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**Economic Commission for Europe study
on regulatory and procedural barriers to trade
in Armenia: Recommendations**

Economic Commission for Europe study on regulatory and procedural barriers to trade in Armenia: Recommendations

Submitted by the Secretariat*

Summary

This document provides the recommendations emerging from the United Nations Economic Commission for Europe (ECE) study on regulatory and procedural barriers to trade in Armenia, carried out in 2017–2018. The study used the ECE extended evaluation methodology to capture the interplay between the removal of regulatory and procedural trader barriers and achievement of the 2030 global sustainable development goals (SDGs).

The methodology enabled the analysis to go beyond highlighting the causes and immediate impact of the identified barriers to bringing forward the manner in which they set the limits to the economy's development prospects. The study also featured a special focus on female-owned enterprises, with a view to gaining a better understanding of the specific challenges to increasing their participation in international trade (out of the 91 interviewed traders, 30 were female traders with own enterprises).

* Late submission due to delayed consultations with national stakeholders.

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The analysis followed a three-pronged approach, with the first showing the extent to which the identified barriers, through increasing transaction costs, create an investment disincentive. The second focused on highlighting the influence of the identified barriers on regional integration dynamics, particularly welfare effects of trade creation and trade diversion. The third prong involved identifying the enterprises' growth dynamics and the manner in which the identified barriers stunt these dynamics and, thereof, undermine structural transformation towards increased specialization in products with high value-added.

The study showed that recent reforms have generated significant benefits for traders in the form of reduced transaction costs and increased export opportunities, with female-owned enterprises accorded priority treatment through targeted initiatives to support their market entry and engagement in export activities. The challenge facing the Government relates to bolstering trade creation effects throughout the supply chain. The recommendations are geared to support targeted initiatives to stimulate such effects and carry direct contributions to SDGs 7 (affordable and clean energy), 16 (peace, justice and strong institutions) and 17 (partnerships for the goals). The recommendations also carry indirect contributions to SDGs 8 (decent work and economic growth) and 9 (industry, innovation and infrastructure).

The document integrates the outcome of the stakeholder meeting, which was organized by the Ministry of Economic Development and Investments in Yerevan, Armenia on 13 May 2019.

The document is presented to the Steering Committee for decision.

Outstanding needs	Recommendations	Contribution to SDGs
<i>Transparency</i>		
Consolidate existing public private sector consultative mechanisms	<ul style="list-style-type: none"> • Traders reported participating in several public-private consultations, organized by relevant State agencies. While these consultations tend to be held on a regular basis, the traders' participation appear to be on an <i>ad hoc</i> basis, and the discussions seem to be as diverse as the scope of the reforms. To ensure continuous discussions on trade reforms and their implications, the Government may wish to consolidate these discussions under one institutional mechanism, as stipulated under article 23.2 of the Agreement on Trade Facilitation. <p>In so doing, and following United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT) recommendation 4,¹ the Government should avoid establishing a new body from scratch. Rather, the emphasis should be on assigning consultations over trade reforms to one of the existing mechanisms that are supported by State agencies. This is more conducive to ensuring policy coherence. Moreover, development experiences suggest that upscaling the mandates of existing institutional mechanisms is a natural path to follow for ensuring sustainability.</p> <p>To this end, consider tasking an existing coordinating body with the responsibility of facilitating domestic coordination and implementation of trade reforms, including those associated with delivering on Armenia's commitments under the Agreement on Trade Facilitation. This will allow for ensuring complementarity between trade facilitation and broader economic development efforts and for increasing the contribution of trade to the 2030 Agenda.</p>	<p>SDG 17.17 (Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships)</p> <p>SDG 17.14 (Enhance policy coherence for sustainable development)</p>
Further develop the advance rulings system	<ul style="list-style-type: none"> • Educate traders on the information requirements that need to be included in the requests for advance rulings. This could be done through guidance documents and awareness raising workshops. • Establish a law for binding advance rulings. Drawing on international best practices, the law should specify, among others: the party with the right to request advance ruling; questions that may be asked; the treatment the applicant is entitled to; the procedure to be followed to request a ruling; procedure for nonconforming requests; and situations in which no ruling will be issued. • Consolidate the national advance rulings facility with the required expertise knowledge and information and communications technology (ICT) systems. • Establish an online system for managing advance rulings. The system should allow for generating a national compendium that is accessible (via a search engine) and for issuing advance rulings in electronic format. 	<p>SDG 16.10 (Ensure public access to information and protect fundamental freedoms, in accordance with national legislation and international agreements)</p>

¹ http://www.unece.org/fileadmin/DAM/cefact/recommendations/rec04/ECE_TRADE_425_CFRec4.pdf.

