

# Business process analysis: Kazakhstan



**Flour, Pasta, Biscuits  
and Candies**



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## Note

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This Business Process Analysis was conducted by the UNECE as a part of a broader assessment of *Regulatory and Procedural Barriers to Trade in Kazakhstan*. The assessment was carried out in 2012 jointly with the International Trade Centre (ITC).

This study was issued in English and Russian.

The entire study can be downloaded free of charge from the UNECE website <http://www.unece.org>

Direct link: [http://www.unece.org/fileadmin/DAM/trade/Publications/ECE-TRADE\\_407E-Kazakhstan.pdf](http://www.unece.org/fileadmin/DAM/trade/Publications/ECE-TRADE_407E-Kazakhstan.pdf)

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## Preface by the Secretariat

The Executive Committee (EXCOM) of the UNECE recommended at its thirty-fourth session in February 2010 that the Committee on Trade carry out three trade needs assessment studies in selected UNECE member countries and/or sub-regional groupings with economies in transition.

These studies focus on procedural and regulatory barriers to trade in goods, with an eye to on-going development efforts in the areas of trade facilitation, technical regulations and standardization policies. The findings of the studies will be used to: assist countries in their efforts to achieve greater regional and global economic integration; inform donors as to where assistance might be required; and strengthen policy discussions within the Committee on Trade and its subsidiary bodies on where additional work is required.

This study summarizes the findings of the second UNECE trade-needs-assessment, which focuses on the Republic of Kazakhstan. The study was conducted in 2011-2012 pursuant to a request by the Government, and is based on a review of trade facilitation and quality assurance development efforts leading up to the establishment of the Customs Union (CU) of Belarus, Kazakhstan and the Russian Federation until 2012, as well as the results of in-depth face-to-face interviews with 57 stakeholders using the UNECE evaluation methodology.

The stakeholders comprise 24 representatives from State agencies, enterprise support institutions, logistics service providers and transport operators, who were approached in 2011 by UNECE regional consultants. The traders were approached in 2012 by a national consulting company, the Institute of Social and Political Research - (ISPR) within the context of a joint UNECE – International Trade Centre (ITC) assessment of non-tariff measures and technical regulations in the Republic of Kazakhstan. The ISPR carried out face-to-face interviews with traders from priority non-resource based sectors identified by the Government using the joint ITC-UNECE questionnaire that combined the ITC Company Survey with a special UNECE annex on trade facilitation. Budgetary constraints meant that the annex on trade facilitation was addressed to 28 only traders. This study draws on the results emerging from the interviews with these traders. The UNECE also conducted follow-up interviews with an additional 5 traders, who were approached by a regional consultant to gain clarity on specific issues and fill in information gaps.

The UNECE trade needs assessment study also includes an in-depth examination of administrative and regulatory procedures underpinning the export of priority food products identified by the Government, using the UNECE Business Process Analysis Methodology. The analysis focused on four products (pasta, flour, biscuits and candies), and the results are provided in Annex 1.

The needs assessment was implemented in close consultation with the Kazakh National Advisory Committee (NAC), which was established from the start of the assessment process to act as the UNECE and ITC counterpart. The NAC brings together representatives from relevant ministries and private sector support institutions under the leadership of the Kazakh Minister for Economic Integration.

This study was prepared by the Trade and Sustainable Land Management Division of the UNECE to serve as a basis for consultations with key stakeholders. It takes into account the comments and recommendations emerging from the 2012 session of the Committee on Trade, and from a national stakeholders workshop, "Stakeholders Meeting on Evaluation of Existing Non-Tariff and Technical Regulations in the Republic of Kazakhstan: Results and Suggestions", which was organized on 14 March 2013 by the Centre

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for Trade Policy Development of the Ministry of Economy and Budget Planning in Astana to solicit feedback from national stakeholders and development partners. The study also takes into account comments received during bilateral meetings and written comments received from the Government after the workshop.

The practical action-oriented recommendations from the assessment provide an important input to the Republic of Kazakhstan's trade development efforts, and to the UNECE's work with the CU of Belarus, Kazakhstan and the Russian Federation.

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# Acknowledgments

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This study was made possible thanks to the financial support of the Russian Federation.

ECE would like to acknowledge the contribution of all national stakeholders, who proposed concrete policy recommendations during the “Stakeholders Meeting on Evaluation of Existing Non-Tariff and Technical Regulations in the Republic of Kazakhstan: Results and Suggestions”, which was organized on 14 March 2013 by the Centre for Trade Policy Development of the Ministry of Economy and Budget Planning in Astana to solicit feedback on the preliminary findings of the study. The ECE would also like to extend its gratitude for the Centre for Trade Policy Development, which hosted and organized the Stakeholder Meeting.

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# Business Process Analysis

## Business Process Analysis - Food Products Exportation

### A1. Introduction

Pursuant to a request by the Government of Kazakhstan, this annex provides the results of the UNECE's assessment of procedural and regulatory barriers facing priority food exports. The assessment was based on the UNECE BPA described in the first chapter of this report, and focuses on four products, namely: candy and confectionary products, flour, pasta and biscuits, which were identified in consultation with the government.

Two companies were selected to serve as case studies based on the size of their exports.. The first is a major exporter of confectionery products and is headquartered in Almaty, the largest city in Kazakhstan. The company started active export operations in the mid-2000s. The second company is a major exporter of pasta, biscuits and flour, and is located in Petropavlovsk, a small town in the northern parts of Kazakhstan. It started export operations at the beginning of the 2000s. Today the two companies sell more than 20 per cent of their products abroad, and both the volume and share of exports as a per cent of total production are increasing.

The BPA was carried out in early 2012 by a UNECE consultant, who visited the premises of the two companies and conducted extensive interviews with senior as well as middle and lower level management. Consistent with the BPA methodology, the analysis focused on the core business processes associated with the export of the selected products. These processes are shown using the following three diagrams:

- Use-case diagrams

- Business process flowcharts (using the BUY-SHIP-PAY reference model)<sup>88</sup>

Time procedure charts

This annex is divided into six sections. The introduction is followed in section two by a description of the scope of the BPA (i.e. the domain of interest), and the use case diagrams. Section three provides a detailed description of the core business processes of the two companies. This is followed, in sections four and five, by a snapshot of the overall time spent by the two companies to complete their core business processes and the documentary requirements. Each section discusses the major procedural and regulatory bottlenecks and proposes action-oriented recommendations for the government's consideration. The recommendations follow logically from the process diagrams and the analysis, and take into account suggestions made by the interviewees during the fieldwork. The last section provides some reflections on the implementation of the proposed recommendations.

### A2. Domain of Interest

#### A2.1. Product selection

The four food products were identified in consultation with the Kazakh Ministry of Economic Development and Trade. Initially, the Ministry proposed frozen and chilled meat as well as dairy products. However, an examination of Kazakh's trade statistics revealed that these products are not exported in any significant quantity, and that Kazakhstan relies heavily on imports for satisfying local demand for the said products.

<sup>88</sup> The B-S-P Model was developed by UN/CEFACT. Its basic tenets are explained under UNECE Recommendation 18, available online at: [http://www.unece.org/cefact/recommendations/rec\\_index.html](http://www.unece.org/cefact/recommendations/rec_index.html)

As shown in Table A.1, only lamb (frozen and chilled) has shown non-zero trade, with volumes equivalent to 10 full trucks (211 tons) over a half-year period in 2011. Dairy products exhibit higher export volumes, but these remain well below imports as reflected in the export to import ratios (exports divided by imports).

Moreover, as shown in Table A.2, meat and milk production in Kazakhstan has yet to recover

from the economic crisis that befell the country following the disintegration of the Soviet Union. If anything, Kazakhstan has a long way to go before satisfying local demand for the two product groups, which are considered of strategic importance for ensuring food security. In many countries, governments strive to satisfy demand for such products through domestic production before promoting increased exports.

**Table A.1. Export/Import ratios and export destinations for key dairy and meat products (January to June 2011)**

HS Code	Product	Exported to	Tons	Export/Import Ratio
0204210000	Lamb chilled	Islamic Republic of Iran, Iraq	134	∞
0204410000	Lamb frozen	Islamic Republic of Iran	77	∞
0401201109	Milk (1-3 per cent, packed < 2L)	KGZ, TJ, TKM	117	0.04
0401209109	Milk (3-6 per cent, packed < 2L)	KGZ, TJ,TKM, TJ	133	0.02
0401209900	Milk (3-6 per cent, other)	Sweden	0.4	0.0001
0403109100	Yogurt (<3 per cent)	KGZ, UZ	232	0.43
0403109300	Yogurt (3-6 per cent)	UZ	67	0.14
0403109900	Yogurt (>6 per cent)	KGZ, TJ, UZ	28	∞

Source: Based on Customs Control Committee statistics, *e-customs.gov.kz*.

Key: AF - Afghanistan; CAR - Central Asian Republics; DE - Germany; EU - European Union; GE - Georgia; KGZ - Kyrgyzstan; MN - Mongolia; PRC - China (People's Republic of); TJ - Tajikistan; TKM - Turkmenistan; UZ - Uzbekistan

**Table A.2. Meat and Milk Production in Kazakhstan, 1991 – 2010 (Thousand tons)**

Product	1991	1995	2000	2005	2008	2009
Meat	1 524.4	984.8	622.6	762.2	874.2	896.3
Milk	5 555.4	4 916.1	3 730.2	4 749.2	5 198.0	5 303.9

Source: State Statistics.

In contrast, as shown in Table A.3, pasta, biscuits, flour and candies have good export potential.

**Table A.3. Export volumes and destinations for selected product groups (2010)**

HS Code	Product	Exported to	Tons	Export/Import Ratio
1902301000	Pasta, dried	CAR, AF, CAR	2 115	3.5
1902309000	Pasta, other	AF, CAR, GE	4 220	6.0
1101001100	Flour, wheat durum	AF, KG, TJ, UZ	12 558	1 266.0
1101001500	Flour, wheat common	UA, KG, TJ, UZ, MD, AF, MN	681 487	3 266.3
1905311900	Biscuits coated/covered by chocolate	KG, TJ, UZ, AZ, GH, PCR, AF	476	0.2
1905319900	Biscuits, dry sweet	KG, TJ, UZ, MN	367	0.05
1704907100	Candies, not containing cocoa	CIS, DE, MN	1 395	1.36
1806901900	Chocolate candies	AF, CAR, DE, MN, PRC	386	0.21

Source: Customs Control Committee.

Key: AF - Afghanistan; CAR - Central Asian Republics; DE - Germany; EU - European Union; GE - Georgia; GH - Ghana; KGZ - Kyrgyzstan; MN - Mongolia; PRC - China (People's Republic of); TJ - Tajikistan; TKM - Turkmenistan; UA - Ukraine; UZ - Uzbekistan



Kazakhstan has been a large producer of grain since the fifties, which saw the allocation of more than 30 million hectares of land in the north of the country for growing grain. Most of the supporting infrastructure for harvesting, storing and milling has been maintained, so that Kazakhstan is very well positioned to compete in regional and international markets.

Estimates by the International Grain Council show Kazakhstan's exports of flour soaring to a new record of 3.5 million tons of equivalent wheat in 2010 (or 56 million hundredweights (cwts) of flour), compared with 2,733,000 tons in 2009 and 2,054,000 in 2008, thereby accounting for 27 per cent of global flour exports. Although Kazakhstan lagged behind its record clearances in 2010 because of increased competition from neighbouring countries, particularly the Russian Federation and Turkey, it continues to hold a dominant position in international markets. With its exports of flour amounting to 3.2 million tons in 2011, Kazakhstan accounts for 26 per cent of global flour exports.

Thus, supporting increased exports of flour and flour-based products is a natural path to follow. In 2010, total exports of pasta amounted to 12.9 thousand tons, up from 9.2 thousand tons in 2009. These figures represent a modest share of local production, which reached 127.7 thousand tons in 2010, up from 115.5 thousand tons in 2009.<sup>89</sup> At present, Kazakh pasta is exported to Central Asian countries (especially, Afghanistan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan) and Georgia.

<sup>89</sup> The figures are from the Ministry of Agriculture and Customs Control Committee.

Biscuits, which have low export volumes, were included in the analysis because they form part of the same value chain as flour and pasta, and are often produced in the same facilities. Moreover, exporters often use the same transport modes for shipping flour, pasta and biscuits.

Candies were included in the analysis, based on the request of the government. Candies produced by Kazakh manufacturers are made of mostly imported raw materials (cocoa, various jams, etc.). Moreover, although the manufacturers use locally produced sugar, this sugar is produced from Brazilian raw sugar.

The Kazakh Ministry of Economic Development and Trade explained that promoting the export of candies would contribute to a number of strategic goals. First, this food-processing industry has a relatively high volume of export trade and a relatively high value-added. Second, it provides a major source of employment for the labour force (particularly Alma-Ata, Karaganda and Kustanay). Third, although most export shipments of candies end up in Central Asian countries, some go to Mongolia, China and even Germany. In the case of Germany, Kazakh candies are mainly imported by Kazakhstani traders who emigrated from Kazakhstan to Germany during the 1990s.

## A2.2 Scope of Business Process Analysis

The scope of the analysis was established in discussion with the two exporters selected for the analysis (Table A4).

The export markets of the two companies are divided into two groups. The first includes countries of the Commonwealth of Independent States (CIS), the traditional outlet for the two exporters. These countries have harmonized trade regulation within the context CIS Free Trade Agreement (FTA) and

**Table A.4. Scope of the analysis (products, markets, transport, financing)**

Products	Export markets		Modes of transport			Trade financing
	CIS FTA	Non-CIS	Rail	Road	Other	
Flour	✓	✓	✓			
Pasta	✓		✓			
Biscuits	✓					
Candies	✓	✓	✓	✓		

have connected transportation networks. Trade with these countries, therefore, offers important advantages, which come in addition to that fact that, like Kazakhstan, they also use Russian for trade negotiations and contracting.

The second group of countries includes the rest of the world; in this case, only two countries—Germany for export of candies and Afghanistan for large volumes of flour, suggesting modest diversification out of the CIS market.

The analysis focuses on transport by railway and road. Maritime transport is not used by either of the two companies. This should not come as a surprise. The two companies sell products with relatively low value-added and high price elasticity, particularly in Afghanistan, Tajikistan, Uzbekistan and Kyrgyzstan. As such, they rely primarily on the cheapest mode of transport, particularly rail. Only deliveries from Almaty to Bishkek (240 km) and to Germany are transported by road, as this market shows lower price elasticity.

Trade finance was not included. As explained below (under business processes associated with Buy) neither of the two exporters use trade-finance instruments, such as letters of credit (L/C), bank guarantees, and export documentary bills of collection.

Below is a discussion of the results of the analysis, keeping in mind that further BPA studies would be required to ascertain the extent to which the problems identified in this annex are common to other priority export products.

### A2.3 Core business processes

Using use-case diagrams, this section highlights the core business processes undertaken by the two exporting companies. A detailed discussion of the sub-business processes is provided in section A.3.

#### A2.3.1 Confectionery products

The bulk of the confectionery producer's exports are destined for the Russian Federation, and the company is actively seeking to increase exports to China and other neighbouring countries. When exporting to the EU, namely Germany, the first business process involves arranging for road transport.

Candies are packed in consumer packaging (plastic, paper, foil), and then in cardboard boxes. The boxes are then packed onto EU standard wooden pallets (120 by 80 cm) and wrapped in a highly stretchable plastic film (see Figure A.1).

