

DEVELOPMENT CO-OPERATION DIRECTORATE
DEVELOPMENT ASSISTANCE COMMITTEE

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OECD/DAC PROJECT ON TRADE FACILITATION:
REVIEW OF TECHNICAL ASSISTANCE AND CAPACITY BUILDING INITIATIVES

EXECUTIVE SUMMARY AND NEXT STEPS

DAC meeting, 14 February 2006
Working Party of the Trade Committee meeting, 30-31 March 2006

This document takes account of comments provided by an informal steering group and the DAC on 14 February 2006. Changes have been made in paras. 12, 13, 40, 48,49 and 51. The revised document is circulated for INFORMATION to the Working Party of the Trade Committee, under item 9b of the 30-31 March 2006 agenda [TD/TC/WP/A(2006)2].

The full Review is circulated as a separate document [DCD/DAC(2006)7/PART2/REV1]. Findings and main messages will be further refined in Phase 2 of this project.

The DAC Project on Trade Facilitation complements Trade Committee work on trade facilitation [COM/DCD/TD(2005)1/FINAL].

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TABLE OF CONTENTS

I.	PHASE 1 OF THE DAC PROJECT ON TRADE FACILITATION: EXECUTIVE SUMMARY ...	3
1.	Introduction	3
2.	Main findings	4
	Key trends in technical assistance and capacity building for trade facilitation	4
	Key lessons learned from past experience.....	6
3.	Conclusions and implications.....	10
II.	PHASE 2 OF THE DAC PROJECT ON TRADE FACILITATION.....	12
1.	Introduction	12
2.	Rationale of the project	12
3.	Phase 2 of the project	13
4.	Organisation of the work.....	14

**I. PHASE 1 OF THE DAC PROJECT ON TRADE FACILITATION:
EXECUTIVE SUMMARY OF THE REVIEW OF TECHNICAL ASSISTANCE AND CAPACITY
BUILDING INITIATIVES FOR TRADE FACILITATION**

1. Introduction

1. The 2001 World Trade Organization (WTO) Doha Ministerial Conference launched a new round of multilateral trade negotiations that, for the first time, has development issues at the core of its agenda. At Doha and in the modalities for negotiations adopted on 1 August 2004 (*i.e.* the “July Package”) Members recognised that multilateral rules in the area of trade facilitation are important to make the process of trading smoother and simpler and strengthen the participation of developing countries in the global economy. Subsequently, the 2005 Hong Kong Ministerial Declaration highlighted that “good progress” has been made in the negotiations and emphasised the “vital importance” of technical assistance and capacity building for developing and implementing a set of multilateral trade facilitation commitments.

2. Trade facilitation can have a significant impact on economic development and poverty reduction. Studies by the OECD Trade Committee show that the benefits of trade facilitation reforms are multiple and occur on different fronts and for different stakeholders (*i.e.* government, private sector and consumers). More efficient international trade procedures and customs operations can significantly reduce trade transaction costs, which results in increased volumes of trade and welfare gains, particularly for developing countries. They can also increase competitiveness and the attractiveness for foreign investors, enhance revenue collection and help prevent corruption and smuggling. Hence, committing resources to support such reforms is a sound and cost-effective investment that can have multiplier effects for development.

3. This *Review of Technical Assistance and Capacity Building Initiatives for Trade Facilitation* (“Review”) constitutes phase 1 of the DAC project on trade facilitation. It aims to contribute to current WTO negotiations on trade facilitation, which recognise that the adoption of multilateral rules on trade facilitation and implementation of some reforms requires technical assistance and capacity building. The review provides an overview of past technical assistance and capacity building for trade facilitation and highlights ways to enhance aid effectiveness based on past experiences. Key findings and messages will be further refined through additional research in Phase 2 of this project (see section II below), resulting in recommendations for donors and partner countries for strengthening trade facilitation capacities.

4. The Review includes a quantitative overview of technical assistance and capacity building for trade facilitation committed between 2001 and 2004, as well as an overview of the broader aid context in which such assistance is provided, based on the WTO/OECD Trade Capacity Building Database and OECD Creditor Reporting System. In addition, it contains a qualitative review of four country and four regional case studies and a summary of key lessons emerging from those cases as well as from existing good practices.