<i>Outstanding needs</i>	<i>Recommendations</i>	<i>Contribution to SDGs</i>
Consolidate information dissemination activities	<ul style="list-style-type: none"> The State Revenue Committee Customs Service publishes up-to-date information on cross border trade legislation and procedures in more than one language on its website, which also features a hotline and online information request forms. Line Ministries and State agencies also publish up to date information on sanitary, phytosanitary and safety regulatory and procedural requirements. It would be useful to consolidate the information in an online help desk facility, which could be maintained by one State agency. The facility could also feature explanatory brochures on the new/revised legislation and their implication for export/import activities, particularly in relation to documentary requirements and rules of origin under the European Union (EU) and the Eurasian Economic Union (EAEU). State agencies need to intensify, in cooperation with market support institutions, awareness raising activities (including workshops, press releases and training material) to alert traders on the new/revised legislation. 	SDG 16.10
<i>Documentary requirements and the use of electronic documents</i>		
Reduce red tape	<ul style="list-style-type: none"> Consider issuing trade documents in more than one language (e.g., English; most widely used in international trade). Products accompanied by certificates issued by authorized State agencies and internationally recognized conformity assessment bodies in source countries should not be subjected to additional testing. The said certificates should be recognized. Review existing internal procedures and processes associated with issuing export/import licenses (namely, “Notification” – cryptographic certificate; import permit; dual use certificate for imports and Convention for International Trade in Endangered Species export permit) to shorten the wait time. 	These measures will reduce transaction costs facing the enterprises. The resulting savings could be used for covering modest investments (e.g., marketing), which, in turn, carries positive bearing on SDG 9.2 (Promote inclusive and sustainable industrialization and, by 2030, significantly raise industry’s share of employment and gross domestic product, in line with national circumstances, and double its share in least developed countries)
Refine the Single Window (SW) System	<ul style="list-style-type: none"> Continue the expansion of the national single window by ensuring the involvement and integration of all the state bodies involved in issuing trade documents into the SW platform that is being developed until 2021. Implement advanced ICT tools (e.g., Machine Learning, Big Data Analysis) for collecting, analysing and monitoring trade information. 	SDG 9.5b (Support domestic technology development, research and innovation in developing countries, including by ensuring a conducive policy environment for, inter alia, industrial diversification and value addition to commodities) The development of the SW should be used as a vehicle for further developing the

Outstanding needs	Recommendations	Contribution to SDGs
<i>At the border control</i>	<i>Consolidate risk management</i>	national ICT sector. This will support the achievement of SDG 8.2 (Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors)
Refine risk assessment parameters	<ul style="list-style-type: none"> • The Customs Service should fully implement the Customs Service policy for reducing the percentage of cargo subjected to physical inspection. This strategic goal can be reached by using innovative approaches and smart ICT tools for refining risk analysis, taking into consideration the Joint Board of Customs Service of EAEU Decree No. 23/18 on the “List of Factors and Signs Used for Management of Local Risks”. The list, which was approved on 22 June 2017, stipulates that individual customs control points should continue to use local risk profiles and take steps, to the extent possible, to implement automated systems for establishing local profiles. • Strengthen customs with an electronic system which consolidates all information sources (e.g., electronic system for processing declaration, internal detailed records from different related units within Customs Administration, information from external governmental institutions, international customs cooperation) for supporting: risk identification; risk evaluation (i.e., whether the identified risks are acceptable); the preparation of risk indicators (e.g., kinds of goods; traders; tariff lines; prices; currencies; values, country of origin; country of destination); and the creation of risk profiles (containing risk area, risk indicators, risk assessment and sources of information, parameters of selectivity, treatment and feedback). Such a system will enable Customs to continuously update and improve risk management and exchange information with its counterparts in partner countries. 	These measures will generate immediate savings for the enterprises, which carry positive bearing on SDG 9.2
Post-clearance audit	<ul style="list-style-type: none"> • The post-clearance audit function should be developed to be capable of undertaking systems-based trader audits that allow for considered examination of the commercial processes and systems which lie behind the customs duty declared at importation; and then to use the findings to adjust the parameters in the risk management system. This is a more holistic approach than that which is applied now, which relies mainly on the transaction-based checking of individual import entries. To this end, consider further developing customs post clearance audit so that it covers: <ul style="list-style-type: none"> – Case-by-case audit; – Planned audit; – Comprehensive self-assessment audit. 	These measures will generate immediate savings for the enterprises, which carry positive bearing on SDG 9.2

