WORKING DOCUMENTS ON COMPETITIVENESS
AND BUSINESS ENABLING ENVIRONMENT - MONGOLIA

Preliminary estimates of the staggering costs of inefficient trade regulation in Mongolia

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ABBREVIATIONS AND ACRONYMS

BEE	Business Enabling Environment
CGA	Customs General Administration
DB	Doing Business
GDP	Gross Domestic Product
PRC	People's Republic of China
TAB	Trading Across Borders
USAID	United States Agency for International Development

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EXECUTIVE SUMMARY

Mongolia's inefficient regulation of imports and exports is imposing staggering costs on its businesses and its economy. As summarized in the Table at right, these costs include:

- Almost $20 million annually in unnecessary document costs;
- About $80 million annually in lost opportunity costs from reduced returns on invested capital;
- More than $2 billion in reduced trade volumes every year, and the associated loss of about $154 million in revenues collected by CGA on imports; and
- Close to $2 billion in lost GDP growth.

Summary of costs caused by trade delays (Assumes five documents unnecessary, and average time and costs to prepare each)		
Annual Cost of Five Unnecessary Documents		
Export Costs:		
Average Cost per Document		$18.13
Costs per shipment	Avg Cost X 5 =	$90.65
Total 2011 export shipments	X	64,630
Total annual export costs	**=**	**$5.86 Million**
Import Costs		
Average Cost per Document		$13.75
Cost per shipment	Avg Cost X 5 =	$68.75
Total 2011 import shipments	X	200,936
Annual Costs for imports	**=**	**$13.81 Million**
Total annual costs		**$19.67 Million**
Reduced return on invested capital		
Annual cost of capital		15%
Daily cost of capital	15% / 365 =	0.04%
Total value of exports in 2011		$4.8 Billion
Export - Opportunity cost	X .04% X 17.5=	**$33.6 Million**
Total value of imports in 2011		$6.6 Billion
Import - Opportunity cost	X .04% X 17.5=	**$46.2 Million**
TOTAL OPPORTUNITY COST OF 17.5-DAY DELAY		**$79.8 Million**
Trader Deals per Year Lost		
Export now - 46 days per year	365/46=	7.9
Export after reducing 17.5 days	**365/28.5=**	**12.8**
Import now - 47 days per year	365/47=	7.8
Import after reducing 17.5 days	**365/29.5=**	**12.4**
Lost Trade Volumes Caused by Delay		
1 day delay = 1 % trade	X 17.5 days =	17.5%
Total exports 2011		$4.8 Billion
Export Losses Caused by Delay	**X 17.5 % =**	**$840 Million**
Total imports 2011		$6.6 Million
Import Losses Caused by Delay	**17.5 % =**	**$1.16 Billion**
TOTAL TRADE LOSSES CAUSED BY DELAY		**$2 Billion**
Reduced GDP Caused by Delay		
GDP Lost from one-day export delay	$56,062,000	
	X 17.5 days =	**$981 Million**
GDP Lost from one-day import delay	$45,291,000	
	X 17.5 days =	**$793 Million**
TOTAL GDP LOSSES CAUSED BY DELAY		**$1.77 Billion**

Basic data from the annual World Bank *Doing Business* survey is the foundation for a series of simple calculations to quantify the impacts of the most obvious sources of extra cost and delay. Mongolia ranks 159th out of 183 economies surveyed on the "Trading Across Borders" indicator of the 2012 *Doing Business* survey. Its low rank arises because the number of documents and the time and expense required to export and import are all higher than average.

The analysis focuses on the document preparation phase of the four stages in the export/import process because it is the simplest phase in which to make reforms in the near term. Mongolia requires eight documents and 28 days to export and import in the document preparation phase. France requires only two and other countries just three or four, why does Mongolia require eight?

The calculations assume Mongolia eliminated five documents, each of which takes the same time and expense to prepare, based on averaging the World Bank's total time and cost figures for the document preparation phase. In fact, this simplifying assumption – that each document takes the same time and expense to prepare – is almost certainly incorrect. A time-release study to be undertaken by the Mongolian Customs General Administration (CGA) with support from USAID's Business Plus Initiative project will provide specific time and expense information for each document and procedure. The results will help prioritize reforms and provide a baseline from which the benefits of reform can be calculated more exactly than the simple, order of magnitude calculations herein. They will also identify additional opportunities for reform that can help Mongolia implement a world class trade facilitation regime that will produce far more in additional savings and benefits to business and the economy than those identified herein.