5. The Review is based on the definition of trade facilitation that is used in the WTO/OECD Trade Capacity Building Database. The latter defines technical assistance and capacity building for trade facilitation as support for the “simplification and harmonisation of international trade procedures. Trade procedures include the activities, practices and formalities involved in collecting, presenting, communicating and processing data and other information required for the movement of goods in international trade.” While the core principles underlying of this definition correspond to the relevant 1994 GATT articles, the scope of the definition is somewhat broader than the articles that are to be clarified in the negotiations. The definition, nevertheless, excludes support for infrastructure development and assistance for other related (border) activities. An overview of such support, *e.g.* assistance for transport and storage and support for compliance with Sanitary and Phytosanitary Standards (SPS) and Technical Barriers to Trade (TBT) is, however, provided in the Review.

6. The main findings of the Review are summarised below.

2. Main findings

Key trends in technical assistance and capacity building for trade facilitation

The volume of support for trade facilitation is significant and rapidly increasing ...

7. Since the 2001 WTO Doha Ministerial Conference, technical assistance and capacity building (TA/CB) for trade facilitation provided to developing and transition countries rose by 225% -- from USD 101 million in 2001 to USD 328 million in 2004. The share of such assistance to total assistance aimed at helping countries reform and prepare for closer integration in the multilateral trading system amounted in 2004 to 40%, as compared to 16% in 2001.

... and is only a fraction of support to areas closely related to trade facilitation.

8. Support for trade facilitation reform is closely linked to other types of support and often delivered as a component of broader development assistance programmes aimed at improving the business environment, developing infrastructure facilities or supporting regional integration (e.g. customs unions). This is particularly true for larger donors such as the European Commission, the World Bank and the US. Hence, it is essential to take account of those other activities. For example, in 2004 donor support for enhanced compliance with Sanitary and Phytosanitary Standards (SPS) and Technical Barriers to Trade (TBT) amounted to USD 66 million; assistance for improving business services for exporting firms to USD 389 million and support for regional trade agreements reached USD 95 million. More generally, trade related aid --which includes the above donor support as well as TA/CB for trade facilitation- amounted in 2004 to approximately USD 3 billion. In addition, donors have heavily supported infrastructure development. In 2004, such assistance reached USD 15 billion, almost half of which was dedicated to support for transport and storage, which is essential to facilitate trade.

Lower Middle Income Countries have been the main beneficiaries...

9. Over the 2001-04 period, Lower Middle Income Countries received more TA/CB for trade facilitation (39% of total commitments) than Least Developed Countries (LDCs) and Other Low Income Countries (OLICs, together 32%). Egypt received approximately 10% of TA/CB for trade facilitation reform and the top 15 most important recipients --which include countries that are not yet WTO Members (e.g. Bosnia and Herzegovina and Serbia and Montenegro) received 65% of total support.

...while Low Income Countries received the bulk of transport and storage support.

10. In contrast, low income countries, i.e. LDCs and OLICs, benefited in 2001-04 from 65% of total funding for transport and storage support. The main recipients were populous Asian countries such as India, China and Indonesia.

The EC, World Bank and US are the main donors supporting trade facilitation.

11. The top three donors providing TA/CB for trade facilitation are the European Commission (54% of the total volume during the 2001-04 period), the World Bank (22%) and the United States (10%). Together, these three donors provided 86% of the total funding.

The EC provides considerable assistance to its neighbouring countries while also running a broad range of national and regional programmes in the rest of the world.

12. The European Commission (EC) has targeted considerable TA/CB for trade facilitation to Central and Eastern European Countries, Newly Independent States and Southern European countries. These countries have either joined the EU in 2004 or are engaged in accession talks or association agreements with the EU. Hence they have benefited from relatively large TA/CB programmes, involving physical support for trade facilitation (e.g. assistance for customs buildings and border crossing posts), often delivered as part of broader assistance programmes in the context of the EU enlargement and neighbourhood policy. The EC also runs many TA/CB programmes with its developing country partners around the world.

The World Bank and the US have a geographically diversified portfolio of assistance.

13. The US has a diversified TA/CB portfolio, with 44% of total funding for trade facilitation going to Asia, 27% to Africa, mainly Egypt and Sub-Saharan Africa, 15% to Europe (i.e. Central and Eastern European Countries, Newly Independent States and South European countries) and 11% to North and Central America. Similarly, the World Bank targeted 38% of its TA/CB funding on activities in Africa, 37% to Asia and 23% to North and Central America (mostly the Caribbean and Central America).

