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## Economic Commission for Europe

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Centre for Trade Facilitation and Electronic Business

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Item 5 (e) of the provisional agenda

**Recommendations and standards:**

**Support to capacity building and technical cooperation**

### **Policy Brief – Advancing Digital and Sustainable Trade Facilitation in ECE Economies in Transition**

**Submitted by the secretariat**

#### *Summary*

This policy brief was prepared in the framework of the UNDA project “Evidence-based trade facilitation measures for economies in transition”.

It follows the UNECE Survey on Digital and Sustainable Trade Facilitation 2021, which assessed progress in implementing trade facilitation measures in the region, focusing on economies in transition. It provides a deeper analysis and identifies challenges encountered by the 17 participating countries in implementing the measures and provides policy recommendations that can accelerate the pace of implementation and leverage the potential of trade as an engine for sustainable development.

Document ECE/TRADE/C/CEFACT/2022/17 is submitted by the secretariat to the twenty-eighth session of the Plenary for information.



## I. Introduction

1. The UNECE Survey on Digital and Sustainable Trade Facilitation 2021 assessed progress in implementing trade facilitation measures in the region, to focus the efforts of ECE member governments and international cooperation programmes on assisting countries, and especially the transition economies, in accelerating the pace of implementation. The disruptions in global value chains caused by the COVID-19 pandemic underlined the critical role of digital and sustainable trade facilitation in times of crisis as well as in the post-pandemic recovery.

2. High trade costs among ECE country groups, as reflected in the survey, call for reforms to lower the cost of trade. Implementing trade facilitation measures can help reduce the cost of moving goods across borders, thus enabling businesses and especially small and medium-sized enterprises (SMEs) to increase their participation in regional and global value chains, and ultimately lead to sustainable economic growth.

3. This policy brief provides a deeper analysis of Digital and Sustainable trade facilitation measures in Central Asia, Caucasus and Turkey, Eastern Europe, the Russian Federation and South-eastern Europe, for the 17 countries<sup>1</sup> that participated in the survey. This policy brief identifies challenges encountered by the 17 countries in implementing the measures and provides policy recommendations that can accelerate the pace of implementation and leverage the potential of trade as an engine for sustainable development.

## II. Overview of recommendations

4. Digital trade facilitation measures proved critical during the pandemic and can enhance resilience in preparation for future crises, as well as reduce trade costs and streamline trade-related processes. It is critical to design the appropriate legal and regulatory frameworks, ensure the compatibility of cross-border legislation and standards, and develop adequate information and communications technology (ICT) infrastructure and digital skill sets.

5. The implementation of Sustainable trade facilitation measures can increase the participation of SMEs, including women-owned and women-led businesses, in global value chains, thus accelerating inclusive economic development in transition economies. To achieve this goal, it is critical to increase financial support for SMEs, to reduce the cost and administrative burdens of trade processes, support SMEs' participation in legal and regulatory reforms, and increase awareness of Women in trade facilitation measures.

6. Cooperation between the countries of Caucasus and Turkey, Central Asia, Eastern Europe, and South-Eastern Europe and the Russian Federation, as well as international organizations, can accelerate implementation of trade facilitation measures to foster a resilient, sustainable and inclusive post-pandemic recovery.

## III. State of implementation, challenges and potential causes

### A. Digital trade facilitation measures

7. The Digital trade facilitation measures include Paperless trade and Cross-border paperless trade measures. These measures relate to the use and application of modern ICT in trade processes and the exchange of trade-related data and documents across borders to remove the need for paper documents.

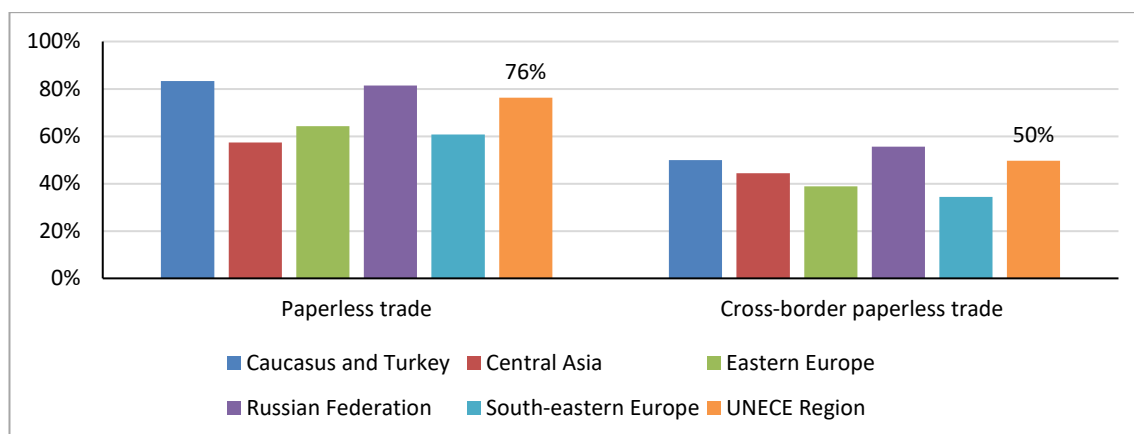
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<sup>1</sup> The countries that participated were Armenia, Azerbaijan, Georgia and Turkey (Caucasus and Turkey); Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan (Central Asia); Belarus, the Republic of Moldova and Ukraine (Eastern Europe); the Russian Federation; and Albania, Bosnia and Herzegovina, Montenegro, North Macedonia and Serbia (South-eastern Europe).

