

**THIRD GLOBAL AID FOR TRADE REVIEW
JULY 2011**

**CASE STORY
SUBMITTED BY GUYANA**

**NATIONAL COMPETITIVENESS STRATEGY (NCS):
TRADE TRANSACTIONS ACTION PLAN**

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Executive Summary

Trade is a key priority for Guyana. As such, the Government of Guyana views Aid for Trade not merely as a mechanism of compensation for the short term costs associated with trade liberalization but rather as a critical tool in facilitating the adjustment and smooth integration of small developing economies in the global economy over the longer term.

While important progress has been made in Guyana in recent years in managing the process of adjustment and integration of the Guyana economy to the increasingly competitive multilateral trading environment, through improvements in the environment for private investment, reform of the tax system, investing in basic education and infrastructure, and boosting productivity in traditional sectors of the economy inter alia, critical and pressing challenges still remain to be tackled with respect to improving national competitiveness and diversifying the economy. Guyanese stakeholders - both public and private sector - strongly support the need for diversification.

Through a ground-breaking partnership approach between the Government and private sector, a National Competitiveness Strategy (NCS) was developed and formally launched in May 2006. In March 2007, the Government of Guyana and the Inter-American Development Bank signed an agreement for a US\$27m hybrid policy and investment loan to fund the 'Support for Competitiveness Program' (SCP), which is being implemented during 2007-2012. The SCP is executed within the framework of Guyana's National Competitiveness Strategy (NCS) with the specific objectives to strengthen the institutions for public-private dialogue on competitiveness and to help improve the business environment for private investment and export development.

In December 2009 a high-level public-private sector body, called the Trade Transactions Public Private Dialogue Body (PPDB), was set up under the NCS with a mandate to improve the competitiveness of Guyana's economy and its businesses by reducing the time and cost involved in the processing of import and export of goods. The PPDB is chaired by a senior private sector Executive and is composed of the Private Sector Commission (umbrella private sector body), the Shipping Association of Guyana, the Guyana Customs Brokers Association, the Customs and Trade Administration (CTA) of the Guyana Revenue Authority (GRA) and License bodies (these are not in the PPDB but are consulted with extensively).

The time and cost of processing imports and exports are key factors influencing Guyana's competitiveness on the global market. According to the 2009 World Bank Doing Business Index (Trading Across Borders Sub-Index), Guyana ranked 113 out of 181 countries in terms of the number of procedures to be complied with, the time it takes to go through these procedures and the transaction cost to import or export goods. In order to improve Guyana's standing the Government is currently restructuring the Customs and Trade Administration on functional lines, whilst also introducing a new automated system – Total Revenue Integrated Processing System (TRIPS) – which not only captures revenue collection, but also drives a streamlining of processes within the Customs and Trade Administration (CTA).

Clearly, these changes will result in a significant reduction of time, cost and procedures for cross border trade. In turn, the ranking of Guyana on the global competitiveness index should improve dramatically. Equally, a reduction in cross border procedures shall induce new investments, facilitate jobs creation and contribute to poverty alleviation. Further, the PPDB Action Plan is consistent with CARICOM recommendations on harmonisation of regional Customs' practices. Its implementation will result in Guyana achieving international best practices and, at the same time, render the GRA/CTA largely compliant with the rules of World Customs Organisation, inclusive of the SAFE Framework, as well as the requirements of the EU-CARIFORUM Economic Partnership Agreement (EPA).

1. Issues Addressed

In August 2009, the Trade Transactions Public Private Dialogue Body (PPDB) of the NCS produced a report entitled "*Import/export procedure status report and draft action plan*". This report covered a number of issues related to the import/export regime in Guyana and also included an 83-point Action Plan. The actions contained in this plan are aimed at filling the gaps currently existing in the import/export process with the view of improving trade transactions in Guyana, and by extension its overall standing in the World Bank's Doing Business Index. Of the 83 actions –

- 24 actions in the Action Plan relate to 'obtaining a license';
- 7 pertain to shippers and brokers; and
- 52 to 'getting through customs'. Most of these actions are to be carried out by the Guyana Revenue Authority - particularly the CTA. License bodies, including the Ministry of Tourism, Industry and Commerce, the Guyana Analyst Food and Drugs Department and the Crops and Livestock Department of the Ministry of Agriculture have a significant number of actions to execute. Likewise, the Shipping Association of Guyana, the Customs Brokers Association of Guyana and Trade Transactions PPDB also have a number of key actions to implement.