Regional programmes are important delivery mechanisms for major donors...

14. Major donors, such as the EC, the World Bank, the US and the UK have extensively used regional programmes to deliver TA/CB for trade facilitation. Such programmes are considered as important means to support the implementation of regional corridor transit agreements (e.g. Trans Kalahari and Maputo Corridors) and trade facilitation reforms undertaken by members of regional trading arrangements, such as the Common Market for Eastern and Southern Africa or the Central American Free Trade Agreement. In addition, regional programmes can facilitate cross-country learning and experience-sharing, as is illustrated by the Asian Development Bank's Regional Trade Facilitation and Customs Co-operation Programme in Central Asia.

...while smaller donors often essentially channel their assistance through global programmes.

15. Bilateral donors and multilateral agencies have also supported global programmes implemented by multilateral agencies, mainly UNCTAD, but also the International Trade Centre (ITC), the World Customs Organisation (WCO) and the UN Economic and Social Commission for Asia and the Pacific (ESCAP). In fact, for relatively smaller donors, such as Sweden, Norway, the Netherlands and UNDP, global programmes have been the main delivery channel.

Generally, support for trade facilitation is focused on building longer-term capacity...

16. Bilateral, regional and global programmes of major donors often take the form of multi-year programmes that include a wide range of interventions targeted at supporting numerous issues related to trade facilitation, e.g. institutional and legal reform; human resource training; customs management reforms, co-operation between border agencies etc. Such programmes are often more successful at building longer-term in-country capacities than shorter term technical assistance. These programmes, together with support targeted exclusively at institution building or legislative and regulatory reforms represented 58% of the total volume of TA/CB for trade facilitation in the 2001-04 period.

...although short-term support is also provided.

17. Other donors such as Japan, Canada, the WTO and the WCO, have mainly provided technical assistance in the form of short-term training, provision of experts and needs assessment studies.

Key lessons learned from past experience

Needs assessments are crucial ...

18. A first essential step in TA/CB for trade facilitation is the assessment of trade facilitation capacity gaps, needs and priorities of the partner country. The diagnosis should be thorough and examine individual customs administrations' operating environments, institutional competencies and resource availabilities, as well as the overall legal and institutional framework that regulates international trade in the country. It should also take account of the partner's national development objectives and regional and international commitments and good practices. The results of the diagnosis should guide the design of reforms and subsequent TA/CB, helping select appropriate types of interventions, with realistic timelines, sequencing, costing and performance targets.

...and should be supported by donors and the use of existing tools.

19. Needs assessments are best undertaken by the partner country, but donors could provide support for this phase. This was, for example, the case in Cambodia, where the World Bank, the EC, the IMF and the Australian Government Agency for Overseas Aid (AusAid) provided support for needs assessment and advice about suitable reform measures. Existing diagnostic tools and instruments, such as the World Customs Organisation's Diagnostic Framework and Self-Assessment Checklist, the World Bank's Trade and Transport Facilitation Audit and the Integrated Framework Diagnostic Trade Integration Study, can help identify main constraints and capacity gaps.

High-level political commitment and leadership must be sustained throughout the entire project.

20. Success of reform and donor support for it is highly dependent on political will for reform, and commitment and support at the highest political and bureaucratic levels throughout the *entire* project cycle. A case in point is Mozambique's customs reform experience, where the Government brought in external contractors to fundamentally break entrenched inefficiencies in its customs authority, and allocated important financial resources to the reforms.

21. Equally important is the leadership role of the recipient country in the trade facilitation reform process. This is well illustrated by Cambodia's experience, where the Royal Government of Cambodia, led by the Ministry of Commerce, took the lead in designing overall trade reforms, which also include a Twelve-Point Reform Programme in Trade Facilitation.

Donors need to align around local strategies to ensure ownership.

22. Donors need to adapt to differing country situations. Some of the donor interventions reviewed showed that effectiveness depended crucially on aligning project or programme objectives with the beneficiary country's trade facilitation priorities and reform strategies. Donors have found that their interventions must also fit within the partner country's wider reforms, national policies and procedures and must be suited to the country's socio-economic, cultural and political conditions. Experience also shows that national, rather than regional programmes often foster greater commitment and ownership.

