearance		x								x	x	x	
2.9. Pass border control of the KR		x						x					x
3. Pay													
3.1. Pay against the invoice	x	x											

Just as the case of the exporter of kidney beans, the business processes are concluded in shorter time frames than those reported by the traders who participated in the UNECE survey. Consultations with stakeholders suggest that resort to informal payments to speed up the business processes.

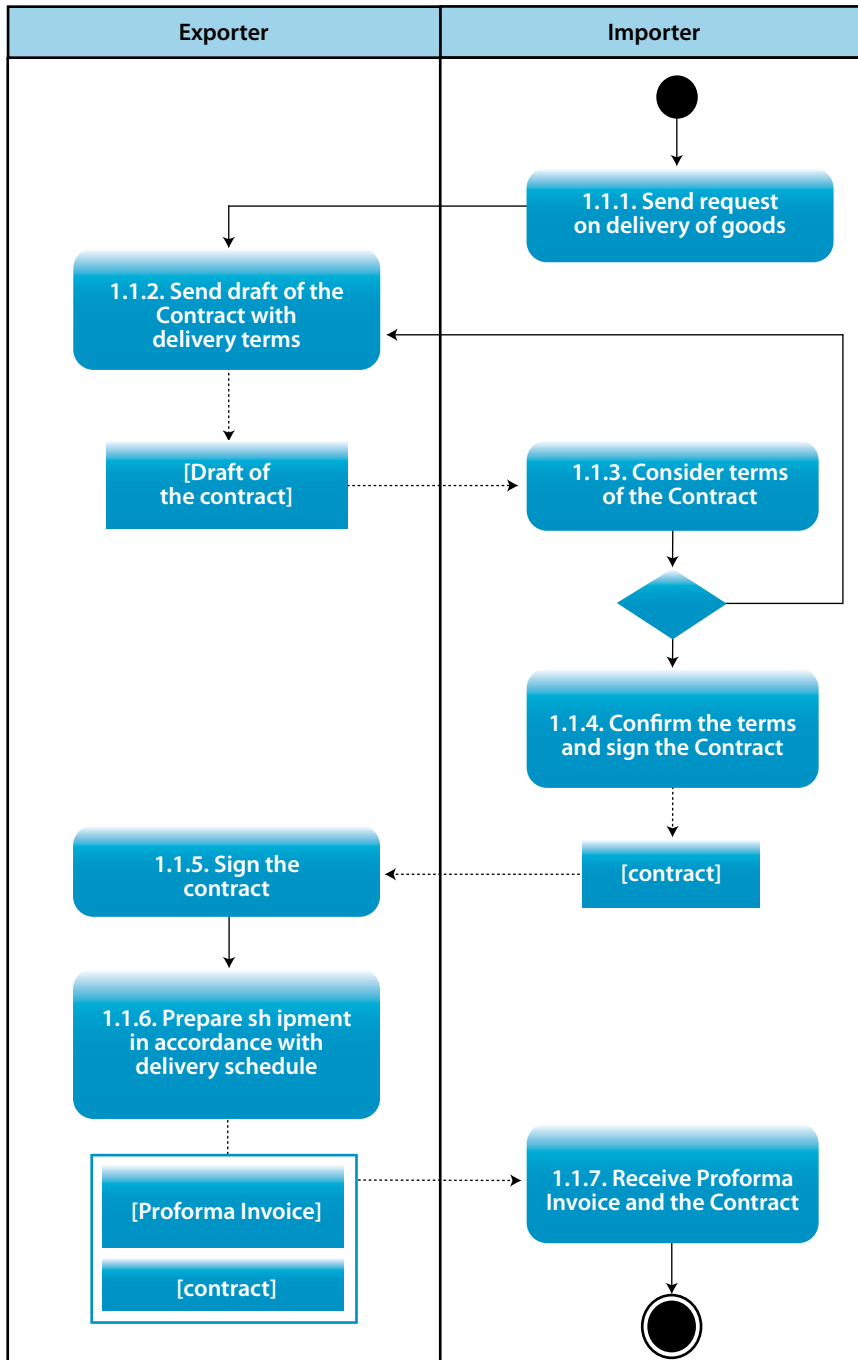
4.1 Buy

1.1 Core business processes – Negotiate and conclude sales contract

The negotiations over the sales contract are completed in three days, which is an acceptable time-frame for the selected company. The exporter did not report particular challenges.

4.2 Ship

Diagram A4.2 Negotiate and conclude the sales contract



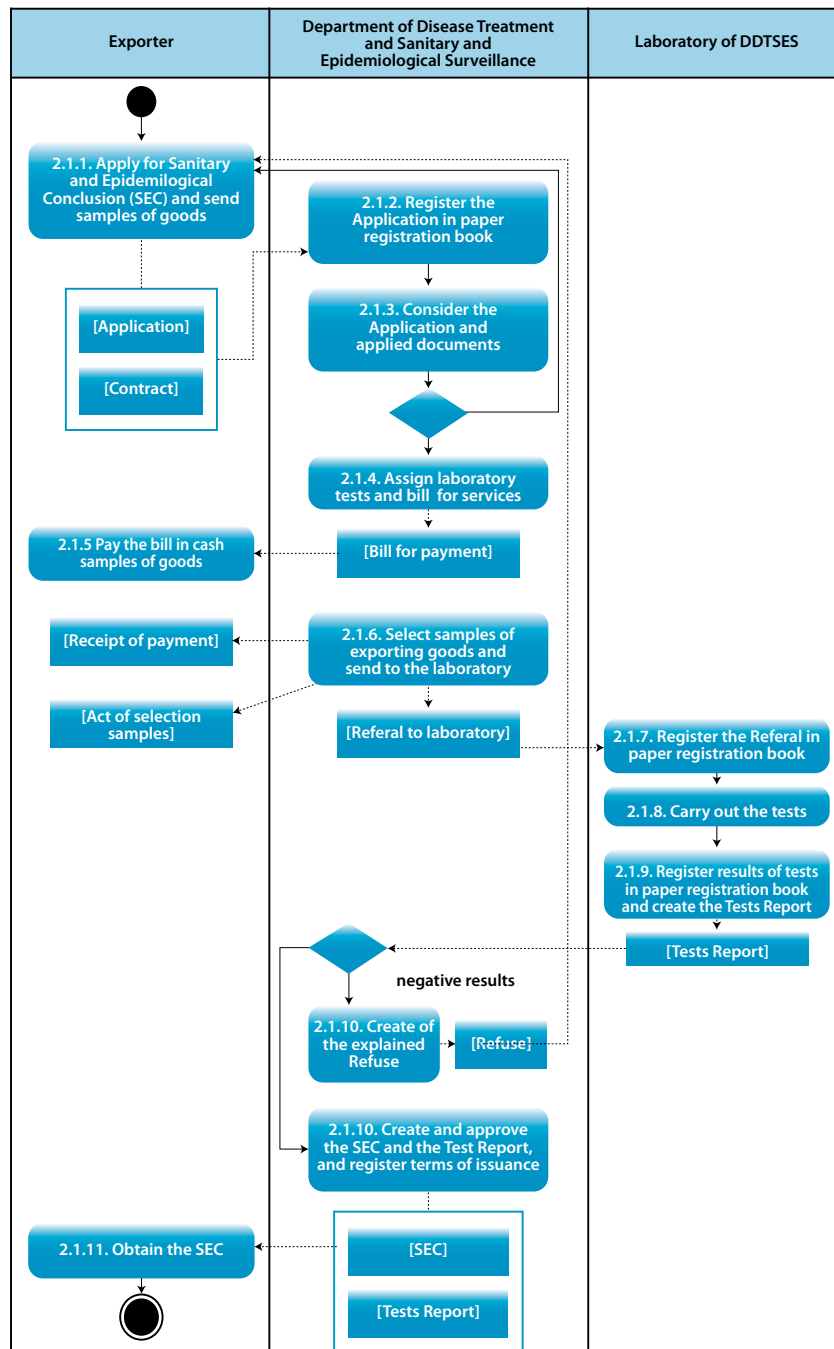
Name of a process area	1. BUY
Name of a business process	1.1. Negotiate and conclude the sales contract
Related laws, rules and regulations	<ul style="list-style-type: none"> ● Incoterms 2000 ● The Law of the Kyrgyz Republic 'On State Regulation of Foreign Trade Activities in the Kyrgyz Republic' №41 of July 2, 1997
Business process participants	<ul style="list-style-type: none"> ● Exporter ● Importer
Criteria to begin the business process	<ul style="list-style-type: none"> ● the Exporter has established business relations with potential importers ● Quality of export products complies with regulations of the importing country ● An Importer needs exporter's products ● Both parties have got reference details of each other (Individual Taxpayer Number, Registration Certificate, legal address, copy of the Charter, bank details)
Activities and associated documentary requirements to finish the business process	<p>1.1.1. The buyer sends the exporter a request with a price quotation at the beginning of the harvesting season.</p> <p>1.1.2. After having considered the request, the exporter sends a draft contract to the buyer, specifying the delivery terms. The delivery terms are usually negotiated via business e-mails. -</p> <p>1.1.3. After having received the draft contract the importer considers terms and conditions and can discuss some alternations and amendments to the contract.</p> <p>1.1.4. If the parties have agreed on the contract terms and conditions as well as on the first delivery, the importer signs the contract and sends it to the exporter.</p> <p>1.1.5. After having received the signed contract the exporter signs it too. It should be noted that delivery terms of each delivery of fresh apricots can be altered if they are mutually agreed upon (e. g., product price, shipment date, etc.).</p> <p>1.1.6. After signing the contract the exporter sends the importer a proforma invoice and the signed contract.</p> <p>1.1.7. Sometimes the importer requests to send him samples of products in order to assess the product compliance with the legal requirements of the importing country.</p> <p>1.1.8. The importer receives the proforma invoice, the contract and samples of goods</p>
Output criteria to exit the business process	<ul style="list-style-type: none"> ● The export contract is concluded between the exporter and the importer. ● The exporter can proceed to shipment of goods in accordance with the delivery schedule. ● The importer has received the proforma invoice and can proceed to making a payment
Average time required to complete this business process	3 working days

2.1. Obtain the sanitary-epidemiological conclusion

Obtaining the sanitary-epidemiological conclusion takes one day only, and certificate document is processed manually, following paper-based methods. As previously mentioned, this time-

frame comes in contrast to the one reported by Bishkek-based exporters of fresh fruits, which varies between 10 to 15 days. Consultations with stakeholders revealed that this shorter time-frame is not uncommon to traders in the region and that it could be explained by informal payments.