Further, sixteen actions are in Information Technology (IT) improvements – and include actions to improve TRIPS and/or to facilitate the ongoing implementation of TRIPS. Fifteen of the actions relate to resource constraints – in terms of staff additions, training, office space, equipment and facility additions. The third biggest action type is business processes and management. These are actions required to improve – on a sustainable, long-term basis - the way daily business is conducted and how it is managed. Ten actions relate to communication improvements, either to the public at large or between agencies. Six actions relate specifically to brokers, whilst another six relate to actions required to make the import and export licensing system as a whole more efficient.

Additionally, of the 83 Actions, 19 of them have sources of funding under the IDB's "Support for Competitiveness Programme" (SCP) totalling USD\$376,500. The remaining actions will be funded by the respective lead Agencies.

Single Window Automated Processing System (SWAPS) for Trade Transactions: In January 2010 the Government of Guyana obtained Aid-for-Trade support of US\$874,500 from the DFID/financed

CARTFund at the Caribbean Development Bank to develop a *Single Window Automated Processing System (SWAPS) for Trade Transactions*. This web-based system will allow importers, exporters, custom brokers and shippers to apply for their import/export licenses and their customs clearance online through one website (window). This requires linking the license agencies (roughly 20 agencies) to the Guyana Revenue Authority's electronic management system (TRIPS). In turn, this requires reviewing the IT capacity and application/submission requirements of all the agencies and of the Customs and Trade Administration (which is a department of the Guyana Revenue Authority) and then ensuring the required IT and staff capacity at the agencies and the Customs and Trade Administration.

2. Objectives Pursued

The PPDB Report outlined the length of time, the cost and the number of procedures required to complete a trade transaction. The accompanying Action Plan seeks to reduce time, cost and procedures in respect of both imports and exports activities. Once the Action Plan is implemented it will propel Guyana a significant way toward establishing international best practices.

3. (For projects and programmes: Design and Implementation)

Consequent on the introduction of the National Competitiveness Strategy (NCS) in 2006, the Government and Private Sector Commission (PSC) jointly established the National Competitiveness Council (NCC) as the highest level private-public advisory body to implement the Strategy and to provide, in this regard, strategic economic policy advice, policy co-ordination and leadership to the Government in collaboration with the private sector and other relevant stakeholders.

The Mission of the National Competitiveness Council is to take ownership of the NCS and act as central point of policy leadership to ensure ongoing strategy development and implementation. The overarching goal of the Council will ultimately be to deliver on the objectives of the NCS through the delivery of more jobs, more exports and more investment for Guyana.

4. Problems Encountered

- The major challenges faced are:
- Many activities do not have a source of funding.
- Slow implementation rates by the Agencies

5. Factors for Success/Failure

In its report the PPDB identified a number of concerns which need to be addressed in Guyana's import/export procedures. One such factor is a shortage of human, physical and financial resources at regulatory government agencies, causing for example, delays in inspections given an inability to have inspectors permanently stationed at the ports of entry and exit. A second factor is the lack of systems in place to allow for coordination between regulatory bodies, with no single coordinating agency in place.

The PPDB report also highlighted the lack of facilities for electronic submissions of declarations and for a single administrative document online. Further, it underscores the concerns of the private sector about Customs being rather anti-business and not transparent. A positive development in the National Competitiveness Strategy programme, however, has been the establishment of the PPDB which fulfils the role of an effective consultative mechanism between the private and public sector on trade transactions.