Yet this is particularly challenging when regional approaches are required.

23. Yet some issues, such as harmonised statistics systems, transport and logistics standards, common security procedures, border crossing posts and the development of regional networks of experts, require an inherently regional approach to co-ordination. In the case studies reviewed, two approaches -- bottom-up and top-down -- have been adopted to address this challenge.

This challenge can be addressed through a bottom-up approach

24. Two examples of the bottom-up approach are the EC's Community Assistance for Reconstruction, Development, and Stabilisation (CARDS) Programme in Southern Europe and its COMESA Regional Harmonisation of Customs and Trade Statistics Systems Project. In these interventions, most funding is allocated to *national* strategies, yet resources are also earmarked for a regional co-ordinating mechanism dealing with specific regional or trans-border issues.

...or a top down approach.

25. An example of the top-down approach is the Asian Development Bank's Regional Trade Facilitation and Customs Co-operation Programme in Central Asia. For this programme, support for projects is guided by a *regional* committee, which involves national heads of government administrations. The committee endorses a common regional action plan and work programmes, through which activities at the national level become embedded in the wider regional economic context. This approach, which includes more fully regional dimensions in individual country activities is particularly suited for landlocked countries where transit corridors and customs arrangements require a high degree of regional co-ordination.

Broad-based stakeholder involvement is necessary to ensure relevance and sustainability.

26. To enhance ownership and sustainability of the reform process, donors should help ensure that relevant public and private sector stakeholders -- e.g. business community representatives, transport and trade service providers, government officials (involved in trade, industry, revenue enhancement, finance and planning) and customs personnel – are involved in *all* phases of the project cycle (e.g. needs assessment, prioritisation, design, implementation, monitoring and evaluation). This can be achieved by leveraging public-private working groups or steering committees that often already operate in the partner country. In Cambodia for example, trade facilitation reforms and donor support for the latter developed from the pre-existing dialogue in the Government-Private Sector Forum and were fostered by the Private Sector Development Steering Committee, which monitors Cambodia’s Private Sector Development Strategy.

Private sector involvement is essential...

27. As trade facilitation reforms can bring substantive efficiency gains to the private sector, the latter often has an interest in carrying out, sustaining and even financing elements of the reform package. For example, the Pakistan Shippers Council partly funded the World Bank Pakistan Trade and Transport Facilitation Project, which seeks to modernise and simplify trade and transport procedures and practices.

...and can be achieved through public-private partnerships.

28. Donors can support broad-based involvement, by encouraging public-private partnerships for trade facilitation reform. This was, for example, the case in the World Bank Pakistan Project as well as in the USAID FASTrade Project in Central America, where assistance was provided to national and regional public-private “pro-committees”.

Donor co-ordination should be further encouraged...

29. Donors should take account of ongoing reform efforts and consult and co-ordinate with other donors and organisations active in the field, in order to avoid duplication, increase synergies between their interventions and facilitate a more integrated approach to TA/CB for trade facilitation. The EC CARDS Integrated Border Management Project in Southern Europe, for example, was co-ordinated with and complemented by the World Bank Transport and Trade Facilitation Project in Southeast Europe. In Pakistan, the World Bank and Asian Development Bank co-ordinated their support for customs modernisation to avoid duplication.

...as should be collaboration, delegation and...

30. In addition, donor collaboration and delegation are important to ensure support is based on donor expertise and experience and makes best use of the relatively limited availability of trade facilitation experts and sub-contractors. Some smaller donors exclusively support multilateral organisations, such as UNCTAD, while other donors closely collaborate with UNCTAD for interventions that require automation (e.g. the EC COMESA Regional Harmonisation of Customs and Trade Statistics Systems Project or the World Bank Trade Facilitation and Competitiveness Project in Cambodia).

... harmonisation

31. Ideally, donors should undertake or fund trade facilitation reform in the framework of a comprehensive, joint donor strategy (e.g. by adopting a programme-based approach), as this can lead to significant cost efficiencies, further encourage an effective division of labour and enhance donors' collective impact. Such a joint approach is facilitated when the partner country has adopted a national reform strategy, as has been the case in Cambodia and Mozambique. Those two cases also highlight the positive role of the *Integrated Framework for Trade Related Technical Assistance* has played in facilitating donor co-ordination.

A holistic approach, with adequately sequenced interventions, is needed to build capacity...

