

Indicative Action Plan for Improving Institutional Quality in CAREC Countries

Note for Discussion
12TH TPCC Meeting
APRIL 15, 2010
Manila, Philippines

QUALITY OF INSTITUTIONS IN CAREC COUNTRIES - REVIEW

- While all CAREC countries have raised levels of IE and TF recently, considerable room for improvement exists, especially trading across borders.
- For many, export time, number of documents, number of clearing agencies well above Asia's average.
- Behind-the-border conditions vary, but for many starting business, protecting investors, enforcing contracts, access to credit remain problematic.

KEY ISSUES RAISED IN DELEGATES INITIAL INPUTS

As agreed at 11th TPCC, several delegations provided preliminary inputs on IE and TF priorities. Key issues noted include:

1. Simplification of clearance: fewer documents, eliminate duplication, reduce number of agencies.
2. Improved physical facilities at borders, reduce wait times, maximum time limit for document registration and clearance.
3. Single window at border, but also consider system for behind-the-border procedures like licensing, standards, trade taxes.
4. Electronic systems to reduce document preparation and clearance.
5. Strengthen behind-the-border regulation and relevant services, such as bank lending for trade and insurance.
6. Rationalize technical standards and conformity with international practices.

POSSIBLE DISCUSSION POINTS ON FINAL DELEGATE INPUTS

- Do delegates agree that the approach here should be continued to complete the inputs on country priorities, and final submissions be made by June 15, 2010?
- Do delegates agree that the general background on institutional impediments to trade and the selected illustrations of concrete proposals in this note provide the necessary basis for follow-up submissions on each country priorities?
- Do delegates have any additional concrete suggestions on priority items at this stage and prior to the follow-up submission of June 15, 2010?

ILLUSTRATION OF POSSIBLE ACTIONS

1. BORDER PROCEDURES

- Number of documents reduced to about five, approach level of best CAREC performers; latter study further reductions.
- Number of agencies significantly reduced; first step quick review listing clearing agencies and reason they are included.
- Time limits set on document registration and clearance (NOT wait-time, but time from first contact), reducing this by half in the first year of APIIQ, aim at 15-30 min. in the second year.
- Handbook for agencies on legitimate reasons for denying clearance or designating documents as “incomplete”.
- Proceeding with a “Single-Window” program where already started, establishing a timeline for implementation; in other cases developing within 1 yr. a program for Single-Window clearance.

ILLUSTRATION OF POSSIBLE ACTIONS

2. BEHIND-THE-BORDER PROCEDURES

- Reduce starting business procedures to 4–5.
- Increase knowledge by lenders on credit to SME's for trade; first step a study assessing the magnitude of the problem.
- In countries with more advanced financial sector, investigate line of credit project with e.g., EBRD, or establishment of an export development agency with credit facility.
- Reduce procedures for enforcing contracts, from current levels of about 35–40 to 25–30. Also include simplification of required documentation.

ILLUSTRATION OF POSSIBLE ACTIONS

2. BEHIND-THE-BORDER PROCEDURES

- Review status of New York Convention (UN, 1958) on recognition of foreign arbitral awards. If country not a signatory, take steps to implement. If domestic court recognition is not properly practiced, follow up with changes in laws or judicial instructions necessary to achieve this.
- Rationalize and simplify technical standards to eliminate unjustified lobbying by domestic producers against imports. Harmonize with foreign practices as needed, to ease process of foreign certification for the country's exporters based on achievement of domestic certification.
- Review the system of value-added tax refunds for exporters to ensure timely refunds. Make necessary modifications.

ISSUES FOR DISCUSSION ON POSSIBLE ACTIONS

- Do delegates consider indicative nature and concreteness of actions described here as an appropriate model for a final statement of policy actions to be prepared for the 13th TPCC?
- Do delegates agree the number of concrete actions should not be large, but at the same time number not less than about 10?
- What is delegates' view on proposition that, since difficulties of trading across borders (such as document preparation and clearance requirements) continue to be key impediment in many CAREC countries, the APIIQ should make this a primary focus?
- Do delegates agree that the APIIQ should also include measures dealing with behind-the-border doing business conditions which affect trade indirectly, and that these should be reflective of individual country circumstances?

ISSUES FOR DISCUSSION ON POSSIBLE ACTIONS

- What specific suggestions do delegates have at this stage and prior to the final submissions, on measures to be incorporated in APIIQ?
- It is proposed that the priority lists of delegations be submitted by June 15, 2010.
- It is proposed that the final version of the paper will be completed by September 2010, and put before delegates for discussion and final approval at the 13th TPCC Meeting.

ILLUSTRATIVE TABLE FOR PRESENTATION OF COUNTRY X ACTION PLAN

	<u>SHORT-TERM ACTIONS</u>	<u>LONG-TERM ACTIONS</u>
<u>BORDER PROCEDURES</u>		
1) Time limits	<ul style="list-style-type: none"> • Prepare Handbook for border agents specifying legitimate reasons for non-clearances and document rejection. • Reduce document registration time to half by 2011, to 15-20 min by 2012. 	<ul style="list-style-type: none"> • Reduce number of agencies doing clearance to <u>zz</u> • Other actions...
2) Implement Single Window	<ul style="list-style-type: none"> • Where process started, complete by end 2011. • Develop Single-Window Program by mid-2011. 	
<u>BEHIND-THE- BORDER ACTIONS</u>		
1) Contract Enforcement	<ul style="list-style-type: none"> • Review status of New York 1958 Convention 	<ul style="list-style-type: none"> • Reduce number of procedures for enforcing contracts