#### Figure A.1. Euro-pallet with stacked cardboard boxes is a standard logistics unit load in international trade



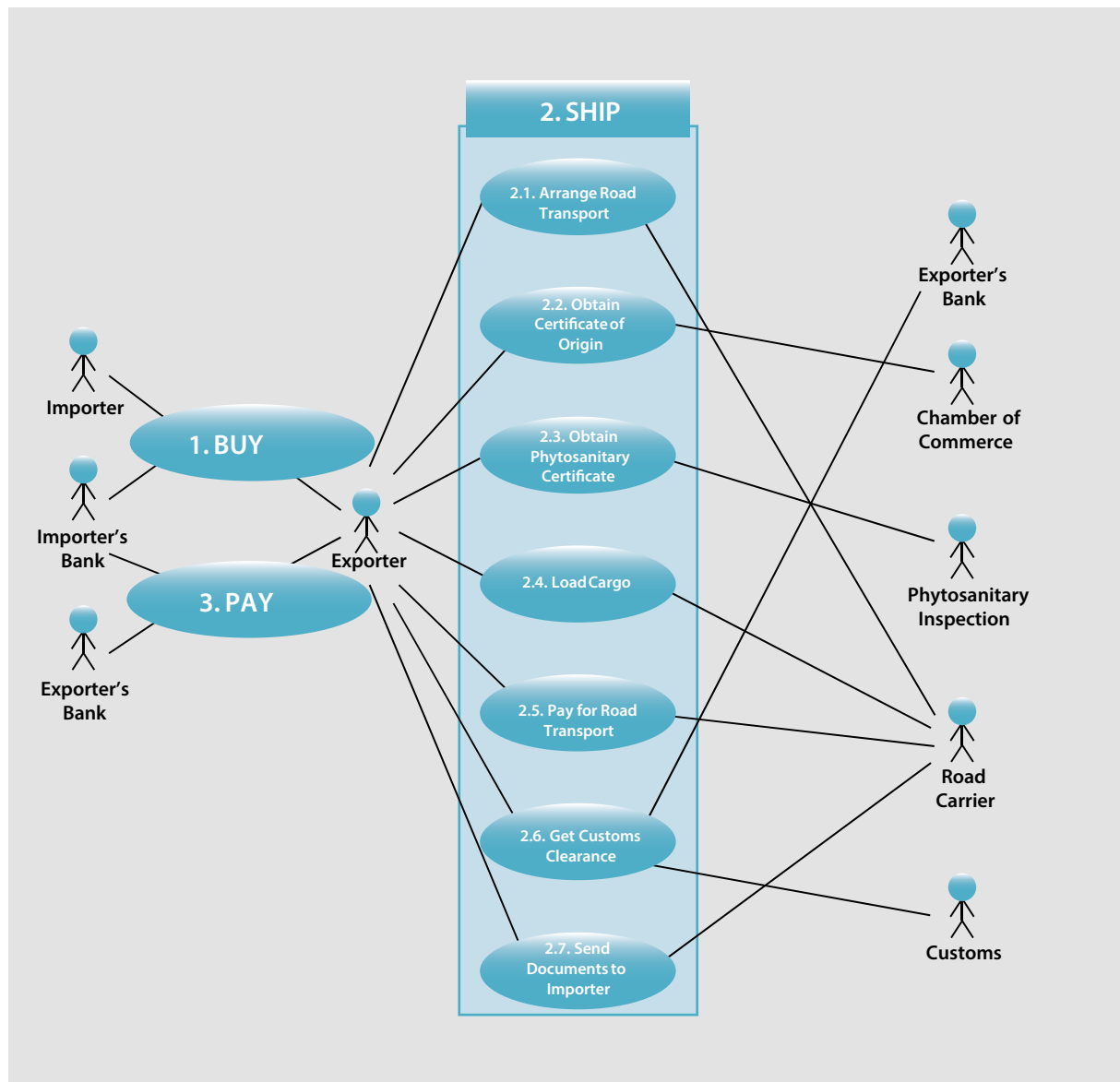
In the EU, wooden pallets and cardboard are subject to phytosanitary control. Thus, the company is required to present the phytosanitary certificate to the EU authorities (see, figure 1, which describes the export of candies to the European Union by truck). Candies shipped to the CIS countries do not need this Certificate<sup>90</sup> (see Figure A.2, which describes the export of candies to the CIS by rail in standard rail cars or in refrigerator cars).<sup>91</sup>

All candies shipped to the EU are transported by truck. Carriers have their own trucks and are responsible for cargo insurance, so exporters do not need to deal with this business process. On the import side, the candy manufacturer imports an assortment of raw materials in large quantities. To minimize brokerage costs, the company has an in-house customs broker, who handles customs clearance procedures. The company does not use the services of customs brokerage companies.

<sup>90</sup> According to the rules of the Customs Union, processed (heated, boiled) and packed food items do not require phytosanitary certification. This means that among the four products examined, candies, pasta and biscuits do not require this certification.

<sup>91</sup> Maximum weight for standard cars is around 30 tons per car, and for refrigerator cars it is around 40-50 tons per car.

Figure A.2. Use-case diagram for exporting confectionery products by road to the EU



In contrast, and as shown in Figure A3, most export shipments to the CIS region are transported by rail, with national rail companies providing the tracks, locomotives and rolling stock (rail cars, fitting platforms, and multimodal containers) for domestic transport operations. For cross border transport operations, exporters may have to rent rail cars from private companies if the national railway company (Kazakh Temir Zholy) is unable to provide the required rolling stock.

Normally, the company transports goods based on the deliver at place (DAP) terms.<sup>92</sup> If the goods are exported to Uzbekistan and Kyrgyzstan, it pays for rail transport up to the last Kazakh railway station, and the importer pays Uzbek Railways or Kyrgyz Railways for the transport of goods from the border-crossing point to

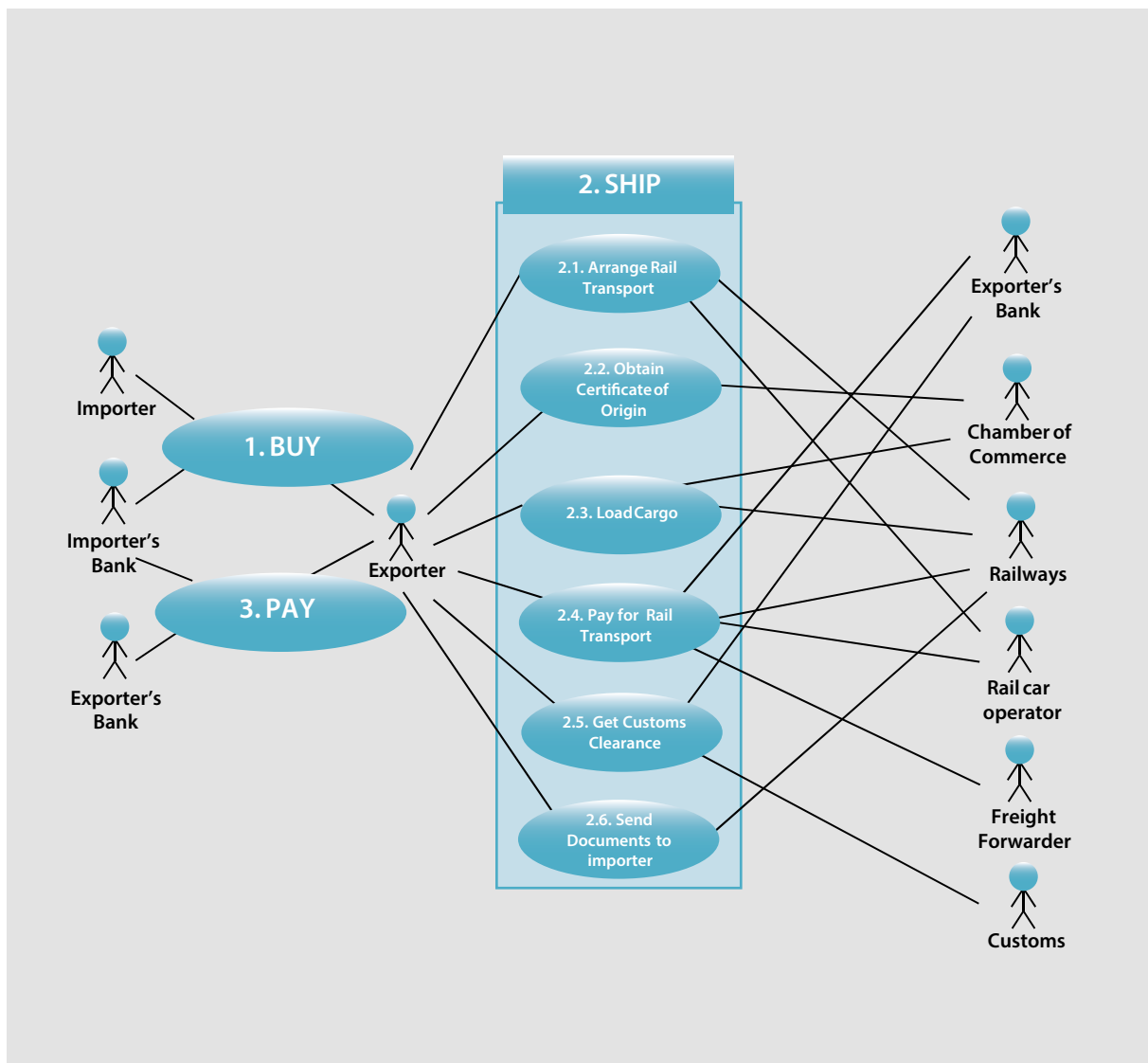
<sup>92</sup> DAP refers to instances in which the seller delivers goods to an agreed upon destination. The seller assumes all risk until the goods arrive at their destination, and takes care of customs requirements.

its intended destination. If goods are exported to Tajikistan, freight-forwarding companies handle the payment to the transit railways (Uzbek Railways and Turkmen Railways), because neither the exporter nor the importer can pay the transit railways directly.

Processes associated with Load Cargo (for international and domestic deliveries) may involve the Chamber of Commerce in situations where the buyer and the seller are keen on avoiding disputes over the quantity of shipped goods.

The Chamber's involvement, therefore, is limited to verifying that all goods are loaded into the rail car according to the commercial invoice and the packing list. The Chamber's inspector provides a written report to the exporter several days after loading and dispatch of the transport. The report from the Chamber of Commerce confirms that the exporter loaded all of the goods included in the invoice and the packing list. The Chamber does not have any liability for shortage of goods. If there is a shortage, the importer makes a claim to the carrier and the exporter.

**Figure A.3. Use-case diagram for exporting confectionery products by rail to the Commonwealth of Independent States**

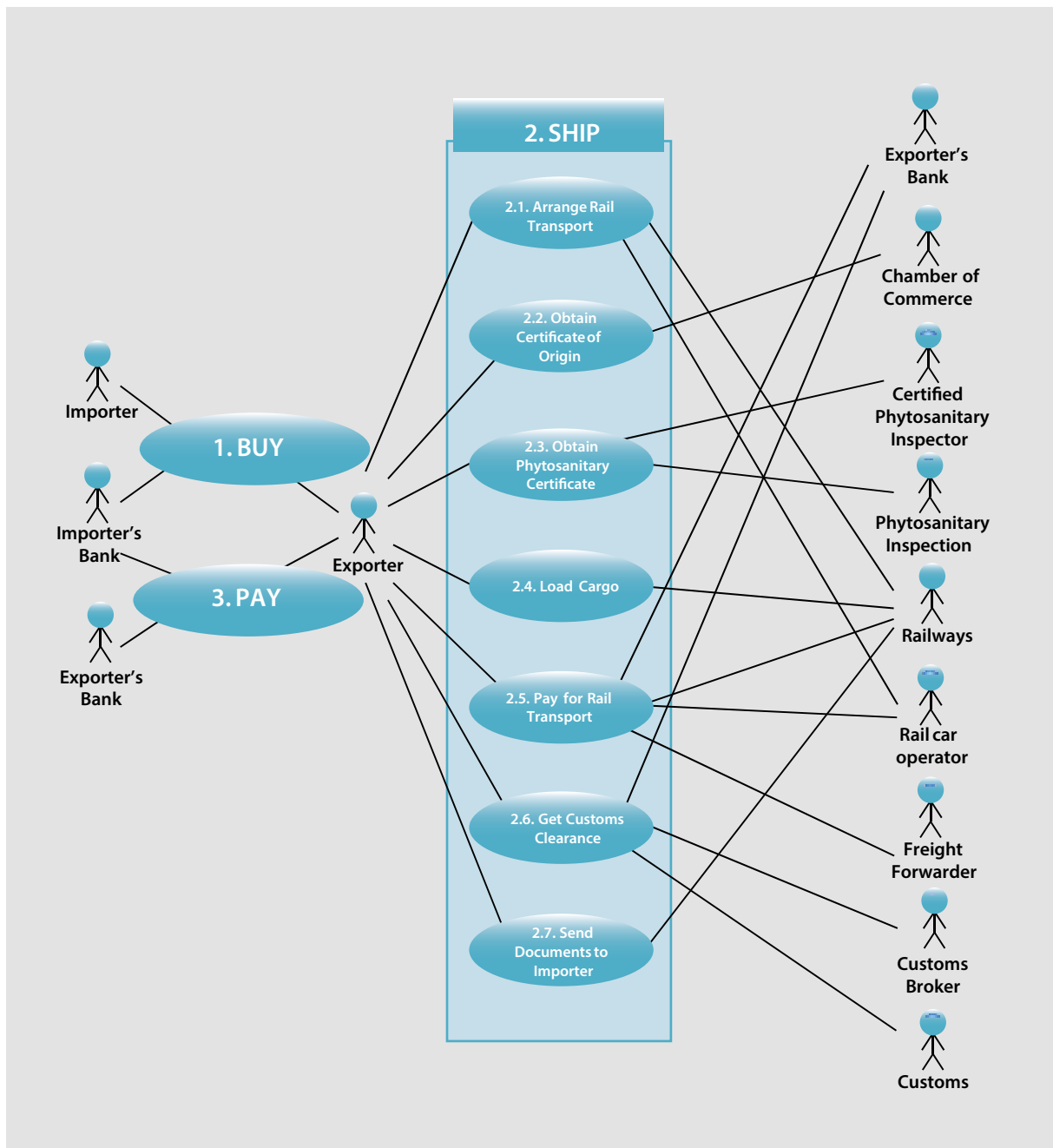


**A2.3.2. Flour, pasta and biscuits**

As previously mentioned, the business processes associated with the export of flour, pasta and biscuits were examined using, as a case study, the Petropavlovsk production facility, which is one of

Kazakhstan's largest flour and pasta producers. This company exports to the CIS countries, mostly to the Central Asian Republics, by rail. The railway station of Petropavlovsk is located in the Northern Kazakhstan oblast, but belongs to the South Ural Railways (part of RZhD – Russian Railways).

