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Enhancing Trade Facilitation in Guyana: The Case for Improved Inter-Agency Coordination

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Abstract

With an expanding oil and gas economy and increased international trade transactions, the demands on trade institutions in Guyana will similarly expand. Within the confines of transaction cost theory, this paper examines the current level of inter-agency coordination among key trade agencies with a view towards determining how it impacts the cost of conducting trade and whether it is sufficient to support a reduction in trade transaction costs and improve trade performance. A mixed method approach was utilized that saw structured interviews being conducted with traders and non-structured interviews with trade agencies, using a non-probability convenience sampling approach. The research finds that the degree of coordination is insufficient and results in repetitive and redundant processes that may lead to delays and other costs.

Keywords: communication, coordination, transaction costs, trade facilitation, traders

Introduction

Measures geared towards improving the framework for the conduct of trade, fall under the umbrella of trade facilitation, which the United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT) define as "the simplification, standardization and harmonization of procedures and associated information flows required to move goods from seller to buyer and to make payment." Trade facilitation aims to make importing and exporting easier for both the business community and trade regulatory agencies.

The government of Guyana has expressed its commitment to supporting all initiatives aimed at enhancing its trade facilitation regime. That is, the streamlining of all systems and procedures that are in place to facilitate the importation and exportation of goods and services, which will ultimately result in the lowering of related costs. Even though in some cases Guyana is evidently doing better than other Caribbean countries, the demands occasioned by our new oil economy status requires increased efforts. The emergence and expansion of the oil and gas industry in Guyana, has led to significant increases in the volume of exports and imports, which will put enormous strain on the existing trade processes, systems, and agencies and point to the urgency for trade facilitation reforms. In 2021, for instance, Guyana recorded a 68 per cent increase in export earnings (Guyana Chronicle) with exports moving from US$2.5 billion in 2020 to US$4.3 billion in 2021.

While there are several trade facilitation measures that warrant focus, this paper concentrates on inter-agency coordination. Although the government of Guyana has taken a number of actions (ibid) to promote trade facilitation inclusive of the implementation of the World Trade Organization (WTO) Trade Facilitation Agreement and the establishment of a National Trade Facilitation Committee; over the years, government agencies and the private sector have continued to grapple over coordination issues with limited success. At every possible forum, the business community in Guyana has consistently complained about the uncoordinated nature of business processes, the huge amounts of paperwork, and the associated high costs incurred as a result. Efficient and effective coordination is therefore an essential element of inter-agency collaboration.

The primary objective of this research is to assess the extent to which the current level of coordination among trade facilitation agencies is sufficient to support a reduction in trade transactions costs and improve overall trade performance. The paper also seeks to examine the institutional relationships with regard to trade facilitation in Guyana and identify existing gaps; assess the impact of improved inter-agency coordination on the cost of conducting trade in Guyana; identify the challenges to improved inter-agency collaboration; and to make appropriate policy recommendations to address the most immediate priorities in the short to medium term, for improved inter-agency coordination.

The rest of the paper proceeds as follows: the next section summarizes the literature that forms the conceptual lens for conducting the research, followed by a discussion of the method of conducting and analyzing the data, a discussion of the findings, and summary of key concluding notes and recommendations for improved inter-agency coordination going forward.

Relevant Literature

Theoretical Framework

Transaction Cost Theory posits that the goal of an organization is to reduce the costs associated with handling transactions both inside and outside of the organization. Transaction Cost Theory became widely known through Oliver E. Williamson (1979, 1981, 1985), who built on the earlier work done in 1937 by Ronald H. Coase in "The Nature of the Firm". In his own words, Coase sought to "bridge what appears to be a gap in economic theory between the assumption that resources are allocated by means of the price mechanism, and the assumption that this allocation is dependent on the entrepreneur-coordinator" (Coase, 1937, p. 389). He then made the point that firms were seemingly established because there was a cost attached to using the price mechanism. While the words transaction costs did not appear in his work, Coase was in essence referring to the search and information costs, bargaining and decision costs, and policing and enforcement costs, incurred during exchanges inside and outside an organization.