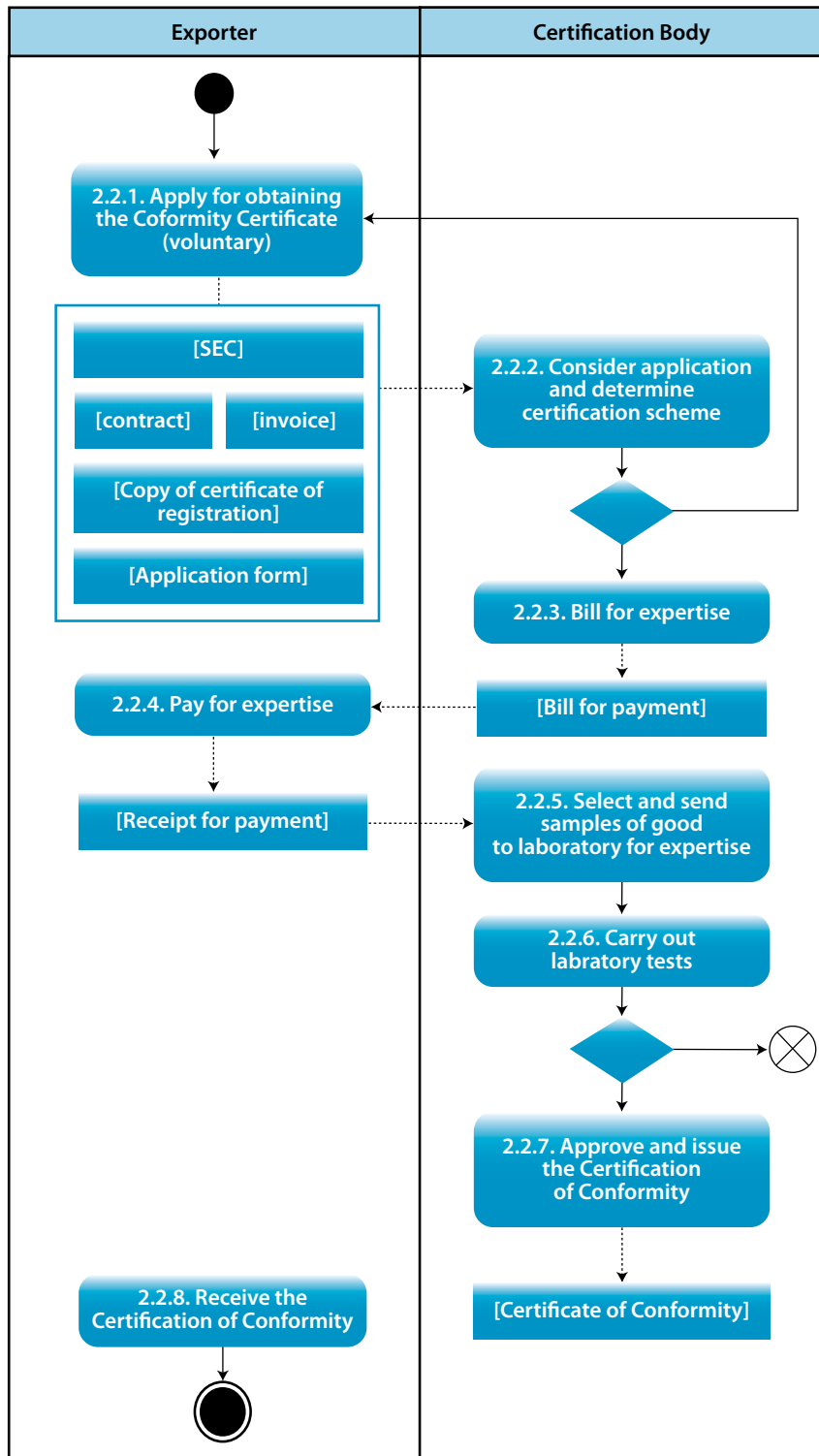
Diagram A4.3 Obtain the sanitary-epidemiological conclusion



Name of a process area	1. BUY
Name of a business process	2.1. Obtain the sanitary-epidemiological conclusion
Related laws, rules and regulations	<ul style="list-style-type: none"> ● Law of the Kyrgyz Republic 'On Public Healthcare' № 248 of July 24, 2009 ● Law of the Kyrgyz Republic 'On Protection of Citizens' Health in the Kyrgyz Republic' № 6 of January 9, 2005 ● The Law of the Kyrgyz Republic 'On State Regulation of Foreign Trade Activities in the Kyrgyz Republic' №41 of July 2, 1997 ● Resolution of the Government of the KR 'On Approval of the Register of Permitting Documents Issued by Executive Bodies and their Subdivisions' № 103 of February 25, 2004 ● Resolution of the Government of the KR 'On Sanitary-Epidemiological Control to Ensure Sanitary and Epidemiological Welfare of Population exercised by agencies and institutions of the Sanitary-Epidemiological Service of the KR' № 329 of June 6, 2003 ● The Regulation on Department of Disease Prevention and State Sanitary and Epidemiological Supervision under the Ministry of Health of the Kyrgyz Republic' (approved by Government Resolution No.319 of June 10, 2013) ● Regulation on conformity assessment of facilities and ensuring safety measures in the sphere of veterinary, plant quarantine, epidemiology, sanitation and ecology in the Kyrgyz Republic (approved by Resolution of the KR Government № 961 of December 28, 2004)
Business process participants	<ul style="list-style-type: none"> ● Department for Disease Prevention and Sanitary and Epidemiological Supervision under the Ministry of Health of the Kyrgyz Republic (DDPSES) ● Laboratory of DDPSES ● Exporter
Criteria to begin the business process	<ul style="list-style-type: none"> ● The exporter has the signed contract
Activities and associated documentary requirements to finish the business process	<p>2.1.1. The exporter applies for obtaining a sanitary-epidemiological report (SER) with a copy of the contract attached and prepares sending samples of goods for laboratory tests.</p> <p>2.1.2. An officer of the DDPSES registers the application which later on is delivered to a DDPSES expert.</p> <p>2.1.3. The DDPSES expert considers the application and submitted documents.</p> <p>2.1.4. If there are no reasons to refuse testing, the expert assigns necessary laboratory tests and issues the corresponding bills.</p> <p>2.1.5. The exporter pays the bills to a cash desk of DDPSES and receives the receipt.</p> <p>2.1.6. After that the DDPSES expert selects samples of exporting goods and issues an Act of selection samples to the exporter. The DDPSES expert also prepares a referral to a laboratory.</p> <p>2.1.7. The officer of the DDPSES laboratory registers the referral in the registration book and sends the samples to be tested.</p> <p>2.1.8. Carrying out laboratory tests in accordance with the referral.</p> <p>2.1.9. Then the officer of the DDPSES laboratory registers the results of tests and fills in the tests report form. The tests report is an annex to the Sanitary-epidemiological report.</p> <p>2.1.10. If the products are compliant with food safety requirements, sanitary-epidemiological report is prepared and issuance conditions are registered. Otherwise a document of justified refusal in sanitary-epidemiological report issuance is prepared. This document is also registered.</p> <p>2.1.11. The exporter obtains the Sanitary-epidemiological report together with the tests report.</p>
Output criteria to exit the business process	<ul style="list-style-type: none"> ● The exporter obtained the Sanitary-epidemiological conclusion together with the Tests report.
Average time required to complete this business process	1 working day
Costs	USD 30