SECTION I: INTRODUCTION

This Working Paper uses data available from the World Bank's annual *Doing Business* survey as the foundation for a series of simple, order of magnitude estimates of the staggering costs of inefficient trade regulation in Mongolia. Exhibit 1, below, summarizes Mongolia's current dismal performance. Using a methodology[1] designed to compare global economies, the World Bank ranks Mongolia 159th out of 183 economies survey on the "Trading Across Borders (TAB)" indicator. The TAB indicator is comprised of six major elements – number of documents, total days, and total cost calculated separately for export and for import. Documents, days, and costs are each weighted equally. Exhibit 1 also shows Mongolia's performance on each of these elements and how the country ranks compared to the other 183 economies surveyed.[2]

Exhibit 1. Mongolia's 2012 performance in "Trading Across Borders"

Indicator	Quantity	Rank
Overall Rank	**--**	**159**
Documents for Export (Tied with 31 economies)	8 documents	127
Total Days to Export	46 days	169
Total Cost to Export	$2,265	161
Documents for Import (Tied with 34 economies)	8 documents	98
Total Days to Import	47 days	164
Total Costs to Export	$2,400	153

The purposes of these computations are to:

- Underscore the urgency of trade facilitation reforms to catalyze economic growth and job creation;
- Assist in identifying priority reforms that can improve trade facilitation and Mongolia's ranking on the "Trading Across Borders" indicator;
- Provide public and private sector stakeholders with powerful arguments for immediate change to supplement longer-term reform projects now underway, including the national Single Electronic Window for trade facilitation and CGA initiatives, including risk management, post-clearance audit, and an authorized economic operator program; and,
- Demonstrate simple tools that reformers can use to quantify the costs of inefficiency to prioritize reforms and build political will for change in other areas where inefficient regulation slows economic growth and job creation.

The estimated costs of inefficient regulation provided below include:

- Excess costs on *each* export and import shipment caused by unnecessary documentation;
- The total annual costs of unnecessary documents on *all* imports and exports;

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[1] Available online at http://www.doingbusiness.org/methodology/trading-across-borders.

[2] Rankings for the major elements of the TAB indicator are available from the *Doing Business* "simulator," an Excel-based spreadsheet that can be used to predict how a specific reform will affect its ranking on the indicator involved and on its overall "Ease of Doing Business" ranking. The simulator is available for download at http://www.doingbusiness.org/~/media/FPDKM/Doing%20Business/Documents/Simulators/DoingBusiness/DB12-Simulator.xls.

- The burdens delay imposes on traders, including opportunity costs from lowered rates of return on their invested capital and reductions in the number of trades they can make with the same amount of capital;
- The lost trade volumes resulting from delays caused by preparing unnecessary documentation;
- The customs revenue lost because of such unnecessary delays; and,
- Losses to GDP caused by such delays.

Although some of the loss calculations are so large as to inspire incredulity, they are in fact quite conservative, as will appear in the discussion of each calculation. The estimates are conservative because so many real costs are not included and because, for this exercise, all of the estimates are based only on a limited piece of the total process of importing and exporting – preparing documents.

SECTION II: OVERVIEW OF MONGOLIA'S TRADING ACROSS BORDERS RANKING

The World Bank's methodology breaks the time (in days) and cost elements of the overall ranking into four discrete stages in the process of importing and exporting. Costs include only official fees, formally levied, and thus are likely to dramatically understate the real costs incurred by businesses for unofficial payments, running costs of idled equipment, personnel costs, loss of value from goods that decline in quality, etc.

Exhibit 2. Breakdown of time and cost by procedure

Export Procedures	Days	Cost
Documents preparation (8)	28	$145
Customs clearance and technical control	2	$60
Ports and terminal handling	2	$130
Inland transportation and handling	14	$1,930
Totals	**46**	**$2,265**
Import Procedures	**Days**	**Cost**
Documents preparation (8)	28	$110
Customs clearance and technical control	4	$60
Ports and terminal handling	2	$130
Inland transportation and handling	13	$2,100
Totals	**47**	**$2,400**

- ***Documents preparation*** was chosen for the purposes of this exercise because reducing the number of documents required is one of the simplest reforms to enact, requiring only political will. The formal costs tabulated by the survey are relatively low -- $145 for export, $110 for import, although, as noted above, actual costs for businesses are likely to be much higher. The time required, however, is very high, with the 28 days required representing half the total of 46 days for export and 47 days for import. As will appear from the estimates on lost trade and reduced GDP, time is by far the most important of the elements.