<i>Outstanding needs</i>	<i>Recommendations</i>	<i>Contribution to SDGs</i>
Authorized Economic Operators (AEO) schemes	<ul style="list-style-type: none"> Develop support services to assist enterprises, especially small and medium enterprises, in ensuring complete and full compliance with the AEO criteria. Most notable in this respect are: (i) training programmes (and guidelines) for enabling enterprises to conduct self-assessment and self-policing; and (ii) financial assistance to encourage them to invest in security. 	These measures will generate immediate savings for the enterprises, which carry positive bearing on SDG 9.2
<i>Strengthen border control agencies</i>		
Equip the Food Safety Inspection Body with the required equipment	<ul style="list-style-type: none"> Equip the Food Safety Inspection Body with additional laboratories that are accredited to international standards. Equip the Food Safety Inspection Body with refrigerated trucks for transporting samples. 	<p>SDG 9.1 (Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all).</p> <p>These measures will generate immediate savings for the enterprises, which carry positive bearing on SDG 9.2</p>
Improve storage facilities	<ul style="list-style-type: none"> Explore avenues for increasing storage facilities to allow for a wider application of separate release from clearance. 	SDGs 9.1 and 9.2
<i>Reconsider customs valuation practices</i>		
Ensure compliance with the WTO Agreement on Customs valuation	<ul style="list-style-type: none"> The Customs Service should continue to ensure the strict application of the WTO Valuation Agreement to its control of customs value. This requires that, in every case, the customs value of imported goods be calculated using Method 1 (the transaction value method) first, with the other methods being applied in sequence only if a value cannot be determined under the first method.² Where Customs uses the price list, the list should be published. 	<p>SDG 17.10 (Promote a universal, rules-based, open, non-discriminatory and equitable multilateral trading system under the World Trade Organization, including through the conclusion of negotiations under its Doha Development Agenda)</p> <p>These measures will generate immediate savings for the enterprises, which carry positive bearing on SDG 9.2</p>

² The only exception is that the sequence of Methods 4 and 5 may be reversed at the request of the importer.

<i>Outstanding needs</i>	<i>Recommendations</i>	<i>Contribution to SDGs</i>
<i>Regional cooperation and transit trade</i>		
Consolidate regional cooperation with additional initiatives and joint actions to facilitate cross-border control processes and transit trade	<ul style="list-style-type: none"> • Publish detailed information on Georgia's environmental requirements applicable to transit trade. • Launch information dissemination and training workshops for enterprises subject to transport of Dangerous Goods (DG) regulations, including the UNECE agreement on transporting DG by road (ADR); the Intergovernmental Organisation for International Carriage by Rail (OTIF) the regulation for transports of DG by rail (RID) and the International Maritime Organisation (IMO) code for transports of DG by sea (IMDG Code). As these regulations are extensive, complex and technical, the aim should be to equip the enterprises with practical knowledge by focusing on common areas covered by these regulations such as classification of goods, packaging, labelling and document requirements. This service can be provided by relevant State agencies and/or enterprise support institutions. • Consider providing Armenian traders, brokers and forwarders with operational support, such as digital guides to the DG regulations and adapted written instructions. This service can be provided by relevant State agencies and/or enterprise support institutions. 	SDG 16.10
<i>Transport infrastructure and logistical services</i>		
Improve road safety conditions	<ul style="list-style-type: none"> • Consider joining the ECE protocols and conventions on road traffic and road safety, including: <ul style="list-style-type: none"> – Convention on Road Traffic; – Protocol on Road Markings; – European Agreement supplementing the Convention on Road Signs and Signals (1968). 	SDG 9.1
Strengthen the brokerage industry	<ul style="list-style-type: none"> • Encourage the establishment of a new customs brokers association, since brokers are central to the micro, small and medium enterprises' participation in international trade. 	This will generate immediate savings for the enterprises, which carry positive bearing on SDG 9.2
<i>Technical regulations</i>		
Strengthen line ministries with expertise skills	<ul style="list-style-type: none"> • Accord priority to creating pools of national experts within line ministries capable of assessing the impact of EU Directives under approximation (for low voltage electrical equipment safety, fuel, tobacco and vehicle safety and in field of water quality and resources management) and of ensuring proper harmonization with national and secondary laws. The emphasis should be on developing in cooperation with international experts training material (in Armenian language) for future use. Special emphasis should be made to include case studies (drawing on development experiences elsewhere) that are tailored to Armenia's context. • Accord priority to equipping line Ministries with the expertise skills and knowledge to approximate EU Directives on conformity assessment. 	Technical regulations reference international standards. Standards help enterprises create roadmaps for upgrading of production capacity and, thereof, enable them to achieve increased specialization in high value-added activities (SDG 8.2)