**Figure A.4. Use-case diagram for exporting flour to CIS countries (mainly Central Asian Republics and Afghanistan) by rail**

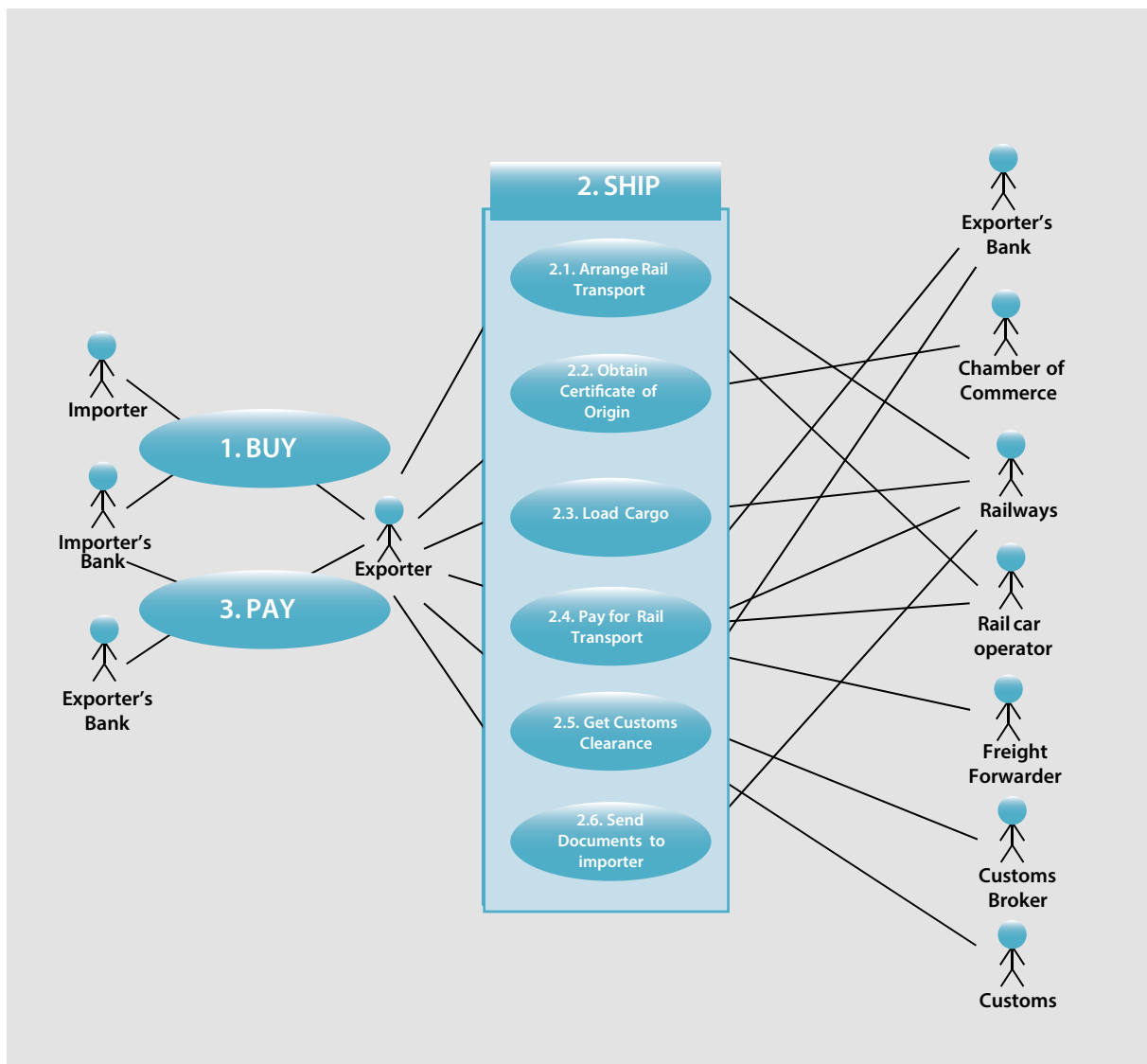


The bulk of the exports are shipped to the Russian Federation and, since 2011, these shipments have not been reported as exports, since the two countries have abolished customs control as per the CU arrangements. Thus, the company does not have to obtain customs declarations (export, import or transit declaration).

Unlike the candy exporter (Figure A.1 and A.2), the exporter of flour, pasta and biscuits uses the services of a customs brokerage company to clear goods. Figure 3 charts business operations

associated with exporting flour by rail (with a maximum weight of 60-65 tons per rail car) to CIS countries (mainly the Central Asian Republics and Afghanistan). Business operations associated with the export of pasta and biscuits to CIS countries (mainly the Central Asian Republics) are depicted in Figure A4. The only difference between Figures 3 and 4 is that the export of flour requires obtaining phytosanitary certification. The next section provides a detailed description of each business process.

**Figure A.5. Use-case diagram for exporting pasta and biscuits to CIS countries (mostly Central Asian Republics) by rail**



### A3. Export Business Processes

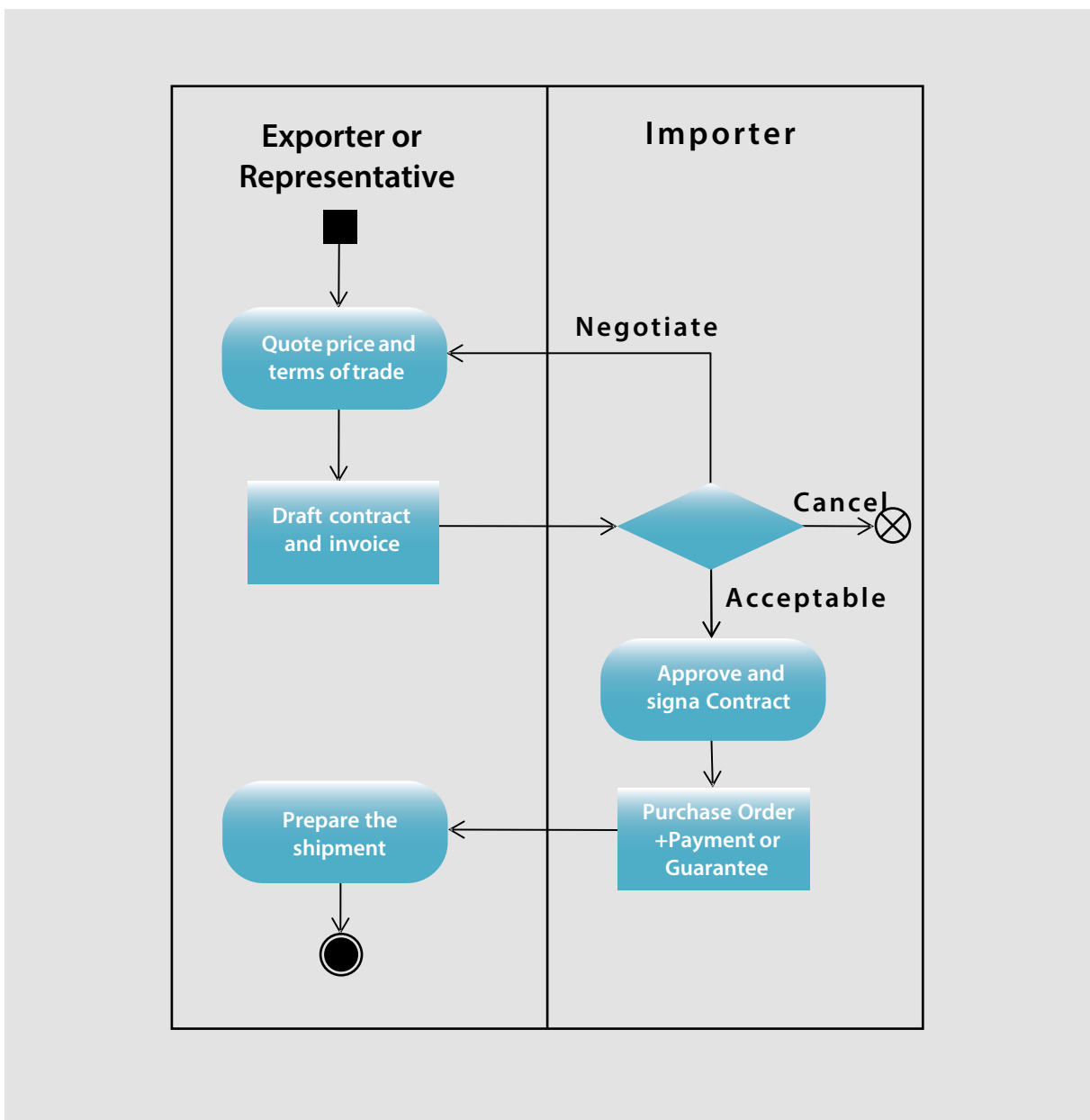
This section depicts export business processes based on the UNECE international supply chain Buy-Ship-Pay reference model, and uses the Unified Modelling Language (UML) notation to chart activity diagrams.

### Process 1. BUY

#### Process 1.1 Negotiations and concluding sales contract

As shown in Figure A.6, the Negotiations and Sales Contract is a relatively standard process and applies to all combinations of products, destinations

Figure A.6. BUY: 1.1. Negotiations and concluding sales contract followed by details of associated steps



and transport examined in this report (4 products – flour, pasta, biscuits, candies; 2 types of destination – CIS market, EU market; and, 2 types of transport – Rail; Road).

Although local banks provide good support for various trade-financing instruments, neither of the two companies use documentary Letters of Credits (L/C) or other tools of trade financing. It is worth noting that when an exporter signs a new sales contract, he needs to obtain a transaction certificate prior to receiving payments and prior to customs clearance. The issued transaction certificate serves as the basis for customs clearance of goods and execution of payment under the sales contract. The procedures associated with obtaining this certificate are discussed later on under Pay (3.1).

Neither of the two companies use trade finance instruments. This comes despite the fact that Letters of Credit (L/Cs), the most commonly used instrument, are available in Kazakhstan and in importing countries at reasonable costs. Rather, the two exporters either require full advance payment from the importer, or split payments into two instalments (an advance payment and the final payment after delivery of goods), because importers are not very familiar with trade financing instruments. While these arrangements address the problem in the short-term, they increase the buyer's financial burden and inflate risks for both the exporter and importer. The Government may wish to address this aspect of the business process analysis, as explained below.

Name of process area	1. Buy
Name of business process	1.1. Negotiating and concluding sales contract
Related laws, rules, and regulations	<ul style="list-style-type: none"> <li>● Incoterms</li> <li>● Civil Code</li> </ul>
Process participants	<ul style="list-style-type: none"> <li>● Importer</li> <li>● Exporter or Representative</li> </ul>
Input and criteria to enter/begin the business process	<ul style="list-style-type: none"> <li>● Exporter has a list of potential buyers</li> <li>● Exporter is eligible to market products abroad. Customs Union Decision 168 of 27/01/2010 regulates application of export quotas. Export quota can be potentially applied to flour. There are no restrictions to export of candies, pasta and biscuits</li> <li>● Exporter must have a valid certificate of conformity for food products (CU Decisions 526, 896, 563, 319, 620, 621, 629)</li> </ul>
Activities and associated documentary requirements	<ul style="list-style-type: none"> <li>● The Exporter prepares a Quotation to inform an importer about quoted price and sales terms.</li> <li>● The Importer reviews the Quotation and determines if the quoted price and sales terms are acceptable. If the quoted price and sales terms are not acceptable, the importer requests the exporter to revise the quoted price and sales terms.</li> <li>● If the quoted price and sales terms are acceptable, the importer confirms the purchase of goods by signing a (Framework) Sales Contract</li> <li>● An additional Purchase Order or an annex to the Sales Contract may be issued to define special conditions for each shipment</li> <li>● The Exporter prepares the delivery of goods accordingly.</li> <li>● The Exporter acknowledges the receipt of Purchase Order and confirms that goods will be delivered according to established conditions and terms by sending importer a Commercial Invoice for full or partial payment for goods</li> </ul>
Output criteria to exit the business process	<ul style="list-style-type: none"> <li>● Importer and exporter have concluded a sales contract</li> <li>● Based on a purchase order, an exporter can accept payments and prepare goods for export.</li> </ul>
Average time required to complete this business process	5 days



**Table A.5 Outstanding needs and recommendations for negotiations and concluding sales contract**

Outstanding need	Recommendation
Encourage traders to use modern payment methods. The payment methods used by the traders are costly and risky.	<ul style="list-style-type: none"> <li>Promote the use of L/C as this would go a long way toward reducing the buyers' financial burden and minimizing risks. This requires consulting traders as to the best possible measures, since the problem stems from the buyers' aversion to modern payment methods.</li> </ul>

## Process 2. SHIP

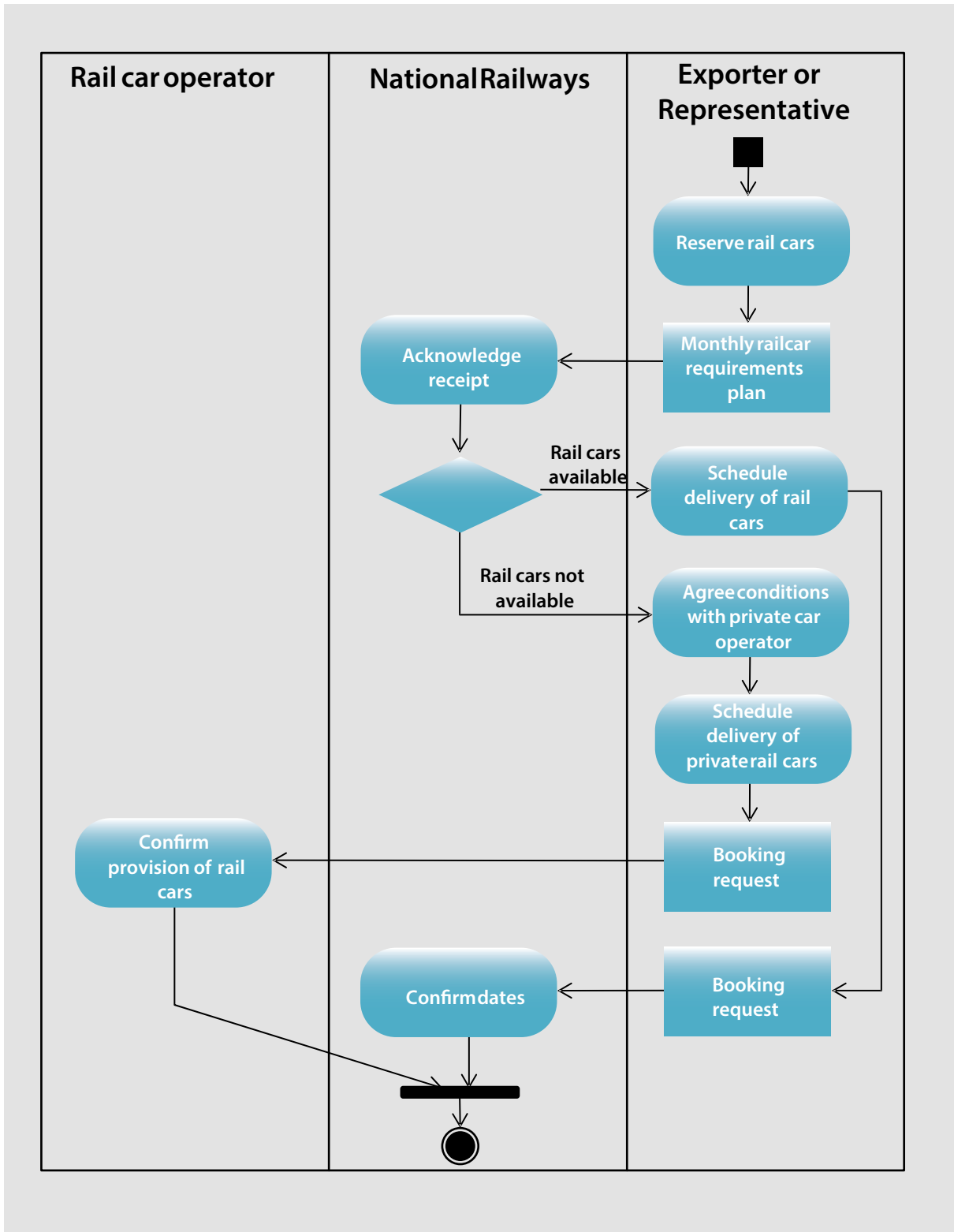
### Process 2.1. Arrangement of Rail Transport

The need for implementing the proposed security measures at major railway stations, as explained in section 3.1, is further emphasized when considering the Arrangement of Rail transportation. As shown in Figure 6, this business process is the most challenging for exporters. Goods can be stolen from the border railway stations, where trains stop for the documentary checks, for physical inspection and for changing of locomotives. There were a number of cases when seals were opened, goods were taken out, and then seals were put back again.

Traders usually use seals to secure the cargo and it is often the case that seals are broken and then put back again without leaving any trace. This means that if the goods inside the rail car were subject to theft, and there is no evidence that the seal was broken, the railways do not assume responsibility.

