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UnclassifiedREVIEW OF TECHNICAL ASSISTANCE AND CAPACITY BUILDING INITIATIVES FOR TRADE
FACILITATION

OECD/DAC PROJECT ON TRADE FACILITATION

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This document is circulated for COMMENTS to the DAC under item 6 of the 14 February 2006 agenda [DCD/DAC/A(2006)2] and for INFORMATION to the Working Party of the Trade Committee (30-31 March 2006). It has benefited from preliminary comments from an informal steering group made up of trade, customs and development experts from DAC Members and relevant international organisations.

The Review constitutes phase 1 of the DAC Project on Trade Facilitation, endorsed on 22 June 2005 [DCD/DAC(2005)26]. Findings and main messages will be further refined in phase 2 of this project.

The Executive Summary of the Review and detailed information regarding phase 2 of this Project are circulated in a separate document [DCD/DAC(2006)7/PART1].

The DAC Project on Trade Facilitation relates to output area 5.1.3., Policy Coherence for Development, Economic Growth and Poverty Reduction, of the 2005-6 Programme of Work and Budget. It aims to complement OECD Trade Committee work on trade facilitation [COM/DCD/TD(2005)1/FINAL].

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FOREWORD

1. Trade facilitation reforms in developing countries can have an important impact on development and poverty reduction. Reduced costs due to shortened border delays, streamlined food supply chains, longer agricultural supply seasons, enhanced government revenue, improved governance and increased foreign direct investment have all been shown to accompany trade facilitation reforms in developing countries.

2. This *Review of Technical Assistance and Capacity Building Initiatives for Trade Facilitation* (“*Review*”) aims to strengthen the design, delivery and evaluation of development assistance programmes undertaken by donors in this important area of development cooperation. It provides an overview of past technical assistance and capacity building for trade facilitation and highlights key lessons learned.

3. The *Review* constitutes Phase 1 of the DAC project on trade facilitation. This project is being undertaken in the framework of the OECD DAC 2005-6 programme of work in trade and development, which aims to:

- Monitor trade-related assistance and capacity building activities;
- Enhance the effectiveness of such assistance; and
- Improve coherence of OECD Member States’ policies.

4. The *Review* is based on a quantitative overview of technical assistance and capacity building for trade facilitation and other related aid activities reported to the WTO/OECD Trade Capacity Building and the OECD Creditor Reporting System. It comprises a review of existing good practices and case studies that feature different types of interventions, undertaken by one or more bilateral donors and regional and international organisations. The *Review* will be complemented by a Report on UK Trade Facilitation Support, undertaken by the UK Department for International Development (DFID) and further refined through additional research in Phase 2 of this project, resulting in recommendations for strengthening trade facilitation capacities.

5. The *Review* has been undertaken by the OECD/DAC Secretariat in collaboration with the Asia Pacific Foundation of Canada. Comments have been provided by an informal steering group made up of WTO delegates, customs experts and development practitioners from OECD Member States and international and regional organisations and financial institutions.

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ACRONYMNS

ACIS	Advance Cargo Information System
ADB	Asian Development Bank
ASYCUDA	Automated Systems for Customs Data
CARDS	Community Assistance for Reconstruction, Development and Stabilisation
CCC	Customs Cooperation Committee
CEEC	Central and Eastern European Countries
CESD	Centre Européen du Statistique pour le Development
CLOUT	Case Law on UNCITRAL Texts
COMESA	Common Market for Eastern and Southern Africa
CSI	Container Security Initiative
DAC	Development Assistance Committee
DDA	Doha Development Agenda
EC	European Commission
EDI	Electronic Data Interchange
EDF	European Development Fund
ESCWA	United Nations Economic and Social Commission for Western Asia
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GFPTT	Global Facilitation Partnership for Transportation and Trade
GTAP	Global Trade Analysis Project
ICAO	International Civil Aviation Organization
ICC	International Chamber of Commerce
ICT	Information and Communication Technology
IDA	International Development Association
IF	Integrated Framework
IMF	International Monetary Fund
IMO	International Maritime Organization
ISO	International Organization for Standardization
ISPS	International Ship and Port Facility Security Code

IT	Information Technology
LDCs	Least Developed Countries
OLICs	Other Low Income Countries
LMICs	Lower Middle Income Countries
NIS	Newly Independent States of the former Soviet Union
NTTFC	National Trade and Transport Facilitation Committee
OA	Official Aid
ODA	Official Development Assistance
OECD	Organization for Economic Co-operation and Development
PRSP	Poverty Reduction Strategy Papers
RHCTSS	Regional Harmonisation of Customs and Trade Statistics Systems
RTFCCP	Regional Trade Facilitation and Customs Cooperation Programme
SME	Small and Medium-Sized Enterprise
SOLAS	Safety of Life at Sea Convention
SPS	Sanitary and Phytosanitary Standards
TA/CB	Technical Assistance and Capacity Building
TBT	Technical Barriers to Trade
TCBDB	WTO/OECD Trade Capacity Building Database
TC	Technical Committees of the ISO
TRTA/CB	Trade-related Technical Assistance and Capacity Building
UNCITRAL	United Nations Commission on International Trade Law
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UN/EDIFACT	United Nations Rules for Electronic Data Interchange for Administration, Commerce and Transport
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
UK	United Kingdom
UMICs	Upper Middle Income Countries
UN	United Nations
UNLOCODE	UNECE's Location Codes
US	United States
USAID	United States Agency for International Development
WCO	World Customs Organization
WTO	World Trade Organization

1. INTRODUCTION

6. 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 work programme. The Doha Development Agenda (DDA) is ambitious in its scope and contains not only traditional areas of trade negotiations (industrial tariffs, agriculture, WTO rules, etc.) but also relatively newer areas such as trade facilitation.

7. The inclusion of trade facilitation in the DDA and in the modalities adopted by the General Council on 1 August 2004 (*i.e.* the “July Package”) represents a recognition on the part of WTO Members that rule making needs to move beyond the “architecture” of international trade and address issue like fees, formalities, procedures and regulations that are part of international trade transactions and can be a significant barrier to trade and development.

1.1 The links between trade facilitation and development

8. Trade facilitation has become an important issue on the international trade agenda, mainly because the costs that businesses trading internationally incur through delays at borders often exceed those of applied tariffs. Many studies have shown that reforms to facilitate trade generate numerous benefits on many fronts and for different stakeholders, ranging from revenue mobilisation, facilitated trade and investment and enhanced governance. In general, these benefits have outweighed the costs of reform, which are often characterised by short payback periods (OECD, 2005c).

9. In many ways, the increased prominence of trade facilitation is partly the result of the success of previous rounds of multilateral trade negotiations, which established a rules-based system and substantially reduced the level of tariffs and quantitative restrictions. With average tariff rates in developed and developing countries estimated at 4% and 11.3% respectively,¹ there is now recognition that transaction costs of inefficient customs operations, complicated or unnecessary documentation requirements, excessive physical controls, etc. may be higher than actual applied tariffs in countries where tariffs are low.

10. The sheer growth in trade volumes has also resulted in greater stress on the international trade infrastructure and national customs administrations. Constraints at air and sea ports, road and rail networks have led to demands by trading firms around the world to facilitate trade, through expanded transportation networks, the use of information technology and more efficient processing and clearance of goods across international borders.

11. At the same time, an increasingly integrated global supply chain has resulted in a sea change in how firms operate in international markets. Reductions in transport costs and the development of complex logistics systems have led to leaner companies holding lower levels of stock. Lean production has consequently made companies dependent on frequent delivery of small batches of intermediary inputs. Innovations such as “just-in-time” delivery of goods and the use of Electronic Data Interchange (EDI) have shrunk the time it takes to deliver product to customers around the world, resulting in a substantial reduction in inventory carrying and logistics costs of firms. However, these innovations have also substantially increased risks to trading firms from shocks to the supply chain precisely because of their reliance on the movement of goods in time, every time across international borders (OECD, 2005c).

12. Furthermore, exporting firms now have to deal with new security measures coming on stream in many developed countries, following the terrorist attacks of 11 September 2001.

1.2 The multi-dimensional benefits of trade facilitation for development

13. Trade facilitation reforms bring benefits on many fronts and to many stakeholders including governments, firms and consumers. Trade facilitation can for example enhance the efficiency of supply chains and as such improve competitiveness, which benefits firms, consumers and helps attract foreign direct investment; enhance revenue collection and help combat fraud. These issues can in turn have an important impact on a country's development. Committing appropriate resources to support such reforms therefore represents a sound and cost-effective investment for both recipient governments and donors.

Important welfare gains and increased trade

14. Businesses suffer both direct border-related costs, such as expenses related to supplying information and documents and indirect costs, such as those arising from procedural delays, lost business opportunities and lack of predictability in regulations. Current estimates suggest that these trade transaction costs may range from 2% to 15% of the value of traded goods (OECD, 2005d). The literature indicates that even modest reductions in these costs, which can be achieved through more efficient customs operations and international trade procedures, will have a significant positive impact on trade and economic growth (OECD, 2003). The OECD (2005d) for example shows that a 1% reduction in trade transaction costs would result in global welfare gains in the order of USD 40 billion, with non-OECD countries capturing two thirds of those gains.

Enhanced competitiveness and FDI attractiveness

15. The efficiencies in supply chains that result from trade facilitation initiatives enhance the competitiveness of countries in the international value chain. As an example, agricultural goods pass through various stages on their way to and from farms. In each of these stages - from primary producer to middle agent, to wholesaler, to manufacturer/processor, to exporter, to the border (and in reverse order) - costs are added that can negatively affect prices experienced by farmers in developing countries (Assanie, *et al.*, 1999). For primary producers, a streamlined food chain with post-harvest handling, cleaning, grading, packaging and storage means a longer supply season for agricultural products and the delivery of perishable products to markets more efficiently, hence increased competitiveness.

16. In the manufacturing sector as well, the impact of trade facilitation measures should not be underestimated. China's emergence as the world's "workshop" is the direct result of a wide variety of factors, including the ability of Chinese firms to integrate their operations with their buyers and to efficiently ship goods from manufacturing facilities through Chinese ports to store shelves in developed markets. Nowhere is this clearer than in the apparel industry (Assanie *et al.*, 1999). A more efficient supply chain and trade regime could in turn help attract foreign investors.

Improved revenue collection

17. It is clear from past reform efforts in several developing countries that the costs of implementing trade facilitation measures are generally offset by important increases in revenue collection. For example, in Peru, prior to customs reforms fiscal revenues from customs represented 23% of total fiscal revenue (despite high duties ranging from 10% to 84% of the value of imported goods). Following the reform, customs revenues increased four-fold in six years, contributing to 35% of national fiscal revenue despite a reduction in duty rates to 15-25% (OECD, 2003c). In Mozambique, customs revenue rose by 38.4% through the first two years of a reform programme, despite a significant reduction in duty rates. This is particularly significant as some developing countries, such as Côte d'Ivoire, Lesotho and Madagascar, heavily rely on trade taxes, which constitute an important share of their overall government revenue.