<i>Outstanding needs</i>	<i>Recommendations</i>	<i>Contribution to SDGs</i>
Standardization		
Strengthen SARM (Armenia National Institute of Standards)	<ul style="list-style-type: none"> • Accord priority to enabling SARM to enter into twinning projects tailored to support preparations for joining the European Telecommunications Standards Institute and International Electro-technical Commission. • Accord priority to building SARM's in-house training services. The emphasis should be on developing in cooperation with international experts training material in Armenian language for future use, which is tailored to Armenia's context (through case studies). • Accord priority to assisting SARM in developing training material on the use of standards (in Armenian language). Special emphasis should be accorded to tailor the material to Armenia's context (through case studies). This will go a long way in supporting SARM's efforts to familiarise traders with the implementation and benefits of standards. 	SDG 8.2
Conformity assessment		
Accord priority to enabling ARMNAB (Armenia National Accreditation Body) to achieve international recognition	<ul style="list-style-type: none"> • Strengthen ARMNAB with the advanced knowledge and expertise skills, especially in the areas of calibration and medical laboratories. • Equip ARMNAB with ICT systems, including hardware (e.g. servers, Uninterruptible power supply) for strengthening its monitoring and overall management capacity. • Accord priority to enabling ARMNAB to enter into twinning projects tailored to support its preparations to join the EA Multilateral Recognition Arrangement (MLA) and International Laboratory Accreditation Cooperation (ILAC) mutual recognition agreement (MRA). 	SDG 8.2
Metrology		
National Institute of Metrology	<ul style="list-style-type: none"> • Strengthen the National Institute of Metrology with expertise knowledge and skills. • Further develop legal metrology: <ul style="list-style-type: none"> – Consolidating the legal requirements for measurement instruments in all areas (industries, health and safety, environmental protection, etc.); – International metrological harmonization; – Supervision of regulated products and activities; – Traceability of regulated measurements and measuring instruments. • In addressing the above, accord priority to obtaining membership in the International organisation of legal metrology (OIML). 	SDG 8.2

<i>Outstanding needs</i>	<i>Recommendations</i>	<i>Contribution to SDGs</i>
<i>Enterprise development: promote the diversification of services provided by market support institutions</i>		
Expand the range of marketing and strategic planning support services available to the enterprise sector	<ul style="list-style-type: none"> • Accord priority to establishing sector specific market intelligence services to help enterprises identify export opportunities and efficient supply sources. • Accord priority to equipping existing enterprise support organizations with training facilities, which offer practical support in the areas marketing, strategic planning, choices of appropriate embodied technologies for scaling up productivity. 	SDGs 8.2 and 9.2
Promote networking with regional and international companies	<ul style="list-style-type: none"> • Consider leveraging existing networking efforts into an online help desk facility aimed at facilitating the integration of Armenian enterprises into regional and global supply chains drawing on experiences elsewhere such as the Global Entrepreneurship Network and Enterprise Europe Network. 	SDG 8.2
Improve the enterprises' access to finance	<ul style="list-style-type: none"> • Consider establishing credit guarantee schemes that would allow micro-finance institutions and non-banking financial institutions to tap the banking system's deposit base for financing credit lines to help business enterprises implement business development plans and cover advance value added tax (VAT) payments. These schemes could be designed in a manner that assigns such institutions the role of intermediaries between potential borrowers and the banks. The institutions would screen borrowers, monitor their performance and assume responsibility vis-à-vis the banks in case of default. • Another mechanism for facilitating the enterprises' access to finance would be the establishment of loan insurance schemes. Such schemes safeguard the borrowers' loan against default risks through imposing an insurance premium that is co-shared between the borrowing enterprise and the government. 	SDG 8.3 (Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services)
Improve access to electricity and transport infrastructure	<ul style="list-style-type: none"> • Priority should be given to addressing electricity shortcuts in rural and remote areas. • Priority should be given to rehabilitating and repairing secondary roads to ensure geographic continuity. 	SDG 7.1 (Ensure universal access to affordable, reliable and modern energy services) SDG 9.1
Address the skills mismatch	<ul style="list-style-type: none"> • Training activities and programmes (including those provided by vocational centres) should be aligned around critical skill shortages identified by the enterprises, with a view to enhance their technological capabilities. 	SDG 8.2
Improve forwarders bargaining power vis-à-vis international shipping companies	<ul style="list-style-type: none"> • Consider the establishment of a national shippers' council to and enter into cooperation arrangements with the European Shippers' Council and Global Shippers Alliance and, thereof, help enterprises obtain favourable terms. 	This will generate immediate savings for the enterprises, which carry positive bearing on SDGs 8.2 and 9.2.