Moreover, even if the importer makes a proper claim, it is often not possible to link the theft to a particular railway (for example, if goods travelled from Alma-Ata to Dushanbe via Kazakh railway network, Uzbekistan, Turkmenistan, Uzbekistan again, and, finally, Tajik railway network). Insurance companies, it should be noted, avoid insuring goods transported by railway.

Figure A.7. SHIP: 2.1. Arrange rail transport followed by details of associated steps



Name of process area	2. Ship
Name of business process	2.1. Arrange Rail Transport
Related laws, rules, and regulations	<ul style="list-style-type: none"> <li>● Regulation of railways operations (available in Russian only):</li> <li>● A list of commercial stations by office road</li> <li>● Order to approve the “Rules of cargo transportation,”</li> <li>● Conventional bans</li> <li>● The organisation of transportation by freight cars, repair of freight cars and inventory accounting of freight cars.</li> <li>● Agreement on International Goods Transport by Rail (SMGS)</li> <li>● Application for SMGS consignment notes</li> <li>● Order No. 554 of the Minister of Transport and Communications of Kazakhstan</li> <li>● Request for transportation (the application form PG-12), Annex 1</li> <li>● National Transport Code</li> <li>● Agreement on the order of operation, repair, accounting and settlement for the use of freight cars inventory of the park, leased (temporary use), and use on international routes</li> </ul>
Process participants	<ul style="list-style-type: none"> <li>● Carrier - National Railway Company (Kazakh Railways or Russian Railways)</li> <li>● Rail car operating company</li> <li>● Exporter</li> </ul>
Input and criteria to enter/ begin the business process	<ul style="list-style-type: none"> <li>● The Importer and the Exporter have already agreed about delivery of purchased products to a certain destination</li> </ul>
Activities and associated documentary requirements	<ul style="list-style-type: none"> <li>● The Exporter contacts a carrier to reserve rail cars to the designated destinations and pre-schedules a dispatch from the nearest railway station. The reservation is normally done for the whole next month at the beginning of the current month (e.g. all rail cars for February should be reserved by 10th of January). The quantity and dispatch dates are indicative.</li> <li>● The carrier confirms the monthly plan or proposes modifications if they don't have capacity to provide empty rail cars for certain shipments</li> <li>● If the carrier (national railways company) does not have rail cars available for dispatch to the requested destination, rail cars should be reserved through an independent rail car operating company</li> <li>● Several days before each shipment the Exporter makes the final booking request (paper-based) to the railway company.</li> </ul> <p>The railway company confirms and stamps the booking request</p>
Output criteria to exit the business process	<ul style="list-style-type: none"> <li>● Rail transport required to move cargo from the designated pick up location is arranged</li> </ul>
Costs and resources	<ul style="list-style-type: none"> <li>● No out-of-pocket expenses</li> <li>● 2 full time employees deal with all shipments (60-80 rail cars to domestic and international destinations per month)</li> </ul>
Average time required to complete this business process	2 days – candies 3-10 days – flour, pasta, biscuits

The traders lamented the shortage in rail cars, which results in increasing transaction costs. Private companies charge higher fees (in comparison to public companies) and companies do not always acknowledge bookings, so that traders have to grab what is available.

The traders also complained about the high incidents of cargo theft. In order to address this

problem, traders explained that they request the Chamber of Commerce (particularly the regional offices) assistance, especially in cases where the risk of theft (at any point throughout the supply chain) is high and/ or where they do not trust the importers. Upon the request of the exporter, the representatives of the Chamber of Commerce observe the shipment of goods, starting from the loading the cargo till sealing of the rail car or the

multimodal container. The representatives take stock of every loaded item, check against the transport documents and invoices, and issue a report to the exporter testifying which confirms the quantity and quality of the shipped goods. If the importer complains about discrepancies between the transport documents and the goods, the exporter would then resort to the report by the Chamber of Commerce for verification. The importer would also use the report to settle the claim with transport operators or other logistics intermediaries. While this service is provided by the Chamber at the request of the exporter and is deemed important for addressing the problem of theft, it causes delays.

In addition, traders lamented the shortage in rail cars, which results in increasing transaction costs. Private companies charge higher fees (in comparison to public companies) and companies do not always acknowledge bookings, so that traders have to grab what is available. In addition to the recommendations mentioned in chapter three, the Government may consider reducing the number of agencies involved in border control functions:

## Process 2. SHIP

### Process 2.2. Obtain the Certificate of Origin

The need to streamline the existing procedures for issuing Certificates of Origin along the lines of the recommendations discussed in section 3.3 is further highlighted when considering the business processes that the two companies have to undergo to fulfill the documentary requirements. As shown in figure 7, the COO is issued by the Chamber of Commerce and Industry. Both companies submit the required supporting documents once a year, and these documents, along with site visits by the local branches of the Kazakh Chamber of Commerce, serve as the basis for estimating local content. Thus, the respective branch of Chamber of Commerce only needs to review the documents and issue the Certificate.

Yet, it is often the case that additional verification is needed. Should this be the case, the exporter

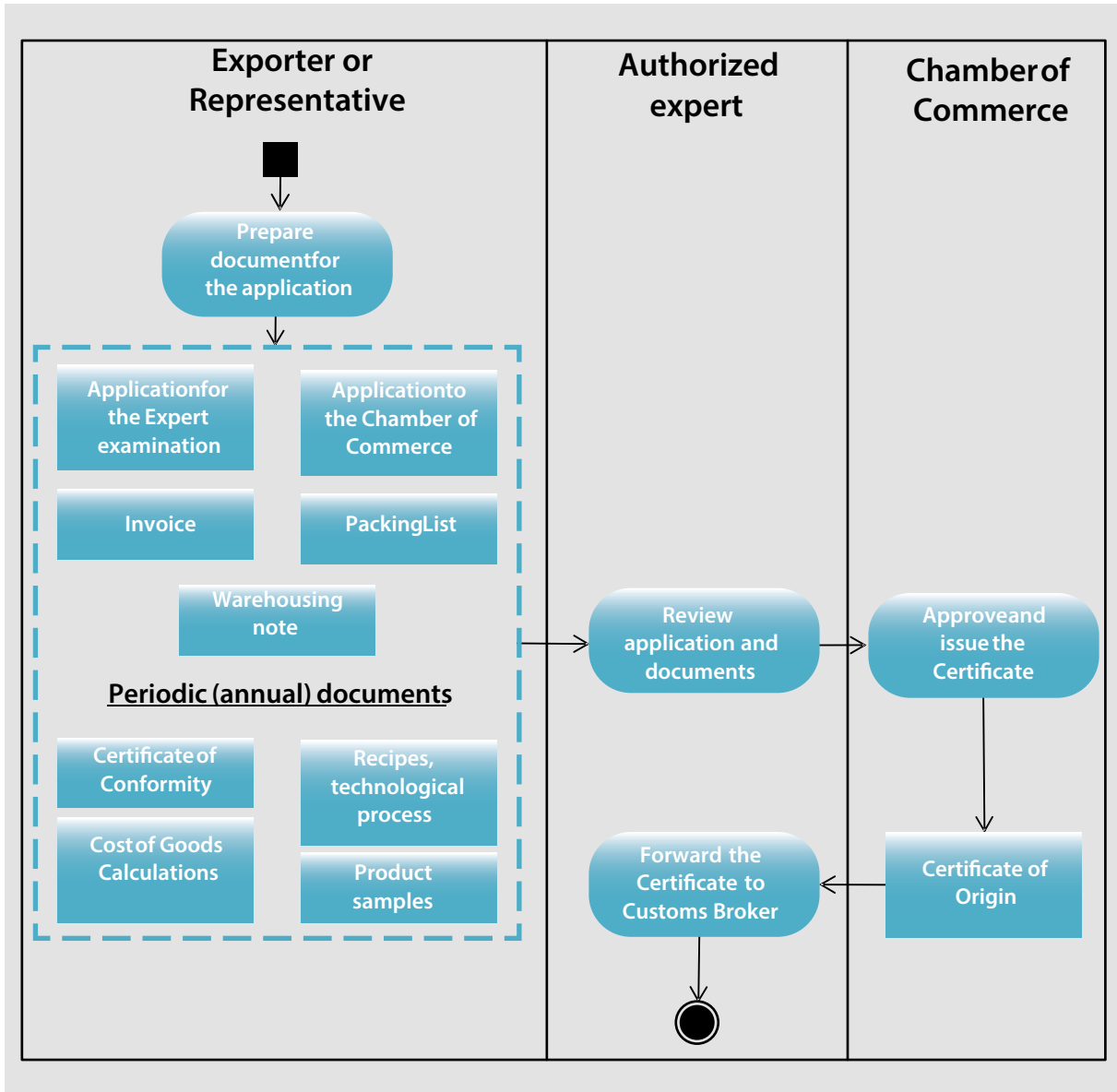
**Table A.6 Outstanding needs and recommendations for arrangement of rail transport**

Outstanding needs	Recommendations
Reducing the number of agencies involved in border control functions.	<ul style="list-style-type: none"> <li>The task of verifying outgoing cargo need to be given to other border control agencies within the context of a full-fledged risk management strategy (section 3.3).</li> <li>Introduce required procedures that result in the verification process being completed at the time of border control with minimal cost to the traders.</li> </ul>

has to apply for expert examination, which is conducted by the Kazakh Chamber of Commerce's regional branch. In addition, obtaining a certificate of origin requires several documents; some of which are of little value for guiding decisions. Examples, include the recipes and technical process maps. Moreover, even though the two companies examined in this report are subjected to the same documentary requirements, it usually takes the candies exporter up to three days to obtain the Certificate of Origin, while the exporter of flour, pasta and biscuits obtains it in 3-5 hours.

This discrepancy was attributed by the interviewees to the Chamber's internal rules and procedures. For example, requests can only be processed after being reviewed by authorized personnel, and if the personnel in question are not present, then the entire process is delayed. In addition, the Chamber of Commerce only assumed responsibility for issuing Certificates of Origin in 2009.

Figure A.8. SHIP: 2.2. Obtain the Certificate of Origin followed by details of associated steps



Name of process area	2. Ship
Name of business process	2.2. Obtain the Certificate of Origin
Related laws, rules, and regulations	<ul style="list-style-type: none"> <li>• Kyoto Convention (Revised), Annex K, Chapter 1</li> <li>• Chapter 7 (Articles 59-63) of the Customs Code of the Customs Union</li> <li>• EU Commission Regulation No 1063/2010</li> <li>• Rules of origin of goods in the CIS (Yalta, 20.11.2009)</li> <li>• Decision of the CIS on the rules for determining the country of origin (Yalta, 20.11.2009)</li> <li>• CIS Agreement on rules of origin of goods (Yalta, 20.11.2009)</li> <li>• Rules for determining country of origin approved by Government Resolution No 1647 of 22.10.2009</li> <li>• Order of the Minister of Industry and Trade of RK № 388 of 17.11.2010 approval of the list, confirming the origin of the goods Appendix 13a</li> <li>• EC Regulation No 2454 93 additional. changes to the number 12 97 1602 2000</li> <li>• Commission Regulation (EC) No 1063 from 18.11.2010</li> <li>• Council Regulation (EC) No 2008 of 22.07.2008 732</li> <li>• Rules of the CIS in 2000 from 05.03.2010</li> <li>• Law of the Republic of Kazakhstan "On making amendments and addenda to some legislative acts of the Republic of Kazakhstan on the activities of chambers of commerce" dated 23 October 2009.</li> </ul>
Process participants	<ul style="list-style-type: none"> <li>• Exporter</li> <li>• The Chamber of Commerce</li> <li>• An authorized expert (by the Chamber of Commerce)</li> </ul>
Input and criteria to enter/ begin the business process	<ul style="list-style-type: none"> <li>• Exporter has already received a confirmation from a carrier (export of candies) or received a rail car in the plant warehouse's rail siding and started loading (export of flour, pasta and biscuits)</li> </ul>
Activities and associated documentary requirements	<p>The Exporter submits, on an annual basis, the following documents:</p> <ul style="list-style-type: none"> <li>• Certificate of Conformity</li> <li>• Cost of goods calculations, with breakdowns by imported and local resources and costs</li> <li>• Recipes</li> <li>• Technical process maps</li> <li>• Product samples</li> </ul> <p>For every shipment, the below documents must be submitted:</p> <ul style="list-style-type: none"> <li>• Documents confirming the legal status of the exporter</li> <li>• The original and a copy of the export contract</li> <li>• The original and a copy of the invoice</li> <li>• The original and a copy of documents confirming the origin of the goods.</li> <li>• The original and a copy of the license for the activity.</li> <li>• The original and a copy of documents for determining sufficient processing of goods.</li> <li>• The filled out application form for obtaining the Certificate of Origin</li> <li>• Packing list</li> <li>• The original and copy of the power of attorney to represent the applicant.</li> </ul> <p>The Chamber of Commerce reviews the annually submitted documents and compares them with documents in the application for the Certificate. If local cost content in the exported product exceeds 50 per cent, the Certificate of Origin is issued (ST-1 type for CIS destinations, A-type for the EU and other countries)</p>
Costs and resources	<ul style="list-style-type: none"> <li>• 7500 KZT (equivalent to around USD 50) per one Certificate (for one full shipment) – fee to the Chamber of Commerce</li> <li>• Company Administrative Staff, shared use.</li> </ul>
Output criteria to exit the business process	<ul style="list-style-type: none"> <li>• The Certificate of Origin is received</li> </ul>
Average time required to complete this business process	<p>3 days – candies 3-5 hours – flour, pasta, biscuits</p>

The analysis highlights the need for simplifying and streamlining administrative and regulatory procedures for issuing the COO. In addition to

the recommendations mentioned in section 3.3, the government may consider the below measures:

**Table A.7 Outstanding needs and recommendations for obtaining the COO**

Outstanding needs	Recommendations
Simplifying and streamlining the procedure for obtaining certificates of origin	<ul style="list-style-type: none"> <li>• Conduct a thorough examination of the procedures and internal rules of all the local branches of the Chamber of Commerce to identify the bottlenecks responsible behind such discrepancies in the treatment of different companies with similar types of goods.</li> <li>• Establish a new procedure for guiding the issuance of certificates of origin, and make it available to the private sector</li> <li>• Establish clear instructions for implementing the revised procedures</li> <li>• Provide the staff with the needed training for implementing the procedure</li> <li>• Another alternative would be to consider issuing electronic Certificates of Origin.</li> </ul>
Streamlining the documentary requirements	<ul style="list-style-type: none"> <li>• Consider reducing the number of documentary requirements. Particular emphasis should be given to removing from the list those documents that add little value for guiding decisions.</li> </ul>

### Process 2.3. Obtain the phytosanitary certificate

The phytosanitary certificate is required for flour and cardboard packaging (when exporting to the EU). Obtaining phytosanitary certification for cardboard only requires the submission of the invoice to the Phytosanitary inspection. No other documents are required. This is because the corrugated cardboard used in packaging is produced by a Kazakh company; the facilities of which are also inspected the phytosanitary inspection and, therefore, it has all the records for the producer. Accordingly, the producer only needs to present evidence (i.e., the invoice) that the products are destined for the EU, and usually obtains the certificate within the hour.