Indeed, the prospect of increased revenue is one of the main incentives behind trade facilitation reforms (OECD, 2005d).

Enhanced governance and reduced corruption and smuggling

18. Trade facilitation measures also have the added advantage of improving governance in partner countries through compliance with international best practices, which are, inter alia, aimed at preventing the illegal movement of unauthorised goods, the dumping of unsafe products on developing country markets, the proper protection of intellectual property rights and other public welfare goals. For example, the Jamaica Customs Electronic Payment Project (see Case Study 4) increased revenue collection by three times and reduced payment times from 2-3 days to 1-2 hours. The benefits of this project, however, extended beyond simply increased revenue collection for government or reduced payment times for firms. The project also resulted in reduced corruption and improved customs procedures for the Jamaican economy as a whole.

1.3 Trade facilitation and the WTO Doha Development Agenda

19. The text of the Modalities for Negotiations on Trade Facilitation (Annex D of the July Package) mandates negotiations with the “aim to clarify and improve relevant aspects of Articles V, VIII and X of the 1994 General Agreement on Tariffs and Trade with a view to further expediting the movement, release and clearance of goods.” (WTO, 2004).

20. More importantly, negotiators recognised that “the provision of technical assistance and support for capacity building is vital for developing and least-developed countries to enable them to fully participate in and benefit from the negotiations. Members, in particular developed countries, therefore commit themselves to adequately ensure such support and assistance during the negotiations. Support and assistance should also be provided to help developing and least-developed countries implement the commitments resulting from the negotiations, in accordance with their nature and scope.” In addition, “Members agree to review the effectiveness of the support and assistance provided and its ability to support the implementation of the results of the negotiations.” (WTO, 2004).

21. The 2005 Hong Kong Ministerial Declaration also highlights the importance of “precise, effective and operational” technical assistance and capacity building that “reflects the trade facilitation needs and priorities of developing countries and LDCs” (WTO, 2005d).

1.4 The Review

22. This *Review of Technical Assistance and Capacity Building Initiatives for Trade Facilitation* (“Review”), which constitutes phase 1 of the DAC project on trade facilitation, contributes to the mandate to review the effectiveness of assistance in the area of trade facilitation as outlined in Annex D of the WTO July Package. It includes a quantitative overview of 2001-2004 official development assistance (ODA) and official aid (OA) commitments for technical assistance and capacity building for trade facilitation reported to the WTO/OECD Trade Capacity Building Database, as well as other ODA/OA directly related to trade facilitation, reported to the WTO/OECD Database or to the OECD Creditor Reporting System.² In addition, it comprises a qualitative review of four country cases and four regional cases where (individual or joint) donor assistance targeted at supporting trade facilitation has been undertaken. Key lessons emerging from those cases, as well as from existing good practices, are summarised. Key findings and messages will be further refined in phase 2 of the DAC project on trade facilitation, resulting in recommendations for donors and partner countries for strengthening trade facilitation capacities.

23. Technical assistance and capacity building (TA/CB) for trade facilitation is defined 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.” This definition excludes donor support for issues closely linked to trade facilitation, such as assistance for understanding and compliance with Sanitary and Phytosanitary Standards and Technical Barriers to Trade; transport and storage or revenue-enhancement reforms.

24. The Review is structured in two parts:

- Chapter 2 provides *A Quantitative Overview of Donor Support for Trade Facilitation* and other related donor interventions. It also identifies individual donor focus and expertise in the field of TA/CB for trade facilitation, which should contribute to enhanced co-ordinated approaches to trade facilitation programming.
- Chapter 3 provides a *Qualitative Review of Trade Facilitation Support*. It presents a summary of factors that have contributed to enhanced effectiveness of TA/CB for trade facilitation, based on eight case studies and existing good practices.
- Annex A explains in more detail the methodology used in Chapters 2 and 3,
- Annex B provides further statistical data regarding instruments of assistance used and non-OA/ODA activities in TA/CB for trade facilitation; and
- Annex C provides an overview of key multilateral trade facilitation tools and instruments (i.e. diagnostic tools, performance indicators, good practices, automation systems, co-ordination mechanisms and legislative toolkits).

ENDNOTES

1. Average (unweighted) tariff rates in industrialized countries have been reduced from 9.8% in 1980 to under 4.0% in 1999. Average (unweighted) tariff rates in developing countries have also been reduced from 27.6% in 1980 to under 11.3% in 1999 (See Ng, 2002, pp. 567).
2. Official development assistance (ODA) is defined as those flows to countries on Part I of the DAC List of Aid Recipients (developing countries) and to multilateral institutions for flows to Part I aid recipients which are: i. provided by official agencies, including state and local governments, or by their executing agencies; and ii. each transaction of which: a) is administered with the promotion of the economic development and welfare of developing countries as its main objective; and b) is concessional in character and conveys a grant element of at least 25% (calculated at a discount rate of 10 per cent). Official aid (OA) consists of flows that meet all the tests of ODA, except that they are directed to countries on Part II of the DAC List of Aid Recipients (countries in transition) and to multilateral institutions which primarily benefit Part II aid recipients. Source: www.oecd.org/dac/stats/idsonline..

2. A QUANTITATIVE OVERVIEW OF DONOR SUPPORT FOR TRADE FACILITATION

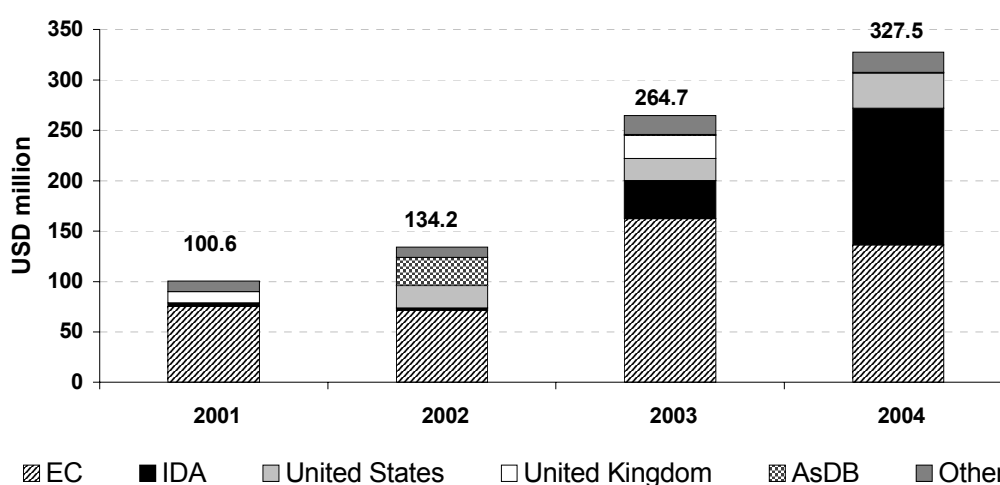
25. This chapter presents a statistical overview of commitments in official development assistance (ODA) and official assistance (OA) for trade facilitation and related interventions that have been reported to the WTO/OECD Trade Capacity Building Database and OECD Creditor Reporting System.³ Section 1, the overview, provides the main trends, *e.g.* main donors, recipients and types of support. Section 2 analyses in more detail the main trends in the distribution of TA/CB for trade facilitation by donors, individual beneficiary countries, geographical regions, income groups and types of intervention (*i.e.* technical assistance, capacity building and physical support). In addition, this section identifies specific donor focus, delivery modes and competencies in TA/CB for trade facilitation. Section 3 provides an overview of other ODA/OA activities that are closely linked to trade facilitation, in particular, assistance in other trade-related areas, support for infrastructure development (which includes strengthening of transport and storage facilities) and assistance for public sector reform. Annex A provides detailed information on the methodology used.

26. Annex B comprises information on non-ODA/OA activities (*i.e.* non-concessional loans and self-financed activities) for trade facilitation recorded in WTO/OECD Database.

2.1 Overview

27. Since 2001, the volume of TA/CB for trade facilitation has increased significantly from USD 100.6 million to USD 327.5 million in 2004 -- an increase of 225% (figure 2.1).

Figure 2.1 Volume of TA/CB for trade facilitation, 2001-04



Source : TCDBD

28. Thirty-seven bilateral donors and multilateral and regional organisations (of which 16 DAC members) provided TA/CB for trade facilitation to 160 beneficiary countries⁴ during the 2001-04 period. The European Commission (EC) was the major donor, financing over 50% of total TA/CB for trade facilitation, followed by the World Bank, the United States (US), the United Kingdom (UK) and the Asian Development Bank (ADB).

29. In 2001-04, 40% of total funding for TA/CB for trade facilitation was directed at European countries – mainly Southern European countries (e.g. Balkan countries and Turkey), followed by Central and Eastern European Countries (CEECs; e.g. Poland) and Newly Independent States (NIS). Another 10.3% was targeted at Egypt.

30. The bulk of funding for TA/CB for trade facilitation was targeted at capacity building initiatives (USD 479 million over four years) and physical support (USD 271 million), while technical assistance activities amounted only to 5% of the volume of total commitments (USD 44.3 million).⁵

2.2 Trends in technical assistance and capacity building for trade facilitation

31. In 2004, the volume of aid committed to trade development reached USD 2.2 billion while commitments to assist beneficiary countries in the area of trade policy and regulations amounted to USD 811 million. Within this latter category, TA/CB for trade facilitation was the single most important activity, representing 40% of total aid commitments (USD 327.5 million). In contrast, in 2001, TA/CB for facilitation represented only 16% of total aid commitments in the area of trade policy and regulations (USD 105 million) (WTO and OECD, 2005).

Main donors

32. Over the 2001-04 period, the EC was the main donor (53.9% of total support), followed by the World Bank (21.6%), the US (9.5%), the UK (4.2%) and the ADB (3.4%). Together, the top three donors financed 85% of total TA/CB for trade facilitation

Table 2.1 Main donors in 2001–04, USD thousands

Rank	Donor	2001	2002	2003	2004	Total	Share of Total (%)
1	EC	75 533	71 453	162 599	136 328	445 913	53.9
2	World Bank	3 148	2 447	37 783	135 599	178 977	21.6
3	United States	-	22 053	21 706	34 879	78 638	9.5
4	United Kingdom	11 332	450	22 823	442	35 047	4.2
5	ADB	-	27 500	950	-	28 450	3.4
6	Netherlands	-	155	3 618	11 915	15 688	1.9
7	Australia	6 229	1 732	6 497	695	15 153	1.8
8	France	-	1 542	1 718	2 147	5 406	0.7
9	IMF	1 709	1 441	1 293	-	4 444	0.5
10	Germany	-	47	141	2 553	2 741	0.3
11	UNDP	336	1 950	307	24	2 618	0.3
12	WTO	8	1 160	794	299	2 262	0.3
13	Japan	1 189	207	520	266	2 183	0.3
14	Multiple donors ¹	644	9	1 087	-	1 739	0.2
15	Finland	-	1 351	55	-	1 407	0.2
	Rest	531	671	2 844	2 328	6 373	0.8
	Total	100 659	134 169	264 735	327 475	827 039	100.0

1. Multiple donors: Interventions financed by two or more donors or by multidonor trust funds.

2. '-' denotes no information available.