2.2. Obtaining the conformity certificate

Diagram A4.4 Obtain the Conformity Certificate

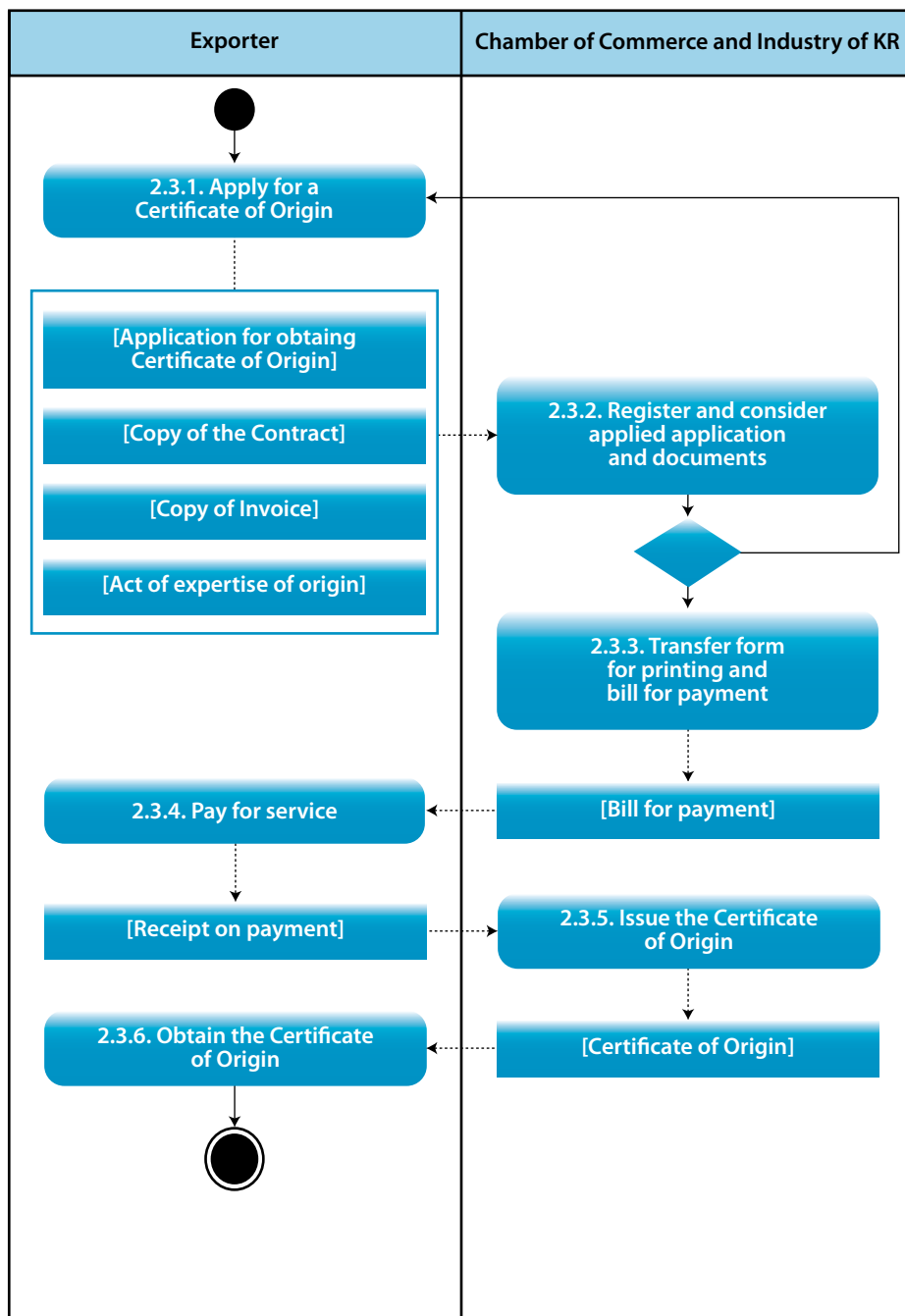


Name of a process area	1. BUY
Name of a business process	2.2. Obtaining a conformity certificate
Related laws, rules and regulations	<ul style="list-style-type: none"> ● Law of the Kyrgyz Republic 'On the Fundamentals of Technical Regulation' N 67 of May 22, 2004 ● The Law of the Kyrgyz Republic 'On State Regulation of Foreign Trade Activities in the Kyrgyz Republic' №41 of July 2, 1997 ● Resolution of the Government of the Kyrgyz Republic 'On Mandatory Conformity Assessment of Products' No. 639 of December 30, 2005 ● Resolution of the Government of the Kyrgyz Republic 'On Approval of New Forms of Conformity Certificate and Declaration of Conformity' No.178 of March 25, 2010 ● Resolution of the Government of the Kyrgyz Republic 'On Mandatory Product Conformity Assessment by adoption of Declaration of Conformity' No.512 of October 23, 2007 ● Resolution of the Government of the Kyrgyz Republic 'On Approval of the Regulation on Maintenance of the Single State Register of Issued Conformity Certificates and Adopted Conformity Declarations for the Products that were Subject to Mandatory Conformity Assessment Procedure' No.267 of June 2, 2008
Business process participants	<ul style="list-style-type: none"> ● Certification body ● Exporter
Criteria to begin the business process	<ul style="list-style-type: none"> ● The exporter has a signed export contract ● The exporter has the Tests report, issued by the DDPSES ● The certification body is accredited in the Kyrgyz Accreditation Center
Activities and associated documentary requirements to finish the business process	<p>2.2.1. The exporter applies to the Certification Body for a voluntary conformity certificate and submits the following documents: sanitary-epidemiological report together with the test protocol, contract and invoice copy, copy of the certificate of registration.</p> <p>2.2.2. The certification body considers the application and the submitted documents and determines the certification scheme.</p> <p>2.2.3. If the certification scheme is approved, the certification body issues an invoice for expert evaluation.</p> <p>2.2.4. The exporter makes a payment against the invoice at the cash desk of the certification body and receives a receipt.</p> <p>2.2.5. The certification body takes samples of the products and sends them to the laboratory for testing.</p> <p>2.2.6. The certification body's laboratory conducts the tests according to the certification scheme.</p> <p>2.2.7. If the product samples comply with the safety requirements the certification body approves and issues the conformity certificate (voluntary).</p> <p>2.2.8. The exporter receives the conformity certificate.</p>
Output criteria to exit the business process	Exporter received the conformity certificate in the accredited certification body.
Average time required to complete this business process	4 hours
Costs	USD 60

2.3. Obtain the certificate of origin

Obtaining the certificate of origin takes 2-3 hours only, because it is based on the act of expertise of origin that is issued by the chamber of commerce on an annual basis following an expertise analysis that determines the origin of the product.

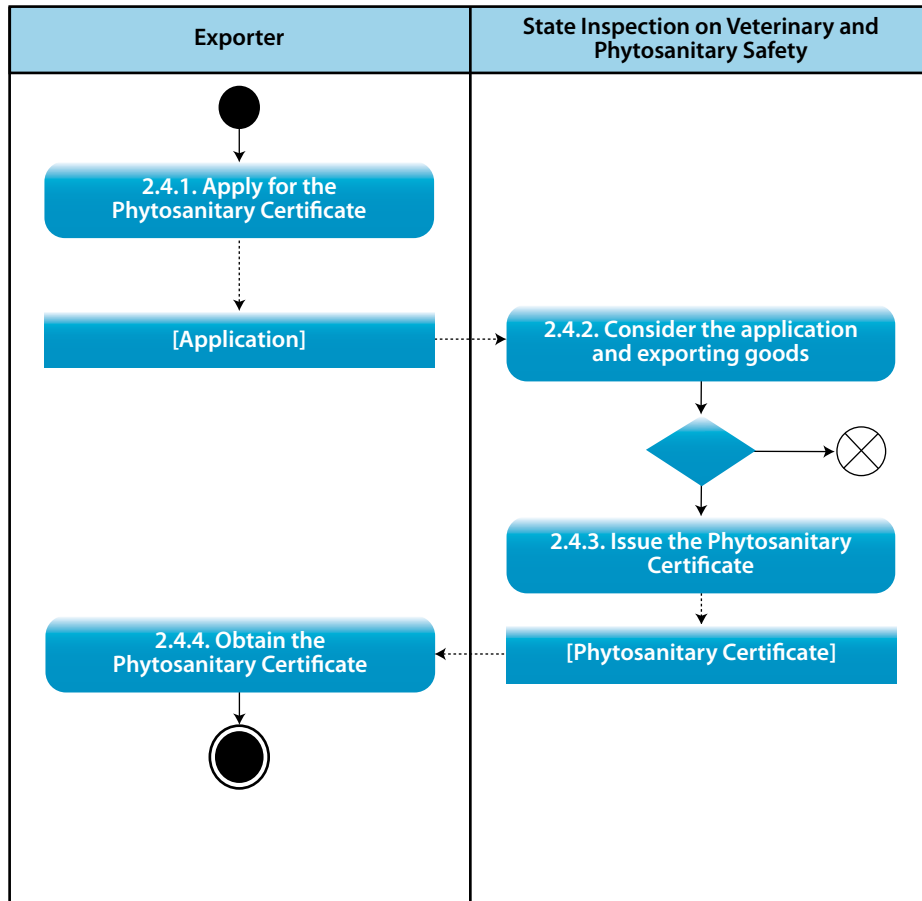
Diagram A4.5 Obtain the Certificate of Origin



Name of a process area	2. SHIP
Name of a business process	2.3. Obtain the certificate of origin
Related laws, rules and regulations	<ul style="list-style-type: none"> ● Law of the Kyrgyz Republic 'On the Chamber of Commerce and Industry of the Kyrgyz Republic' № 1460-XII of April 13, 1994 ● Law of the Kyrgyz Republic 'On State Regulation of Foreign Trade Activities in the Kyrgyz Republic' №41 of July 2, 1997 ● Regulation of the Presidium of the Chamber of Commerce and Industry of the Kyrgyz Republic №2 of February 05, 2010
Business process participants	<ul style="list-style-type: none"> ● Chamber of Commerce and Industry of the Kyrgyz Republic (CCI KR) ● Exporter
Criteria to begin the business process	<ul style="list-style-type: none"> ● The exporter has copies of the export contract and copies of the invoice ● The exporter has received from the Kyrgyz CCI the act of expertise confirming that there are conditions for manufacture of the export products (for natural persons – copy of the certificate of land plot availability or purchasing act)
Activities and associated documentary requirements to finish the business process	<p>2.3.1. The exporter applies for a certificate of origin and provides the required documents (copies of the contract and copies of the invoice, act of expertise of origin).</p> <p>2.3.2. An authorized officer of the CCI KR registers and considers the application and submitted documents.</p> <p>2.3.3. If the submitted application and documents comply with the requirements of CCI KR regulation, an authorized officer prepares a form of Certificate of Origin for printing and issues an invoice for services.</p> <p>2.3.4. The exporter pays the invoice and gets the receipt.</p> <p>2.3.5. An authorized officer of the Chamber of Commerce and Industry of the KR issues a Certificate of Origin.</p> <p>2.3.6. Exporter obtains the certificate of origin</p>
Output criteria to exit the business process	<ul style="list-style-type: none"> ● Exporter obtained the certificate of origin.
Average time required to complete this business process	2-3 hours
Costs	USD 35

2.4. Obtain the phytosanitary certificate

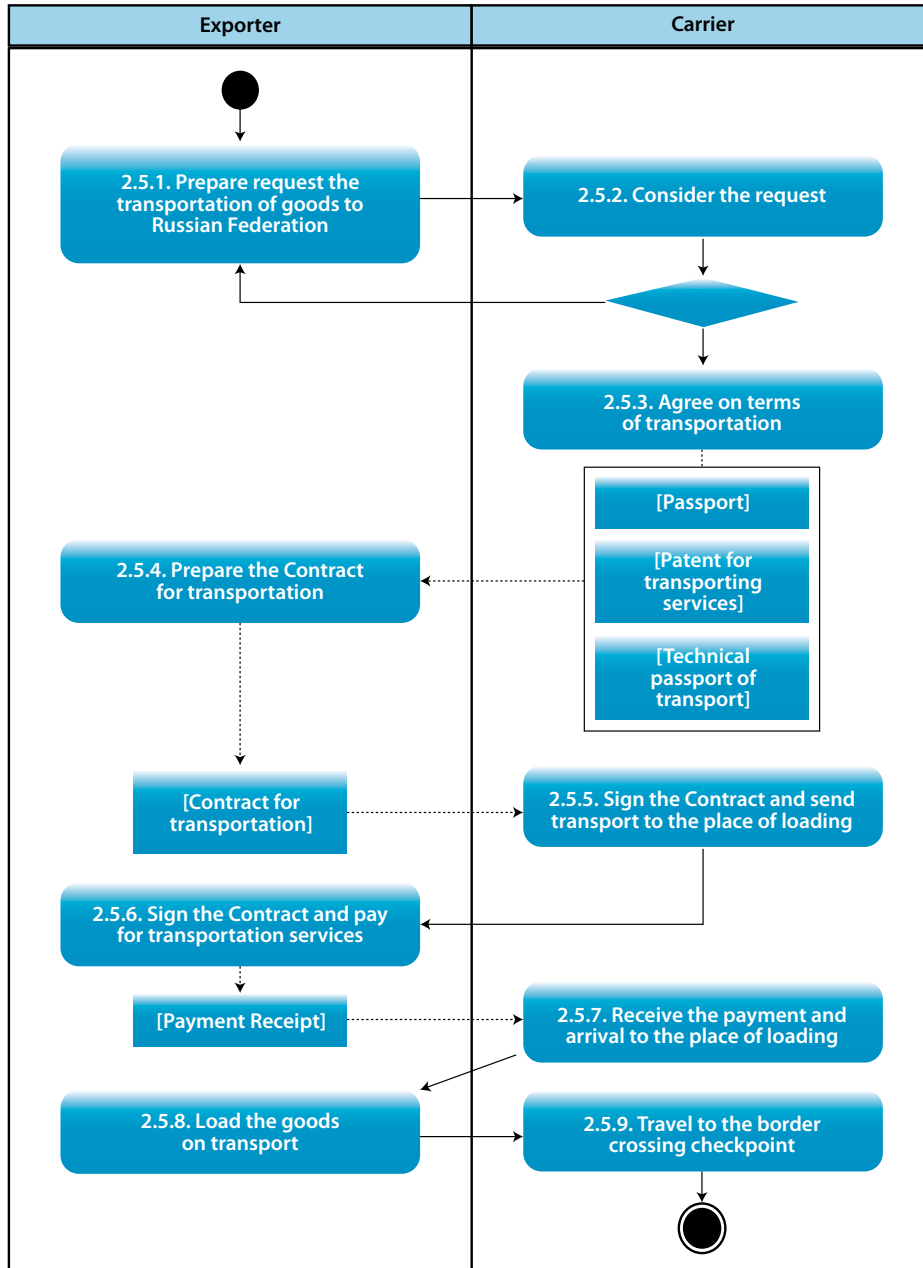
Diagram A4.6 Obtain the phytosanitary certificate