Williamson (1981) in defining transaction costs, stated that "a transaction occurs when a good or service is transferred across a technologically separable interface". He sought to liken the frictions needed in mechanical systems for machines to work well to the existence of transaction costs in economics during the exchange of goods and services. According to Wigand (2003) "if friction is too great, no or at least impeded movement will occur, suggesting that if transaction costs are high, no or little economic activity is likely to occur."

According to Williamson, these transaction costs arise because of human and environmental factors, namely: environmental uncertainty and bounded rationality, opportunism and small numbers, risk and specific assets, and internal transaction costs. These all have the potential to lead to increasing transaction costs due to higher costs associated with negotiating, monitoring and enforcing exchanges.

Overall, transaction costs, inclusive of search expenses, charges for determining product quality and a trading partner's dependability, legal costs, control costs, and costs related to international payments, are a deterrent to increasing international trade flows (Butter and Mosch, 2003). Inherently ineffective trading practices are enormously expensive to traders, making it necessary for potential traders to ensure familiarity with relevant trade procedures prior to accessing any export market. The more complex the procedures, the more expensive it becomes to the trader (Persson, 2013). Hoekman et al., (2013) also argue that trade costs are known to impact both import and export prices, and cause producers to export less, and consumers to purchase less, if prices are high. In summary, transaction cost theory makes the case that if the efficiency with which institutions operate is improved, then transaction costs are reduced.

Empirical Review

Chowdhury (2022) sees trade costs or transaction costs as all costs incurred that have to be paid in order to facilitate the exchange of goods and services in the market. Typically, transaction costs occur at the contact (information costs), contract (negotiation costs) and control (monitoring and enforcement costs) stages of a trade transaction (Butter and Mosch, 2003). Little work has been done on how transaction costs impact trade facilitation measures, particularly in the context of a small developing country such as Guyana. An exception, however, is an article by DaSilva-Glasgow, and another by De (2006). DaSilva-Glasgow's article investigated factors that raise the transaction costs associated with complying with non-tariff regulations. DaSilva-Glasgow (2019) references the works of Levechenko (2007), Acemoglu, Antràs, and Helpman (2007), Nolan and Threw (2015), and Antras and Rossi-Hansberg (2008), on the concept of transaction cost endogeneity based on institutional efficiency.

The underlying presumption is that transaction costs in the compliance process are related to how institutions function in both the exporting and importing country. In her own words, DaSilva-Glasgow says that her paper fills a critical void by way of "identifying the means through which transaction costs associated with how non-tariff regulations are applied and enforced by regulatory institutions will increase" (DaSilva-Glasgow, 2019). According to DaSilva-Glasgow (2019), transaction cost is a latent construct, influenced by elements such as information costs, lack of transparency, delays, and administrative procedures. The study therefore concluded that delays, rejections, administrative procedures, discrimination, information costs, lack of transparency, and heterogeneity all contribute to transaction costs associated with non-tariff regulations. DaSilva-Glasgow found *inter alia* that the foregoing factors listed could have been due to inefficiencies in public institutions, excessive amounts of paperwork, and an absence of critical inter-agency linkages. Inter-agency coordination is a critical element impacting trade costs. According to Bouckaert et al (2010) it is the extent to which agencies are able to work together to achieve common objectives through utilization of various mechanisms.

Information costs are those costs associated with finding information on regulations. Difficulties in obtaining information will cause increases in information costs, and accessibility to markets. Lack of transparency in administrative procedures can lead to higher transaction costs, as more time will be spent searching for information, which in turn leads to delays. Delays arising because of longer time taken to complete border compliance procedures can lead to increased transaction costs due to additional expenditure on storage fees, replacement of perishable goods, or loss of sales. Inefficient administrative procedures for applications for documents such as licenses and permits, increase bureaucratic red tape and opportunities for corruption, which ultimately results in higher transaction costs.

