

TACKLING CORONAVIRUS (COVID-19)
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IMPLEMENTATION SUPPORT WEBINAR

*Improving the Legal Environment for Business in Central Asia:
Focus on Kazakhstan*

Addressing trade facilitation and soft connectivity challenges

27 November 2020

09:30 – 12:00 (GMT+1: France)

14:30 – 17:00 (GMT+6: Kazakhstan)

OECD Eurasia Competitiveness Programme



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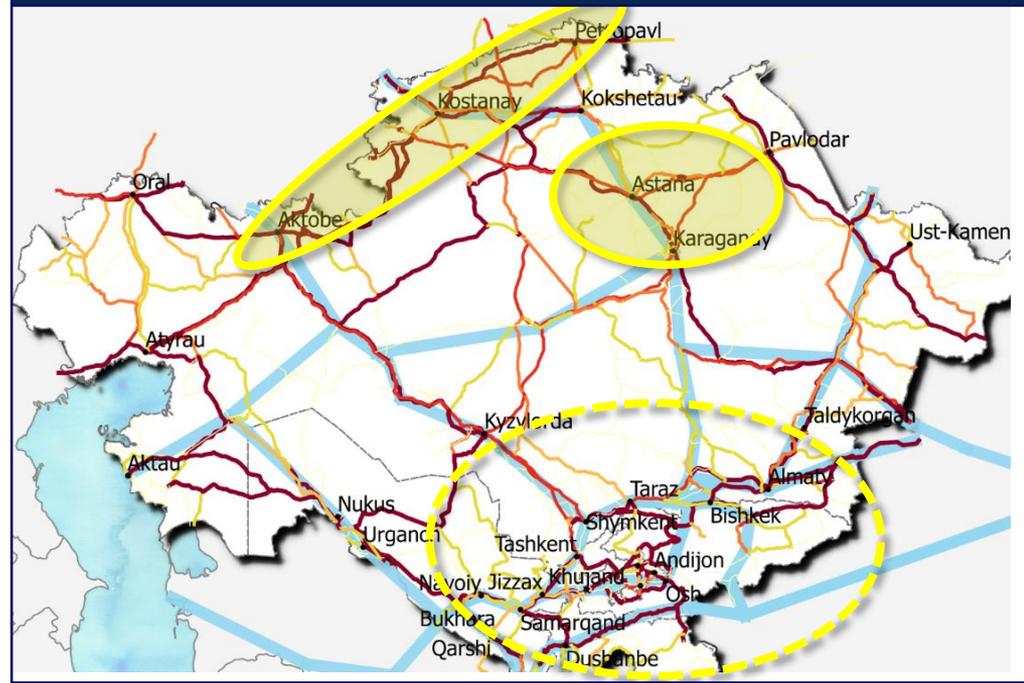


Kazakhstan has improved its business environment and connectivity, but concerns remain notably over trade facilitation and enforcement of business and trade regulations

- **High-level commitments** have been made to improving the business climate.
- The introduction of the **Entrepreneurial Code** (EC) has brought greater regulatory coherence, predictability, and stability.
- Kazakhstan is a signatory to several **international investment agreements**, and investors are protected by **the EC** and **two business Ombudsmen**.
- The legal framework for IPR protection has **improved**, notably with **WTO accession**.
- **Trade connectivity** remains an issue: current infrastructure planning will reduce some regional connectivity gaps, but increased trade flows will exacerbate existing bottlenecks.

Sources: OECD, ITF

Addressing border and customs procedures could significantly reduce bottlenecks



Reform priorities identified centre on the operational environment for SMEs, contract enforcement, and trade facilitation

Reform areas	Key findings and issues	Recommendations
Operational environment for SMEs	<ul style="list-style-type: none"> An Entrepreneurial Code has simplified the regulatory framework, but needs to be consistently implemented The number of licenses and permits required to register a business has been lowered and digitalized... but Business express concerns about license requirements that are non-transparent with inconsistent decisions 	<ul style="list-style-type: none"> → Consistently and thoroughly implement the new code for entrepreneurs
Contract enforcement	<ul style="list-style-type: none"> The Law on Arbitration harmonised national legislation with international standards but issues with arbitrations are common The International Arbitration Centre is only starting to handle commercial disputes under EN law The Investment Ombudsman and Commissioner for the Protection of Entrepreneurs' Rights support companies in forming claims and may intervene in dispute resolution 	<ul style="list-style-type: none"> → Need to further modernise and guarantee the independence of the judicial system → Promote alternative dispute resolution mechanisms, continue to expand capacity based on international arbitration best practices, ensure independence of ADR
Trade facilitation	<ul style="list-style-type: none"> Kazakhstan lags Europe/Central Asia and OECD average on several policy areas (governance/ impartiality, and internal and cross-border cooperation) Investors consider the Customs Code complex and burdensome, and its implementation unpredictable The OECD will carry out an assessment of trade facilitation in 2020, offering targeted recommendations on 'soft' infrastructure issues such as border management and customs 	<ul style="list-style-type: none"> → Improve horizontal coordination across and avoid overlapping between public institutions → Train border officials, and develop interconnected transit information systems → Harmonise customs documents and requirements with other countries of the region