Source: TCBDDB

Main recipients

33. Europe is the largest beneficiary region (40% of total support), followed by Africa (26.3%), Asia (19.5%), America (7.2%) and Oceania (0.4%). In addition, 6.6% of funding is allocated to global programmes (i.e. not limited to a specific region).

34. More specifically, Southern European Countries, e.g. Bosnia and Herzegovina, Croatia, Serbia and Montenegro, Albania, Macedonia/FYROM and Turkey, rank amongst the top beneficiary countries. Central and Eastern European Countries and Newly Independent States are the second largest beneficiary sub-region. Poland for example received substantial support, especially during the period preceding its accession to the European Union (Table 2.2).

35. Commitments to Sub-Saharan Africa are concentrated in a few countries, i.e. Kenya, Madagascar, Tanzania, Mali and Rwanda, while in North Africa, 86% of support is targeted at Egypt, which is the main individual beneficiary country across all regions (Table 2.2). This is mainly due to US and EC support.

36. It is noteworthy that among the top 10 recipients, four countries are not WTO members: Bosnia and Herzegovina, Viet Nam, Serbia and Montenegro and Afghanistan (these countries have WTO observer status and/or are engaged in WTO accession talks).

Table 2.2 Main recipients, 2001-04, USD thousands

Rank	2001	2002	2003	2004	Total	Share of Total (%)
1 Egypt	32	26 431	57 928	1 082	85 473	10.3
2 Global programmes ¹	874	30 594	5 304	14 129	50 901	6.2
3 Bosnia & Herzegovina ²	6 717	7 003	18 365	18 091	50 175	6.1
4 Viet Nam ²	444	36	152	47 856	48 489	5.9
5 Croatia	9 404	4 367	6 009	23 550	43 329	5.2
6 Panama	-	7	10	41 160	41 177	5.0
7 Turkey	-	22	6 154	28 025	34 201	4.1
8 Serbia & Montenegro ²	-	9 871	9 123	13 748	32 743	4.0
9 Afghanistan ²	-	-	16 058	16 082	32 139	3.9
10 Poland	10 364	5 676	15 116	10	31 165	3.8
11 NIS Unallocated	-	-	-	28 823	28 823	3.5
12 South of Sahara Unall.	1 746	2 425	21 717	2 152	28 041	3.4
13 Albania	3 135	5 374	13 945	2 402	24 855	3.0
14 Macedonia/FYROM	-	812	7 264	16 281	24 357	2.9
15 Kenya	25	11	73	21 200	21 309	2.6
16 Madagascar	140	64	19 870	20	20 095	2.4
Rest	67 779	41 477	67 646	52 862	229 766	27.8
Total	100 659	134 169	264 735	327 475	827 039	100.0

1. Global programmes: programmes targeted at multiple countries from different regions

2. WTO observer, Source: www.wto.org

3. '-' denotes no information available.

Source: TCDBD

Regional focus

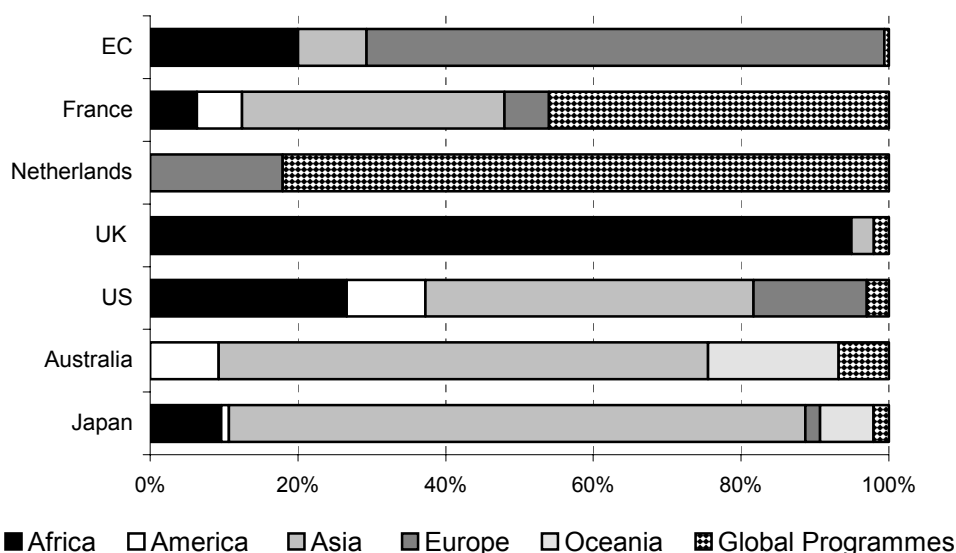
37. A number of bilateral donors - namely the EC, UK, Australia and Japan - concentrate their TA/CB for trade facilitation in specific regions, which sometimes are in geographic proximity and with which donors have close commercial relations or which are of strategic, political importance (Figure 2.2). The most notable exception amongst major bilateral donors is the UK, which targeted 95% of its funding at Sub-Saharan Africa, while trading mostly with Asian developing countries (IMF, 2004).

38. Seventy percent of EC TA/CB for trade facilitation is targeted at Europe – in particular at the Central and Eastern European Countries (CEECs), Newly Independent States (NIS) and Southern European countries (*e.g.* Balkan countries), which are engaged in closer integration with the European Union (EU). This focus reflects the EU policy priorities in this part of the world, *i.e.* its enlargement and neighbourhood policy. Another 20% of EC funding is targeted at Africa, though mainly at Egypt.⁶

39. Sixty-seven percent of Australia's support was targeted at Asia (Oceania and Far East Asia and regional programmes), which accounted for 84% of Australian trade with developing countries (IMF, 2004) and 86% of Japan's TA/CB was targeted at Asia --mainly Far East Asia (*e.g.* Lower Mekong countries: Cambodia, Viet Nam, Thailand and Laos) -- which accounted for 76% of Japan's trade with developing countries (IMF, 2004).

40. In contrast, the US had a more diversified portfolio, with 44% of total funding going to Asia, 27% to Africa, mainly Egypt and sub-Saharan Africa, 15% to Europe (*i.e.* CEECs, NIS and Southern European countries) and 11% to North and Central America.

Figure 2.2 Geographical distribution of funding by main bilateral donors, 2001-04

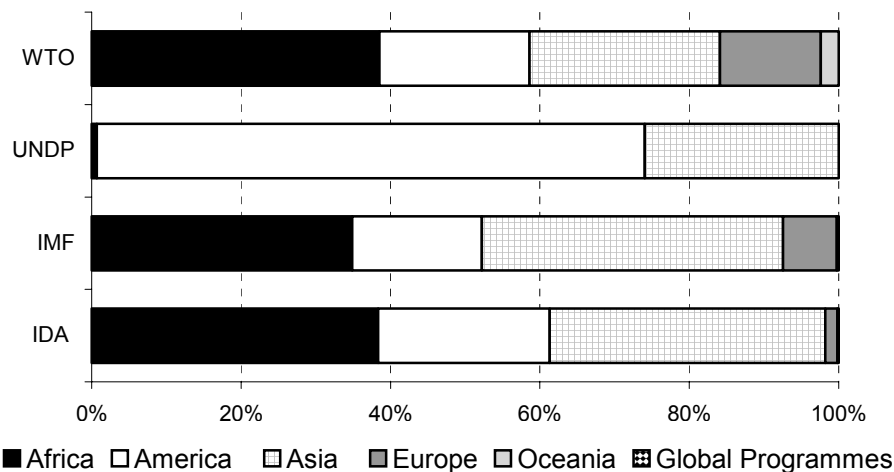


Source: TCBDB

41. Multilateral agencies have also had a geographically more diversified portfolio of projects, reflecting the membership and client base of these institutions. For example, 38% of World Bank funding went to activities in Africa, 37% to Asia, and 23% to North and Central America (mostly the Caribbean and Central America). The WTO had geographically diversified programming, although the Sub-Saharan region accounted for one-third of its TA/CB (see Figure 2.3). Regional agencies such as the European

Bank for Reconstruction and Development or Asian Development Bank have, as expected, concentrated resources for TA/CB for trade facilitation in the regions they are mandated to assist.

Figure 2.3 Geographical distribution of funding by main multilateral agencies, 2001-04



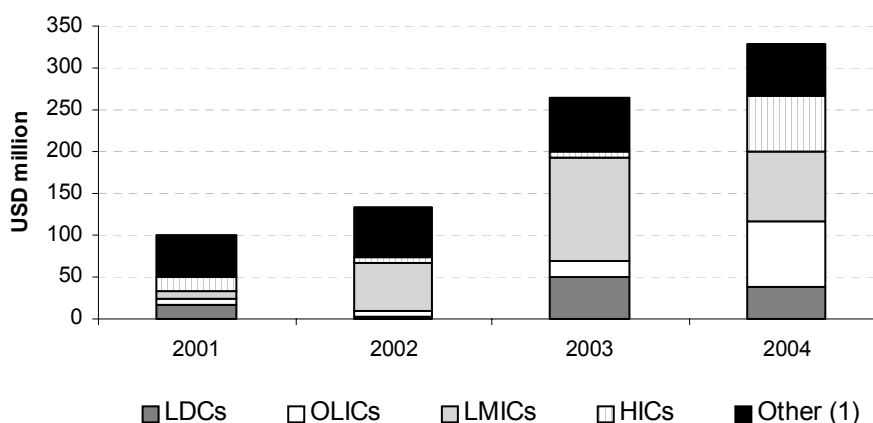
Source: TCBDB

Income Groups⁷

42. Lower Middle Income Countries (LMICs) were the largest recipients of TA/CB for trade facilitation and received 39% of total commitments over the period 2001 – 2004 (USD 274 million). Least Developed Countries (LDCs) and Other Low Income Countries (OLICs) accounted only for 16% (USD 109 million) and 16% (USD 111 million) of the total support respectively. Within the LDC group almost 80% of support was concentrated in six countries: Afghanistan, Madagascar, Tanzania, Bangladesh, Mali and Rwanda.

43. During 2001-04, commitments to LDCs increased by 137%. However, the largest increases in support were directed at OLICs (1,143%) followed by LMICs (673%) and High Income Developing Countries (over 301%). (Figure 2.4).