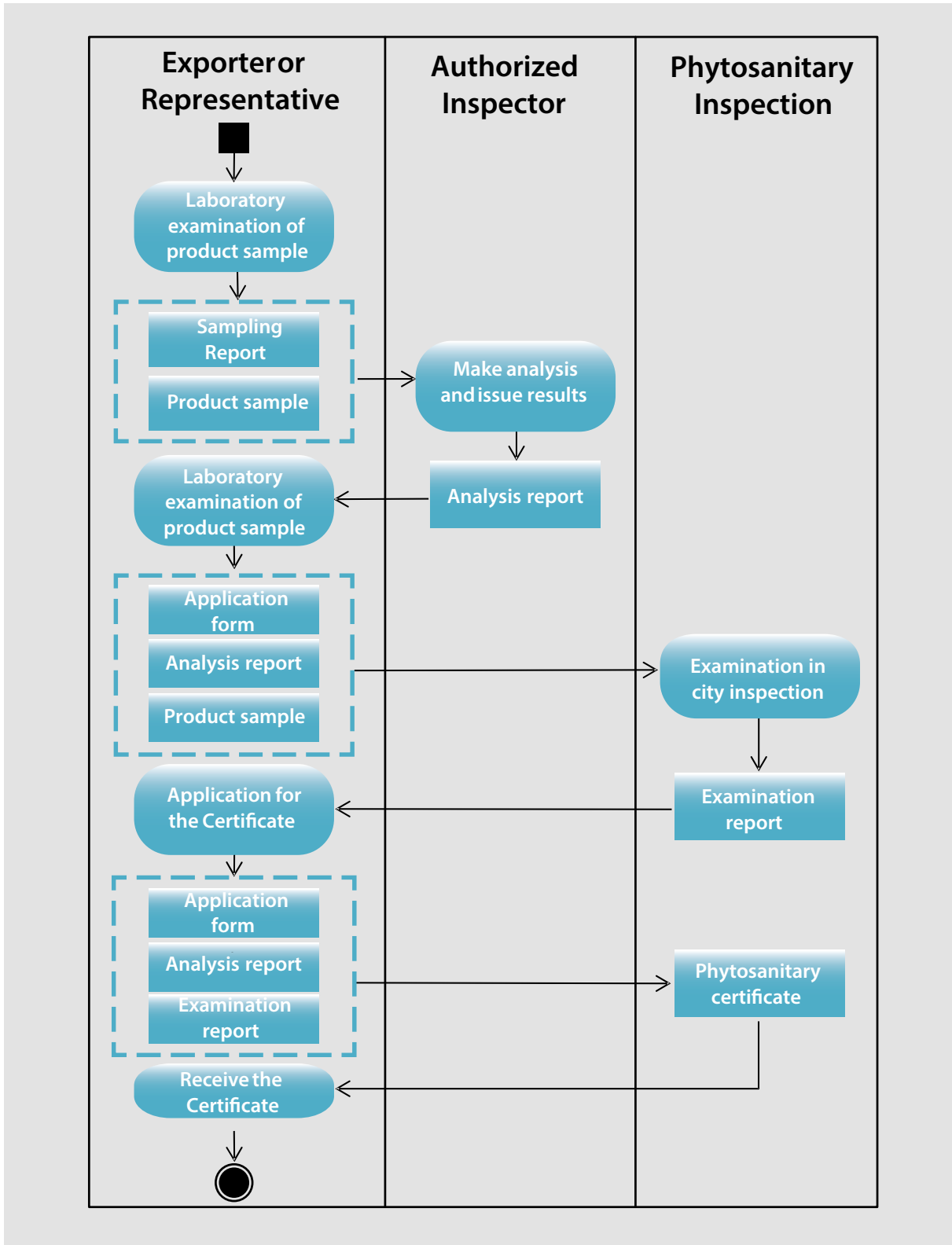
The phytosanitary certification for flour requires many more steps (Figure A.9). First, the flour is examined by an independent testing laboratory or by the State Enterprise Phytosanitaria, which is affiliated to the Ministry of Agriculture Committee of Inspections, in its capacity as the authorized State inspector (RGP Phytosanitaria). The exporter then has to

get another examination by the city inspection (where the company is based). Once the results of the two examinations are released, the exporter goes to the Oblast (region) phytosanitary inspection to receive the certificate. Yet, even though the exporter has to visit three different state agencies in three different parts of the town, he receives the certificate within a few hours.

The exporter can use either the authorized State inspector, or an independent laboratory for carrying out the first inspection. As such, and as shown in figure 8, he tends to see this step as distinct from the town and oblast phytosanitary inspections, which are responsible for conducting follow-up inspection.

While the trader receives the certificate in a few hours, he still has to visit three different agencies that are located in different parts of the town. For companies that are keen on increasing their exports, this procedure could be taxing. In addition to those provided in section 3.3, the Government may consider the following proposed recommendations:

Figure A.9. SHIP: 2.3. Obtain phytosanitary certificate for flour followed by details of associated steps





Name of process area	2. Ship
Name of business process	2.3. Obtain Phytosanitary Certificate
Related laws, rules, and regulations	<ul style="list-style-type: none"> <li>Decision No 30 of 11 December 2009: Customs Union agreement on phytosanitary measures and its annex</li> <li>Decision No 318 of 18 June 2010 of the Customs Union Commission as amended by Decision No 454 of 18 November 2010: List of products subject to phytosanitary control</li> <li>Regulation on phytosanitary control at the CU border</li> <li>Regulation on phytosanitary control in the CU</li> <li>Summary of Decision No 318 of the Customs Union</li> </ul>
Process participants	<ul style="list-style-type: none"> <li>Exporter</li> <li>Authorized inspector (RGP Phytosanitaria)</li> <li>Phytosanitary inspection (1. city inspection and 2. oblast inspection)</li> </ul>
Input and criteria to enter/ begin the business process	<ul style="list-style-type: none"> <li>Containers transported by rail have been delivered to the production site, the loading started</li> </ul>
Activities and associated documentary requirements	<ul style="list-style-type: none"> <li>The Exporter takes a sample of flour (around 1 kg), completes the sampling report and delivers them to the RGP Phytosanitaria (a company chartered and fully owned by the Committee of Agricultural Inspections of the Ministry of Agriculture)</li> <li>The RGP Phytosanitaria makes necessary checks of flour and issues a protocol of analysis (Analyses card)</li> <li>The Exporter takes the analysis card from RGP Phytosanitaria and a sample of flour (around 1 kg), fills in the application form and delivers them to the city Phytosanitary inspectorate</li> <li>The City (Municipal) Phytosanitary inspectorate checks flour and reviews the Analysis card and issues their inspection report</li> <li>The Exporter fills in an application form and provides the inspection report from the City Phytosanitary Inspectorate and the Analysis card to the Oblast (Region) Chief Phytosanitary Inspector</li> <li>The Oblast Phytosanitary Inspector issues and signs the Phytosanitary Certificate</li> </ul>
Output criteria to exit the business process	<ul style="list-style-type: none"> <li>The Phytosanitary Certificate is received</li> </ul>
Costs and resources	<ul style="list-style-type: none"> <li>27 KZT (1US\$ = 148 KZT) per one ton of flour – to the RGP Phytosanitaria</li> <li>Company Administrative Staff's time</li> </ul>
Average time required to complete this business process	2-3 hours, including transport (RGP Phytosanitaria, city inspection and oblast inspections are located in 3 different places within a town)

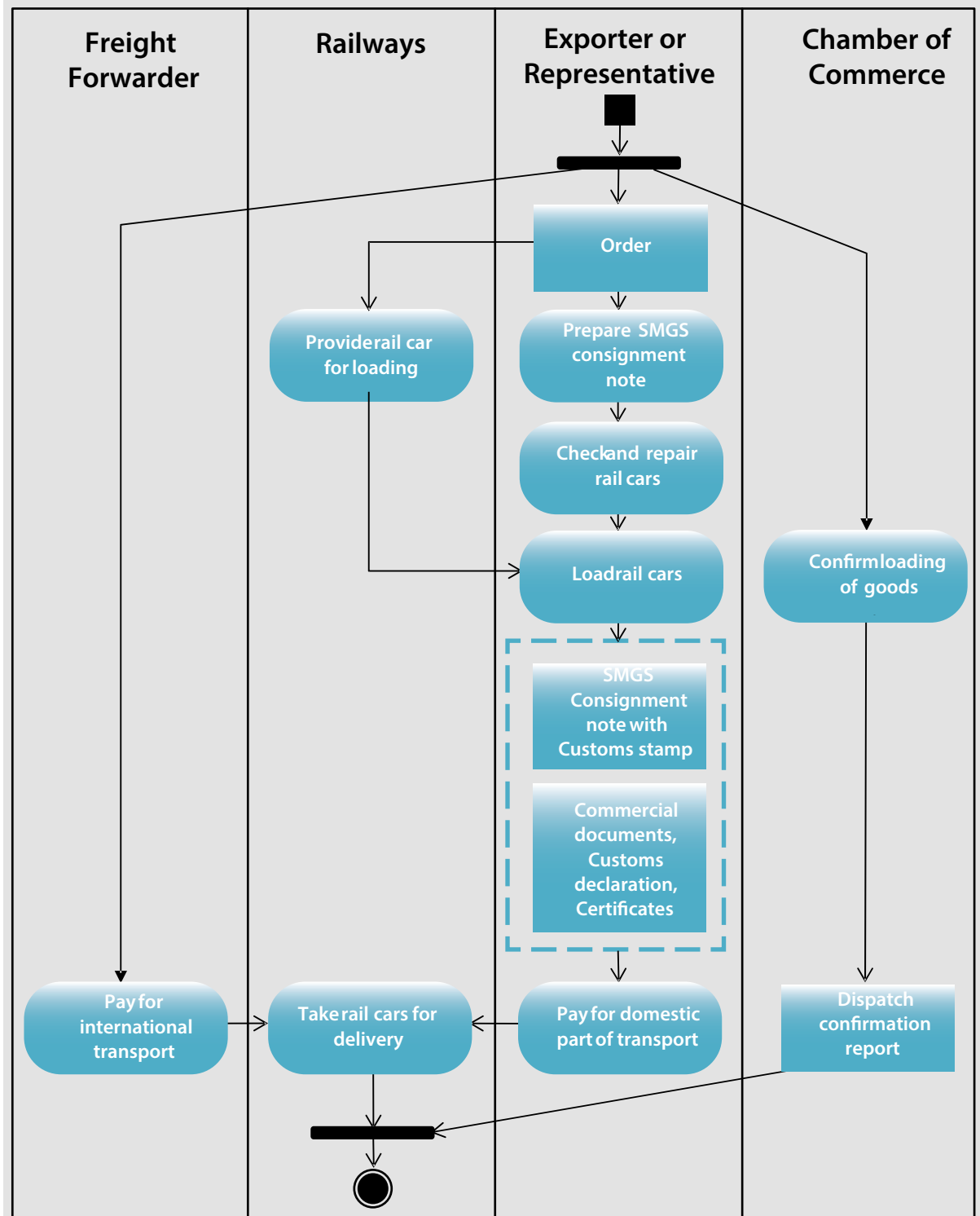
**Table A.8 Outstanding needs and recommendations for obtaining phytosanitary certificate**

Outstanding needs	Recommendations
Simplify and streamline the procedure for obtaining phytosanitary certification for flour	<ul style="list-style-type: none"> <li>Consider eliminating one of the three phases. A more simplified procedure could involve lab examination of a product sample, and a paper check by the chief Phytosanitary inspector. These two phases should not require any follow-up by the exporter. This is a clear example where a single window arrangement would be most helpful</li> <li>As the Phytosanitary inspection checks the production site and finished goods on a regular basis, it could consider waiving laboratory checks, whenever possible.</li> </ul>

### Processes 2.4-2.5: Load transport, Pay for transport, Customs Clearance and Send documents to importer

As shown in Figure A.10, the process of loading transport vehicles and payment for transport, along with sending the documents to the importer is relatively smooth and is usually completed during one business day.

**Figure A.10. SHIP: Load transport, Pay for transport, Send documents to importer**



Name of process area	2. Ship
Name of business process	2.4. Load Transport 2.5. Pay for Transport
Related laws, rules, and regulations	<ul style="list-style-type: none"> <li>● Regulation of railways operations (available in Russian only):</li> <li>● Rules of cargo transportation</li> <li>● A list of commercial stations by address</li> <li>● Order to approve the “Rules of cargo transportation,”</li> <li>● Conventional bans</li> <li>● Handling and accounting company-owned freight cars</li> <li>● Agreement on International Goods Transport by Rail</li> <li>● Application of the above mentioned-agreement</li> <li>● Order № 554 of the Minister of Transport and Communications of Kazakhstan</li> <li>● Request for transportation (the application form PG-12), Annex 1</li> <li>● Request for transportation (the application form PG-12), the application</li> <li>● Agreement on the order of operation, accounting and settlement for the use of freight cars inventory, leased (temporary use), and using international routes</li> </ul>
Process participants	<ul style="list-style-type: none"> <li>● Exporter</li> <li>● National railways (either Kazakh or Russian)</li> <li>● Freight Forwarding Company (optional)</li> <li>● Chamber of Commerce (optional)</li> <li>● Private rail car operating company (optional)</li> </ul>
Input and criteria to enter/ begin the business process	<ul style="list-style-type: none"> <li>● Shipment is ready to be dispatched</li> <li>● Rail car(s) is/are delivered to the product warehouse rail siding</li> </ul>
Activities and associated documentary requirements	<ul style="list-style-type: none"> <li>● The Exporter prepares the railway consignment note (SMGS note is used for the OSZhD rail network). One of the exporters gets blank SMGS forms from the national railways and fills them with a typewriter, the other one uses the e-version of the SMGS blank form, fills in with a computer and prints it out.</li> <li>● Meanwhile, loaders check the rail car and make necessary fixes (remove litter, check and fix floors, walls, sliding doors, locks). After cleaning, the medical sanitary inspector of the plant makes the final check of the rail car and puts the Transport Equipment Sanitary Certificate inside of the rail car.</li> <li>● Loaders begin loading goods from the warehouse. If needed, the Chamber of Commerce can verify that required goods have been loaded.</li> <li>● Concurrently with loading, the SMGS consignment note (4 copies) with other documents required for export customs registration is checked and stamped by Customs</li> <li>● When all documents are received, the exporter scans them for their records and brings them to the loading site and puts them into the rail car. Documents are normally placed inside a flier or an envelope and fixed in the rail car in such a way that the Importer will be able to access the documents immediately after opening the rail car.</li> </ul>

<p><i>Activities and associated documentary requirements</i></p>	<ul style="list-style-type: none"> <li>● The following documents are inserted, and their scanned copies are sent by e-mail: <ul style="list-style-type: none"> <li>– Commercial Invoice</li> <li>– Consignment note</li> <li>– Export Customs Declaration</li> <li>– Certificate of Origin</li> <li>– Phytosanitary certificate (only for flour or EU shipments of candies)</li> <li>– Certificates of Conformance</li> <li>– Certificate of Quality (for flour only)</li> <li>– Statement of Quality (pasta, flour, candies)</li> <li>– Packing list</li> <li>– Warehousing statement of lading</li> <li>– Internal transport bill</li> </ul> </li> <li>● When goods are loaded, the dispatch supervisor locks the door and secures it with a seal (2 copies of the SMGS note with all document originals must be placed inside the rail car)</li> <li>● The SMGS consignment note with the customs stamp is delivered to the railway station, and the Kazakh part of the transportation is paid (normally using a banking card, but direct bank wire or cash are also acceptable)</li> <li>● If the Exporters have to pay the railways of transit countries (under the CPT term of delivery), they should include the code of the freight forwarders, who pay for transit, in the SMGS consignment note (in the form there is a special field for this). If DAP (border) delivery is used, the freight forwarder code is not used.</li> <li>● The Railways take over the rail car from the exporter's rail siding and bring it to the railway station. It can stay in the railway station up to several days before being put into a train to the required destination.</li> </ul>
<p>Output criteria to exit the business process</p>	<ul style="list-style-type: none"> <li>● Goods and documents are inside the rail car</li> <li>● Railways received payment and accepted responsibility for the rail car</li> </ul>
<p>Costs and resources</p>	<ul style="list-style-type: none"> <li>● 10,000-12,000 KZT per one rail car (2000 KZT/hour) – to the Chamber of Commerce for the confirmation of loading (if used)</li> <li>● 2,500 KZT (1 US\$ = 148 KZT) – cost of one Transport Equipment Sanitary Certificate. One certificate per rail car is needed. The certificates are provided by SanExpertiza Ltd (a company affiliated with the Ministry of Health)</li> <li>● Company Administrative Staff, shared use</li> <li>● 2-4 loaders per one rail car for 6-8 hours</li> </ul>
<p>Average time required to complete this business process</p>	<p>1 day: Up to 2 hours – checking and fixing the rail car 5-6 hours – loading</p>

**Table A.9 Outstanding needs and recommendations for load transport and payment processes**

Outstanding needs	Recommendations
Physical inspections are complicated	Introduce modern systems for risk profiling and risk management
Payment procedures tend to be demanding for traders with modest exports	Consider allowing payment of customs fees in tenge.