Priority for today's discussions

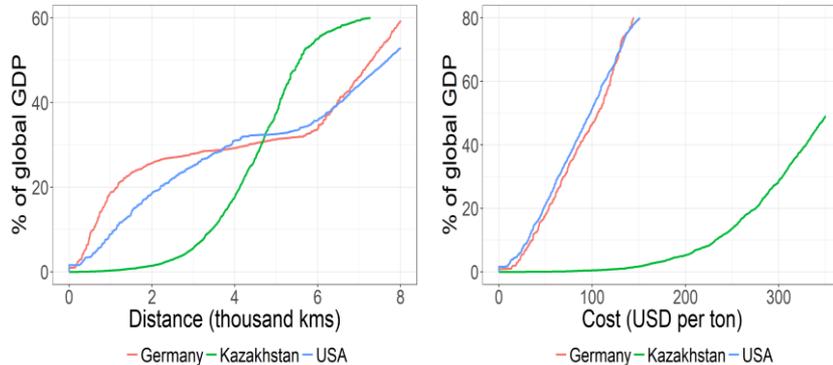


Zoom on today's priority for discussion (1/3):

Kazakhstan should invest more in hard infrastructure while improving soft infrastructure

Kazakhstan suffers from a “distance penalty” in international trade

- Exports need to travel almost **twice as far as competitors in the US and Germany** to access the same opportunities → higher relative cost of exporting.



- Major investment is underway to **improve infrastructure** but investment at current levels may **only reduce the connectivity gap by 8%.**

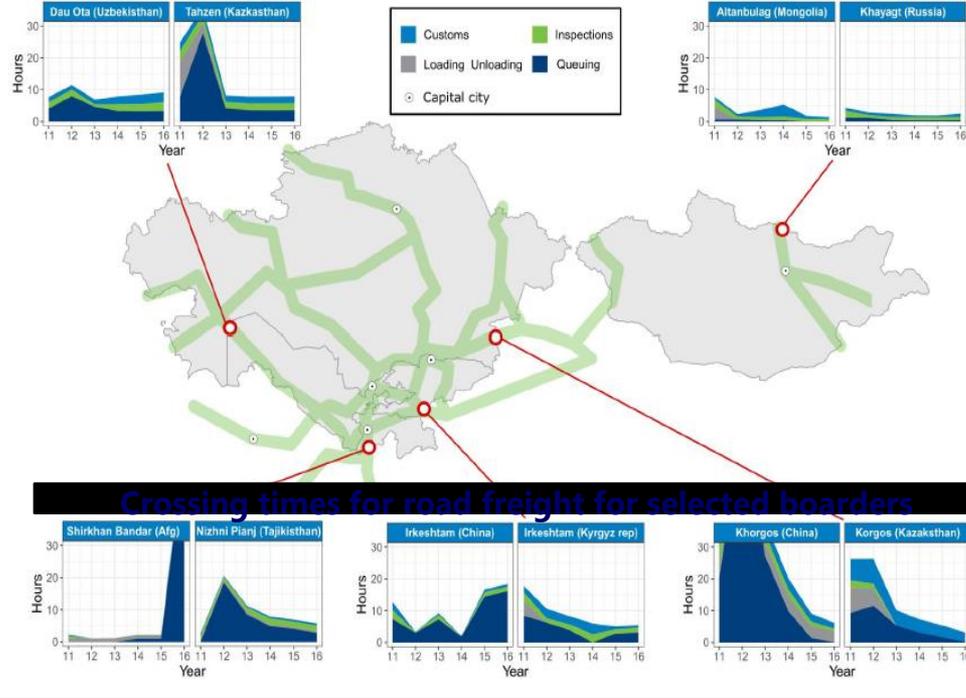
Improvements in 'soft infrastructure' and public planning capabilities is crucial

- Kazakhstan should select projects that **foster increased connectivity**, not just increased **transit flows.**
- Where transit projects are pursued, **traffic should cover its own costs.**
- Last-mile connectivity is a growing challenge.** Domestic connectivity to local growth poles is as important as international linkages.
- A lack of systematic data collection** undermines good quality planning and could be improved through the **creation of a transport observatory**



Zoom on today's priority for discussion (2/3): Kazakhstan needs to pursue its efforts to address connectivity issues on soft infrastructure

Long and variable border and customs procedures are a major impediment for exports, GVCs and trade.



- Businesses report a **high level of unpredictability** in **border crossing times**.
- Investors consider the **Customs Code complex**, and its **implementation unpredictable**.
- **The full automation of customs procedures** and the establishment of the **ASTANA-1 platform** have been important steps to reduce time and cost and **need to be pursued**.
- The **COVID-19 crisis** has **exacerbated existing trade connectivity issues...**
- ... and revealed **additional bottlenecks** particularly due to **limited regional cooperation**.



Zoom on today's priority for discussion (3/3):

Kazakhstan could work on improving internal and regional co-operation to facilitate trade

- **Improve horizontal coordination across public institutions** involved in the delivering of trade certificates, permits and documents needed for exports
- **Streamline the Customs Code**
- **Train border officials** for better enforcement and eliminating arbitrary practices
- Improve **regional cooperation** on customs and border management, including by:
 - Developing interconnected transit information systems
 - and **harmonising customs** requirements across Central Asia
- Develop **two-way communication channels and feedback mechanisms** to raise awareness and improve dialogue with exporters and international partners
- Create a **regional transport observatory** to share common understanding, data and evidence
- Improve **planning capabilities within public agencies** including on the effectiveness of project selection and monitoring projects

Striving for improvements on the OECD Trade Facilitation indicators (TFIs) could provide a compass for trade facilitation reforms



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Thank you

For more information

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