- Reforms to ***customs clearance and technical control*** can be simultaneously among the easiest and the hardest to make. Often simple logistical chaos that could be easily addressed with little or no cost adds a day or more to this phase, which should in any case not take more than a day for export, now two days, or import, now four days. Reducing this time from a day to hours or minutes, however, can require serious investment in building the capacity of professional customs officers to administer risk management systems, post-clearance audit, and authorized economic operator programs. It should be noted that the formal costs measured by the TAB indicator dramatically understate the true costs incurred by business at this stage and the two remaining, because expensive equipment and personnel are tied up and time-sensitive goods deteriorate while inefficient regulatory processes run their course.

- Reforms to the ***ports and terminal*** phase of trading across borders can be either simple logistical streamlining or require expensive increases in infrastructure capacity. At two days for export and import, this phase takes twice as long as it should. Unfortunately, Mongolia, as a landlocked country has limited control over this phase as well as the next one.

- As a landlocked country, Mongolia has limited control over the ***inland transportation and handling*** phase. The TAB methodology for this phase measures time and costs for transportation between the major port and the major trading center. In Mongolia's case, that would be between Tianjin, PRC and Ulaanbaatar. Among the most effective reforms for landlocked countries for this phase are to harmonize their customs documents and procedures with those of the country hosting the port.

SECTION III: MONGOLIA AND BEST PRACTICE IN DOCUMENTS PREPARATION

Exhibit 3, below, compares Mongolia's performance in the documents preparation phase with ten countries that require among the lowest number of documents. The table uses the number of documents and the total time and total cost required to prepare them to calculate the average time and the average cost for each document. A review of the table suggests that:

- Modern trade regimes don't require eight documents. France only requires two each for export and import, the least of any country. Others require only three or four. *See,* Exhibit 4 for a breakdown of which documents these countries require.
- Mongolia's average time to prepare a trade document – 3.5 days – is significantly higher than for other countries, which range from a low of 0.25 days for both import and export, to France's 1.5 for export and 2.5 for import.
- The average cost (formal fees only) to prepare a trade document in Mongolia – $18.13 for exports, bested only by Korea's $16.67, and $13.75 for imports – is significantly lower than prevailing costs in other countries.

Exhibit 3. Mongolia's performance compared with other top performing countries

Country	TAB Rank	Export Documents					Import Documents				
		# Docs	# Days	Days per Doc	Total Cost	Cost per Doc	# Docs	# Days	Days per Doc	Total Cost	Cost per Doc
Mongolia	159	8	28	3.5	$145	$18.13	8	28	3.5	$110	$13.75
Canada	42	3	3	1.0	$225	$75	4	4	1.0	$185	$46.25
Estonia	3	3	1	0.3	$200	$66.67	4	1	0.3	$200	$50
France	24	2	3	1.5	$51	$25.50	2	5	2.5	$101	$50.50
Georgia	54	4	4	1.0	$255	$63.75	4	8	2.0	$255	$63.75
Hong Kong	2	4	1	0.25	$90	$22.50	4	2	0.5	$100	$25
Japan	16	3	4	1.3	$80	$26.67	5	5	1.0	110	$22
Korea, Rep.	4	3	2	0.7	$50	$16.67	3	2	0.7	$65	$21.67
Panama	11	3	4	1.3	$150	$50	4	6	1.5	150	$37.50
Sweden	8	3	2	0.7	$100	$33.33	3	2	0.7	$130	$43.33
Singapore	1	4	1	0.25	$116	$29	4	1	0.25	$99	$24.75

It is unlikely that each document takes the same amount of time to prepare. A time release study now in the planning stages by the Customs General Administration (CGA) will help eliminate the need for averaging, allowing reformers to identify which document from which agency requires how long and at what cost. It is clear that at least part of the unusual length of time required is due to lack of coordination among agencies. In addition, Mongolia's regulatory system violates a key principle of regulatory efficiency first promulgated by Vakhtang Lejava, Chief Advisor to the Prime Minister of Georgia and one of the architects of that country's reforms. Mr. Lejava posits that "Government should never ask a citizen or business for information it already has." Mongolia violates this principle repeatedly by requiring traders to convey government information to government agencies. For example, traders are required to present paper copies of their state certificate of business registration up to six times for one shipment.