Name of a process area	2. SHIP
Name of a business process	2.4. Obtain the Phytosanitary certificate
Related laws, rules and regulations	<ul style="list-style-type: none"> ● Law of the Kyrgyz Republic 'On Plant Quarantine' №26 of June 27, 1996 ● Law of the Kyrgyz Republic 'On State Regulation of Foreign Trade Activities in the Kyrgyz Republic' №41 of July 2, 1997 ● Resolution of the Kyrgyz Government of December 30, 2006 No.901 'On Determination of Safety Measures in the sphere of Veterinary, Plant Quarantine, Epidemiology, Sanitation and Ecology' ● Resolution of the KR Government No.251 of May 30, 2013 (Resolution of the KR Government No.256 of May 7, 2013)
Business process participants	<ul style="list-style-type: none"> ● State Inspectorate for Veterinary and Phytosanitary Security under the Government of the KR (SIVPS) ● Exporter
Criteria to begin the business process	<ul style="list-style-type: none"> ● The exporter has copies of the export contract and copies of the invoice
Activities and associated documentary requirements to finish the business process	<p>2.4.1. The exporter applies to the Tong District Department of SIVPS for a Phytosanitary Certificate.</p> <p>2.4.2. SIVPS officer considers the application and examines the exported products. As a rule the exporter arranges a travel for the SIVPS officer to the place where the products in question are located to do the necessary product examination.</p> <p>2.4.3. If the SIVPS officer does not find any harmful quarantine organisms or other incompliances, he issues the Phytosanitary Certificate.</p> <p>2.4.4. The exporter obtains the Phytosanitary Certificate.</p>
Output criteria to exit the business process	<p>Exporter obtained a Phytosanitary certificate. 2008 'On Approval of The Rules of Organizing the Work on Issuance of Phytosanitary Documents when Importing or Exporting Quarantineable Products by the State Inspectorate for Plant Quarantine under the Ministry of Agriculture, Water resources and Processing Industry of the Kyrgyz Republic'</p> <ul style="list-style-type: none"> ● The Rules of Organizing the work on Issuance of Phytosanitary Documents when Importing or Exporting Quarantineable Products by the State Inspectorate for Plant Quarantine under the Ministry of Agriculture, Water Resources and Processing Industry (approved by Resolution of the KR Government No.251 of May 30, 2008) ● The Regulation on the State Inspectorate for Veterinary and Phytosanitary Security under the Government of the KR (approved by Res
Average time required to complete this business process	3-4 hours
Costs	USD 15

2.5 Arrange the transport of goods

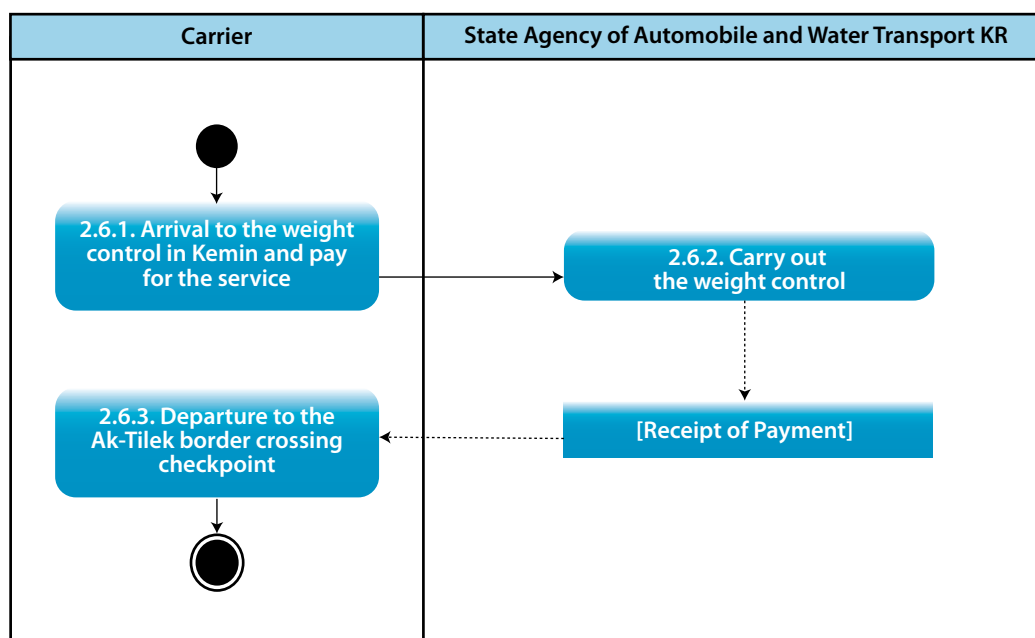
Diagram A4.7 Arrange the transport of goods



Name of a process area	2. SHIP
Name of a business process	2.5. Arrange the transport of goods
Related laws, rules and regulations	<ul style="list-style-type: none"> ● The Law of the Kyrgyz Republic 'On State Regulation of Foreign Trade Activities in the Kyrgyz Republic' №41 of July 2, 1997 ● The Tax Code of the Kyrgyz Republic of October 17, 2008 ● The Agreement between the Government of the Kyrgyz Republic and the Government of the Republic of Kazakhstan on International Road Service signed on December 25, 2003 in Astana (approved by Resolution of the KR Government №100 of February 25, 2004)
Business process participants	<ul style="list-style-type: none"> ● Exporter ● Carrier
Criteria to begin the business process	<ul style="list-style-type: none"> ● The exporter is ready for shipment according to the delivery schedule. ● The carrier has the documents required for transportation on the territory of the Russian Federation: <ul style="list-style-type: none"> ● TIR Carnet; ● Patent of an individual entrepreneur (issued by the State Tax Service of the Kyrgyz Republic) for freight transport
Activities and associated documentary requirements to finish the business process	<p>2.5.1. The Exporter makes an inquiry for shipment of his goods to the Russian Federation.</p> <p>2.5.2. The carrier considers this inquiry for shipment.</p> <p>2.5.3. The carrier agrees on terms and conditions of shipment services to the exporter and provides necessary documents to conclude the contract.</p> <p>2.5.4. The exporter prepares the transportation contract for signing based on a model contract.</p> <p>2.5.5. The carrier signs the contract and sends a vehicle to the place of goods shipment (loading).</p> <p>2.5.6. The exporter signs the contract and pays for the transportation services.</p> <p>2.5.7. The carrier receives payment for services and signs exporter's expenditure voucher; then the vehicle arrives at the place of loading.</p> <p>2.5.8. The exporter loads the goods to the vehicle and escorts the vehicle to the border checkpoint.</p> <p>2.5.9. The carrier departs to the border checkpoint.</p>
Output criteria to exit the business process	<ul style="list-style-type: none"> ● Goods are loaded on the Carrier's vehicle ● Carrier departed to the border checkpoint
Average time required to complete this business process	2 working days

2.6 Pass vehicle (weight) control

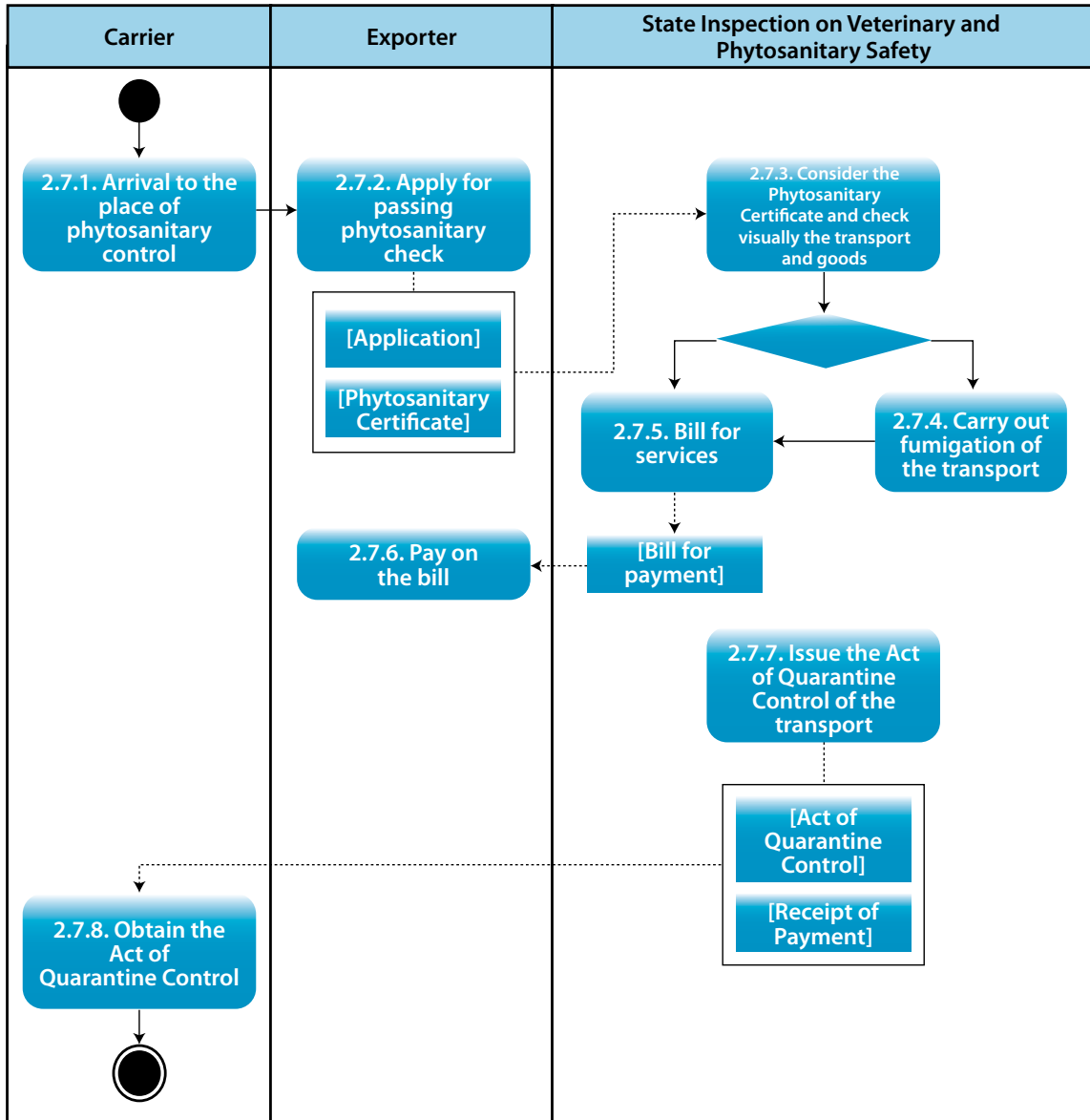
Diagram A4.8 Pass weight control



Name of a process area	2. SHIP
Name of a business process	2.6. Weight control
Related laws, rules and regulations	<ul style="list-style-type: none"> The Law of the Kyrgyz Republic 'On State Regulation of Foreign Trade Activities in the Kyrgyz Republic' №41 of July 2, 1997 Resolution of the Kyrgyz Government of August 8, 2011 No.454 'On Approval of the Procedure of Passing Vehicles through Public-Access Roads of the Kyrgyz Republic and Collection of Fees for Weighing and Measuring Gross Weight, Axle Loads, Dimensions and other Linear Parameters of Vehicles; and on Approval of the Procedure of Passing and Collection of Toll from the Vehicles with Special and Non-divisible Load on the Public-Access Roads of the Kyrgyz Republic'
Business process participants	<ul style="list-style-type: none"> State Agency for Road and Water Transport under the Ministry of Transport and Communications of the Kyrgyz Republic (SARWT) Carrier
Criteria to begin the business process	<ul style="list-style-type: none"> Carrier departs to the border checkpoint.
Activities and associated documentary requirements to finish the business process	<p>2.6.1. The carrier arrives at the weight checkpoint in the city of Kemin and pays for the weight control procedure.</p> <p>2.6.2. The responsible Officer carries out axle load weight control and gives a payment receipt.</p> <p>2.6.3. The Carrier departs to the Ak-Tilek checkpoint at the border with Kazakhstan.</p>
Output criteria to exit the business process	<ul style="list-style-type: none"> The Carrier departed to the border checkpoint
Average time required to complete this business process	30 minutes