32. A comprehensive and co-ordinated donor strategy or programme-based approach is essential for supporting broad and long-lasting national reform programmes and for strengthening sustainable in-country capacities. The different programme components or donor interventions should be sequenced in such a way as to take account of the coherence and the linkages between different trade facilitation measures. Some trade facilitation measures cannot be implemented in isolation of other measures. The US Customs E-Payment Project in Jamaica, for example, shows that a technology-intensive project can only be effective if existing business processes, incentive structures within customs administrations and telecom infrastructure are also changed. This implies the need to define appropriate timelines for implementation of different components of reform and donor programmes.

... and requires sustainable and predictable funding.

33. Integrated approaches require long-term and predictable levels of engagement and funding. This point is well illustrated by Mozambique's reform experience, which included a total overhaul of the customs management strategy and staffing practices and thus required a long engagement (1997-2005) and substantive financial support. Sustainability of TA/CB and strengthening of in-country capacities can indeed be encouraged by providing follow up support, putting greater emphasis on skills development of direct relevance to the job and strengthening local institutions, such as customs administrations, through human resources reform and the set up of local training facilities (e.g. Mozambique's Customs Training Unit).

Monitoring and evaluation should be undertaken collectively...

34. Donor interventions, like national reforms, need to be monitored, evaluated and audited to measure and assess effectiveness *during* and *after* completion. This should enable adjustment of ongoing interventions and take account of the relative successes and failures in future programming. Monitoring and evaluation is a collaborative process that should involve both donors and beneficiary countries, for example, through a steering committee.

... based on adequate performance indicators...

35. Specific performance indicators and targets that are regularly monitored throughout the project cycle should be defined, taking account of the scope and objectives of the project. The most commonly used indicators include border or customs release time; the number of documents required for clearance of goods; the share of goods undergoing physical inspection; the volume of collected duties and taxes and perceptions regarding the occurrence of corruption. The World Bank and WCO have designed performance indicators and monitoring tools (e.g. time release study, logistics indicators, measurement of costs, business surveys, etc.) which could be used by other donors and agencies. In addition, it is essential to benchmark reforms and TA/CB interventions against internationally agreed standards and rules (e.g. WCO revised Kyoto Convention and principles underlying the GATT articles V, VIII and X).

... to enhance effectiveness and ownership.

36. Cambodia's experience provides a good example of collaborative monitoring between national authorities and donors, guided by clear quantitative and qualitative objectives and a formal Performance Monitoring System. This recently developed system will provide periodic performance data to enable the measurement, evaluation and improvement of project reform measures and help build trust and confidence in the reform process.

3. Conclusions and implications

37. While this Review illustrates how, in many instances, core aid effectiveness principles – e.g. partner country ownership and leadership, donor alignment, donor harmonisation, capacity development, results-based management and mutual accountability- have been operationalised in the field, it also highlights the need for further improvement in a number of areas.

38. *First*, Least Developed Countries might benefit from higher levels of TA/CB for trade facilitation if they determine, at the *country level*, that trade facilitation reforms are an important development priority and integrate these reforms within national development strategies and Poverty Reduction Strategy Papers (PRSP), since donors usually pledge funding and align their programming around these strategies. A recent evaluation of the Integrated Framework by the World Bank found that while the Integrated Framework's Diagnostic Trade Integration Studies identified many investments and capacity building needs, these often remained unfunded due to the slow mainstreaming of trade priorities in Poverty Reduction Strategy Papers.

39. Recent proposals to increase funding levels for the Integrated Framework with the aim of further strengthening institutional structures in partner countries should improve mainstreaming of trade facilitation priorities into national development strategies. In the meantime, it is essential to improve communication and co-ordination between Geneva-based trade representatives, country-based trade and

customs officials and experts, private sector stakeholders and officials within the Ministry of Finance or Planning, who are in charge of the broader development or poverty reduction strategy. This will help avoid discrepancies between needs voiced at the WTO level and priorities presented to donors at the country level. Donors have also a responsibility in better adapting their country programmes to support trade facilitation “awareness-raising”, needs assessments, national reform programmes and public-private partnerships for the latter.

40. Cross-country trade facilitation needs– which require regional approaches to TA/CB and which are often *not* reflected in national development strategies-- could be addressed by leveraging on existing regional institutions (e.g. regional banks and inter-governmental organisations that finance and deliver TA/CB) or through the creation of a separate Integrated Framework funding window for regional or cross-country capacity needs.