6. Results Achieved

Due to the reforms (already) introduced under the SCP Guyana's ranking under the World Bank's Doing Business Report have improved to 101 (2010) and 100 (2011) of 183 countries. The Bank's 2010 Report states that "Guyana eased business start-up by applying a flat registration fee for all companies, regardless of their capital amount, and removing the duty payable on incorporation. It also streamlined registration with the tax authorities with the introduction of a single tax identification number for corporate, value added, and labor taxes. Implementation of an electronic declaration system reduced customs clearance time for exports and imports,"

As of January 2011 the status of the Trade Transactions Action Plan is as follows:

- 30 Actions have been completed
- 32 Actions have commenced and are in the early stages of completion
- 11 Actions have commenced and are in the later stages of completion
- 8 Actions will be completed with the introduction of the SWAPS
- 2 Actions have not yet commenced

The expected outcome of the implementation of the Action Plan is:

- Licenses to be authorised and issued by all relevant licensing bodies. A reduction in the time taken to obtain issuance of licenses from MINTIC for most commodities from 2 to 0 working days. The number of procedures will reduce to one. There is currently no fee for licenses from MINTIC.
- The time taken at the Government Analyst Food and Drugs Department to authorise import and export licenses to decline from one - four weeks to two - three working days for imports and from two - four weeks to one - two weeks for exports.
- The time taken for the Crops and Livestock Department to authorise import and export licenses will decline to one working day for both imports and exports, from the current 1.5 working days. The numbers of procedures will be reduced by one.
- The time taken to provide VAT or excise exemption letter being reduced from ten - fifteen working days to three working days, or within five working days in exceptional cases.
- Only electronic submission of documents to be permitted over time.
- In the interim only licensed brokers to be allowed to offer brokerage services. Broker's standards and license to be enforced and adequate training to be provided by the Customs and Trade Administration.

7. Lessons Learned

Although significant improvements have been achieved as a result of the introduction of TRIPS and the restructuring of the CTA, as revealed by consultations held among shippers, exporters, brokers, licensing bodies and Customs officials, there are still some challenges, both within and outside of Customs, which, if dealt with, would further impact in expediting import-export processes.

Given its commitment to modernize its operations and enhance the trade facilitation infrastructure, the Guyana Revenue Authority (GRA) has been using its own resources to push the recommended

changes in relation to many of the 52 actions relating to the Customs and Trade Administration (CTA). This bodes exceptionally well for the successful conclusion of the Action Plan once the resources required for this purpose are forthcoming on a timely basis and in the amount required. There is clearly at this point the collective will of all the stakeholders' groups to proceed expeditiously with implementation. The stakeholders buy-in into the trade reforms is as critical to success as the political will of the public sector to sponsor or facilitate same.

8. Conclusion (applicability to other programs)

The stakeholders in the import/export process have come together in a public-private dialogue body, in response to and within the framework of the National Competitiveness Strategy of Guyana, to produce a report which identifies inefficiencies and bottlenecks that lengthen the import/export procedure in Guyana and agrees on actions to address these inefficiencies and bottlenecks. In the report is set out an Action Plan with a clear timeline for the implementation of the 83 activities identified. The report also identifies the responsible agencies and the measures for verification.

If the trade transactions Action Plan is implemented as per the PPDB report, the expected output will be a reduction in the time taken to undertake the import/export procedure to between one and 24.5 working days for imports and between 1.5 and 17 working days for exports. According to the World Bank Doing Business Report (Trading Across Borders Sub-Index), the comparable time requirement is 33 working days for imports and 28 working days for exports: document preparation, customs clearance and technical control, and ports and terminal handling.

The PPDB report demonstrate the recognition by the Trade Transactions stakeholders in Guyana that it is the stakeholders themselves who need to boost the competitiveness of Guyana when trading across borders. However, the PPDB also recognises the importance of the support of the donor community and development partners. The Government of Guyana, therefore, welcomes the efforts of the international community to further support Guyana in improving its capacity in trade.

Annexes and/or References

1. Guyana National Competitiveness Strategy (NCS), 2006; <http://www.competitiveness.org.gy>.
2. 2nd WTO Trade Policy Review of Guyana, October 2009.