2.7. Obtain the vehicle quarantine control act

Diagram A4.9 Obtain the vehicle quarantine control act



Name of a process area	2. SHIP
Name of a business process	2.6. Obtain the vehicle quarantine control act
Related laws, rules and regulations	<ul style="list-style-type: none"> ● Law of the Kyrgyz Republic 'On Plant Quarantine' №26 of June 27, 1996 ● The Law of the Kyrgyz Republic 'On State Regulation of Foreign Trade Activities in the Kyrgyz Republic' №41 of July 2, 1997 ● Resolution of the Kyrgyz Government of December 30, 2006 No.901 'On Determination of Safety Measures in the sphere of Veterinary, Plant Quarantine, Epidemiology, Sanitation and Ecology' ● Resolution of the KR Government No.251 of May 30, 2008 'On Approval of The Rules of Organizing the Work on Issuance of Phytosanitary Documents when Importing or Exporting Quarantineable Products by the State Inspectorate for Plant Quarantine under the Ministry of Agriculture, Water resources and Processing Industry of the Kyrgyz Republic' ● Resolution of the KR Government 'On Approval of Regulation on Crossing Points on the State Border of the Kyrgyz Republic' No.739 of October 7, 2004 ● The Rules of Organizing the work on Issuance of Phytosanitary Documents when Importing or Exporting Quarantineable Products by the State Inspectorate for Plant Quarantine under the Ministry of Agriculture, Water Resources and Processing Industry (approved by Resolution of the KR Government No.251 of May 30, 2008) ● The Regulation on the State Inspectorate for Veterinary and Phytosanitary Security under the Government of the KR (approved by Resolution of the KR Government No.256 of May 7, 2013)
Business process participants	<ul style="list-style-type: none"> ● State Inspectorate for Veterinary and Phytosanitary Security under the Government of the KR (SIVPS) ● Exporter
Criteria to begin the business process	<ul style="list-style-type: none"> ● Exporter has the export contract and invoice ● Exporter loaded goods to the Carrier's vehicle and escorts it ● Carrier departed to the border checkpoint
Activities and associated documentary requirements to finish the business process	<p>2.7.1. The carrier arrives to the Ak-Tilek phytosanitary control point of Ysyk-Ata District Department of SIVPS.</p> <p>2.7.2. A SIVPS inspector visually examines the vehicle for the presence of harmful quarantine organisms.</p> <p>2.7.3. If quarantine organisms are detected the vehicle is fumigated.</p> <p>2.7.4. Then the inspector issues an invoice for services.</p> <p>2.7.5. A representative of the exporter pays the invoice.</p> <p>2.7.6. The SIVPS inspector issues a vehicle quarantine control act.</p> <p>2.7.7. The Representative of the exporter obtains vehicle quarantine control act.</p>
Output criteria to exit the business process	<ul style="list-style-type: none"> ● The Exporter received a vehicle quarantine control act.
Average time required to complete this business process	1 hour

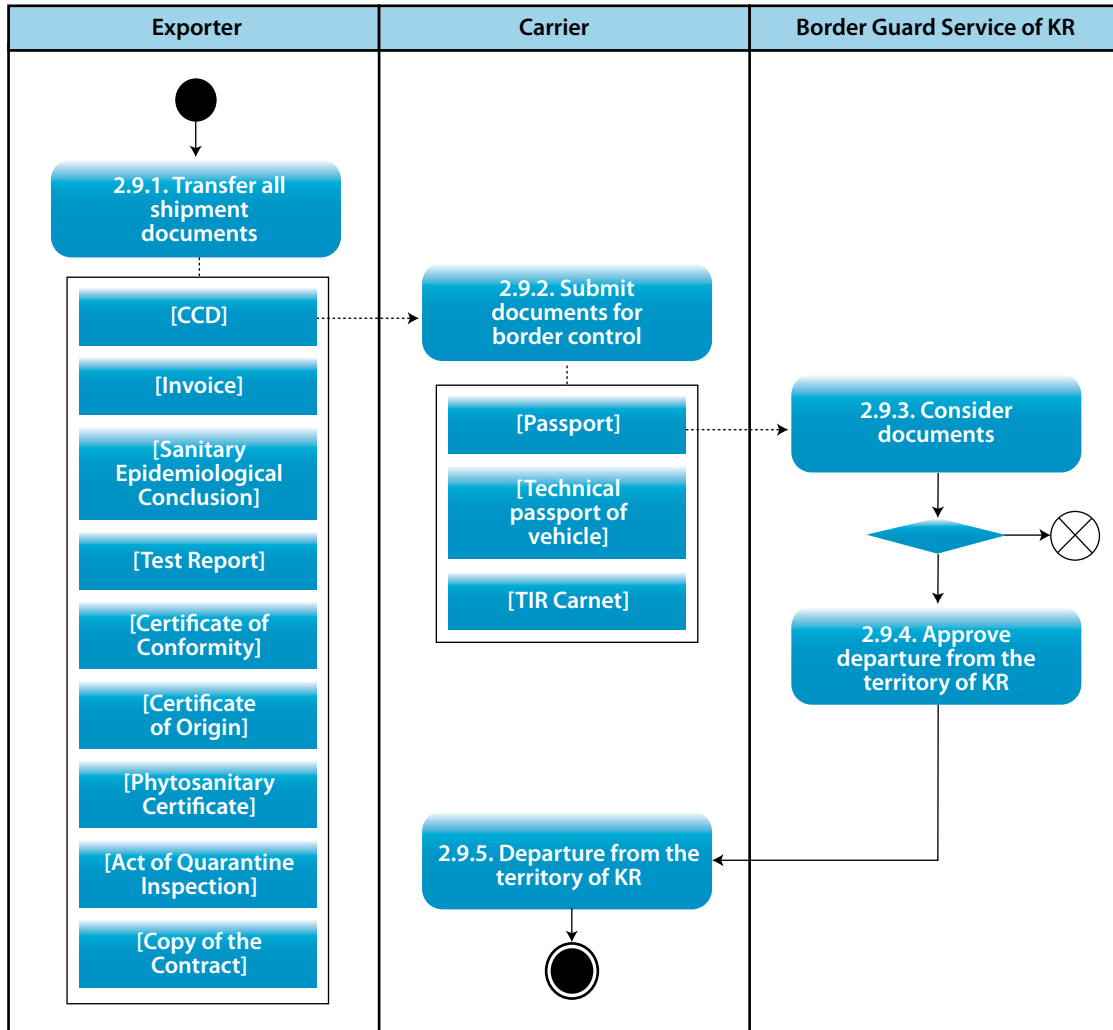
2.8. Pass customs control and clearance

Diagram A3.10 Pass customs control and clearance

Name of a process area	2. SHIP
Name of a business process	2.8. Pass customs control and clearance
Related laws, rules and regulations	<ul style="list-style-type: none"> ● The Customs Code of the Kyrgyz Republic ● Law of the Kyrgyz Republic 'On State Regulation of Foreign Trade Activities in the Kyrgyz Republic' №41 of July 2, 1997 ● Resolution of the KR Government 'On measures relating to implementation of the Tax Code of the Kyrgyz Republic' № 961 of December 28, 2004 ● The Regulation on a Customs Broker (approved by Resolution of the KR Government № 961 of December 28, 2004) ● The Instruction on Control over Calculation and Payment of Customs Fees and Charges (approved by Resolution of the KR Government № 961 of December 28, 2004) ● The Instruction on Customs Clearance and Customs Control over Persons, Transport Vehicles, Goods and Cargoes Moved Across State Border of the Kyrgyz Republic' (approved by Resolution of the KR Government № 961 of December 28, 2004) ● The Instruction on Applying Customs Regimes (approved by Resolution of the KR Government № 961 of December 28, 2004) ● Resolution of the KR Government 'On Approval of Regulation on Crossing Points on the State Border of the Kyrgyz Republic' No.739 of October 7, 2004
Business process participants	<ul style="list-style-type: none"> ● State Customs Service under the Government of the KR (SCS) ● Bank of State Customs Service ● Customs broker ● Exporter
Criteria to begin the business process	<ul style="list-style-type: none"> ● The exporter received all the documents necessary for transit and customs formalities, as well as for customs clearance in the destination country. ● The exporter has the export contract and the invoice ● The exporter has loaded goods to the Carrier's vehicle and escorts it ● The carrier arrived at the border checkpoint
Activities and associated documentary requirements to finish the business process	<p>2.8.1. Representative of the exporter applies to a customs broker and submits the documents necessary for customs declaration.</p> <p>2.8.2. The Customs Broker checks the submitted documents.</p> <p>2.8.3. If the submitted documents are ok, the Customs Broker determines customs value of the goods and based on it calculates all the customs duties and fees payable. The Customs Broker creates a prototype of the cargo customs declaration (CCD) in the 'ARM-Broker' module of the Unified Automated Information System (UAIS) of the Customs.</p> <p>2.8.4. Exporter applies to the Customs Clearance Officer to check the correctness of the CCD prototype in UAIS, including invoices for customs duties and fees.</p> <p>2.8.5. If the CCD prototype and invoices are correct, the exporter is requested to pay all the customs duties and fees in the Customs Service's Bank.</p> <p>2.8.6. the Customs Service's Bank accepts the payment and issues payment receipts</p> <p>2.8.6. The exporter submits customs duties and fees payment receipts to the Customs Clearance Officer.</p> <p>2.8.7. Then the Customs Clearance Officer instructs the Inspection Officer to conduct inspection of goods and vehicle. Inspection Officer prepares an Inspection Act and submits it to the Customs Clearance Officer.</p> <p>2.8.8. The Customs Clearance Officer checks the amount of customs duties paid and familiarizes himself with the Act of Inspection.</p> <p>2.8.9. If there are no violations the Customs Clearance Officer issues the CCD.</p> <p>2.8.10. The representative of the exporter obtains the CCD.</p>
Output criteria to exit the business process	<ul style="list-style-type: none"> ● The exporter paid all the customs duties and fees and the goods were inspected by the customs. ● The exporter obtained the CCD
Average time required to complete this business process	6-8 hours