Figure 2.4 Distribution of support by income group, 2001-04



1. European Countries in Transition and Global Programmes.

Source : TCBDB

44. Hence, recipient country incomes do not seem to be the main rationale behind allocation of TA/CB for trade facilitation. Instead, geographical proximity and commercial relations of some major donors seem to better explain the distribution of TA/CB for trade facilitation. Alternatively, the relatively low inclusion of trade related priorities (including trade facilitation ones) in lower income countries' national development or poverty reduction strategies might help explain why donors and agencies, which pledge funding around those strategies, have not focused their TA/CB for trade facilitation on lower income countries (Development Committee, 2005).

Types of assistance

45. For the purposes of this Review, projects and programmes in TA/CB for trade facilitation have been categorised into three main types of assistance:

- *Technical assistance* : tends to be characterised by short-term, one-off activities, with a focus on individuals rather than institutions or processes, and/or reports written by foreign consultants. This includes projects/activities such as (i) needs assessments and feasibility studies; (ii) short-term training (including training, seminars & workshops, conferences, study visits), and (iii) consultancies (including advisory services, provision of experts and other studies).
- *Capacity building* : includes longer-term programmes, with a focus on institutions, the broader policy framework and the development of networks (e.g. research or trade policy networks). Capacity building efforts within the context of trade facilitation include (i) programmes that contain several different components/activities responding to a wide range of concerns (e.g. legal, administrative and human resources related), (ii) institution building, e.g. support to the establishment and strengthening of institutions related to trade facilitation, and (iii) support for legislative and regulatory reforms.
- *Physical support* : comprises support for ICT systems and equipment – i.e. hardware and software such as automation systems, computers, and x-ray and gamma-ray machines- as well as assistance for other facilities important to trade facilitation procedures, e.g. customs buildings, border crossing posts and laboratories. (Physical support excludes assistance for transport and storage which is recorded in the OECD Creditor Reporting System).

46. The bulk of funding for TA/CB for trade facilitation is targeted at capacity building initiatives and physical support. While these types of interventions represented only 21% of activities (298 records included in the WTO/OECD Trade Capacity Building Database), they amounted to 91% of total funding (USD 712.7 million). By contrast, 65% of trade facilitation activities (942 records) involved the provision of technical assistance, yet these activities only amounted to 5% of total commitments, in volume terms (USD 44.3 million) (see Table 2.3). This is because, in general, technical assistance is less expensive than most other forms of support that might involve hardware and infrastructure development.

Table 2.3 Types of assistance, 2001-04

Type of assistance	Commitments in USD '000	Share (%)	Number of records	Share (%)
Technical Assistance	44 338	5.4	942	65.4
Needs Assessments and Feasibility Studies	6 843	0.8	88	6.1
Consultancies	3 378	0.4	66	4.6
Short-term Training	34 117	4.1	788	54.7
Capacity Building	479 172	58.0	216	15.0
Programme of Activities	450 798	54.5	164	11.4
Institution Building	19 543	2.4	27	1.9
Legislative and Regulatory Reforms	8 831	1.1	25	1.7
Physical Support	270 981	32.7	82	5.7
ICT Systems and Equipment	37 414	4.5	40	2.8
Other Facilities	233 567	28.2	42	2.9
Unknown	32 547	3.9	200	13.9
Total	827 039	100.0	1 440	100.0

Source: TCDBD. Percentages based on 1 440 records with non-zero commitments.

Technical Assistance

47. Bilateral donors and agencies, such as Austria, Canada, Italy, Japan and Norway have focused more on technical assistance activities, which sometimes take the form of interventions that go beyond one-off seminars and workshops (Table 2.4). Japan, for example, has delivered training through study visits to Japan (through its Customs Technical Co-operation Programme), supplied training management to enhance in-country capacities in the area of human resource management and provide customs experts to partner countries engaged in trade facilitation reforms. It has been providing assistance on subjects such as customs clearance, customs valuation, Harmonised System and post-clearance audit, mainly to beneficiaries in the Asia-Pacific region (WTO, 2005a).

48. Multilateral agencies such as APEC, the WTO, and UNESCAP have focused on technical assistance particularly in the form of short-term training (training, seminars and workshops, conferences and support for study visits of partner country officials). The WCO has focused both on short-term training in a wide range of issues related to customs reform, and on support for needs assessments (Table 2.4). Its activities have included: seminars on simplification and modernisation of customs procedures; technical missions on procedures, conventions and instruments; missions on the application of information technology in customs; benchmarking risk management and fraud and manuals/handbooks/guides for customs modernisation. In addition, the WCO has provided technical assistance to partner countries through the provision of experts in areas such as diagnostic studies, assistance in the organisation and operation of post clearance audit units in several partner countries and participation in customs modernisation projects organised by other multilateral institutions, such as the World Bank. The WCO has recently adopted a Customs Capacity Building Strategy, shifting its focus from technical assistance to institutional capacity building in partner countries (WCO, 2003).

Capacity Building

49. Several bilateral donors and multilateral agencies – *i.e.* the EC, US, UK, the Netherlands, Sweden, France, Switzerland, the World Bank and Asian Development Bank - have supported trade facilitation reforms through wider capacity building initiatives in partner countries, mostly by delivering (or financing other agencies') multi-year programmes (Table 2.4). Such programmes usually aim to address a wide range of issues related to trade facilitation -- e.g. reforming Customs laws, regulations and procedures to ensure transparency, predictability and non-discrimination (*i.e.* WCO standards/WTO GATT principles); enhancing customs operations' efficiency and human resources management; and supporting co-operation between customs and other border agencies -- through many different inputs (e.g. needs assessments; training of customs officials; support for automation; etc.).

50. The World Bank's Trade and Transportation Facilitation Project in Pakistan provides a good example of a multi-year programme. This five year programme consisted of a wide spectrum of interventions, from needs assessments and feasibility studies to support for legislative and regulatory reforms to institution building. With the assistance of UNCTAD and other international institutions, the Project's objective was to simplify foreign trade transaction documents, provide assistance for human resource development and establish a National Trade and Transport Facilitation Committee Secretariat (see Case Study 3).

Physical Support

51. The EC and the World Bank have heavily supported the establishment or reinforcement of other facilities, such as customs buildings and border crossing posts, while UNCTAD's mainly provided assistance for ICT systems and equipment (Table 2.4). UNCTAD has recognised, best of breed solutions that include ASYCUDA, ASYCUDA++ and ACIS. These IT systems have been in high demand in developing countries and have been implemented extensively in a variety of countries.

Table 2.4 Main donor and implementing agency competencies, 2001-04 (% and USD thousands)

Donors	TF Program of Competency									Total	
	Technical Assistance			Capacity Building			Physical Support		Unknown		
	Needs Assessments & Feasibility Studies	Consultancies	Short-term Training	Programme of Activities	Institution Building	Support for Legislative & Regulatory Reforms	ICT Systems and Equipment	Other Facilities			
Regional and Multilateral Institutions											
APEC	-	-	83.8%	-	-	-	-	-	-	16.2%	346
AsDB	-	-	0.5%	99.5%	-	-	-	-	-	-	28,450
IDA	0.1%	-	0.1%	31.6%	-	-	0.7%	67.5%	0.1%	-	178,977
IMF	17.1%	5.9%	7.0%	1.2%	-	0.8%	11.6%	-	56.4%	-	4,444
UEMOA	100.0%	-	-	-	-	-	-	-	-	-	156
UNESCAP	-	-	100.0%	-	-	-	-	-	-	-	144
UNDP/UNCTAD	0.9%	-	-	-	12.2%	1.1%	85.1%	-	0.7%	-	2,618
WCO	22.6%	6.7%	53.8%	-	1.1%	-	0.1%	0.6%	15.1%	-	396
WTO	-	-	99.6%	-	-	-	-	-	0.4%	-	2,262
Total Multilateral Commitments	1,224	701	3,494	84,932	426	65	4,279	121,104	3,203	219,429	
Bilateral Donor Agencies											
Australia	-	1.5%	34.5%	45.9%	14.8%	-	2.7%	-	0.6%	-	15,153
Austria	-	100.0%	-	-	-	-	-	-	-	-	15
Canada	48.9%	10.4%	35.4%	7.8%	2.4%	-	0.3%	-	-5.2%	-	678
EC	0.3%	-	3.9%	57.3%	2.9%	1.3%	6.9%	25.1%	2.2%	-	445,913
Finland	-	-	-	-	8.4%	-	-	-	91.6%	-	1,407
France	0.9%	1.9%	3.9%	80.5%	0.0%	0.5%	0.3%	0.6%	11.4%	-	5,406
Germany	-	-	40.6%	57.7%	-	-	-	-	1.7%	-	2,741
Italy	100.0%	-	-	-	-	-	-	-	-	-	99
Japan	4.7%	0.4%	86.1%	-	-	-	-	-	8.8%	-	2,183
Korea	-	-	100.0%	-	-	-	-	-	-	-	399
Multiple donors	-	0.3%	4.1%	36.7%	-	-	58.9%	-	-	-	1,739
Netherlands	-	-	-	82.1%	1.0%	-	-	-	16.9%	-	15,688
New Zealand	15.1%	-	-	-	-	-	-	-	84.9%	-	358
Norway	66.0%	29.6%	-	-	-	-	-	-	4.4%	-	491
Sweden	16.5%	-	10.3%	-	73.2%	-	-	-	-	-	298
Switzerland	11.0%	-	-	89.0%	-	-	-	-	-	-	1,357
United Kingdom	0.8%	0.4%	0.7%	87.7%	8.5%	-	0.5%	-	1.3%	-	35,047
United States	3.6%	2.5%	4.7%	81.0%	0.9%	3.5%	0.9%	0.5%	2.5%	-	78,638
Total Bilateral Commitments	5,401	2,677	30,623	377,669	19,335	8,766	33,134	112,463	17,542	607,611	

Source: TCDBD. Percentages refer to individual donor/implementing agency support for a particular type of assistance as a share of that donor's/implementing agency's total support (in USD) reported in the TCDBD.

Type of programmes

52. Besides the important share of bilateral programmes in total TA/CB for trade facilitation, there are considerable regional and global programmes and multilateral tools and instruments that donors use to facilitate trade in developing countries. As shown in Table 2.5, in 2001-4, regional programmes across all regions amounted to USD 99 million, or 12% of total funding provided by bilateral donors and multilateral and regional agencies. An additional 6.6% of funding was allocated to global programmes.