De (2006) set out to show how non-price determinants of international trade such as transaction costs impacted trade flows within Asia. Using a gravity model, De analyzed the variation of trade flows in selected Asian economies by examining variables such as income, infrastructure and trade profiles. He concluded that transaction costs are a greater barrier to integration than import tariffs, and that the higher the transaction costs between partners, the less they trade. Therefore, a reduction in transaction costs will lead to an accompanying increase in the level of trade.

While the researchers have not come across studies that specifically address how improved inter-agency coordination can ultimately lead to a reduction in transaction costs, it is the expectation that this research will help fill the need for such information by focusing on Guyana's experiences with inter-agency coordination.

Conceptual Framework

Figure 1 outlines the conceptual map guiding the research. The key dependent variable is transaction costs. Following Chowdhury (2022) transaction costs is defined as costs incurred to facilitate the exchange of goods and services in the international market. The research examines inter-agency coordination and how it impacts transaction costs and trade in Guyana as guided by Bouckaert et.al. 2010.

The research hypothesizes that improved inter-agency coordination will facilitate trade, and thereby positively impact transaction costs associated with conducting trade.

Coordination may be defined as:

> The instruments and mechanisms that aim to enhance the voluntary or forced alignment of tasks and efforts of organizations within the public sector. These mechanisms are used in order to create a greater coherence,

and to reduce redundancy, gaps and contradictions within and between policies, implementation and management" (Bouckaert, Peters, & Verhoest, 2010, p. 16).

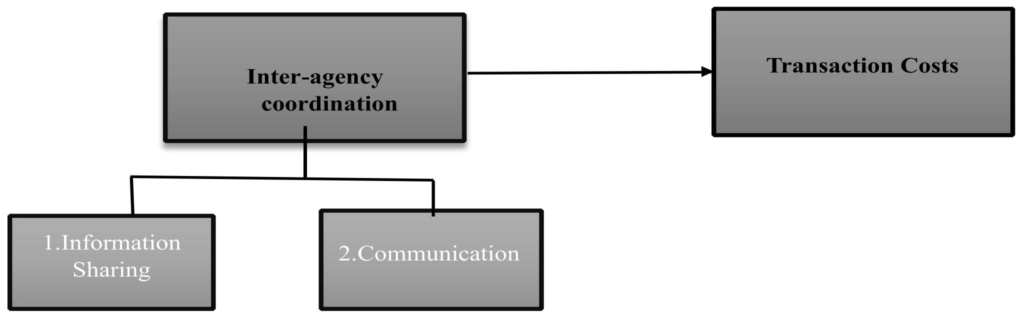

Figure 1: Conceptual Map (showing key variables examined in the research and their relationships)

As reflected in the map, inter-agency coordination is a function of information sharing and communication. Information sharing refers to the ease in accessing regulations and procedures used by trade regulatory agencies which can be accessed by other trade agencies, and members of the business community. Communication refers to frequent contact between trade regulatory agencies, and between trade agencies and members of the business community through structured meetings, frequent telephone calls, emails, letters through the post.

While the literature is replete with reports/studies on inter-agency coordination as an integral element of trade facilitation, real coordination still continues to be elusive to developing countries all over, more so Guyana. For instance, even with a 75 percent rate of implementation of the WTO Trade Facilitation Agreement, the high cost of clearing goods and the lengthy time required to do so, is still a huge problem in Guyana. This research intends to help fill this gap and lay the ground work for more detailed analyses of this trade facilitation measure.