2.9 Pass border control of the KR

Diagram A4.11 Pass border control of the KR

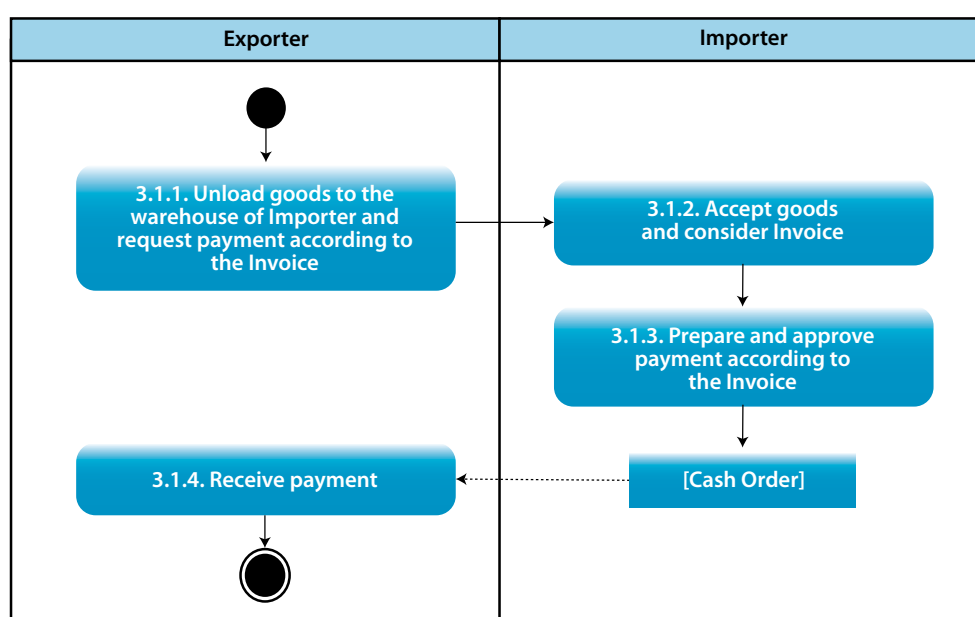


Name of a process area	2. SHIP
Name of a business process	2.9. Pass border control of the KR
Related laws, rules and regulations	<ul style="list-style-type: none"> ● Law of the Kyrgyz Republic 'On State Border' № 27 of March 19, 1999 ● Resolution of the KR Government 'On Approval of Regulation on Crossing Points on the State Border of the Kyrgyz Republic' No.739 of October 7, 2004
Business process participants	<ul style="list-style-type: none"> ● The State Border Service under the Government of the KR ● Exporter ● Carrier
Criteria to begin the business process	<ul style="list-style-type: none"> ● The exporter received all the documents necessary for transit and customs formalities, as well as for customs clearance in the destination country. ● The exporter has the export contract and the invoice ● The exporter has loaded goods to the carrier's vehicle and escorts it. ● The carrier arrived at the border checkpoint ● The exporter paid all the customs duties and fees and the goods were inspected by the customs. ● The exporter obtained the CCD
Activities and associated documentary requirements to finish the business process	<p>2.9.1. Exporter submits all the supporting documents that are needed to transport the goods to the place of destination.</p> <p>2.9.2. The carrier submits the documents (the passport, vehicle registration certificate, TIR Carnet) to an officer of the State Border Service of the Kyrgyz Republic for a check.</p> <p>2.9.3. The officer of the State Border Service of the Kyrgyz Republic checks the documents.</p> <p>2.9.4. If all the documents are in order, the officer scans the carrier's passport and permits the departure from the territory of the Kyrgyz Republic</p> <p>2.9.5. The carrier departs from the territory of the Kyrgyz Republic.</p>
Output criteria to exit the business process	<ul style="list-style-type: none"> ● The carrier departs from the territory of the Kyrgyz Republic with the cargo.
Average time required to complete this business process	1-3 hours

4.3 Pay

3.1 Payment against the invoice

Diagram A4.12 Payment against the invoice

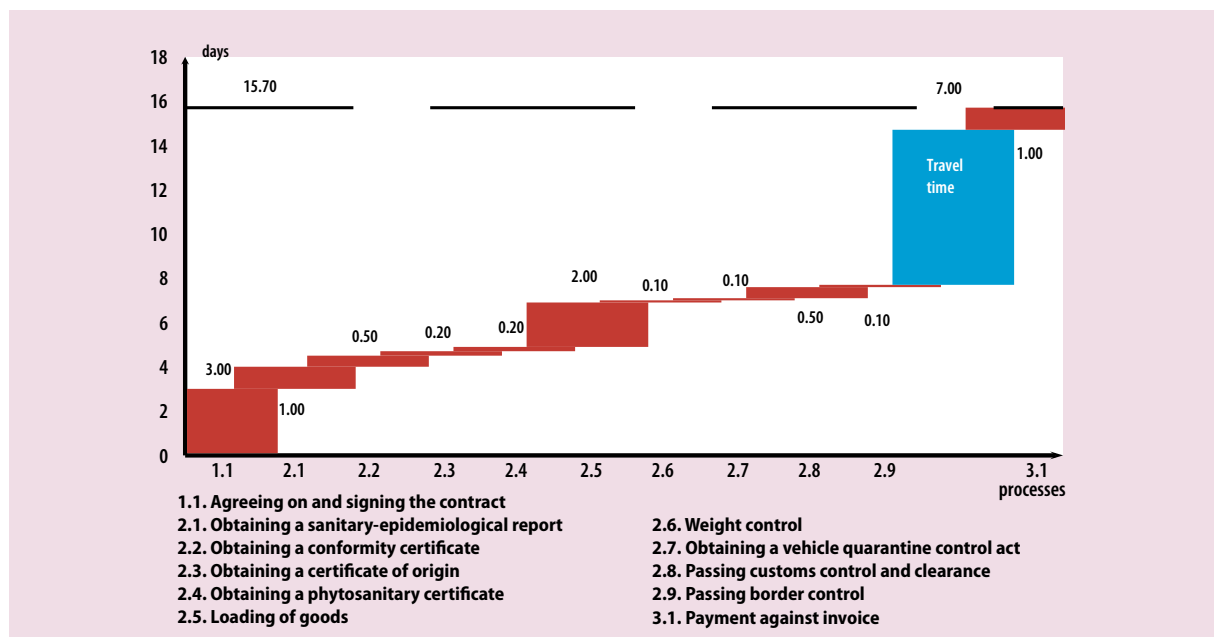


Name of a process area	3. PAY
Name of a business process	3.1. Payment against the invoice
Related laws, rules and regulations	<ul style="list-style-type: none"> ● Incoterms 2000 ● Law of the Kyrgyz Republic 'On State Regulation of Foreign Trade Activities in the Kyrgyz Republic' №41 of July 2, 1997 ● Law of the Kyrgyz Republic 'On Banks and Banking in the Kyrgyz Republic' № 60 of July 29, 1997
Business process participants	<ul style="list-style-type: none"> ● Exporter ● Importer
Criteria to begin the business process	<ul style="list-style-type: none"> ● The export contract is concluded between the exporter and the importer. ● The exporter delivers goods to place of destination.
Activities and associated documentary requirements to finish the business process	<p>3.1.1. After goods is delivered to the place of destination, the exporter unload apricots to the warehouse of the importer and request the payment amount according to the Invoice.</p> <p>3.1.2. The importer accepts goods and considers the invoice</p> <p>3.1.3. If there are no discrepancies, the importer prepares and approves the payment order to his cashier (cash order).</p> <p>3.1.4. The exporter receives the payment in cash.</p>
Output criteria to exit the business process	<ul style="list-style-type: none"> ● The export received the payment
Average time required to complete this business process	1 working day

Figure A4.1 presents a time-procedure chart, which lists all the business processes associated with the export of fresh apricots from Kyrgyzstan, while figure A4.2. shows the sequence of the business processes. The time-procedure chart suggests that it

takes around 9 days to fulfill the 11 procedures associated with exporting apricots from the Kyrgyz Republic to the Russian Federation. If transportation time is taken into account, the total export time increases to 14 days.

Figure 4. Time procedure chart of fresh apricots export from the Kyrgyz Republic



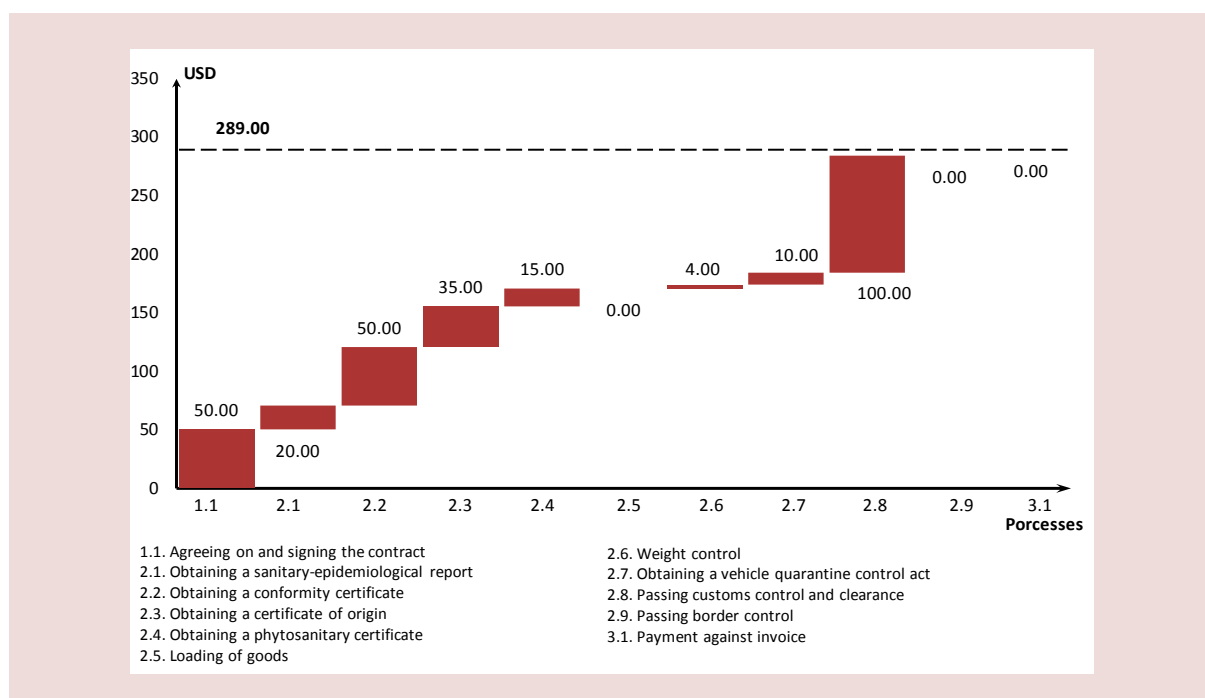
Exporters of apricots submit 41 documents (Box A4.1).