8. The implementation rates of Cross-border paperless trade measures are very low (figure 1), suggesting that more attention must be given to their implementation, considering the importance of these measures in the post-pandemic recovery and their role in sustainable economic growth.

Figure 1

**Implementation rate of Digital trade facilitation measures, by country group, 2021  
(Per cent)**



Source: ECE, based on United Nations Global Survey on Digital and Sustainable Trade Facilitation, 2021.

9. Several Digital trade facilitation measures, in both categories – Paperless and Cross-border paperless – have below average implementation rates across the 17 countries analysed in this policy brief.

10. Among Paperless measures, the least implemented are *Electronic submission of Air Cargo Manifests*, *Electronic application and issuance of Preferential Certificate of Origin*, and *Electronic application for Customs refunds*.

11. Some countries have reached various levels of implementation, while others have not yet implemented some of the measures. *Electronic submission of Air Cargo Manifests* has been fully implemented only by Turkey and Uzbekistan, and partially implemented by several countries (e.g., Albania, Ukraine, the Russian Federation), whereas five other countries have not started implementing this measure. Eight of the countries are not implementing the *Electronic application and issuance of Preferential Certificate of Origin* measure.

12. For the Cross-border paperless trade measures, countries have reached only low levels of implementation. Most of the country groups have rates below the ECE average of 50 per cent, from the exception being the Russian Federation, at 56 per cent. The least implemented measures are *Electronic exchange of Certificate of Origin*, *Electronic exchange of Sanitary and Phytosanitary Certificate*, and *Paperless collection of payment from a documentary letter of credit*.

13. *Electronic exchange of Certificate of Origin* has been fully implemented by Kyrgyzstan and partially implemented in six other countries. For example, in Azerbaijan, a draft for relevant changes has been prepared and is pending government approval. Two measures, *Electronic exchange of Sanitary and Phytosanitary Certificate* and *Paperless collection of payment from a documentary letter of credit*, are not yet being implemented in most of the countries. Only Kyrgyzstan has fully implemented these measures.

14. The challenges in implementing these measures include lack of required skill sets, complexity of tariffs and prevalence of non-tariff measures, and lack of financial support for the private sector, especially financing SMEs.

15. The majority of the 17 countries rank low on skills of the current workforce: e.g., out of 141 countries, Armenia ranks 84<sup>th</sup>, the Republic of Moldova 109<sup>th</sup> and Serbia 75<sup>th</sup>. In the

Russian Federation, although educational attainment remains relatively high, the quality of education is not keeping up with the needs of the modern economy.<sup>2</sup>

16. Complexity of tariffs (on which, e.g., Armenia ranks 105/141 and the Russian Federation 109/141) and prevalence of non-tariff barriers (on which, e.g., the Russian Federation ranks 103/141) present challenges in adopting and implementing digital trade facilitation measures.