Table 2.5. Regional and global programmes, per region, 2001-04 (USD thousands)

	Total 2001-04	
Africa	217 274	
Africa regional	10 278	} 18% of TA/CB to Africa was funded through regional programmes
Sub-Sahara regional	28 041	
America	59 841	
America regional	1 357	} 13% of TA/CB to America was funded through regional programmes
North & Central America regional	2 268	
West Indies regional	3 922	
South America regional	252	
Asia	161 380	
Asia regional	7 666	} 12% of TA/CB to Asia was funded through regional programmes
Far East Asia regional	48	
South Asia regional	11 406	
Europe	330 799	
CEEC regional	2 951	} 11% of TA/CB to Europe was funded through regional programmes
NIS regional	28 823	
Southern Europe regional	2 058	
Oceania	3 039	
Global programmes	54 706	
Total regional programmes	99 070	
TOTAL	827 039	

Source: TCDBD

Regional Programmes

53. Regional programmes often aim at supporting regional corridor transit agreements (concluded between landlocked countries) and regional integration, through assistance for trade facilitation related reforms undertaken by regional trading blocs. Donors have for example supported the Maputo Corridor, the South-Eastern Cooperative Initiative, the Western African Economic and Monetary Union (WAEMU), the Common Market for Eastern and Southern Africa (COMESA, see Case Study 2), the Southern African Customs Union (SACU), Central America Free Trade Agreement (CAFTA, see case Study 8) and the Asia Pacific Economic Co-operation (APEC).

54. More specifically, the WTO/OECD Database shows that:

- A significant portion of EC interventions in Southern Europe were funded through a series of regional initiatives such as the CARDS Integrated Border Management Programme (see Case Study 2);
- The US has also supported a number of important regional programmes, e.g. in Sub-Saharan Africa – the Trans Kalahari and Maputo Corridors -- and in Southern Europe –the Trade and Transport Facilitation Project in Southeast Europe, led by the World Bank (WTO 2005a);
- The World Bank has provided assistance for a number of corridor projects, e.g. Northern Corridor Transit Area (Kenya, Uganda, Burundi, Rwanda and Zaire/Democratic republic of Congo);
- Almost half of all Australian trade facilitation support was channelled through regional initiatives, particularly through APEC activities (e.g. APEC Support Programme); and finally,
- The UK's support to Sub-Saharan Africa was mainly delivered through the UK Regional Trade Facilitation Programme.

55. The features and benefits of regional approaches are further examined in the case studies and lessons learned in Chapter 3.

56. When regional support is provided, it is often implemented by, or in co-operation with regional bodies, e.g. COMESA Secretariat. This is for example the case for the EC, which delivers assistance (i) through or in co-operation with international institutions and relevant regional or national bodies; (ii) through consultancy firms, academic institutions, semi-public institutions (export agencies, trade promotion institutions, etc.), and (iii) through twinning arrangements between relevant agencies, including customs (see WTO, 2005b).

Global Programmes

57. In addition to regional approaches, bilateral donors and some multilateral agencies have also supported *global* TA/CB programmes implemented by other multilateral institutions -- mainly UNCTAD (ASYCUDA programme), but also ITC, the WCO and UNESCAP. In fact, for smaller donors, global programmes have often been the *main* delivery channel. Sweden and Norway channelled most of their TA/CB for trade facilitation through UNCTAD, while the Netherlands through EBRD. UNDP channelled all of its assistance through UNCTAD. Others have made contributions to global funds (such as the UN Development Account) that in turn fund activities of organisations such as UNESCAP.

Multilateral Instruments and Tools

58. Underpinning many of the programmes described above are instruments developed by the WCO, World Bank, UNCTAD, UNECE and UNCITRAL to support needs assessments in the area of trade facilitation, establish and disseminate best practice standards and measure performance. These instruments can take the form of an agreement (e.g. the Kyoto Convention), software applications (e.g. ASYCUDA and ACIS), or guidelines (such as the WCO's Time Release Guidelines) that allow developing and transition countries to benchmark and audit best practices in various trade facilitation areas.

59. It should be noted that bilateral donors rarely design such instruments, which are largely the domain of multilateral agencies. Instead, bilateral donors fund the application of instruments or compliance with internationally agreed standards in beneficiary countries.

60. Annex C provides a detailed description of trade facilitation instruments developed by selected multilateral institutions. These instruments are divided into six broad categories:

- Trade facilitation diagnostic tools and performance indicators (*e.g.* World Bank's Trade and Transport Facilitation Audit; WCO's Diagnosis Framework).
- Internationally agreed standards (*e.g.* WCO's revised Kyoto Convention; recommendations of the UN Centre for Trade Facilitation and Electronic Business [UN/CEFACT] and of the UN Electronic Data Interchange for Administration, Commerce and Transport [UN/EDIFACT], UNECE, etc.).
- Recommendations or good practices for national trade facilitation reform (*e.g.* World Bank-WCO Customs Modernization Handbook; OECD Trade Committee research).
- Customs automation systems (*e.g.* UNCTAD's ASYCUDA programme).
- Co-ordination mechanisms (*e.g.* the Global Facilitation Platform on Transport and Trade); and
- Legislative Toolkits (*e.g.*, UNCITRAL's legislative texts).

2.3 Related donor interventions

61. The WTO/OECD Trade Capacity Building Database as well as a number of donor statements (WTO, 2005a; WTO, 2005b; WTO, 2005c) indicate that TA/CB for trade facilitation is closely linked to, and often delivered as a component of, broader aid programmes, for example :

- programmes aimed at strengthening trade related institutions (EC);
- training programmes on customs valuation, tariff classifications and rules of origin (WCO, WTO and Japan);
- revenue enhancement programmes targeting both customs and tax authorities (EC, UK); and
- port, transport and storage development (World Bank, EC).

62. It is thus important to take account of donor assistance in these other areas in order to obtain a comprehensive picture of donor efforts for facilitating the movement of goods across borders and building trade capacities. Below is a brief overview of assistance provided in other trade-related areas, infrastructure development and public sector reform.

Other Trade-Related Technical Assistance and Capacity Building

63. The 2005 WTO/OECD Report on Trade-Related Technical Assistance and Capacity Building (WTO and OECD, 2005) shows that bilateral donors and regional and multilateral agencies have significantly increased their support to trade-related technical assistance and capacity building (TRTA/CB), which includes TA/CB for trade facilitation, since 2001. Support to *trade policy and regulations* — to help countries reform and prepare for closer integration in the multilateral trading system

— increased from USD 0.65 billion in 2001 to USD 0.8 billion in 2004. Assistance for *trade development* — to help enterprises trade and create a favourable business climate — increased from USD 1.3 billion in 2001 to USD 2.2 billion in 2004.

64. Assistance in the area of *trade policy and regulations* includes TA/CB for trade facilitation as well as support for other border related issues, namely assistance for:

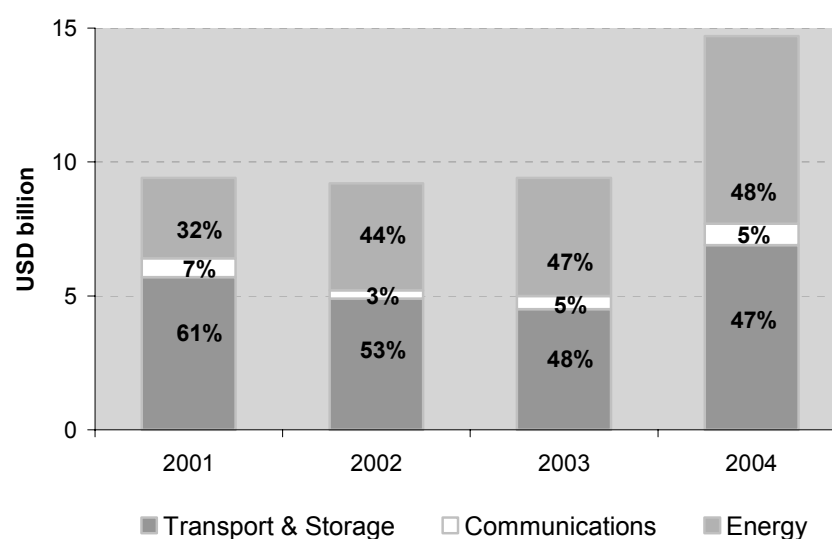
- The development of non-discriminative practices in *customs valuation*⁸, which amounted to USD 44 million in 2004. Such support includes assisting partner countries' customs authorities in determining the customs value of imported goods and in eliminating arbitrary or fictitious customs values.
- The development of non-discriminative practices for the development of simple, transparent and low uniform *tariff regimes*⁹, which amounted to USD 1 million in 2004.
- A better understanding and compliance with *technical barriers to trade* (TBT) and *sanitary and phytosanitary requirements* (SPS)¹⁰, amounting respectively to an average USD 41 million and USD 25 million in 2004. Donor support in this area for example includes assistance for building institutions such as national standardising bodies and authorities to enhance both safety and quality aspects of exported products and provide training and infrastructure required to comply with international standards and conformity assessment procedures; assistance for establishing and enforcing relevant laws and regulations and establish processes, testing and inspection capabilities, and for developing quarantine treatments; and for
- Regional trade arrangements (e.g. Southern African Development Community, Free Trade of the Americas Agreement, Economic Community Of West African States, etc.) which amounted to USD 95 million in 2004.

65. Assistance in the area of *trade development* also includes support for a number of issues which directly relate to trade facilitation, for example, assistance for:

- Improving *e-commerce* capability and for promoting ICT for enhancing trade (E-Commerce)¹¹, which amounted to USD 54 million in 2004; and
- Enhancing *business support services* for firms trading internationally and strengthening business support institutions, such as chambers of commerce¹², which amounted to USD 389 million in 2004.

Support for Infrastructure Development

66. In addition to these trade-related interventions, assistance has also been provided for economic infrastructure, which covers transport and storage, energy and telecommunications –all essential for international trade. In 2004, USD 14.8 billion was committed to infrastructure activities, an increase of USD 5.4 billion compared to the previous year. Almost half of that assistance (USD 7 billion or 47%) was targeted at the *transport and storage*¹³ sectors that are crucial areas of trade facilitation (Figure 2.5).

Figure 2.5. Support for infrastructure development, 2001-2004

Source: OECD Creditor Reporting System

67. The largest donor in transport and storage was Japan, which provided USD 2.1 billion in 2004. Other important bilateral donors and multilateral agencies providing assistance in this area are the EC, World Bank, Germany, African Development Bank, US and Asian Development Bank.

68. In addition, international and regional financial institutions also provide *non-concessional* loans for transport and storage support and more general infrastructure development, which are not recorded as Official Development Assistance or Official Aid, and thus not comprehensively recorded by OECD/DAC Databases.

69. The largest beneficiaries of support for transport and storage were LDCs and OLICs. Over the 2001-04 period, those two groups of countries benefited from 65% of total funding (13.8 billion over four years, or a yearly average of USD 3.5 billion) in donor commitments. The main recipients were populous Asian countries such as India (7% of total funding for transport and storage in 2001-4), Viet Nam (7%), Philippines (6%), China (6%) and Indonesia (5%). This contrasts with the trends in TA/CB for trade facilitation, where LDCs and OLICs together benefited from 32% of total funding in 2001-04 (a total of USD 220 million or an annual average of USD 54.9 million).