Box A4.1 List of documents required for exporting fresh apricots from Kyrgyzstan by road

1. Draft export contract
2. Proforma invoice
3. Export contract
4. Application for obtaining a sanitary-epidemiological report
5. Copy of the export contract
6. Invoice for the services of sanitary-epidemiological report issuance service
7. Payment receipt for sanitary-epidemiological report issuance
8. Act of selection samples of goods for laboratory tests
9. Referral to the laboratory of DDPSES
10. Test report of DDPSES
11. Sanitary-epidemiological report
12. Application for obtaining a conformity certificate (voluntary)
13. Copy of the invoice
14. Copy of the registration certificate of a legal entity (or passport for natural persons)
15. Invoice for conformity assessment service
16. Payment receipt for conformity assessment
17. Conformity certificate (voluntary)
18. Application for obtaining certificate of origin
19. Act of the expertise of origin (or certificate of the farmer's possession of a land plot and a consignment note proving purchase of goods)
20. Invoice for certificate of origin issuance
21. Payment receipt
22. Certificate of origin
23. Application for obtaining a phytosanitary certificate
24. Phytosanitary certificate
25. Passport of the carrier
26. Taxpayer patent for freight services
27. Vehicle registration certificate
28. Transportation contract
29. Expenditure voucher slip
30. Payment receipt for weight control
31. Application for quarantine inspection and control
32. Payment receipt for quarantine inspection and control
33. Quarantine inspection and control act
34. CMR note
35. Prototype of cargo customs declaration (electronic format)
36. Invoice for customs duties and fees
37. Payment receipt for customs duties and fees
38. Certificate of Customs inspection
39. Cargo Customs Declaration (CCD)
40. TIR Carnet
41. Expenditure voucher confirming payment against the invoice

In terms of financial costs, and as shown in figure A4.2, the traders accrue around USD 350 per shipment in average.

Figure A4.2 Cost of exporting fresh apricots from Kyrgyzstan by road



A.5 Recommendations

Table A5.1 summarises the major regulatory and procedural obstacles reported by traders and other stakeholders during follow-up consultations. The obstacles are divided into four categories, namely: procedural requirements, data requirements and documentation, transparency and predictability, and a number of recommendations are proposed for the Government's consideration. The recommendations should be supported by targeted ef-

orts to develop warehouse facilities; modernize the existing harvesting and post-harvesting activities; and further develop the road and rail networks as explained in chapter three of the study. The BPA also lends further evidence to the urgent need for rationalizing, streamlining and standardizing trade-related documentary requirements, and for developing the existing testing laboratories and conformity assessment bodies along the line of the recommendations provided in chapters three and four.

Table A5.1 Recommendations for removing obstacles to increased exports of kidney beans and fresh apricots from Kyrgyzstan

The core business processes	Observations		Recommendations
	Procedural requirements	Requirements for data and documents	
Transparency / Predictability			
1. Buy			
2. Ship/transport			
Obtain the sanitary-epidemiological conclusion (SEZ)		<p>Issuing this document involves the repetitive submission of the following:</p> <ul style="list-style-type: none"> • Register data, to apply, • Register destinations in the laboratory • Date of test results • Registration conditions for the issuance of SEZ (or failure) <p>While this can be resolved once the regional office is integrated into the SW, the IT systems of the testing laboratory are not integrated with that of the agency issuing the document, so that there is repeated registration</p>	<p>Speed up the process of linking the State Inspection for Veterinary and Phytosanitary Safety with the SWIS. This should be based on a re-engineering of the business processes associated with issuing the sanitary-epidemiological conclusion to address the repetitive submission of documents</p> <p>Establish clear time limits for the issuance of SEZ</p> <p>Upgrade the testing laboratories equipment, so that the certificate is acknowledged by other countries.</p>
Obtain the certificate of conformity	<p>Conformity certificates are not recognized either in the countries of the Customs Union, nor the European Union.</p>		<p>Align the requirements of technical regulations and conformity assessment.</p>
		<p>Respondents noted that the actual average time for receiving the document is 1 day, but in accordance with paragraph 12 of the order of sanitary-epidemiological product testing, the process can vary from 10-15 days depending on the workload of the laboratory.</p> <p>In the absence of a predictable system for notifying traders customers about the status of their applications, traders approach the agency in question personally, and this usually involves informal payments to speed up the process.</p> <p>SEZ is not recognized by the Customs Union and the European Union.</p>	
			<p>Both companies said that they can obtain a certificate of conformity in a few hours. In reality, the time varies from 1 to 10 days depending on the type of product.</p>

The core business processes	Observations			Recommendations
	Procedural requirements	Requirements for data and documents	Transparency / Predictability	
Obtain the certificate of origin			Both companies have not raised complaints about obtaining the certificate of origin. There is a possibility of informal payments.	Establish mechanisms for enforcing the rule of law
Arrange transport			Ministry of Internal Affairs traffic police officers request the inspection of shipping documents, even though they are not assigned this task by law.	Establish mechanisms for enforcing the rule of law
Obtain the act of quarantine inspection for the vehicle			Lack of necessary equipment for fumigation at border crossing points	Provide BCPs with the required equipment
Pass customs control and clearance	Customs clearance procedures (declaration) are carried out electronically via the Unified Automated Information System (UAIS). Obtaining the electronic declaration is only possible through customs brokers.			Further develop the UAIS system by creating modules that allow traders to submit requests for customs declaration electronically.
3. Payment				
Pay against invoice	Payment is slowed by weaknesses in the banking sector			Further develop the banking sector's services and institutional capacity .

Annex 2

List of legislative acts that need to be amended to comply with the requirements of the Eurasian Customs Union

I. In the field of customs administration	
1	Customs Code of the Kyrgyz Republic dated July 12, 2004 N 87
2	Resolution of the Kyrgyz Government No.976 of December 31, 2004 'On Approval of Instruction on Movement of Goods and Transport Across the Customs Border of the Kyrgyz Republic by Natural Persons'
3	Law of the Kyrgyz Republic 'On Free Economic Zones' of January 11, 2014 (Law of the Kyrgyz Republic No. 6).
4	The Criminal Code of the Kyrgyz Republic
5	Code of the Kyrgyz Republic 'On Administrative Responsibility'
6	Law of the Kyrgyz Republic 'On State Border' of March 19, 1999 (Law N 27).
7	Law of the Kyrgyz Republic 'On Procedure for Conducting Inspections of Businesses' dated May 25, 2007 (Law N 72).
II. In the field of technical regulation	
8	Law of the Kyrgyz Republic 'On the Fundamentals of Technical Regulation' N 67 of May 22, 2004
9	Code of the Kyrgyz Republic 'On Administrative Responsibility' N 114 of August 4, 1998
10	Law of the Kyrgyz Republic 'On Road Traffic in the Kyrgyz Republic' No. 52 of April 20, 1998
11	Law of the Kyrgyz Republic 'On the Protection of Citizens' Health from Negative Effects of Tobacco' No. 175 of August 21, 2006
12	Resolution of the Government of the Kyrgyz Republic 'On Approval of Technical Regulations Development Programme for 2014' No. 24 of January 20, 2014.
13	Resolution of the Government of the Kyrgyz Republic 'On Mandatory Conformity Assessment of Products' No. 639 of December 30, 2005.
14	Resolution of the Government of the Kyrgyz Republic 'On Import of Goods Subject to Mandatory Conformity Assessment and Meant for Circulation on the Territory of the Kyrgyz Republic and on Recognition of Product Conformity Assessment Results Obtained Outside the Territory of Kyrgyzstan' No.8 of January 11, 2006.
15	Resolution of the Government of the Kyrgyz Republic 'On Normative Legal Acts in the Field of Technical Regulation that are Valid on the Territory of the Kyrgyz Republic before Effectiveness of Technical Regulations' No.473 of June 30, 2006.
16	Resolution of the Government of the Kyrgyz Republic 'On Approval of the Regulation on State Supervision Procedure' No.702 of September 27, 2006.
17	Resolution of the Government of the Kyrgyz Republic 'On Mandatory Product Conformity Assessment by adoption of Declaration of Conformity' No.512 of October 23, 2007.
18	Resolution of the Government of the Kyrgyz Republic 'On Approval of the Regulation on Maintenance of Single State Register of Issued Conformity Certificates and Adopted Conformity Declarations for the Products that Were Subject to Mandatory Conformity Assessment Procedure' No.267 of June 2, 2008.
19	Resolution of the Government of the Kyrgyz Republic 'On Approval of the Sketch of Technical Regulations Conformity Mark Pictogram in the Kyrgyz Republic' No.88 of February 7, 2009.
20	Resolution of the Government of the Kyrgyz Republic 'On Approval of New Forms of Conformity Certificate and Declaration of Conformity' No.178 of March 25, 2010.
21	Resolution of the Government of the Kyrgyz Republic 'On Approval of the Regulation on Technical Inspection of Vehicles' No.239 of May 3, 2013.