Method and Data

A mixed method approach was followed in the conduct of the research to allow for a more comprehensive insight into inter-agency coordination problems. Qualitative data was obtained by way of institutional interviews done with eight agencies involved in issuing most of the licenses, certificates and permits required for trading in Guyana. The agencies were selected using a convenience sampling approach with availability of participants as the key selection criterion. The agencies selected included Government Analyst Food and Drug Department, Guyana Energy Agency, Guyana Geology and Mines Commission, Guyana Livestock Development Authority, Guyana National

Bureau of Standards, Guyana Revenue Authority, Ministry of Tourism, Industry and Commerce, and National Agriculture Research Extension Institute.

Quantitative data was obtained from structured interviews with importers and exporters who were selected based on their routine engagement with the trade regulatory agencies in the process of conducting business. The Convenience approach was also followed and resulted in four (4) importers and four (4) exporters participating. Responses were requested for questions ranging from time taken to obtain signatures from the various regulatory agencies when exporting, to whether information was readily available on regulations governing importation/exportation of specific items. Interviews with both traders and institutions were self-administered.

Data Collection and Analysis

Data was collected over a three week period for four key variables Coordination, Communication, Information Sharing, and Trade Costs. Thematic analysis was used to analyze the data collected from the institutional interviews. Thematic codes were assigned to the responses from the agencies, and grouped according to the number of times similar responses were received, thereby allowing for inferences to be drawn. The quantitative data obtained from the business interviews was analyzed using descriptive statistics.

Results

Inter-agency coordination has a critical bearing on the cost of conducting trade as there are more than 20 regulatory agencies that play a role in facilitating trade by issuing licenses, certificates and permits. More than 60% of the respondents to a questionnaire in preparation for the first workshop of the Empowerment Programme for Guyana's National Committee on Trade Facilitation, were of the view that poor interconnectivity between customs and other agencies is a major bottleneck in the clearance of imports and exports (Ministry of Foreign Affairs, n.d). All of the agencies interviewed, as well as the traders, under the current study also agreed that there was a need for improved inter-agency coordination. Traders pointed to the fact that regulatory agencies seem to operate independently. They cited as an example, the use of different paper documents to capture the same information, and duplicative documents in some cases which makes the process cumbersome and leads to excessive paperwork. Traders also noted that they are required to make multiple in-person visits to agencies to fulfill several paper-based formalities, which may result in delays in inspection and clearance times and disrupt shipping schedules. In some cases, due to the items being exported, traders had to visit as many as five (5) agencies to comply with all the exporting procedures. All of the traders (100%) also agreed that too much time was spent taking documents to different agencies for seemingly similar approvals, and that this led to additional costs being incurred.

When the interactions among the agencies were examined, the absence of procedures to effectively facilitate trader, or coordination with other agencies was noticeable. Currently, only two of the eight agencies have coordination arrangements in place. Most agencies indicated that there were plans to enter into such arrangements, while others referred to the launching of the Electronic Single Window (ESW) facility as a platform that would more effectively integrate trade facilitation agencies. The Guyana Revenue Authority (GRA) was the only agency that had signed MOUs with several other trade regulatory agencies to facilitate coordination. The sharing of information and regular discussions across agencies can aid coordination and help to address the overlap of responsibilities.

The amount of information that is shared or not shared among trade agencies is significant when it comes to determining the actual time taken by traders for processing documents and obtaining compliance. By implication, the degree of openness and cooperation between organizations would hasten the importing and exporting process. From the analysis, agencies are not fully aware of the functions of other agencies or their procedures for importing and exporting, but information is shared with traders on their own operations via websites, social media, newspapers, official gazette, pamphlets, and Help Desks. This was supported by 75% of the importers and exporters who confirmed their ability to access information on related procedures and regulations.

Effective communication is a critical requirement for coordination. However, most of the agencies indicated that regular meetings were not held with other agencies or traders, but only as the need arose. In other instances, telephone calls were made to other agencies to address issues, and traders were informed (via meetings) about new regulations. Noteworthy, is the fact that most of the agencies were not aware of the areas of overlap with other agencies, but all suggested that the ESW facility will address issues such as this. In all cases, the trade agencies issued licenses, certificates and permits from as little as two in number, to as much as twelve.