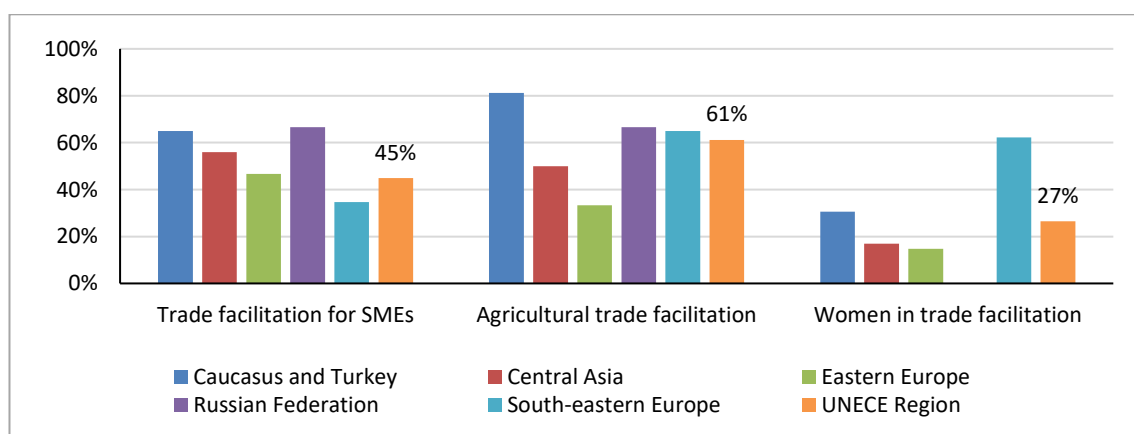
## B. Sustainable trade facilitation measures

17. The Sustainable trade facilitation measures relate to trade facilitation for SMEs, agriculture and women in trade. They aim to increase participation of SMEs, including women-owned and women-led businesses in global value chains, thus contributing to more inclusive trade facilitation. The measures related to agriculture concern sanitary and phytosanitary certificates, which can constitute a major barrier in border clearance of agricultural products.

18. Sustainable trade facilitation measures have very low rates of implementation across most country groups (figure 2). Accelerating the implementation of these measures could be helpful for sustainable and inclusive economic development.

Figure 2

### Implementation rate of Sustainable trade facilitation measures, by country group, 2021 (Per cent)



Source: ECE, based on United Nations Global Survey on Digital and Sustainable Trade Facilitation, 2021.

19. In the Trade facilitation for SMEs subgroup, the least implemented measures are *SMEs in authorized economic operator (AEO) scheme*, *SMEs access Single Window* and *Ease compliance of SMEs with trade procedures*. *SMEs in authorized economic operator (AEO) scheme* has not been implemented in nine of the countries and is fully implemented in only Azerbaijan, Georgia, the Republic of Moldova and Turkey. *SMEs access Single Window* has a low rate of implementation, due to its dependency on the Cross-border paperless trade measure *Electronic Single Window System*, which has a low rate of implementation across the 17 countries.

20. Six of the countries have not started implementation of the *Ease compliance of SMEs to trade procedures* measure, whereas others have made significant progress. In Azerbaijan, a specific action plan on trade facilitation measures for SMEs is publicly available and being implemented, and in the Russian Federation the government approved the “Strategy for the Development of SMEs in the Russian Federation for the period up to 2030.”

21. The main challenge in implementing trade facilitation measures for SMEs is the lack of financing that would enable SMEs to train staff, thus enabling faster adoption of digital trade processes. Availability of credit to the private sector is low in most of the countries

<sup>2</sup> World Economic Forum Global Competitiveness Report 2019.

(e.g., Armenia ranks 73/141 and Serbia 81/141). The Russian Federation ranks 118/141 in financing of SMEs.

22. In the Agricultural trade facilitation subgroup of measures, the least implemented measure is *Electronic application and issuance of Sanitary and Phytosanitary Certificate*. This may be partly attributable to the lack of legal provisions, adequate ICT infrastructure and readiness for plant quarantine or food safety agencies and required skills. Full implementation has been achieved only by Azerbaijan, where the certificates are submitted through the Single Window system.

23. Among the Women in trade facilitation measures, the least implemented are *Trade facilitation policy/strategy incorporates special consideration of female traders* and *Women's membership in the National Trade Facilitation Committee or similar bodies*. The former measure has been fully implemented by only three countries (Azerbaijan, Kyrgyzstan and Uzbekistan), and seven countries are not implementing it at all. Similarly, *Women's membership in the National Trade Facilitation Committee or similar bodies* is not being implemented by seven countries. This could be due to a low level of awareness of Women in Trade facilitation measures, or low priority relative to other trade facilitation measures. An exception is Montenegro, where the percentage of women members in the NTFC has reached 50 per cent.

24. These figures indicate that governments and international organizations should increase awareness of Sustainable trade facilitation measures and their importance for sustainable and inclusive economic development.

## IV. Policy recommendations

### A. Accelerate Digital trade facilitation implementation

25. Digital trade facilitation measures can enhance resilience in preparation for future crises, reduce trade costs and streamline trade-related processes. Therefore, it is critical to accelerate the implementation of Paperless trade facilitation measures with low implementation rates (*Electronic submission of Air Cargo Manifests*, *Electronic application and issuance of Preferential Certificate of Origin* and *Electronic application for Customs refunds*) and Cross-border paperless trade measures that are least implemented (*Electronic exchange of Certificate of Origin*, *Electronic exchange of Sanitary and Phytosanitary Certificate* and *Paperless collection of payment from a documentary letter of credit*).