70. The amounts invested in TRTA/CB and in infrastructure development are likely to further increase, in light of two recent developments. Firstly, the “Aid for Trade” agenda will likely result in substantial new funds for TRTA/CB, including an enhanced and expanded Integrated Framework for Trade-Related Technical Assistance (IF). Secondly, OECD/DAC simulations based on public announcements from major donors indicate that total ODA could increase from nearly USD 80 billion in 2004 to USD 130 billion in 2010, i.e. a rise of USD 50 billion.

Support for Public Sector Reform

71. Finally, in order to support the enhancement of government revenue collection and the efficiency of the public sector, donors provide support for (i) enhancing public sector financial management, amounting to USD 378 million in 2004; (ii) legal and judicial development, USD 1.6 billion in 2004; and (iii) government administration, USD 4.3 billion in 2004 (OECD Creditor Reporting System).

ENDNOTES

3. Official development assistance (ODA) is defined as those flows to countries on Part I of the DAC List of Aid Recipients (developing countries) and to multilateral institutions for flows to Part I aid recipients which are: i. provided by official agencies, including state and local governments, or by their executing agencies; and ii. each transaction of which: a) is administered with the promotion of the economic development and welfare of developing countries as its main objective; and b) is concessional in character and conveys a grant element of at least 25% (calculated at a discount rate of 10 per cent). Official aid (OA) consists of flows that meet all the tests of ODA, except that they are directed to countries on Part II of the DAC List of Aid Recipients (countries in transition) and to multilateral institutions which primarily benefit Part II aid recipients. Source: www.oecd.org/dac/stats/idsonline.
4. The WTO/OECD TCB Database records assistance targeted at 122 WTO Members, 31 WTO observers and 19 “other countries”. See <http://tcbdb.wto.org>, Beneficiary country.
5. The remaining USD 32. 5 million could not be classified in any of those categories.
6. EC programmes in CEECs, NIS and Southern European countries are often costly as they involve physical support (e.g. border-related equipment). EC TA/CB for trade facilitation in Latin America and the ACP region are often undertaken at regional level and reported under the TCBDB category “regional trade agreements”. In addition, these programmes are often less costly as they do not involve physical support.
7. See DAC List of Aid Recipients, www.oecd.org/dac/stats
8. TCBDB 33122.
9. TCBDB 33123
10. TCBDB 33112: TBT covers support for improved understanding of WTO rights and obligations regarding the use of technical regulations, standards and conformity assessment procedures. TCBDB 33113: SPS covers assistance in food safety, animal and plant health and protection measures coupled with promoting understanding of the rights and obligations contained in the SPS Agreement (Source: TCBDB Website).
11. TCBDB 25013: E-Commerce covers promotion of ICT for enhancing trade and the training and provision of software and hardware to improve e-commerce capability (Source: TCBDB).
12. TCBDB 25011: Support to trade and business associations, chambers of commerce; legal and regulatory reform aimed at improving business and investment climate; private sector institution capacity building and advice; trade information.
13. CRS category 210: Transportation & Storage covers all aspects of road, rail, water and air transport and storage. These include: transport sector policy, planning and programmes; aid to transport ministries, institution capacity building and advice, activities that combine road, rail, water and/or air transport; road infrastructure, road vehicles, passenger road transport, motor passenger cars; rail infrastructure, rail equipment, locomotives, other rolling stock including light rail (tram) and underground systems; harbours and docks, harbour guidance systems, ships and boats, river and other inland water transport, inland barges and vessels; Airports, airport guidance systems, aeroplanes, aeroplane maintenance equipment, etc.

3. A QUALITATIVE REVIEW OF TRADE FACILITATION SUPPORT

72. This Chapter provides a summary of key lessons learned from past experience as well as a review of four country and four regional case studies, which feature different types of trade facilitation assistance, undertaken by one or more donors or agencies (see Table 3.1). The cases have primarily been produced through a desk review and secondarily through interviews with relevant project managers and stakeholders. Further details regarding the methodology used for selecting the case studies is explained in Annex A.

73. The objective of Chapter 3 is to identify the factors that have contributed to the success of donor programmes and understand how aid effectiveness principles have been operationalised in practice.

Table 3.1 Overview of the eight case studies

Lead Donor/Agency	Recipient(s)	Name of the programme/project	Type
EC (implemented with UNCTAD and CESD)	COMESA countries ¹ (except Libya). Plus Botswana, Lesotho, Namibia and Tanzania	Regional Harmonisation of Customs and Trade Statistics Systems (RHCTSS)	ICT Systems and Equipment
EC (co-ordinated with the World Bank)	Southern Europe: Western Balkan countries ²	Community Assistance for Reconstruction, Development and Stabilisation (CARDS) Programme/ Integrated Border Management Project	Capacity Building: Programme of Activities
World Bank (co-ordinated with the ADB and implemented with UNCTAD)	Pakistan	Trade and Transport Facilitation Project	Capacity Building: Programme of Activities
USAID	Jamaica	The Jamaica Customs Electronic Payment Project	ICT Systems and Equipment
ADB (co-ordinated with the EC, IMF, USAID, World Bank and SADC) ⁵	CAREC countries ³	Regional Trade Facilitation and Customs Cooperation Programme (RTFCCP)	Capacity Building: Programme of Activities
World Bank (co-ordinated with the EC, IMF and AusAID) ⁶	Cambodia	Cambodia Trade Facilitation and Competitiveness Project	Capacity Building: Programme of Activities
DFID (co-ordinated with the IMF, World Bank and UNDP)	Mozambique	Mozambique Customs Reform	Capacity Building: Programme of Activities
USAID	CAFTA countries ⁴	USAID FASTrade Project	Technical Assistance

1. Angola, Burundi, Comoros, Djibouti, Democratic Republic of Congo, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia, and Zimbabwe.

2. Albania, Bosnia and Herzegovina, Croatia, Serbia and Montenegro, and the Former Yugoslav Republic of Macedonia.

3. Azerbaijan, Kazakhstan, Kyrgyz Republic, Mongolia, People's Republic of China, Tajikistan, and Uzbekistan.

4. Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua.

5. SADC: Swiss Agency for Development Co-operation.

6. AusAid: Australian Government Agency for Overseas Aid.

3.1 Summary of key lessons

74. It is obvious that the challenges involved in successfully facilitating trade and developing sustainable in-country capacities for trade facilitation are important and that traditional donor approaches have not been always been effective in bringing about sustainable change. The eight case studies however show that there are a number of principles and techniques that can enhance the chances of success of these programmes. The cases namely illustrate the importance of the key principles of the *2005 Paris Declaration on Aid Effectiveness* – partner country ownership and leadership, donor alignment and harmonisation, capacity development, managing for results and mutual accountability- for successful TA/CB for trade facilitation.

75. Below are some key lessons emerging from the case studies and from past experience from major bilateral donors and multilateral agencies.

Identify capacity gaps and needs

76. In trade facilitation, there are broadly two types of capacity gaps. First, new trade facilitation procedures often require infrastructure capabilities that usually do not exist. The US Jamaica Customs e-Payment Project (case study 4), for example, found that many customs brokers lacked the essential internet access for e-payment. Second, there is often a lack of adequate institutions, governance structures and qualified personnel, which are required not only to design and implement the new (customs) procedures, but also to identify the local needs. Donors can support needs assessments, as in the USAID FASTrade Project (case study 8) and help strengthen in-country capacities for the latter, through training personnel in diagnosis methodologies and collaborating with local experts when undertaking the diagnosis.

77. The diagnosis should be thorough and examine the operating environments of custom administrations, the institutional competencies and the resource availabilities as well as the overall legal and institutional framework that regulates international trade in the partner country. Furthermore, the assessment should take account of the national development strategy and regional and international commitments. As shown in the case of Mozambique (case study 7), accurate needs assessment and feasibility studies could have helped define a more realistic timetable and cost projections for donor-supported interventions.

78. Existing multilateral instruments such as the WCO's *Customs Capacity Building Diagnostic Framework* or the World Bank Trade and Transport Facilitation Audit can help partner countries identify trade facilitation related needs and capacity constraints and subsequently co-ordinate donor programming. The Integrated Framework Diagnostic Trade Integration Study, which is broader in nature, can also help to establish the relative importance and role of trade facilitation reforms in a country's broader trade development and poverty reduction strategy, as has been the case in Cambodia and Mozambique (case studies 6 and 7).

Secure high-level commitment, leadership and political will for reform

79. The Cambodia and Mozambique cases (case studies 6 and 7) also highlight the importance of high-level political will and commitment to reform. In these countries, the government took the lead in designing trade facilitation reform programmes in line with other domestic policies and objectives (e.g. trade, private sector development, government revenue enhancement, public sector reform and anti-corruption strategies) and in co-ordinating bilateral donors and international organisations around these programmes. The Government of Mozambique also allocated important financial resources to the reforms.

80. Given the importance of customs to revenue collection and the volatile political situation of many partner governments, broad-based high-level support and commitment is often essential (WCO, 2003). In its *Customs Modernisation Handbook*, the World Bank identifies not only continuity in leadership and management in the project recipient organisation as a crucial element of continued national support but also political will for reform as a prerequisite for the sustainability of customs reforms (de Wulf and Sokol, 2005). The US and EC experiences with TA/CB for trade facilitation (WTO, 2005b and WTO, 2005c) have also shown the importance of high level commitment.

81. In fact, a number of international organisations, e.g. the World Bank, WCO, UNCTAD, UNECE and the OECD, have helped strengthen constituencies for trade facilitation in partner countries, by disseminating knowledge and help policymakers and stakeholders better understand the stakes and the roadmap to trade facilitating reforms.

Align around local strategies and institutions

82. As noted by the WCO, donors need to adapt to differing country situations (WCO, 2003). Donor alignment with locally owned development strategies, including those for trade facilitation is crucial. This alignment is necessary for fostering ownership, and as such increase impact and sustainability of donor efforts. However, this can be particularly difficult for regional trade facilitation initiatives, which must take into account different contexts, priorities, policies and sensitivities.

83. The EC experiences in the COMESA region and in the Balkans, as well as ADB's intervention in Central Asia indeed point to the importance of taking account of national needs and circumstances in the broader framework of regional projects and programmes. Previous experience also shows that national rather than regional programmes often foster greater commitment and ownership. Yet, some issues, such as cross-border crime, illegal migration, transport standards, security procedures and smuggling require an inherently regional approach and co-operation across international borders.

84. To address such a challenge, the EC CARDS (case study 2), for example, adopted a "bottom-up" approach, developing five separate national strategies that are aligned to national priorities while also allocating funds towards a regional co-ordinating mechanism. In contrast, ADB adopted more of a "top-down" approach in its Regional Trade Facilitation and Customs Co-operation Programme in Central Asia (case study 5). The Programme is guided by a regional Customs Co-operation Committee, which monitors country-specific and regional initiatives that support a regional Common Action Plan and which organises cross-country knowledge sharing.