41. *Second*, in most TA/CB programmes, the emphasis of donors and multilateral institutions tends to be on developing the capacities of public sector institutions and officials. Private sector representatives would, however, also benefit from trade facilitation related assistance and capacity development. Important areas of trade facilitation, such as customs procedures and standards implementation, indeed require their active understanding and participation. Donors might thus consider designing specific interventions (within broader trade facilitation programmes) targeted at firms or increasingly delivering TA/CB for trade facilitation in the framework of broader private sector development programmes.

42. *Finally*, in order to further enhance donor complementarity and aid effectiveness (and also address the problem of low availability of customs sub-contractors), further donor delegation and co-ordination should be encouraged, particularly with organisations that have a high level of expertise in this field, e.g. the WCO, the World Bank or UNCTAD.

II. PHASE 2 OF THE DAC PROJECT ON TRADE FACILITATION

1. Introduction

43. This note provides more detailed Terms of Reference for Phase 2 of the DAC project on trade facilitation. It is based on the original Terms of Reference for the project [DCD/DAC(2005)26] that were endorsed by the DAC on 22 June 2005.

2. Rationale of the project

44. The DAC project on trade facilitation aims to strengthen the design, delivery and evaluation of development assistance directed at supporting trade facilitation reforms in developing countries, in ways that are consistent with the Paris Declaration on Aid Effectiveness (2005) and other DAC guidelines, including the DAC Guidelines on Strengthening Trade Capacity for Development (2001). The project complements the OECD Trade Committee work on trade facilitation.

45. This project is being undertaken in light of the important positive impact trade facilitation can have on development and poverty reduction. Developing countries can benefit from introducing trade facilitation measures, since such measures can help reduce costs due to border delays, enhance government revenue, improve governance and attract foreign direct investment. Numerous studies have shown that committing appropriate resources to support trade facilitation reforms represents a sound and cost-effective investment that can have multiplier effects for development. Donors have indeed significantly increased assistance targeted at supporting trade facilitation reform since the WTO Doha Ministerial Conference (225% increase, from 2001 to 2004).

46. The analysis will contribute to WTO negotiations on trade facilitation, yet is not intended to prejudge the latter. In particular, it will respond to the modalities outlined in Annex D of the July Package (WT/L/579), which specify that “[i]n order to make technical assistance and capacity building more effective and operational and to ensure better coherence, Members shall invite relevant international organisations, including the IMF, OECD, UNCTAD, WCO and the World Bank to undertake a collaborative effort in this regard.” Furthermore, Phase 2 responds to Annex E of the Hong Kong Ministerial Declaration (WT/MIN(05)/W/3), which mentions that “special attention needs to be paid to support that will allow developing countries and LDCs to participate effectively in the negotiations, and to technical assistance and capacity building to implement the results of the negotiations that is precise, effective and operational, and reflects the trade facilitation needs and priorities of developing countries and LDCs.”

3. Phase 2 of the project

47. Phase 2 of this project will examine how future TA/CB for trade facilitation (in particular targeted at supporting the *implementation* of future WTO commitments) can be delivered most effectively, taking account of the findings of the 1st phase (i.e. the Review), the DFID Companion Report on Trade Facilitation¹, the 2005 Paris Declaration on Aid Effectiveness and Good Practices in Capacity Development.²

48. In particular, Phase 2 will examine how capacity gaps and bottlenecks in donor and partner countries, which currently hinder the effective implementation of TA/CB, can be addressed and what is required in terms of funding- and co-ordination mechanisms to ensure effective demand, design, delivery, monitoring and evaluation of TA/CB for trade facilitation. Phase 2 will address, *inter alia*, the following issues:

- What is the role of TA/CB for achieving specific trade facilitation reforms (taking account of their relative complexity, cost and potential benefit)³ ?
- How can donors' TA/CB approaches best be adapted to the different situation, capacities and needs of partner countries and encourage lessons sharing amongst partner countries?⁴
- What is the role of (OECD and partner country) private sector in TA/CB funding and delivery?
- How can the delivery of TA/CB be linked to a review process that assesses partner country capacities in trade facilitation, progress in national reforms and aid quality and effectiveness ?
- What are the options for putting such a review process in place in a specific country?
- How can existing donor pledging mechanisms, e.g. Consultative Group and Roundtable meetings, and mechanisms for matching supply of aid with demand be best leveraged to deliver adequate TA/CB for trade facilitation?
- How can bilateral donors and multilateral agencies best finance TA/CB for trade facilitation?
- Are existing co-ordination mechanisms and tools adequate to deliver co-ordinated support for TA/CB for trade facilitation? Which organisations are best placed to participate in such schemes?