SECTION IV: CALCULATING COSTS OF UNNECESSARY DOCUMENTATION

A. Comparison of country documentation requirements

Reducing the number of documents required to import and export from Mongolia to the bare minimum would require a government-wide commitment, because several different agencies are involved. Exhibit 4, showing the documents required by Mongolia and those of ten other countries with minimal document requirements, suggests that only two documents appear to be essential in all countries – Bill of Lading and the Customs Declaration.

Exhibit 4. Examples of documents other countries use

(E-export, I-import)			Bill of Lading	Customs Declaration	Commercial Invoice	Certificate of Origin	Insurance Certificate	Packing List	Technical Standard Health Certificate	Transit Document Chinese Customs	Terminal Handling Receipts	Collection Order
Country	**No. Exp Docs**	**No. Imp Docs**										
Mongolia	8	8	E/I	E/I	E/I	E/I	E/I	E/I	E/I	E/I		
Canada	3	4	E/I	E/I	E/I	I						
Estonia	3	4	E/I	E/I	E/I							I
France	2	2	E/I	E/I								
Georgia	4	4	E/I	E/I	E/I	E/I						
Hong Kong	4	4	E/I	E/I	E/I			E/I				
Japan	3	5	E/I	E/I	E/I			I			I	
Korea, Rep.	3	3	E/I	E/I				E			I	
Panama	3	4	E/I	E/I	E/I			I				
Sweden	3	3	E/I	E/I	E/I							
Singapore	4	4	E/I	E/I	E/I			E/I				

The TAB methodology is based on the assumption that the product being imported or exported is somewhat generic:[3]

- Is not hazardous nor does it include military items.
- Does not require refrigeration or any other special environment.
- Does not require any special phytosanitary or environmental safety standards other than accepted international standards.

Products that are hazardous, military, etc., would of course require additional documentation. However, as Exhibit 4 demonstrates, products without special risks can be processed with a minimum of documentation. Mongolia errs by requiring all documents all the time, without regard to whether the characteristics of a particular product make it necessary.

B. Savings per shipment

Assuming the Mongolian Government reduced the total number of documents to three and using average time and cost figures, the following savings in official fees would result for each export and import transaction:

[3] The TAB methodology is available at http://www.doingbusiness.org/methodology/trading-across-borders.

Export: 5 documents eliminated X $18.13 per document = **$90.65 per shipment.**
Import: 5 documents eliminated X $13.75 per document = **$68.75 per shipment.**

These costs include only official fees. Actually savings to businesses are likely to be several times higher, for the reasons noted above.

C. Annual savings for all shipments

Multiplying the number of savings per shipment times the number of shipments in a year produces the annual cost savings from eliminating five documents. Using CGA statistics on total import and export shipments in 2011 produces the following results:

Export: $90.65 per shipment X 64,630 shipments in 2011 **= $5,858,710 annually.**
Import: $68.75 per shipment X 200,936 shipments in 2011 **= $13,814,350 annually.**

Total savings for imports and exports would be **$19,673,060 annually.**

D. Trader deals per year lost

The first two calculations focused on the monetary savings from eliminating unnecessary documents. The last two calculations will estimate the growth in trade volumes and Gross Domestic Product (GDP) that would be produced by reducing the time required to trade across borders. The calculations that follow are designed to provide an understanding of how reducing time can increase trade volumes and GDP by examining how time affects the efficient use of private sector capital tied up in trade.

The World Bank's TAB methodology measures time from the date two contracting parties reach agreement until the goods are delivered to the buyer. Once an agreement is reached, the parties' capital is frozen until the transaction is finished. The buyer's funds required to purchase the goods can't be used for other purposes without risk that funds won't be available to pay when the goods are delivered. The seller's capital in producing or acquiring the goods is tied up until the buyer makes payment. The longer it takes for each transaction, the fewer transactions buyers and sellers can undertake.