**Processes 2.6: Do Export Customs Clearance**

Customs clearance is relatively smooth and is usually completed in two hours, and involves the following steps (Figure A.11):

- Collection of all required documents
- Preparation of the Customs Declaration, both electronic and paper version
- Payment of customs fees
- Submission of the Declaration

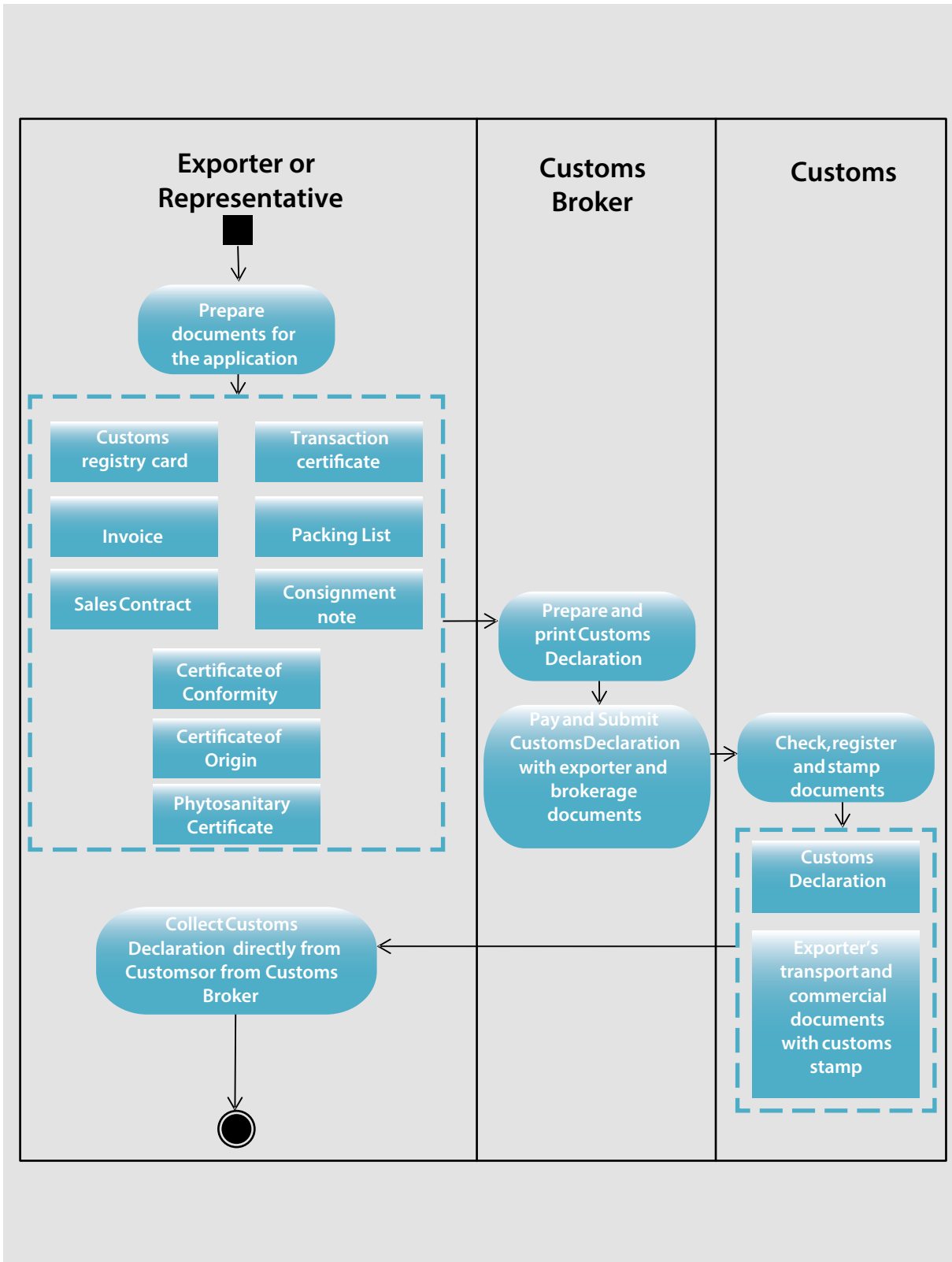
The problem arises when Customs carry out physical checks of rail cars. In such cases, the rail car is detached from the train, put on a separate rail siding for checks, examined, and if it passes the inspection, attached to the next train. All additional operations with the rail car are paid for by the exporter. There were long discussions between the Kazakh Freight Forwarding

Association and Kazakh Customs and Kazakh Railways to the effect that Customs should have a separate budget to pay Kazakh Railways for operations associated with physical checks. But the discussions did not lead to an agreed solution, and Kazakh exporters and importers have to pay for Customs physical checks even if the shipment passes the inspection.

Moreover, both exporters use special deposit cards, which allow them to pay fees at the time of the Declaration submission. But traders with modest, intermittent export activities do not have these cards and pay in cash, as banks require payments in foreign currencies to be made based on the current exchange rate. Thus in addition to the recommendations proposed in section 3.3-3.4, the Government may consider the following measures:

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Figure A.11. SHIP: 2.6. Do Export Customs Clearance followed by details of associated steps



Name of process area	2. Ship
Name of business process	2.6. Do Export Customs Clearance
Related laws, rules, and regulations	<ul style="list-style-type: none"> <li>• The Customs Code of the Customs Union</li> </ul>
Process participant	<ul style="list-style-type: none"> <li>• Exporter</li> <li>• Brokerage company (optional)</li> <li>• Customs</li> </ul>
Input and criteria to enter/ begin the business process	<ul style="list-style-type: none"> <li>• Goods are (or being) loaded into a rail car or in a truck</li> <li>• Certificate of origin, the Phytosanitary certificate (if required), transport documents and commercial documents are received or issued by the Exporter</li> </ul>
Activities and associated documentary requirements	<ul style="list-style-type: none"> <li>• The Exporter or a customs brokerage company prepares the electronic customs declaration in Web-Declarant customs application <a href="http://gtd.customs.kz/">http://gtd.customs.kz/</a> (this activity can be done simultaneously with loading of goods and preparation of documents, including the Certificate of Origin and the Phytosanitary Certificate)</li> <li>• When the Export Customs Declaration is ready, it is printed and loaded into the Customs database</li> <li>• Signed and stamped paper-based Export Customs Declaration is submitted to Customs together with other documents and payment for document processing. Additional pages may be required if the Exporter has goods with many HS codes declared. Customs clearance is conducted in Customs Clearance Centers, where one inspector checks all documents and collects payments (so called Single Window control).</li> <li>• The following 12 to 14 documents are required for customs clearance: <ul style="list-style-type: none"> <li>– Customs declaration</li> <li>– Commercial invoice</li> <li>– Company Customs Registry Card</li> <li>– Sales contract</li> <li>– Brokerage contract</li> <li>– Transaction Certificate</li> <li>– Railway Consignment note</li> <li>– Commercial Invoice</li> <li>– Certificate of Origin</li> <li>– Phytosanitary Certificate</li> <li>– Packing List</li> <li>– Warehousing statement of lading</li> <li>– Plant invoice (optional)</li> <li>– Internal transport note (optional)</li> </ul> </li> <li>• Customs inspector opens the electronic version of the declaration (available through customs information system) and compares it with the printed declaration and all supporting documents</li> <li>• If data are correct, the declaration is accepted, registered and stamped by the customs expert. The customs inspector stamps the Consignment Note (railway bill) and other documents upon request of the Exporter (packing list, invoice). These additional documents are usually stamped at the request of the Importers.</li> </ul>
Output criteria to exit the business process	<ul style="list-style-type: none"> <li>• Customs, transport and other documents have been stamped by the customs inspector</li> </ul>
Costs and resources	<ul style="list-style-type: none"> <li>• To Customs – 60 EUR for the first page of the Customs Declaration and 25 EUR for additional pages.</li> <li>• Company Administrative Staff, shared use or a Customs brokerage company – 15,000-20,000 KZT (1US\$ = 148 KZT) per one export shipment</li> </ul>
Average time required to complete this business process	<p>2 hours:</p> <p>1 hour to prepare web-declaration and print all documents</p> <p>1 hour or less – to submit the declaration and supporting documents to customs (This timeframe does not take into account the time spent for obtaining the documentary requirements)</p>

## Process 3. PAY

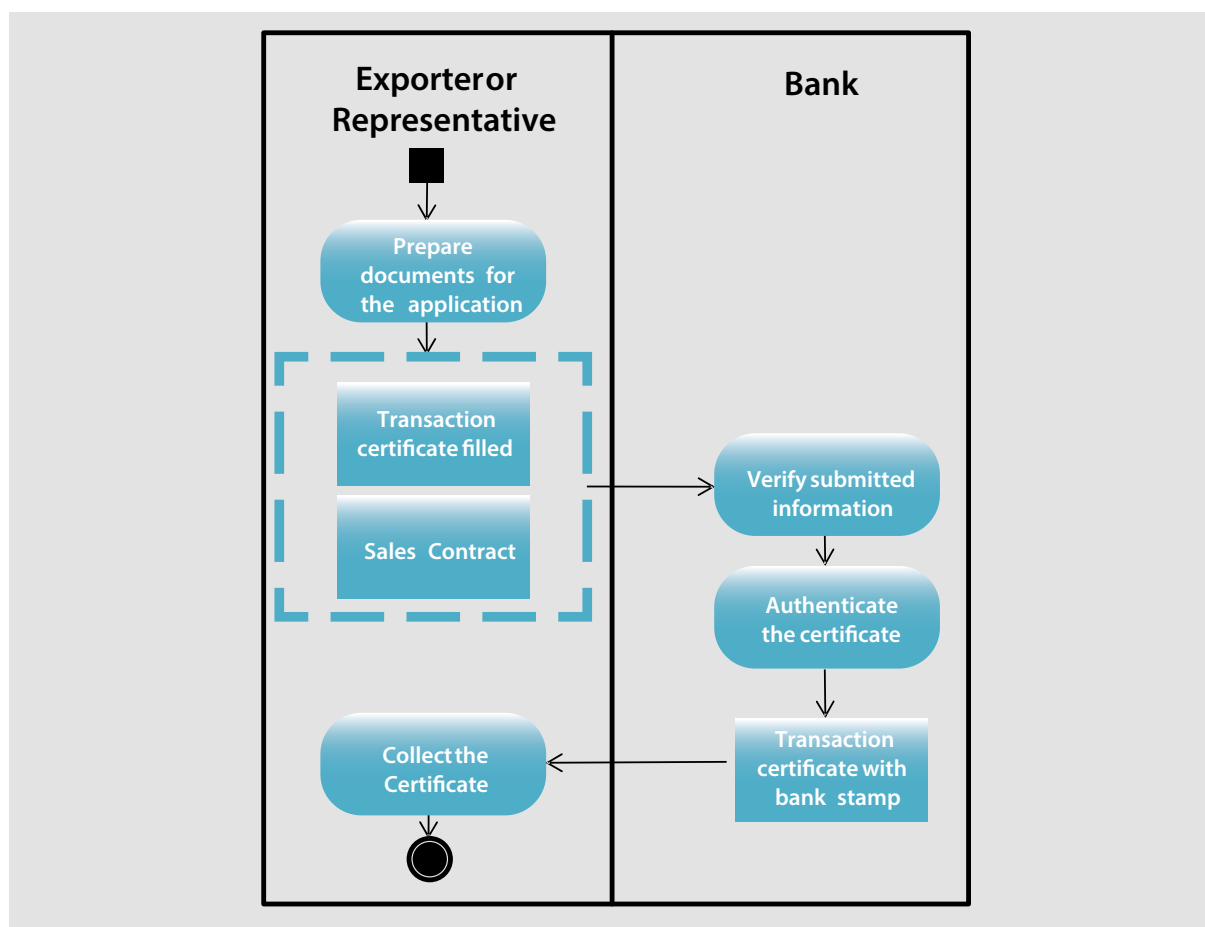
### Process 3.1. Opening the Transaction Certificate (Registering International Commercial Transaction)

As shown in figure A.12, the exporter can open a transaction certificate with an authorized Kazakh bank within 2 working days. The exporter must prepare a transaction certificate separately for each foreign trade contract if the value of the goods delivered under the contract as of the date of its execution is equivalent to or exceeds USD 50,000. In situations where the exporter is expecting to receive several purchase orders under the same contract, he does not need to obtain a separate transaction certificate for every single delivery.

The transaction passport should then be presented to the customs authorities who will, in turn, confirm the match between monetary and trade inflows and outflows. As previously mentioned, a simplified currency control law was issued in January 2012, which exempts traders from needing transaction certificates. According to this law, traders have to only register the contract with their servicing banks. The law came into force on 28th January 2012.

Yet, the two exporters could not confirm that the changes had actually come into force and continued to believe that transaction certificates are still required. This suggests that the implementation of the new regulation has been slow and/or that traders are not well informed about the new simplified procedures. This highlights the need for targeted measures to ensure wider

**Figure A.12. PAY: 3.1. Opening transaction certificate (Registering International Commercial Transaction) followed by details of associated steps**





Name of process area	3. Pay
Name of business process	3.1. Opening the Transaction Certificate (Registering International Commercial Transaction)
Related laws, rules, and regulations	<ul style="list-style-type: none"> <li>• Law of the Republic of Kazakhstan dated January 6, 2012 No. 530-IV “On introducing amendments and addenda to some legislative acts of the Republic of Kazakhstan on issues of currency regulation and currency control”</li> </ul>
Process participants	<ul style="list-style-type: none"> <li>• Exporter</li> <li>• Exporter’s bank</li> </ul>
Input and criteria to enter/ begin the business process	<ul style="list-style-type: none"> <li>• The exporter signed a new contract with an i mporter</li> </ul>
Activities and associated documentary requirements	<ul style="list-style-type: none"> <li>• The exporter brings the new contract to the exporter’s Bank, fills their part of the transaction certificate and pays the fee</li> <li>• The exporter collects the transaction certificate and the contract from the bank after its registration</li> </ul>
Output criteria to exit the business process	<ul style="list-style-type: none"> <li>• Bank registered new commercial agreement</li> <li>• The exporter received the transaction certificate and the contract with the stamp of the exporter’s bank</li> </ul>
Costs and resources	<ul style="list-style-type: none"> <li>• 3,000 KZT (1US\$ = 148 KZT)</li> <li>• Company Administrative Staff’s time.</li> </ul>
Average time required to complete this business process	2 Days

dissemination of the new law, along with a clear explanation of its implications and applicability as explained in the detailed recommendations concerning the promotion of mutual trust and partnership between customs and the trading community (Section 3.3).