85. Beyond national strategies, it is important to use or leverage upon the recipient countries' local institutions and systems. This was for example the case in Cambodia, where the existing Government-Private Sector Forum and the Private Sector Development Steering Committee that monitor Cambodia's Private Sector Development Strategy, fed in and managed the trade facilitation reform programme and the World Bank Trade Facilitation and Competitiveness Project (case study 6).

Ensure broad-based stakeholder involvement and commitment

86. The design of national strategies for trade facilitation reform and subsequent donor support requires broad stakeholder involvement, to ensure relevance and commitment to the reform programme and its objectives. This can be achieved through national and regional consultations and the creation of working groups or steering committees (WTO, 2005c; WCO, 2003; OECD, 2001). Relevant public and private sector stakeholders – i.e. business community representatives; transport and trade service providers (e.g. Pakistan's Shippers' Council); government officials (involved in trade, industry, revenue enhancement, finance and planning) and customs personnel -- should be involved in identifying priorities

and needs. Subsequently they need to be implicated in the formulation, design, implementation, monitoring and evaluation of national reform programmes and related donor interventions.

87. The US, for example, supported “pro-committees” in the FASTrade Project in Central America (case study 8). In the COMESA region, the national working groups on customs, technical working groups and the National Trade and Development Policy Fora, which consisted of public and private sector representatives, monitored the reform process (case study 1). In Pakistan this task was delegated to the National Trade and Transport Facilitation Committee (case study 3).

88. Broad-based participation and consultation mechanisms, at national and/or regional level, are essential in order to help ensure that the reform process addresses the needs of all stakeholders and is accepted, carried out and continued, even after donors have exited (ensuring sustainability). In addition, broad based participation is necessary to steer, review and eventually adjust the reform programme and donor interventions that support it. For example, when Jamaica introduced ICT to improve its customs payment system, consultation with and participation of all stakeholders --from customs brokers to the ICT installation company – proved crucial to manage expectations and ensure effective implementation and sustainability (case study 4).

89. In some cases, like the World Bank’s Trade and Transport Facilitation Project in Pakistan (case study 3), private sector stakeholders that participated in the project (the Pakistan Shippers Council) also bore part of the costs. This example highlights the important role the private sector can play, not only in informing and implementing the project, but also in co-financing the project and its follow up phase.

Ensure donor co-ordination, harmonisation and complementarity

90. Donor co-ordination, harmonisation and complementarity are essential to enhance the effectiveness of support for trade facilitation. Donors should take account of ongoing reform efforts, consult and co-ordinate with other donors and organisations active in the field in order to avoid duplication and increase synergies between their interventions. This has for example been the case with the ADB and the World Bank in Pakistan (case study 3) and the EC and World Bank in Southern Europe (Balkan countries, case study 2).

91. As shown in some of the case studies, donors sometimes provide financial assistance for trade facilitation reforms through supporting activities of multilateral institutions or other donor agencies that have more experience or that are already active in this area in the recipient country. Examples include US financial support for the World Bank Trade and Transport Facilitation Project in Southern Europe and the collaboration of numerous donors with UNCTAD for the introduction of ICT systems, such as in the COMESA region, Pakistan and Cambodia.

92. This trend in donor delegation and collaboration can probably in part be explained by the limited availability of trade facilitation experts for certain types of services (such as risk assessment methodologies at ports or internal customs control procedures), which is due to the fact that in-depth customs expertise lies with personnel currently employed at national customs authorities.

93. Furthermore, funding or undertaking TA/CB for trade facilitation as part of a comprehensive and co-ordinated donor strategy can lead to significant cost efficiencies, encourage a more effective division of labour amongst donors and increase their complementarity and enhance donors’ collective impact. Such an approach is facilitated when there is a national reform strategy, backed by strong political will and leadership, around which donors can align and co-ordinate, as is the case in Cambodia and Mozambique (case studies 6 and 7). Those two case studies also highlight the positive role of the *Integrated Framework for Trade Related Technical Assistance* has played in facilitating donor co-ordination. As the WCO notes,

“[recipient country] governments need to avoid the temptation of accepting donor assistance simply because it is available” and play a more strategic role in donor co-ordination (WCO, 2003).

94. Programme-based approaches, i.e. co-ordinated donor strategies characterised by, among others, recipient country leadership, a single comprehensive programme and budget framework and harmonisation of donor procedures for reporting, budgeting, financial management and procurement¹⁴ can in addition lead to more predictable financial and administrative commitments and resources to projects and to further efficiencies, achieved through the use of simplified and common donor arrangements. For example, Cambodia’s Government 12-point Action Plan for Trade Facilitation has provided guidance and a framework for trade facilitation reform and TA/CB planning, allocation and monitoring and evaluation (case study 6).

Take a holistic approach, sequence interventions adequately and provide multi-year and predictable funding

95. A comprehensive and co-ordinated donor TA/CB strategy or programme-based approach is also essential for supporting broad and long-lasting national reform programmes and for strengthening sustainable in-country capacities (cf. Mozambique, which has undergone a total overhaul of its customs management strategy and staffing practices). Yet such an approach requires long-term and predictable levels of engagement and funding. The WCO has emphasised the importance of matching ambitions and expectations with adequate resources and noted that such resources have often been lacking, with insufficient means devoted to post-implementation support and assistance (WCO, 2003).

96. Sustainability of donor assistance for trade facilitation reform and capacity development can be encouraged by engaging in multi-year programmes; providing follow up support. e.g. follow up training or implementation support for ICT systems (WCO, 2003); putting greater emphasis on skills development of direct relevance to the beneficiary’s job as opposed to information dissemination (OECD, 2006); and strengthening local institutions, for example, training facilities, as has been done in Mozambique with the Customs Training Unit, or reinforcing customs administration efficiency and effectiveness through the introduction of improved management processes, staffing procedures or automation.

97. The different components or donor interventions should also 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, hence the need for a holistic, comprehensive and well-sequenced approach to trade facilitation reform and TA/CB (OECD, 2005c). This is illustrated by the US Customs E-Payment Project in Jamaica, which shows that a technology-intensive project can only be effective if existing business processes, incentive structures and infrastructure are also changed (case study 4).

98. Furthermore, the impact of more efficient customs on overall border clearance time will be greater if this reform is accompanied by complementary reforms in other border agencies or by enhanced co-ordination between border agencies (World Bank, 2005). This implies the need to define appropriate timelines for implementation of different components of reform and donor programmes, and has indeed been identified by the EC and the World Bank as a key factor for successful TA/CB for trade facilitation (WTO, 2005c; World Bank, 2005).

Incorporate support for trade facilitation reform in broader donor strategies

99. Both the EC and World Bank have highlighted the benefits of delivering TA/CB for trade facilitation as part of broader development assistance programmes aimed at supporting wider reforms programmes, e.g. in the area of trade and private sector development, infrastructure development and

public sector reform (WTO, 2005c, World Bank 2005). As noted above, such an approach is facilitated when the recipient country aligns or incorporates national trade facilitation reforms with broader reform and development strategies. The Mozambique and Cambodia experience illustrate well the role the *Integrated Framework for Trade Related Technical Assistance* can play in this endeavour (case studies 7 and 6).

Monitor and evaluate, using adequate performance indicators

100. Donor interventions, like national reforms, need to be monitored, evaluated, and audited to measure and assess effectiveness *during* and *after* completion. This enables to adjust ongoing interventions in case of poor performance or if there are unexpected changes in the project environment. It also allows to assess and take account of the relative successes and failures of some interventions in future programming. For example, in the case of the World Bank's Trade and Transport Facilitation Project in Pakistan, new work plans were developed every two years after review of two key indicators. In cases where donors (collectively) support a national reform programme, their interventions should be assessed against the objectives and indicators identified by the partner country. As noted above, existing broad-based consultation bodies could be used to guide and regularly monitor reforms and donor interventions.

101. A clear definition of performance indicators is necessary at the outset of the reform and or donor programme. Indicators need to be measured against benchmark data measured before a reform or programme is started, and targets need to be specified for each stage of the reform or donor intervention phase. The selection of performance indicators depends on the objectives and coverage of the intervention. The broader and more comprehensive a reform project is, the more comprehensive the set of indicators (World Bank, 2005). Rather than have general performance indicators (such as trade/GDP ratios), donors have found that developing and monitoring specific measures leads to greater effectiveness in project activities.

102. Examples of indicators used include (i) required documentation: the number of documents required for clearance of goods; (ii) border or customs release time: the time required between arrival and release of goods; (iii) physical inspection and introduction of risk management: the share of goods that are inspected at the border; or the number of irregularities in total number of inspections; (iv) revenue and import performance : the volume of collected customs duties and import taxes (e.g. as compared to GDP or total customs agency costs); (v) statistics: existence of accurate trade statistics; and (vi) private sector perceptions and degree of satisfaction, e.g. through a survey (e.g. regarding international trade procedures and occurrence of corruption).

103. As noted by the World Bank, WCO and EC, it is essential to take account of internationally agreed standard and rules (e.g. set by the WCO), and use these as performance benchmarks where relevant (World Bank, 2005; WCO, 2003; WTO, 2005c). For example, progress towards transparency in regulations and procedures could be monitored by examining the availability of internet publications, the existence of public enquiry points or the number of advance rulings issued.

104. More generally, multilateral organisations have designed performance indicators, monitoring tools and international standards which recipient countries and donor agencies could better leverage. Examples include the *WCO Time Release Study* that helps assess the time between the arrival and release of goods and the *World Bank Logistics Indicators* (See Diagnostic Tools and Performance Indicators in Table C.1). Useful guidance on how to measure performance can also be found in the *World Bank Customs Modernisation Handbook* (World Bank, 2005).

105. The Cambodia case study 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 that will examine achievement of the latter (case study 6). The purpose of the recently developed Performance Monitoring System is to provide accurate and periodic performance data to enable the Cambodian Ministry of Commerce to measure, evaluate and improve the project reform measures, as well as to build trust and confidence in the reform measures by all stakeholders, including the private sector. This System is comprised of both quantitative and qualitative monitoring tools and leverages on existing instruments such as the WCO Time Release Study, the Reform Score Card and the World Bank Investment Climate Survey (World Bank and Ministry of Commerce, 2005).

3.2 Case studies

3.2.1 The EC COMESA Regional Harmonisation of Customs and Trade Statistics Systems Project

Summary

106. The Common Market for Eastern and Southern Africa (COMESA) Regional Harmonisation of Customs and Trade Statistics Systems (RHCTSS) project is funded by the European Development Fund and implemented by the European Commission (EC), in collaboration with the COMESA Secretariat, UNCTAD, and the *Centre European du Statistique pour le Development* (CESD).