1. The UK Department for International Development (DFID) is currently conducting a review of its assistance for trade facilitation reform, along the same lines as the OECD/DAC Review.

2. The Challenge of Capacity Development: Working Towards Good Practice, DCD/DAC/GOVNET(2005)5/REV1.

3. The analysis will build on work undertaken by the OECD Trade Committee, e.g. The Costs of Introducing and Implementing Trade Facilitation Measures, TD/TC/WP(2005)27; and Special and Differential Treatment in the Area of Trade Facilitation, TD/TC/WP/RD(2005)6. The analysis will also take account of the findings of Phase 4 of the World Bank Trade Facilitation Support Project.

4. TA/CB approach: includes *inter alia* types of assistance and delivery modes.

49. The analysis will take account of: existing WTO negotiation proposals⁵; general special and differential treatment (SDT) provisions for developing and least-developed countries agreed upon by the WTO General Council; and recommendations emerging from the WTO Integrated Framework and Aid for Trade Task Forces.

50. In addition, it will consider SDT and TA/CB approaches adopted in other WTO agreements, e.g. Sanitary and Phytosanitary Standards (SPS), Technical Barriers to Trade (TBT) or Trade-Related Intellectual Property Rights (TRIPS) agreements. These agreements (based on core principles of non-discrimination, transparency, predictability and avoidance of unnecessary restrictiveness) are closely linked to internationally agreed standards and standard setting bodies (e.g. UN Food and Agriculture Organisation, World Health Organisation, World Animal Health Organisation; International Standards Organisation or World Intellectual Property Organisation) and contain specific provisions regarding the type of TA/CB to be provided. In the case of SPS, a multilateral *Standards and Trade Development Facility* has been set up to finance and co-ordinate TA/CB to support implementation of the agreement, in close co-ordination with the IF and JITAP (<http://www.standardsfacility.org>).

4. Organisation of the work

51. The work will be undertaken by the OECD/DAC Secretariat, in collaboration with a senior consultant with a sound background in trade facilitation reform, strong experience in development co-operation practices and in-depth knowledge of the WTO negotiation modalities and operation. An analytical report, which examines in depth the issues outlined above, and policy recommendations for donors and partner countries will be produced.

52. The report and recommendations should take account of the views of a wide range of stakeholders, including:

- The informal steering group for this project (which includes OECD trade and development officials, as well as representatives from Annex D organisations, such as the World Customs Organisation, the World Bank and UNCTAD).
- Representatives from partner countries (both trade and aid officials), and
- Private sector representatives (in both OECD and partner countries).

53. To facilitate consultations amongst the above stakeholders, a workshop might be organised in a developing country, possibly in collaboration with the OECD Trade Directorate. In addition, interim drafts of the report will be presented in appropriate trade facilitation fora, e.g. informal WTO donor meetings, meetings of the Global Facilitation on Transportation and Trade and other ad-hoc meetings, as might deemed appropriate, to seek comments and detailed feedback on the draft report and recommendations.

54. The final analytical report and policy recommendations will be submitted to the DAC for approval, with a view to publishing a DAC Good Practices Paper or Recommendations for Strengthening Trade Facilitation Capacities.

55. The consultant will be expected to provide an inception report at the start of phase 2. The work should be completed by October 2006. Funding for phase 2 has been secured thanks to generous voluntary contributions from Finland, the Netherlands, Norway, Sweden, Switzerland and the UK.

5. TN/TF/W/5 (WTO Secretariat), TN/TF/W/33 (African Group), TN/TF/W/41 (South and Central American countries), TN/TF/W/46 (EC), TN/TF/W/54 (WTO Secretariat); TN/TF/W/56 (African Group), TN/TF/W/62 (Taiwan), TN/TF/W/63 (Switzerland-Pakistan), TN/TF/W/73 (ACP Group).