26. Appropriate legal and regulatory frameworks must be designed to ensure a secure environment for electronic exchange of trade-related documents and implementation of digital processes. In particular, the compatibility of cross-border legislation and standards as well as their harmonization on a regional or global level are important for improving the readiness of the transition economies to implement Cross-border paperless trade measures.

27. Governments and private sector stakeholders must focus on enhancing the ICT infrastructure, including high-speed, consistent Internet connectivity, which is a critical factor in the implementation of Digital trade facilitation measures. Since most of the countries rank low on the skills of the current workforce, there is a need to develop the necessary digital skill set for the implementation and use of digital trade facilitation measures.

28. In addition, the complexity of tariffs and prevalence of non-tariff measures could be addressed to streamline border clearance processes and documentation and accelerate implementation of digital trade facilitation measures.

### B. Increase focus on SMEs and Women in trade facilitation

29. The implementation of Sustainable trade facilitation measures can increase the participation of SMEs, including women-owned and women-led businesses, in global value chains. Central Asia has one of the lowest implementation rates of Trade facilitation for SME measures, compared with all ECE country groups. Increased focus and allocation of resources

to the implementation of these measures would contribute to higher trade flows and economic growth.

30. Since SMEs constitute the bulk of businesses in the transition economies, adopting and implementing trade facilitation measures of relevance to SMEs is crucial for economic and social development in the region.

31. Across the transition economies the financing of the private sector and especially of SMEs requires special attention. Financial support for SMEs would enable them to develop necessary skills and to acquire adequate IT infrastructure. In addition, reducing the costs and administrative burdens of trade processes will contribute to higher participation in regional and global value chains.

32. The low implementation rates of Women in trade facilitation measures indicate that governments and international organizations should increase awareness of the existence of these measures. In addition, developing a conducive environment for women to participate in legal and regulatory reforms as well as international trade will lead to more sustainable and inclusive economic development.

### **C. Increase cooperation between governments and international organizations**

33. Central Asia governments and international organizations need to cooperate in accelerating implementation of trade facilitation measures to foster a resilient, sustainable and inclusive post-pandemic recovery. International instruments, including recommendations and standards such as those developed by UN/CEFACT,<sup>3</sup> are tools available to move towards alignment and, eventually, harmonization of trade facilitation practices. The United Nations Special Programme for the Economies of Central Asia (known as SPECA) provide an appropriate platform for the Central Asian governments to advance trade facilitation reforms for regional integration.

34. All the recommendations mentioned above are conditioned upon continuously improving the current trade facilitation provisions. The evolving nature of trade and technologies mean adopting international instruments and best practices. The instruments developed by ECE and its subsidiary body UN/CEFACT are useful in this respect, for both the public and the private sectors around the world.

### **D. About the Economic Cooperation and Trade Division**

35. The United Nations Economic Commission for Europe (ECE) supports closer cooperation among its 56 member States in the pursuit of the UN Sustainable Development Goals and the 2030 Agenda for Sustainable Development. Its Economic Cooperation and Trade Division assists member States with economic integration and in promoting and enabling a better policy and regulatory environment, including in the areas of sustainable trade, trade facilitation, electronic business, innovation, infrastructure and investment/PPPs. To foster sustainable development, including progressing towards an increasingly circular economy and building resilience to events such as the COVID-19 pandemic, trade facilitation practices must embrace digitalization and sustainability perspectives.

36. [The United Nations Centre for Trade Facilitation and Electronic Business \(UN/CEFACT\)](https://unece.org/trade/outreach-support-TF/global-survey-digital-and-sustainable-trade-facilitation) is a pioneer in the development of normative instruments for strengthening trade facilitation and electronic business. These instruments, which include recommendations and standards developed by international experts, are tools available to move towards alignment and, eventually, harmonization of trade facilitation practices. They also promote digital trade facilitation solutions. During the past four decades, UN/CEFACT has developed about 50 sustainable trade facilitation recommendations and hundreds of e-business

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<sup>3</sup> UNECE Survey on Digital and Sustainable Trade Facilitation 2021 <https://unece.org/trade/outreach-support-TF/global-survey-digital-and-sustainable-trade-facilitation>

standards, technical specifications and guidance materials on electronic exchange of trade data.

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