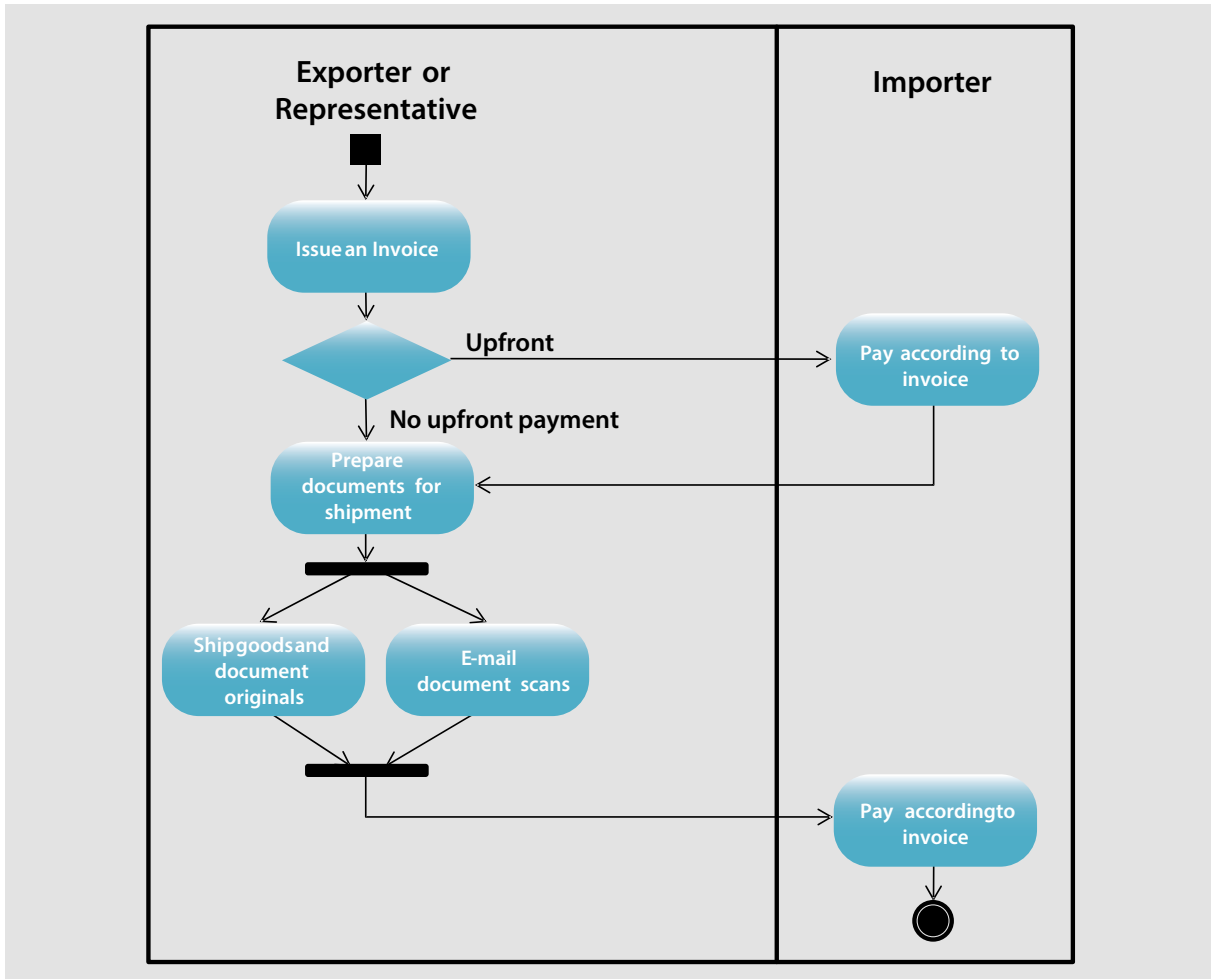
### Table A.10 Outstanding needs and recommendations for opening transaction certificate

Outstanding needs	Recommendations
Lack of clarity on the transaction certificate requirement	<ul style="list-style-type: none"> <li>• Ensure wider dissemination of the new law, along with a clear explanation of its implications and applicability</li> </ul>

### Process 3.2. Payment for goods (Proof of Delivery and contract payments)

The payment for goods is usually completed in less than one day, but the transfer of payment from the importer to the exporter’s bank may take between 2-3 days. This is because transfers are only executed after the submission of duly completed documents (including export contracts, invoices, consignments, licenses, registration certificates, etc.) by the exporter. This further highlights the need for reducing the number of documentary requirements as explained in section 3.3. There is also a need to simplify the procedures for the transfer of payment, and this should be done on the basis of a detailed BPA.

Figure A.13. PAY: 3.2. Proof of Delivery and contract payments followed by details of associated steps



Name of process area	3. Pay
Name of business process	3. 2. Proof of Delivery and contract payments
Related laws, rules, and regulations	<ul style="list-style-type: none"> <li>The Civil Code of the Republic of Kazakhstan</li> </ul>
Process participants	<ul style="list-style-type: none"> <li>Exporter</li> <li>Importer</li> </ul>
Input and criteria to enter/begin the business process	<ul style="list-style-type: none"> <li>Purchase order from Importer has been received</li> <li>The transaction certificate has been activated (for new clients)</li> </ul>
Activities and associated documentary requirements	<ul style="list-style-type: none"> <li>The exporter receives a purchase order from the Importer. The purchase order does not have a standard format: it can be a sales contract – for example for one-off customers, or it can be a framework contract (which defines overall conditions of trade, but does not specify quantities and dates) with annexes to a contract (with quantities and dates fixed)</li> <li>The exporter prepares and sends a commercial invoice to the importer. In most cases the importer should pay either the full amount for goods and transport or at least 50 per cent upfront</li> <li>When the payment is confirmed, the exporter starts the sub-activities of the SHIP process</li> <li>The final invoice is issued when goods have been loaded and shipped to the importer.</li> <li>The importer pays for goods according to the final invoice. The final invoice (original copy) is normally received with the shipment and paid accordingly after physical delivery of goods, or it can be sent separately, and the final payment can be made on the basis of the proof of dispatch</li> </ul>
Output criteria to exit the business process	<ul style="list-style-type: none"> <li>Proof of Delivery received</li> <li>The final payment is received</li> </ul>
Costs and resources	<ul style="list-style-type: none"> <li>No out-of-pocket costs, except small banking commission</li> <li>Company administrative staff's time.</li> </ul>
Average time required to complete this business process	<p>&lt; 1 day – payment</p> <p>2-3 days – transferring money from the importer's to the Exporter's bank</p>

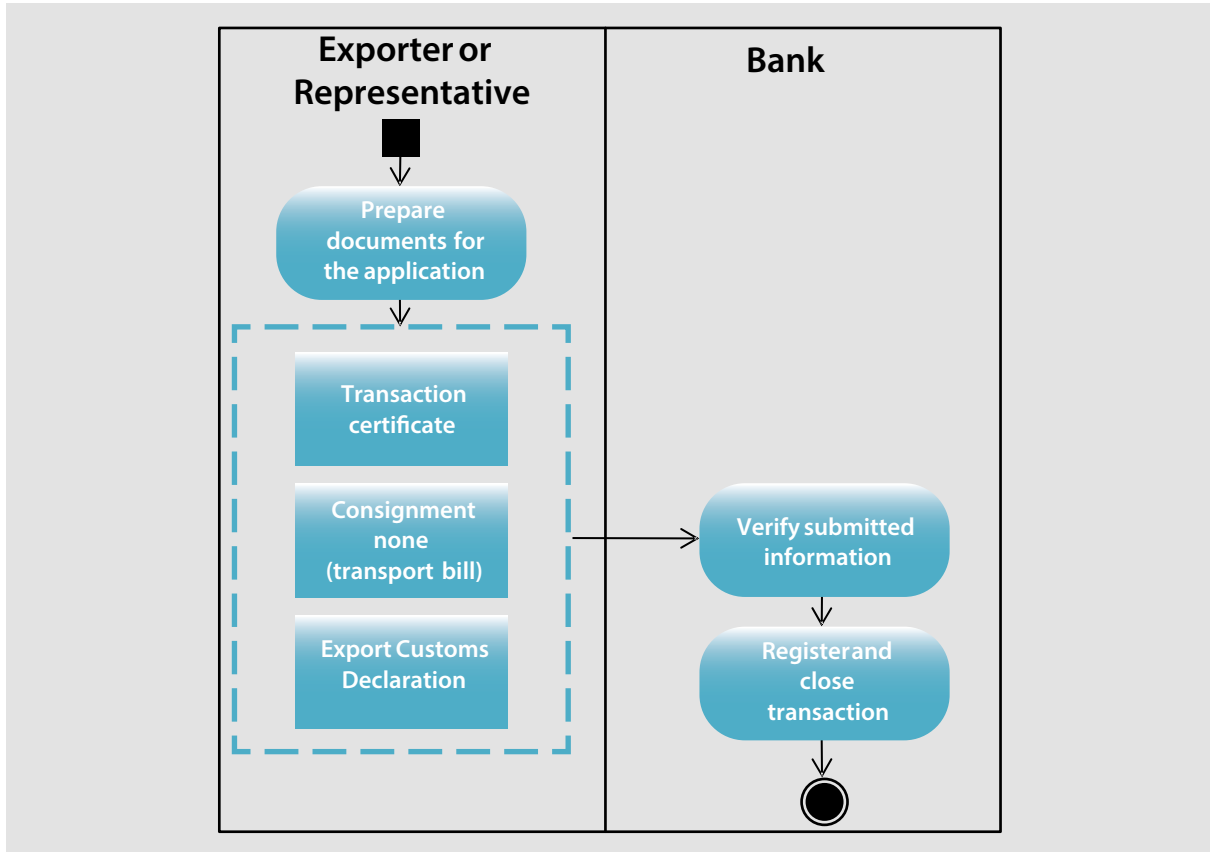
**Table A.11 Outstanding needs and recommendations for payment of goods**

Outstanding needs	Recommendations
Simplifying the procedures for effecting the transfer of payments	<ul style="list-style-type: none"> <li>Conduct detailed examination of the business processes underpinning these procedures using the BPA, with a view to phasing out those that are unnecessary.</li> </ul>

### Process 3.3. Close the Transaction Certificate

As shown in figure A.14, when the exporter and importer decide to close the contract, be it after one or several export shipments, the exporter should provide evidence of all transactions to his/her bank. The exporter's bank then reconciles payments from the buyer and closes the Transaction Certificate. This procedure may take up to 5 or more days to complete. As previously mentioned, the Government exempted exporters from the requirement of drawing a Transaction Certificate at the beginning of 2012.

**Figure A.14. PAY: 3.3. Close the Transaction Certificate followed by details of associated steps**



Name of process area	3. Pay
Name of business process	3.3. Closing the Transaction Certificate (Closing the International Commercial Transaction)
Related laws, rules, and regulations	Law of the Republic of Kazakhstan dated January 6, 2012 No. 530-IV "On introducing amendments and addenda to some legislative acts of the Republic of Kazakhstan on issues of currency regulation and currency control"
Process participants	<ul style="list-style-type: none"> <li>• Exporter</li> <li>• Exporter's bank</li> </ul>
Input and criteria to enter/begin the business process	<ul style="list-style-type: none"> <li>• The exporter and the Importer decided to close the commercial deal or make changes to the agreement and sign a new contract</li> </ul>
Activities and associated documentary requirements	<ul style="list-style-type: none"> <li>• The exporter submits the transaction certificate together with export customs declarations and invoices for all shipments made within the contract to the Bank</li> <li>• The bank reconciles data from the bank's records of currency transactions between the exporter and importer with customs declarations and invoices, provided by the exporter</li> </ul>
Output criteria to exit the business process	<ul style="list-style-type: none"> <li>• Bank closed the transaction certificate or provided other form of evidence that the transaction was closed</li> </ul>
Costs and resources	<ul style="list-style-type: none"> <li>• Company administrative staff time.</li> </ul>
Average time required to complete this business process	5 Days or more

## A4. Time-Process Charts

Both exporters rely heavily on rail transport to reduce costs. Although rail transport is slow and all the rail companies provide poor service compared to road transport, it has a distinct cost advantage over road transport.

According to one of the exporters, transporting goods in reefer cars from Almaty to Sary-Agach railway station (on the border with Uzbekistan) costs approximately 900 US\$ (the distance from Almaty to Sary-Agach is 850 km, and the maximum weight per reefer is between 45 and 53, which means that the trader has to pay an amount equal to 0.02 US\$ per tonne per km equal).

Another alternative is to ship goods in a standard rail car. Although the standard rail cars have a capacity of up to 60-65 tons, only 30 tons of candies can be loaded without damage. Cost of transport to Sary-Agach in such a vehicle is 400 \$US per load, or 0.015 US\$ per tonne per km.

According to DellaTM Freight Exchange Portal ([www.della.kz/price/local](http://www.della.kz/price/local)) the average cost of domestic transport in a 20t truck is 1 US\$ per km. This makes the cost of transportation equal to 0.05 US\$ per ton per km, which is 3 times more expensive than rail. Unfortunately a 1\$/km rule-of-thumb-price for domestic transport (as this price went up and down since at least 2000, but was always a little lower than 1\$/km) does not apply for international shipments. If this were the case, many traders would prefer fast door-to-door road transport deliveries to less flexible, but cheaper rail transport.

Indeed, road transport across the borders is much more expensive than domestic road transport, by at least 3 to 5 times. For example, road transport from Almaty to Bishkek, if estimated according to the domestic rate should cost around 250 US\$ (250 km times 1US\$/km). In reality, traders would have to pay 1,750 US\$, or 7 \$/km for a 20 ton truck, or 0.35 US\$ per ton per km.

The high overland transport costs by road constitute a non-tariff barrier. These high costs are mainly caused by long waiting times at the borders and

by unofficial payments that need to be made to controlling authorities on both sides of the border as well as on the roads beyond-the-borders.

### A4.1. Candies

The total time required for completing the business processes associated with the export of candies (from order to dispatch) is, on average, 9 days for new importers, and 4-5 days for re-orders, which is a long time.

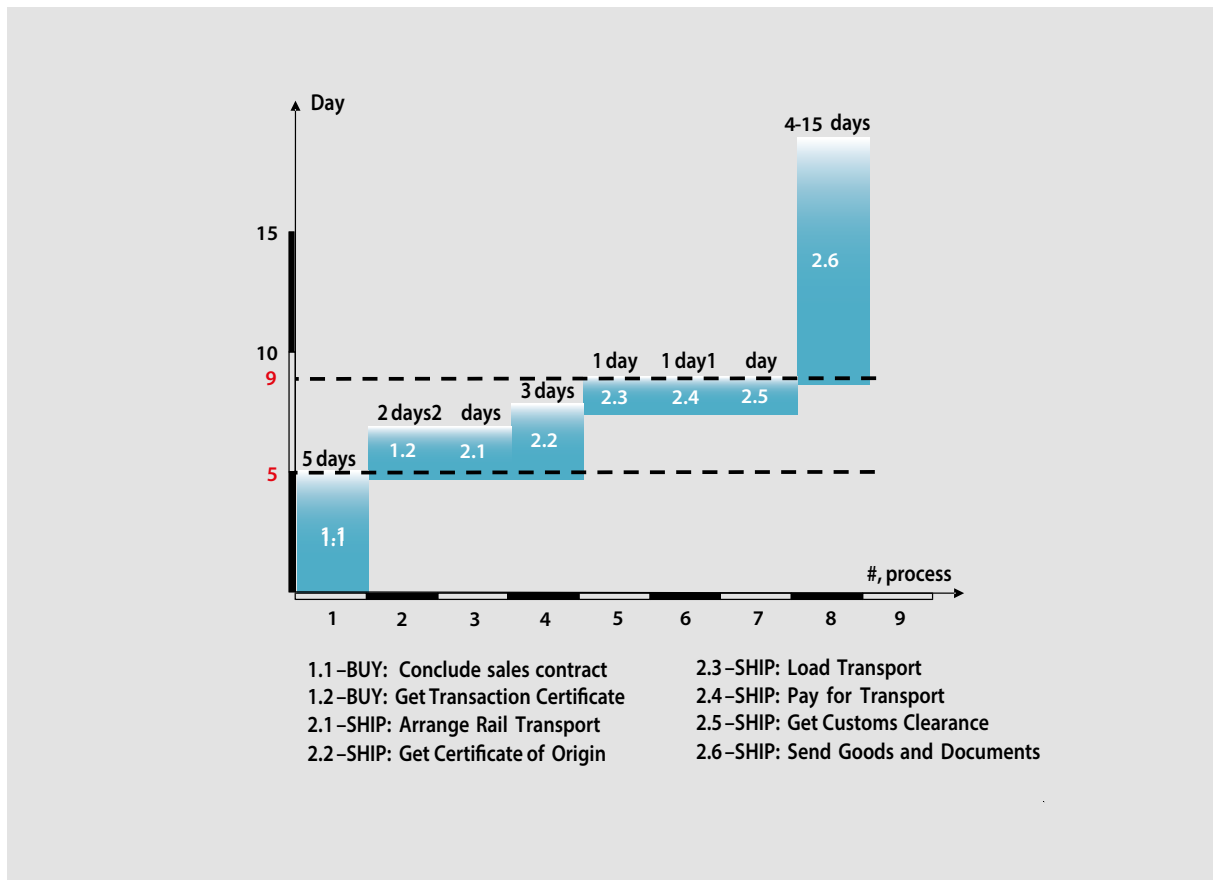
Transactions with a new (first-time) importer require that both sides negotiate conditions and sign a contract. If the two parties decide to pursue a long-term trading relationship, they can sign a framework contract, which defines conditions of trade, price breaks, but does not fix quantities. Negotiating a contract with a new customer takes on average 5 working days, and the transaction certificate (issued by the exporter's bank) takes another 2 days (sub-process 1.2).