Consider a simple example of a Mongolian business that has $100,000 in business capital. If it takes 46 days to complete an export transaction as it now does in Mongolia, then the business can, at most, only complete 7.9 transactions a year (365 days a year divided by 46 days per export transaction = 7.9 transactions a year). A Georgian businessman with the same amount of capital can engage in 36.5 transactions a year because the total time to export is only 10 days. Georgian businesses will grow faster and be more profitable than Mongolian businesses. They will also be more stable, less prone to risk, and more able to borrow money than Mongolian businesses because one failed transaction has less overall impact on the health of the business.

By eliminating 17.5 days, Mongolia could help its businesses become more stable and grow faster. The calculations are as follows:

Export now - 46 days per year	(365/46) =	7.9
Export minus 17.5 days	(365/28.5) =	12.8
Import now - 47 days per year	(365/47) =	7.8
Import minus 17.5 days	(365/29.5) =	12.4

Thus eliminating 17.5 days increases the number of transactions per year that a Mongolian business can engage in from 7.9 to 12.8 for export and from 7.8 to 12.4 for import, an increase of more than 60 percent in each case.

E. Reduced return on invested capital

Another, way to understand how delay costs money is to look at the lost opportunity costs arising from wasted time. Capital – money – is an asset that can be put to productive use to earn returns that help it grow. Money is not cheap in Mongolia today. The CIA World Factbook estimates that the commercial prime rate – the rate commercial banks charge their best and strongest customers – was 13.2 percent as of December 2011.[4] Consultations with Mongolian specialists suggest this rate is low and not widely available. In any event, a business must earn more than its capital costs in order to grow and prosper. Accordingly, the calculations that follow assume that the annual cost of capital is 15 percent per year. Dividing 15 percent by 365 days gives us a daily rate of 0.04%. We can estimate the cost to Mongolian businesses that arise from an extra 17.5 days to import and export:

Export: 17.5 days X 0.04% per day X $4.8 billion total 2011 exports = **$33.6 million**
Import: 17.5 days X 0.04% per day X $6.6 billion total 2011 imports **= $46.2 million**

Thus, the lost opportunity costs suffered by Mongolian businesses as a result of the 17.5 day delay caused by requiring five unnecessary documents total **$79.8 million a year**.

F. Lost trade volumes and customs revenues caused by delay

Delay not only imposes measurable costs on business, it also suppresses trade growth, reducing state revenues and preventing a country and its citizens from being as prosperous as they otherwise would be. The "Trading Across Borders" indicator is based on a rigorous statistical analysis that measures the impact of each day of delay on trade volumes. The study, "Trading on Time," found that "on average each additional day of delay reduces trade by at least one percent," [5] and is equivalent to a country distancing itself from its neighbors by about 70 km.[6] Applying these findings to Mongolia we can estimate the following impacts caused by requiring an extra 17.5 days in the document preparation process:

- 47 days to export X 70 km per day is equivalent to being 3,290 km away from neighbors.
  Eliminating 17.5 days X 70 km per day is equivalent to bringing Mongolia 1,225 km closer to its neighbors.

  Export: 17.5 days X 1% per day X $4.8 billion total 2011 exports = **$840million**
  Import: 17.5 days X 1% per day X $6.6 billion total 2011 imports = **$1.16 billion**

Thus, 17.5 days of unnecessary delay has the effect of moving Mongolia 1,225 km away from its neighbors and suppressing trade by **$2 billion a year**. CGA collected about 13.3% of the value of $6.6 billion 2011 imports in revenues for the state budget. The same 13.3 percentage applied to a $1.16 billion increase in imports would generate about **$154 million** in additional revenues for the state budget. (Revenues collected by CGA on exports are miniscule.)

[4] Available at https://www.cia.gov/library/publications/the-world-factbook/geos/mg.html.
[5] S. Djankov, et al, Trading on Time, *Review of Economics and Statistics, Nov 2008, 17, available at http://www.doingbusiness.org/~/media/FPDKM/Doing%20Business/Documents/Methodology/Supporting-Papers/DB-Methodology-Trading-On-Time.pdf.*
[6] *Id.*, at 1.