The challenge of coordination as well as cooperation between traders and trade agencies appears to be an issue across several developing countries as well as developed countries notwithstanding technological and other advancements (WTO 2013) that are meant to improve trade processes. In the case of Guyana as is perhaps the case with other developing countries that are WTO members and who have enacted and commenced implementation of the Trade Facilitation Agreement, there does exist a national trade facilitation committee that is meant to bring key trade agencies together to improve the framework of conducting trade but the responses of both institutions and traders on coordination is suggestive of the fact that the work of this entity is perhaps abstract and does not address the basic services that traders require from agencies and the main challenges that they encounter.

The research had hypothesized that improved inter-agency coordination would facilitate trade, and thereby reduce trade transaction costs. This hypothesis is confirmed by the mere fact all (100%) traders reaffirmed that additional costs are faced in having to deal with multiple agencies that lead to repetitive procedures and excessive paperwork. DaSilva-Glasgow (2019) clearly pointed to a strong correlation between institutional efficiency and transaction costs. The results of this study reinforce the importance of streamlining trade compliance procedures to reduce trade costs and focusing on the nature and effectiveness of inter-agency coordination is one way to achieve this.

Conclusion

The main challenges to improved inter-agency coordination in Guyana are ineffective coordination, poor communication, and lack of adequate information sharing.

Duplicative documentation requirements, cumbersome procedures, and a lack of coordination between trade regulatory agencies can lead to delays, make it more difficult for traders to comply with regulations, and contribute to increased trade transaction costs. On the other hand, efficient and effective coordination among these agencies, and between the agencies and the business community, are crucial for trade facilitation. Increased efficiency in the services provided by the agencies will lead to a reduction in trade costs, and positively impact trade flows. Given that the agencies interviewed issue most of the licenses, certificates and permits required for trading, all efforts at improved inter-agency coordination, must of necessity commence with this group of agencies.

Some of the challenges can be addressed by streamlining of processes and modifications to documents; others may require changes to existing policies and regulations. Some of the difficulties encountered by the traders could have been addressed if adequate information sharing and communication mechanisms were in place. The ultimate objective is to reposition the agencies for improved inter-agency coordination and enhanced productivity, so as to realize the potential for reduced costs for traders and overall improvement in Guyana's management of its trade flows.

The foregoing will also serve to get the agencies ready for participation in the Electronic Single Window system that is soon to be implemented. However, careful thought will have to be given to the mission, needs, and capacity of each agency to avoid issues over turf, and non-cooperation. Preparatory actions should be taken now in order to facilitate a seamless transition to that platform. Reference is made here specifically to revision of various legislations and policies to ensure conformance with established best practices.

Recommendations

In order to create the conditions necessary for improved inter-agency coordination, the following are recommended:

- Future research geared towards undertaking a detailed analysis of what currently obtains within the eight (8) trade regulatory agencies, as regards importing and exporting.
- More effective operation of the national trade facilitation committee as an inter-agency working group. The inter-agency working group can almost immediately, schedule meetings, sensitization seminars and workshops to introduce stakeholders to national and international best practices to garner support for the changes that have to be made for improved inter-agency coordination.
- The key regulatory agencies should benefit from a process mapping/process re-engineering activity. This whole process should be championed by a senior government functionary who has the authority to ensure that all the necessary actions are taken to facilitate improved inter-agency coordination across trade regulatory agencies in Guyana.
- Coordination arrangements currently in place should be replicated across all trade regulatory agencies in order to ensure efficient coordination across the board.
- Additionally, an effective system of communication between the agencies, and with the traders, is necessary for improved inter-agency coordination. Efforts must be made to clearly indicate which information will be shared and with whom, and the means by which it will be shared; and also what systems will be put in place to track and verify said information.

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