Technical Regulations	
22	Law of the KR 'On Safe Operation and Utilization of Machinery and Equipment' No. 280 dated December 29, 2008
23	Law of the KR 'On Environmental Safety' No. 151, dated May 8, 2009.
24	Law of the KR 'On Safety of Land Transport Vehicles' No. 178, dated 29 May 2009
25	Resolution of KR Government 'On Safety of Single Transport Vehicles and Motor Vehicles Which Structural Design was Changed' No.139 dated March 17, 2014
26	Law of the KR 'Safety of Building Materials, Installations and Structures' No. 18, dated 29 January 2010
27	Resolution of KR Government 'On Safety of Construction of Buildings for Various Purposes from Modern Pre-Fabricated Structures and Materials' No. 143, dated 2 August 2010
28	Resolution of KR Government 'On Safety of Bottled Natural Mineral, Natural Drinking and Table Waters' No. 139, dated 6 April 2011
29	Resolution of KR Government 'On Safety of Pharmaceuticals for Medicine Purpose' No. 137, dated 6 April 2011
30	Resolution of KR Government 'On Safety of Confectionary Products' No. 163, dated 18 April 2011
31	Resolution of KR Government 'On Safety of Juices, Nectars and Juice containing beverages of fruits and vegetables' No. 172, dated 19 April 2011
32	Law of the KR 'On Drinking Water Safety' No. 34, dated May 30, 2011
33	Law of the KR 'Safety of Buildings and Constructions' No. 57, dated 27 June 2011
34	Resolution of KR Government 'On Safety of Ethanol, Vodka and Spirits' No. 357, dated 5 July 2011
35	Resolution of KR Government 'On Safety of Winemaking Products' No. 356, dated 5 July 2011
36	Resolution of KR Government 'On Safety of Beer' No. 388, dated 14 July 2011
37	Law of the KR 'On Fire Safety' No. 142, dated 26 July 2011 –this is the correct variant, please, correct the Russian version
38	Resolution of KR Government 'On Safety of Sugar' No. 437, dated 1 August 2011
39	Resolution of KR Government 'On Safety of Lifting and Transporting Equipment and their Operation Processes' No. 587, dated 23 September 2011
40	Law of the Kyrgyz Republic 'On Radiation Safety' No. 224, dated 29 November 2011.
41	Resolution of KR Government 'On Electromagnetic Compatibility' No. 24, dated 12 January 2012.
42	Resolution of KR Government 'On Safety of Health Care Products' No. 74, dated 1 February 2012
43	Resolution of KR Government 'On Safety of Pharmaceuticals Produced at Pharmacies' No. 320, dated 26 May 2012
44	Resolution of KR Government 'On Safety of Non-alcoholic Beverages' No. 474, dated 5 July 2012
45	Resolution of KR Government 'On Safety of Iodized Food Salt' No. 456, dated 28 June 2012
46	Resolution of KR Government 'On Safety of Bread, Pastry and Pasta' No. 502, dated 17 July 2012
47	Resolution of KR Government 'On Electrical Safety' No. 359, dated 2 June 2012
48	Resolution of KR Government 'On Safety of Enriched Flour' No. 569, dated 16 August 2012
49	Resolution of KR Government 'On Safe Storage of Pharmaceuticals in Pharmaceutical Organizations and Health Care Organizations and Sanitation regime of Pharmaceutical Organizations' No. 646, dated 25 September 2012.
50	Resolution of KR Government 'On Safety of Children Clothing and Footwear' No. 704, dated 10 October 2012
51	Resolution of KR Government 'On Safety of Baby Food Products' No. 792, dated 23 November 2012
52	Resolution of KR Government 'On Safety of Furniture' No. 805, dated 30 November 2012
53	Resolution of KR Government 'On Safety of Water, Gas, Electric and Thermal Power Meters' No. 779, dated 20 November 2012
54	Resolution of KR Government No.84 of February 18, 2013 'On Safety of Milk and Dairy Products'.
55	Resolution of KR Government No.113 of March 5, 2013 'On Safety of Medical Implants'.
56	Resolution of KR Government No.173 of April 5, 2013 'On Safety of Medical Products Meant for Laboratory Diagnostics in Artificial Conditions (in vitro)'.
57	Resolution of KR Government No.136 of March 18, 2013 'On Safety of Paints and Varnishes'.
58	Resolution of KR Government No. 184 of April 9, 2013 'On Safety of Flour and Cereals Products'.
59	Resolution of KR Government No.165 of April 2, 2013 'On Safety of Household Electrical Appliances'.
60	Law of the Kyrgyz Republic No.86 of May 30, 2013 'On Marking of Foodstuffs'.

61	Resolution of KR Government of July 15, 2013 No.414 'Safety of Woodworking Products.'
62	Law of the Kyrgyz Republic of July 30, 2013 No.177 'On Safety of Toys'
63	Resolution of KR Government No.444 of August 8, 2013 'On Safety of Veterinary Drugs.'
64	Resolution of KR Government No.479 of September 5, 2013 'On Requirements to Natural Honey'
65	Law of the Kyrgyz Republic 'On Industrial Safety' No.202 of November 16, 2013.
66	Resolution of KR Government No.26 of January 14, 2014 'On Safety of Fresh Fruits and Vegetables.'
III. In the field of sanitary, phytosanitary and veterinary measures	
67	The Law of the Kyrgyz Republic 'On Plant Quarantine'
68	The Law of the Kyrgyz Republic 'On Chemicalization and Plant Protection' dated of December 29, 1998.
69	The Law of the Kyrgyz Republic 'On Veterinary' (dated April 12, 2005, No.61) ;
70	The Law of the Kyrgyz Republic No.195 'On Licensing and Permitting' dated October 19, 2013
71	Resolution of the KR Government No.206 of April 1, 2009 'On Approval of the List of Goods imported to KR, that are Subject to Phytosanitary Control and Sanitary-Epidemiological Control when Being Moved Across the State Border of Kyrgyzstan';
72	Development of a new Government Resolution to supersede Government Resolution 'On Approval of Phytosanitary Documents Issuance Rules when Importing or Exporting Quarantineable Products' No.251 of May 30, 2008.
73	List of Harmful Quarantine Organisms approved by the Resolution of the Kyrgyz Government of December 30, 2006 No.901.
74	Development of the Regulation on the Procedure of Phytosanitary Certification of Quarantineable Products Meant for Export;
75	Technical regulation 'On Safety of Veterinary Drugs.'
76	Draft Law of the Kyrgyz Republic 'On Public Healthcare' and Draft Law of the Kyrgyz Republic 'On Amendments and Addenda to the Law 'On Public Healthcare'
77	Draft Resolution of the Kyrgyz Government 'On Amendments and Addenda to Government Resolution of June 10, 2013 No.319 'On Approval of the Regulation on Department of Disease Prevention and State Sanitary and Epidemiological Supervision under the Ministry of Health of the Kyrgyz Republic'.
78	Draft KR Government Resolution 'On Amendments and Addenda to Some Decisions of the Government of the Kyrgyz Republic'.
79	Draft Resolution of the KR Government 'On the Authorized Body for Sanitary and Epidemiological Safety of the Population of the Kyrgyz Republic'.
80	Draft Resolution of the KR Government 'On Amendments and Addenda to the Government Resolution 'On the Measures to Streamline the Operation of International Road, Air and Railway Border Crossing Points, as well as Internal Fixed Road Posts in the Kyrgyz Republic' of November 19, 2007 No.556'.
81	Draft Government Resolution 'On Approval of Model Regulation on the Procedure of Sanitary and Epidemiological Supervision (Control) over Persons, Transport Vehicles, Goods and Cargoes Moved Across State Border of the Kyrgyz Republic'.
IV. In the field of transport and infrastructure	
82	'Instruction on State Control over Transportation Activities and Services Ensuring Transport Process in the Kyrgyz Republic', approved by the Government Resolution No.402 of September 28, 1995 – with the aim of harmonizing it with the Agreement on Transport (Automobile) Control at the External Borders of the Customs Union dated June 22 2011;
83	Resolution of the Government No.739 of October 7, 2004 'On Approval of Regulation on Crossing Points on the State Border of the Kyrgyz Republic' – Single Typical Requirements and Classification of Border Crossing Points of the Customs Union approved by the Decision of the Customs Union Commission No.688 of June 22, 2011
84	Code of the Kyrgyz Republic 'On Administrative Responsibility' – Agreement on Transport (Automobile) Control at the External Borders of the Customs Union dated June 22, 2011;
85	Resolution of the Government No.227 of April 12, 2002 'On the Uniform of the Staff of Kyrgyz Transport Inspectorate under the Ministry of Transport and Communications of the Kyrgyz Republic' - Agreement on Transport (Automobile) Control at the External Borders of the Customs Union dated June 22, 2011.
86	Agreement between the Government of the Kyrgyz Republic and the Government of the Republic of Tajikistan on International Road Service of May 27, 2013;
87	Agreement between the Government of the Kyrgyz Republic and the Government of the Republic of Uzbekistan on International Road Service of September 4, 1996.

V. In the field of customs tariff regulation	
Customs tariff regulation	
88	The Law of the Kyrgyz Republic No.81 'On Customs Tariff of the Kyrgyz Republic' dated March 29, 2006.
89	Resolution of the Kyrgyz Government No.610 of September 30, 2009 'On Establishment of Export Customs Duty on recovered paper and cardboard (recycled materials and waste), Exported from the Customs Territory of the Kyrgyz Republic.
Non-tariff regulation	
90	The Law of the Kyrgyz Republic 'On State Regulation of Foreign Trade Activities'.
91	The Law of the Kyrgyz Republic On Licensing and Permitting
92	The Law of the Kyrgyz Republic 'On Narcotic Drugs, Psychotropic Substances and Precursors'
93	Government Resolution 'On Narcotic Drugs, Psychotropic Substances and Precursors subject to Control in the Kyrgyz Republic' No.543 of November 9, 2007
94	Government Resolution 'On Approval of Rules of State Control over Circulation of Narcotic Drugs, Psychotropic Substances and Precursors in the Kyrgyz Republic' No.466 of June 22, 2004.
95	The Law of the Kyrgyz Republic 'On Protection of Ozone Layer' No. 206 dated December 18, 2006.
96	Law of the Kyrgyz Republic 'On Protection of Atmospheric Air' No. 51 dated June 12, 1999.
97	Government Resolution No.594 of September 19, 2009 'On Approval of Regulation on State Regulation over the Import of Ozone-Depleting Substances and Products Containing Such Substances'
98	Tax Code of the Kyrgyz Republic – in terms of introduction of the environmental tax on import of ozone-depleting substances, including those contained in products.
99	Code of the Kyrgyz Republic 'On Administrative Responsibility' No.114 of August 4, 1998
100	Criminal Code the Kyrgyz Republic No. 68 dated October 1, 1997.
101	Government Resolution No.263 of April 29, 2002 'On State Program to Discontinue the Use of Ozone-Depleting Substances'
VI. In the field of application of special protective, anti-dumping and countervailing measures	
102	Law of the Kyrgyz Republic 'On Antidumping' No. 44 of March 4, 2010.
103	Law of the Kyrgyz Republic 'On Protective Measures' No. 141 of October 31, 1998.
104	Law of the Kyrgyz Republic 'On Subsidies and Countervailing Measures' No. 43 of March 4, 2010.
105	Government Resolution No.1 of January 20, 2001 'On Approval of Regulation on the Procedure of Anti-dumping Investigation and Investigation to Define the Subsidies to be Compensated'.
106	Government Resolution No.15 of January 20, 2001 'On Approval of Regulation on Investigation Prior to Imposing Protective Measures'
107	Government Resolution No.227 of April 5, 2004 'On Approval of Regulation on the Procedure of Quota Assignment for Imported Alcohol Products'.
108	Government Resolution No.119 of March 4, 2014 'On Introduction of Protective Measures when Importing Wheat Flour to the Customs Territory of the Kyrgyz Republic'
VII. In the field of trade policy	
109	Law of the Kyrgyz Republic No. 177 of May 29, 2009 'On Ratification of the Implementation Protocol of the Memorandum of Understanding between the Government of the Kyrgyz Republic and the Government of the Islamic Republic of Iran on Mutual Trade Preferences as of November 3, 2008'
110	Law of the Kyrgyz Republic No. 147 of August 17, 2004 'On Ratification of the Memorandum of Understanding between the Government of the Kyrgyz Republic and the Government of the Islamic Republic of Iran on Mutual Trade Preferences as of December 21, 2003'
VIII. In the field of financial policy	
111	The Tax Code of the Kyrgyz Republic of October 17, 2008 (Law No. 231).
IX. In the field of statistics	
112	New Draft Resolution of the Kyrgyz Government 'On Organizing and Keeping Statistical Records of Mutual Trade in Goods with the Customs Union Member States and of Trade in Goods With Third Countries'

Regulatory and Procedural Barriers to Trade in Kyrgyzstan

Needs Assessment

Information Service
United Nations Economic Commission for Europe

Palais des Nations
CH - 1211 Geneva 10, Switzerland
Telephone: +41(0)22 917 44 44
Fax: +41(0)22 917 05 05
E-mail: info.ece@unece.org
Website: <http://www.unece.org>