Exhibit 5. Estimated GDP reduction for Mongolia based on other landlocked countries

Country	TAB Rank	Export Days	Import Days	2011 GDP (PPP) (Bln $)	Export		Import	
					Avg 1-Day Impact (Mln $)	Avg % 1-Day Impact	Avg 1-Day Impact (Mln $)	Avg % 1-Day Impact
Afghanistan	179	74	77	29.99	152.099	0.51%	N/A	N/A
Azerbaijan	170	38	42	93.02	474.402	0.51%	213.946	0.23%
Kazakhstan	176	76	62	216.4	1103.640	0.51%	497.720	0.23%
Kyrgyzstan	171	63	72	13.1	60.260	0.46%	53.710	0.41%
Tajikistan	177	82	83	16.01	40.860	0.26%	121.268	0.76%
Turkmenistan	N/A	71	92	41.51	273.445	0.66%	163.052	0.39%
Uzbekistan	183	71	92	94.04	50.742	0.05%	24.473	0.03%
AVERAGE						0.42%		0.34%
Mongolia	**159**	**46**	**47**	**13.28**	**56.062**	**0.42%**	**45.291**	**0.34%**

G. Reduced GDP

Gross domestic product (GDP) measures the total market value of all goods and services produced within a country in a specified period of time. USAID's TCBoost project, a global program designed to support developing countries in harnessing the power of trade to promote growth, has developed a very useful online calculator[7] that estimates the impact on an economy's GDP of reducing the number of days required to import or export. Although very simple to use, the calculator is based on sophisticated econometrics and statistical modeling that incorporate a great deal of country-specific data. The underlying model treats days of delay as costs that are equivalent to introducing higher duties on all imports, which then provides a basis for projections about GDP impacts. Unfortunately, Mongolia is not one of the countries included in the calculator's data set.

Bruce Bolnick, Chief Economist for Nathan Associates Inc., which implements the TCBoost project, suggested an approach to using the calculator to estimate the impact on Mongolia's GDP of reducing the time required to export and import.

> (a) Run the calculator for a set of countries that are not outrageously irrelevant to Mongolia; (b) tabulate a range of impact estimates from these countries (as percentages of GDP); produce a hypothetical calculation for Mongolia using mid-range estimates derived from these Calculator results; and present your results forthrightly as an illustrative estimate of the impact.

Exhibit 5, above, applies the approach recommended by Dr. Bolnick. Seven landlocked countries were selected that are in the same general region as Mongolia and are included in the calculator's data set. For each country, the calculator generated a range from low to high of the estimated impact on GDP of reducing time to import and export by one day. The average one-day impacts in millions of dollars, shown in the table, represent the midpoint in the range for each country. The average one-day percentage impact for each country was obtained by dividing each country's average one-day impact by its total GDP. The one-day percentages of the seven countries were then averaged. The resulting average of average one day percentage impacts for the seven countries – 0.42% for export and 0.34% for imports – was than multiplied by Mongolia's GDP to produce estimates of the impact on Mongolia's GDP of reducing time to import and export by one day. While the results are illustrative, they are consistent with results for countries that are included in the calculator data set and help to underscore the staggering cost of inefficient trade regulation:

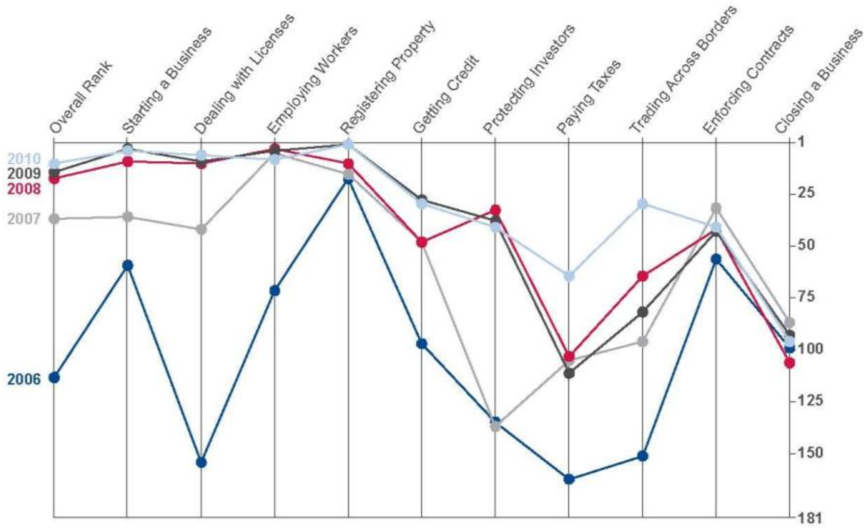
[7] The TCBoost online impact calculator is available at http://www.tcboostproject.com/resources/tools/impactcalculator.php.