Nonetheless, and as can be seen in the Figure A.15, negotiations with a new importer lengthen the overall business process completion time, because they take 5 days.

Business processes associated with re-orders (repetitive orders) are less demanding in terms of procedures and documentary requirements. The importer sends a simple order with the required quantities of goods to be shipped, and pays according to the invoice. As these procedures can be completed within one business day, the overall process takes 4-5 fewer days than contracting and shipping to a new importer.

Obtaining a Certificate of Origin, which takes 3 days, is the longest business process (barring the transportation). Yet, this procedure does not seem to bother either of the two companies examined in this report, because they use the three days to pick from stock and label the ordered goods. Sometimes, certain items are not in stock and need to be produced. When the company has goods available to ship and accepts an urgent order, they could request the Chamber of Commerce for expedited handling and reduce the time of Getting the Certificate of Origin by one or two days (sub-process 2.2).

Figure A.15. Time-procedure chart for export of candies



The company has also established creative solutions. For example, one of the interviewed staff said that he prepares Certificates of Origin and Customs Declarations simultaneously, using two authorized companies that belong to the same person to speed up the process. While such a solution addresses the company's concerns, it does not solve the problem. Not to mention that the option used by the company in question may not be available for other exporters.

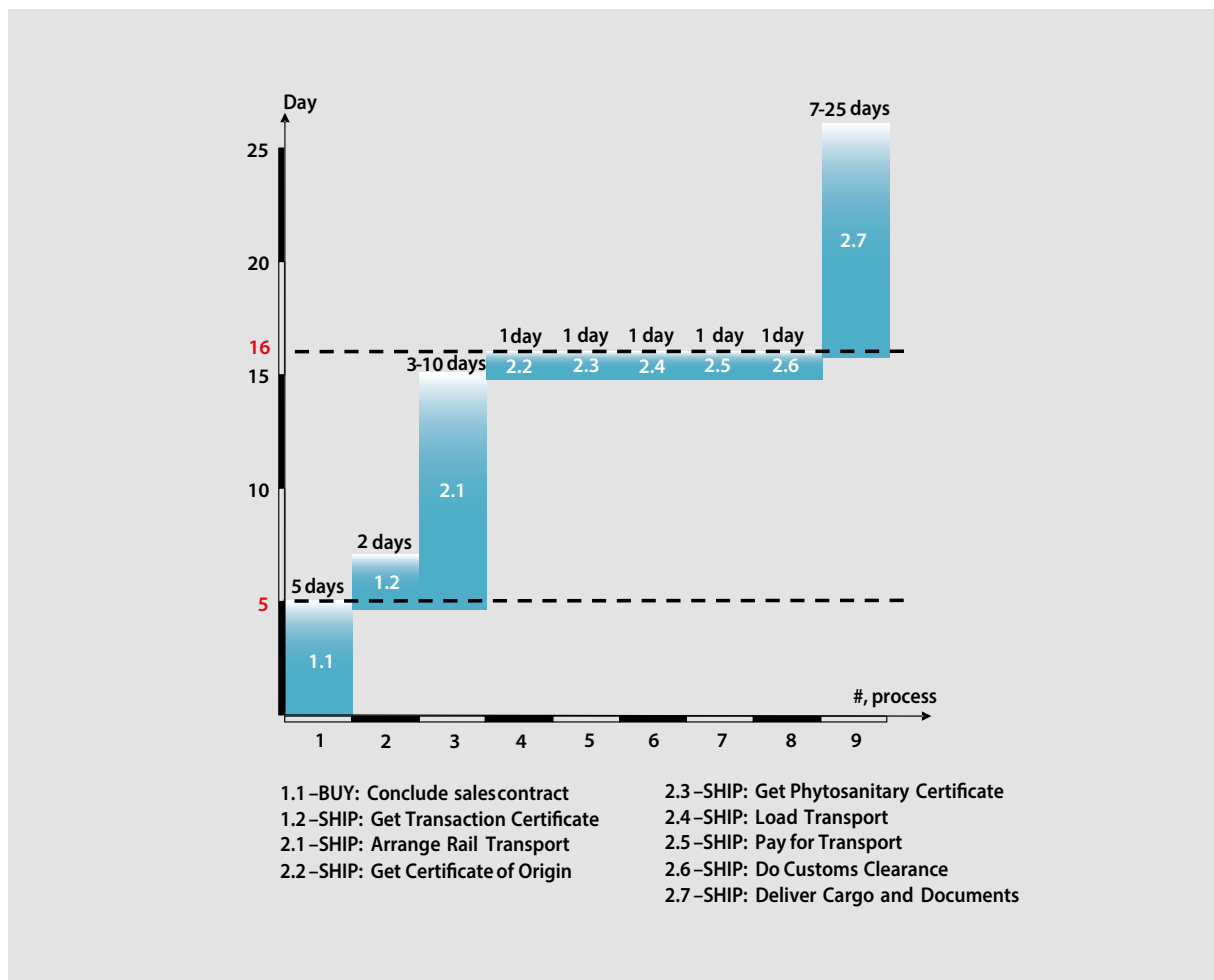
Once the company obtains the Certificate of origin, and when goods are ready for shipment, Loading (sub-process 2.3), Payment for transport (sub-process 2.4) and Customs clearance (sub-process 2.5) are completed within one business day. Delivery of goods and documents (in the same rail car with the cargo) takes from 4 days (to Bishkek, Kyrgyzstan) to 15 days (to Dushanbe, Tajikistan).

#### A4.2 Flour, Pasta and Biscuits Export Time Requirements

Arrangement of rail transport for flour, pasta and biscuits can be challenging and time consuming. Figure 15 shows that arrangement of transport can take from 3 to 10 days. This is because Petropavlovsk railway is part of the Russian rail network. It is difficult to obtain rail cars from Russian railways for transporting goods outside of the Russian Federation. Railway cars on offer by private companies are more expensive, and the services of these companies are not reliable.

Under these conditions, the exporter has practically no other options. Moreover, the plant dispatcher (i.e., the actor responsible for arrangement of rail transport) has to visit the nearest railway station several times a day, in order to find out whether any rail cars are available for export shipments. Once the railway station confirms the availability of a certain num-

Figure A.16. Time-procedure chart for export of flour, pasta and biscuits



ber of rail cars and commits to providing them, the exporter starts the procedures associated with obtaining the remaining required documents for the shipment. When the exporter obtains the rail cars, he loads the goods from stock and completes the remaining export procedures within one business day.

Given such conditions, exporters cannot confirm, with any degree of certainty, the shipment arrival time. There were a number of cases when our two exporters were unable to deliver in time and were, therefore, forced to cancel the orders in question.

### A.5 Export documents and customs clearance

Between 6 and 10 supporting documents are required to release pasta, flour, biscuits and candies

for export. In particular, the exporter is expected to present six supporting documents if goods do not require phytosanitary control. Goods subjected to phytosanitary control need one more document – the phytosanitary certificate.

Two additional documents are provided by the exporter at the importer's request: Bill of Lading and the Producer's Bill of Transport. These documents help the importer's authorities to sort out export documentary requirements—some of which are issued to the exporter or by the exporter (e.g. Customs Declaration and Commercial Invoice) —from supporting documents issued for the producer (e.g. Certificate of Origin and Certificate of Conformity).

The tenth document is provided to facilitate sales in the importer's country—the Certificate of Quality (for flour) or the Producer's Declaration of Quality.

Another 14 documents listed in Table A.6 are required for obtaining the Certificate of Origin and the Phytosanitary Certificate.

One more document is added during the Loading process—the Transport equipment sanitary certificate. This document is provided by the Medical Sanitary Inspection of the Ministry of Health, but the inspection of transport is conducted by the exporter. Thus, the number of documentary requirements may reach 26 documents.

The Transaction Certificate aside, neither of the two companies examined complained about excessive document requirements, which shows

that they have grown accustomed to such requirements. One of the exporters said that he submits additional documents, which are not required in Kazakhstan, but help importers (Tajikistan, Uzbekistan) clear goods more easily.

The Customs Declaration should be submitted with a confirmation of customs fees payment. The trader pays 60 EUR per declaration, with an additional 25 EUR for each extra page in cases where the trader is exporting products with varied HS codes. If exporters do not submit the Declaration on the day of payment, they would be exposed to exchange rate fluctuations, and would have to pay the outstanding small amounts.

**Table A.6. List of documents key and supporting document required for export shipments**

Document	Required or owned by	Issued / filled by	Input in process	Comments, Descriptions
<b>1. Key Documents (export and import in the destination country is not possible without them)</b>				
Export Customs Declaration	Customs	Exporter or Broker	SHIP process	
Certificate of Origin	Ministry of Industry & New Technologies	Chamber of Commerce	SHIP process SHIP: Do Customs Clearance sub-process	ST-1 Certificate for CIS Countries A-type Certificate for other international
Certificate of Conformity	Same Ministry	Committee of Technical Regulation and Metrology	SHIP SHIP: Do Customs Clearance	Received for every category of goods once every 2-3 years
Phytosanitary Certificate	Phytosanitary inspection	Phytosanitary inspection	SHIP SHIP: Do Customs Clearance	For Flour or for packaging in the EU shipments
Consignment note	Transport Operator	Exporter	SHIP SHIP: Do Customs Clearance	SMGS for Railways CMR for Road Transport
Commercial invoice	Exporter	Exporter	SHIP SHIP: Get Certificate of Origin SHIP: Do Customs Clearance	
Packing List	Exporter	Exporter	SHIP SHIP: Get Certificate of Origin SHIP: Do Customs Clearance	
<b>2. Additional documents (to support foreign sales and Import customs clearance)</b>				
Certificate of Quality	Phytosanitary inspection	Phytosanitary inspection	SHIP	Voluntary certification for Flour
Declaration of Quality	Exporter	Exporter	SHIP	Voluntary declaration for Pasta, Biscuits or Candies
Statement of Lading	Exporter	Exporter	SHIP SHIP: Do Customs Clearance	Confirmation from the exporter that goods were loaded into transport. Registered (stamped) in Customs at the Importer's request



Document	Required or owned by	Issued / filled by	Input in process	Comments, Descriptions
Internal Transportation Bill	Exporter	Producer	SHIP SHIP: Get Certificate of Origin SHIP: Do Customs Clearance	Produced by the Producer for the Exporter. Not required for customs clearance. Registered in customs at request of the Importer (it contains more information about goods than the Consignment note)
<b>3. Inputs to Customs Clearance sub-process</b>				
Customs Brokerage Contract	Brokerage company	Brokerage company and Exporter	SHIP: Do Customs Clearance	A service contract between the Exporter and the Broker
Transaction certificate	Ministry of Finance	Exporter's Bank	SHIP: Do Customs Clearance	Document for currency control. Simplified in 2012
Sales Contract	Exporter	Exporter	SHIP: Do Customs Clearance	
Customs Registry Card	Customs	Customs	SHIP: Do Customs Clearance	ID card issued by Customs for international trade companies
<b>4. Inputs to the Getting the Certificate of Origin (CoO) sub-process</b>				
Application for expert examination	Chamber of Commerce	Exporter	SHIP: Get Certificate of Origin	Request for confirmation of the Origin of goods
Application to the Chamber of Commerce	Chamber of Commerce	Exporter	SHIP: Get Certificate of Origin	For issuing of the Certificate of Origin
Plant invoice	Exporter	Producer	SHIP: Get Certificate of Origin SHIP: Do Customs Clearance	Needed for the CoO because Exporter and Producer are sister companies. Registered in customs and sent to the Importer at the Importer's request
Warehousing note	Chamber of Commerce	Exporter	SHIP: Get Certificate of Origin	Statement that the Exporter has goods in stock. Needed because Exporter and Producer are sister companies (i.e. the Exporter resells goods, produced by a different company)
<b>5. Inputs to Getting Phytosanitary Certificate sub-process</b>				
Sampling Report	Authorized Inspector	Producer	SHIP: Get Phytosanitary Certificate	This statement accompanies a product sample, sent for examination to the authorized inspector
Application for Phytosanitary examination by the City inspectorate	Phytosanitary Inspection	Producer	SHIP: Get Phytosanitary Certificate	For examination and Phytosanitary Inspection Report
Application for Phytosanitary Certificate	Phytosanitary Inspection (Oblast)	Exporter	SHIP: Get Phytosanitary Certificate	For issuing of the Phytosanitary Certificate

Document	Required or owned by	Issued / filled by	Input in process	Comments, Descriptions
<b>Analysis Report (Analiznaya)</b>	Phytosanitary Inspection	Authorized Inspector	SHIP: Get Phytosanitary Certificate	Produced by the subsidiary entity of the Phytosanitary inspection as an input for the Phytosanitary inspection
<b>Phytosanitary Inspection report</b>	Phytosanitary Inspection	Phytosanitary Inspection	SHIP: Get Phytosanitary Certificate	Produced by the City Phytosanitary inspection for the Oblast Phytosanitary inspection
<b>Production Laboratory Examination Report</b>	Exporter	Exporter	N/A	Required for the Certificate of Quality for Flour
<b>6. Medical Sanitary Documents (not used in key business processes)</b>				
<b>Transport equipment sanitary certificate</b>	Medical Sanitary Inspection through SanExpertiza Ltd	Exporter	N/A	Exporter checks conditions of rail cars, before loading goods and puts the certificate inside of the vehicle

The need to simplify and streamline documentary requirements cannot be over-emphasized, since heavy documentation containing multiple and redundant data can lead to incorrect reporting of information and subsequent difficulty in verifying the accuracy of such information, in addition to increasing transaction costs. Simplifying and streamlining documentary requirements requires, a priori, aligning trade procedures and documents, based on a cost-benefit analysis to eliminate procedures with little value-added. By aligning trade documents, Kazakhstan would be also taking the first step toward automation of trade procedures and introduction of electronic Single Window facilities, where all information and data needs to be submitted only once.

## A6. Concluding remarks

The BPA shows that procedures associated with the export of candies, flour, biscuits and pasta

could benefit from further simplification, harmonization and streamlining. There is also a need to reduce documentary requirements. Addressing these needs can be best achieved by implementing a Single Window system for export and import procedures. In addition, these case studies highlight the necessity of improving the railway and road infrastructure and modernizing truck fleets and rolling stock.

In choosing the best course of action, the government may consider establishing a task force that brings together representatives of relevant public sector institutions and leading manufacturers involved in the production of pasta, flour, biscuits and candies, as well as other exporters. This is important to ensure responsiveness and to enable the government to take the necessary measures to enable that enterprises reap the expected benefits from new procedures and infrastructure investments.