Export: $56.062 million per day X 17.5 days = $981.085 million a year
Import: $45.291 million per day X 17.5 days = $792.593 million a year

Thus, if Mongolia were to reduce the time it takes to import and export by 17.5 days, GDP (PPP) would increase on the order of magnitude of **$1.774 billion a year**.

SECTION V: CONCLUSION

Nation-building is hard work. In many ways, Mongolia has responded faster than other countries in moving from a socialist to a market-oriented economy. Indeed, a recent posting by the Mongolia Briefing website[8] is headlined, “Mongolia Outranks China and Russia in World Bank’s ‘Doing Business 2012’ Report.”[9] The article notes that Mongolia’s ranking on the overall “Ease of Doing Business” indicator is 86th of 183 countries surveyed, ahead of both China at 91st and Russia at 120th. Mongolia does well on several indicators, including “Registering Property” – 26th, “Protecting Investors” – 29th, “Enforcing Contracts” – 33rd, and “Paying Taxes” – 57th. On “Trading Across Borders,” however, Mongolia ranks a lowly 159th.



Applying the TCBoost online calculator to the experience of Georgia suggests that all indicators are not equal and that “Trading Across Borders” is significantly more important for economic growth than any of the other indicators. The graphic at right charts Georgia’s remarkable progress on improving its rankings from *Doing Business* 2006 through 2010. Significant improvements were made on nine of the 10 indicators.

However, when we use the TCBoost calculator to predict Georgia’s GDP increase from its starting base, entering the reductions it actually made in days required to import and export and compare the predictions with its actual GDP, we find most of the increase in GDP was explained by improving its “Trading Across Borders” ranking.

- National Bank of Georgia statistics[10] report that GDP in current prices was $6.411 billion in 2005 and $10.787 in 2009, a four-year increase of $4.376 billion.
- Time to export as measured on DB “Trading across Borders” went from 54 days on DB 2006 (which reflects the situation in 2005) to 12 days on DB 2010, a reduction of 42 days.
- Time to import went from 52 days on DB 2006 to 14 days on DB 2010, a reduction of 38 days.

When starting GDP of $6.411 billion (in current prices) and time reductions of 42 days to export and 38 days to import are plugged into the calculator, it predicts GDP increases in the following ranges, shown in millions of dollars:

[8] The Mongolian Briefing website address is http://mongolia-briefing.com/.
[9] The article is available at http://mongolia-briefing.com/news/2012/04/mongolia-outranks-china-and-russia-in-world-bank%E2%80%99s-%E2%80%98doing-business-2012%E2%80%99-report.html.
[10] Available at http://geostat.ge/index.php?action=page&p_id=119&lang=eng.

Export: 944.509 to 1,748.111
Import: 1,494.643 to 2,257.674

Total: $2,439.152 to $4,005.785

Average: $3,222.469

Given the actual increase of $4,376 billion in GDP, in the context of all the different kinds of business enabling environment initiatives Georgia carried out, it appears that trade facilitation reforms were, at least in Georgia, by far the most important reforms undertaken, producing the most important impacts. Its current low 159 ranking on "Trading Across Borders" provides Mongolia with numerous opportunities to reduce its inefficient trade regulation. None are easier or can be enacted more rapidly, given political will, than reducing the number of the number of documents required.

In addition to the savings and increases in trade volumes and GDP calculated above, Mongolia's TAB ranking would increase by more than 40 places, from 159th to 117th, by eliminating five documents, reducing document preparation costs by $90.65 for export and $68.75 import and reducing the time to import and export by 17.5 days each, assuming no other countries made similar changes. Such an increase in Mongolia's TAB ranking would move Mongolia up from 86 to 72 on the overall "Ease of Doing Business" ranking of the World Bank survey. Foreign investors do pay attention to international indices like *Doing Business.* As Mongolia's rankings improve, foreign direct investment will begin to increase.