107. The project (2001-2004) has a EUR 12.6 million (USD 14.9 million) budget and is targeted at 23 countries - all COMESA states except Libya (Angola, Burundi, Comoros, Djibouti, Democratic Republic of Congo, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia, and Zimbabwe), as well as Botswana, Lesotho, Namibia, and Tanzania.

108. The project illustrates how *support for ICT systems and equipment* can help facilitate trade in a region and contribute to further regional integration. The key lesson from this regional project is that sufficient differentiation between countries' needs must be engendered throughout the project cycle.

Project Description

109. The COMESA is a regional trading bloc of twenty countries, which is pursuing incremental economic integration. In 2001, COMESA began to implement the RHCTSS Project as part of the EC's Trade Capacity Building Programme.

110. The objective of this project was to "establish an integrated and effective customs and external trade statistics system based on effective implementation of the ASYUDA and EUROTRACE systems, adoption of the COMESA Customs Declaration and implementation of the COMESA Common Statistical Rules" (Heiser, *et al.*, 2005). Achieving these objectives will strengthen the partner countries' compliance with WTO principles of consistency, predictability, and simplification and avoidance of unnecessary restrictiveness, as detailed in GATT Articles V and VIII.

111. This project was designed to help launch the COMESA Free Trade Area and promote the COMESA Customs Union, identify and prepare regional standards, develop a COMESA single customs paper and eliminate non-tariff barriers to trade (Pearson, 2004).

Main Findings

Stakeholder consultation is crucial.

112. The Project (and the EC's larger Trade Capacity Building Programme in COMESA countries) took an innovative approach to developing regional co-ordination and consultation mechanisms. It was supported by national groups such as the National Working Groups on Customs, Technical Working Groups and the National Trade and Development Policy Fora. These groups included representatives from both public and private sectors involved in trade, industry, customs, revenue, and financial sectors. Each group worked within a regional framework and worked toward the implementation of regional strategies (Pearson, 2004). These national groups also had direct links and consultations with regional bodies such as the COMESA Inter-Governmental Committee and the Regional Negotiating Group.

113. The inclusion of various national groups ensured a *bottom-up approach* to the implementation of the Project and also ensured that national policies interact with each other and that the regional policies reflect national priorities (Pearson, 2004). This approach also allowed for the Project to be aligned with other regional initiatives such as the Regional Customs Bond Guarantee Scheme.

Aligning with partner needs is difficult in a regional context.

114. From the outset, it was recognised that it is crucial for a regional project of this nature to adapt to the differing levels of development, needs, priorities, and capacities of partner countries. Indeed, achieving donor alignment where “donors base their overall support on partner countries’ national development strategies, institutions, and procedures” is one of the five key commitments in the 2005 *Paris Declaration on Aid Effectiveness* (OECD, 2005). Despite the consultation efforts, project evaluators found that the project did not take adequately into account the different levels of development, needs and priorities within the COMESA region. The evaluators suggest that the project should have instead focused on the more developed group of countries within the region to implement the project activities and this group would then in turn lead the less developed countries to speed up their own changes (Heiser, *et al.*, 2005).

Monitoring and evaluation is important during the project cycle.

115. The RHTCSS project was evaluated twice during the project cycle with a final evaluation in 2005. The main recommendations were that inventories of equipment, software and training be prepared and maintained for project transparency and sustainability purposes; that more emphasis be placed on the ‘Risk Based Approach’ to management; that more financial resources be available to countries that have not automated their customs’ systems; and that training evaluation questionnaires be fully assessed before annual work plans are drawn up to improve the focus of subsequent training programmes (Heiser, *et al.*, 2005).

116. Audits and evaluations are crucial for determining best practices and lessons learned. Although effects of capacity building projects are often not apparent for years, it is nonetheless useful to conduct project audits and evaluations during and upon completion of a project as many useful issues for improvement can be identified. Evaluations, therefore, assist all stakeholders to improve programme efficiency, relevance, and effectiveness.

Conclusion

117. The project has led to some clear and measured successes in the area of trade facilitation in COMESA countries. Primary objectives such as the implementation of ASYCUDA and EUROTRACE systems and the adoption of the COMESA Customs Declaration and the Harmonised System 2002 tariff nomenclature were achieved. At the broader level, the project evaluation shows that COMESA countries have also recorded reductions in clearing times for import and export of shipments, increased revenues from imports in part through implementing ASYCUDA, and increased co-operation between staff at National Statistics Offices and Customs Authorities of COMESA countries.

3.2.2 The EC Community Assistance for Reconstruction, Development and Stabilisation Programme/ Integrated Border Management Project

Summary

118. The EC Community Assistance for Reconstruction, Development and Stabilisation (CARDS) programme (2000-2006), funded and implemented by the EC, is a major initiative with funding levels of EUR 4.65 billion (USD 5.5 billion). It is designed to support Albania, Bosnia and Herzegovina, Croatia, Serbia and Montenegro and the Former Yugoslav Republic of Macedonia in the Stabilisation and Association Process with the European Union. CARDS seeks to promote stability within the region whilst also facilitating closer association with the European Union.

119. The CARDS programme includes an important trade facilitation *programme of activities*, the 2001-4 Integrated Border Management Project. A budget of EUR 117 million (USD 138 million) was allocated to this project for the 2002 – 2004 period. It includes various interventions, ranging from support for strengthening institutions and procedures, improving infrastructure and promoting co-operation between border agencies, and used as its base the Integrated Border Management Project Guidelines for the West Balkans.

120. The Integrated Border Management Project uses an interesting balance of national and regional co-ordination mechanisms with greater emphasis to national plans and priorities. In the long-term, however, it is recognised that as institutions evolve and Western Balkan countries continue to integrate between themselves and with the EU, regional and sectoral initiatives might need to be strengthened.

Project description

121. CARDS assistance targets a wide range of issues, including reconstruction, rule of law, sustainable economic development, social development, integration with the EU and regional co-operation. The CARDS programme is one of the main channels of EU funding to the Western Balkan States and has capacity building in trade facilitation as one of its key focus areas.

122. In the area of trade facilitation, the *Integrated Border Management Project* aims to facilitate the flow of people and goods across borders, by strengthening institutions and procedures, improving infrastructure and promoting co-operation between border agencies. Activities include technical assistance for customs reforms, supplies, standards development and border infrastructure development (EC, 2005a). Expected outcomes of this project are: fully integrated border facilities by 2006, upgraded border infrastructure, systems and procedures and enhanced institutional capacities, which will in turn further strengthen the region's ability to adopt WTO principles of consistency and predictability, and simplification of rules and standards (EC, 2005a).

123. Most of CARDS funding supports national plans for each of the five recipient countries, with roughly 10% of the funding supporting a complementary regional strategy that focuses on regional or trans-border issues, as well as areas where efficiencies can be gained through regional approaches (EC, 2005c).

Main Findings

Alignment with national strategies is crucial.

124. The experience of CARDS and its predecessor Phare programmes¹⁵ have shown that national and locally developed programmes ensure greater commitment and ownership (EC, 2005c). The CARDS aligns its regional policies with national priorities. Country Strategy Papers are the key documents guiding this approach. Each country has a National Aid Co-ordinator, who works with ministries, non-government actors and other country authorities and project beneficiaries. For example, although the *Integrated Border Management* is an initiative of the CARDS Regional Programme, it is the five national programmes that in fact receive the bulk of the funding to develop improved border crossing, support for border police and institutional development of customs and sanitary agencies included in trade facilitation programming.

125. These national priorities are aligned within a regional framework in areas such as determining the main border crossings between partner countries and technical logistics and transportation standards. Even in areas such as cross-country transportation and logistics standards, CARDS has found that it is easier to incorporate regional frameworks into national strategies and tailor these to national needs and situations in order to ensure greater ownership of the programme. The primary rationale for this is that border issues are sensitive and must, therefore, be addressed at the national level to be effective and gain government support (EC, 2005b).

Projects should adjust to evolving regional dynamics.

126. This emphasis on national programmes could evolve in the future. An evaluation of the CARDS programme conducted in 2003 suggests that the regional dimension of CARDS will need to be strengthened as individual country institutions continue to develop their capacities and as individual countries themselves support their own institutions (EC, 2005b). This evaluation also suggests that Country Strategy Papers may become less effective than Partnership documents and Stabilisation and Association Process papers. Further, sector-specific project formulation may become more effective than country-specific project formulation as the five West Balkan states integrate with each other and with EU countries (EC, 2005b).

Co-ordination with other projects avoids duplication.

127. This *Integrated Border Management Project* started with building an inter-agency working group of many key stakeholders, which then developed an interlinked programme. Most notably, the World Bank-led USD 198 million Transport and Trade Facilitation Project in Southeast Europe (2001-2006) – which has benefited from US financial support-- has complemented EC interventions by reducing non-tariff trade and transport costs and smuggling and corruption at borders, and strengthening customs administrations.¹⁶ These two donors consult each other regularly through regular review mechanisms and direct cooperation. The activities undertaken in the framework of both these two programmes will be incorporated into national border integration strategies (EC, 2005a).

Conclusion

128. The most interesting element of this programme is the way in which it balances and co-ordinates between five national plans and one regional plan.

3.2.3 The World Bank Trade and Transport Facilitation Project in Pakistan

Summary

129. The Pakistan Trade and Transport Facilitation Project (2001-2006), funded by the World Bank (USD 3 million) and the Pakistan Shippers Council (USD 0.5 million), was jointly implemented by the World Bank, the Pakistan Ministry of Commerce and UNCTAD.

130. The Project is a good example of a *programme of activities*, as it provides support for needs assessments, legal and regulatory reform, institutional development, human resource development and training. The Trade and Transport Facilitation Project also illustrates how effective project design and management can help institutionalise public and private sector collaboration and partnerships, and highlights the importance of donor co-ordination to avoid duplication.

Project Description

131. The Trade and Transport Facilitation Project aims to establish a collaborative public/private framework to address inefficiencies in Pakistan's trade facilitation regime, such as outdated port and customs procedures and facilities (especially at Karachi port) and trade-related regulations that caused immobilisation of import containers between ships-rail and upcountry delivery. According to a 1996 Logistics Cost Survey, this delay was causing annual excess inventory costs of USD 150 million (World Bank, 1998).

132. This project therefore seeks to modernise and simplify trade and transport procedures and practices in Pakistan, primarily through reform of Transport Acts but also through technical training. Achieving these goals will help Pakistan further achieve its WTO obligations of transparency, simplification of rules and procedures, and due process under GATT Articles V and VIII.

Main Findings

Public-private sector participation should be part of project design.

133. As public-private sector collaboration was the primary focus of this project, the project was carefully designed to ensure that such collaboration occurs and succeeds. The World Bank's previous Karachi Port Modernisation Project revealed that institutional arrangements for public/private sector collaboration were inadequate, as the two implementing agencies (Pakistan Facilitation Program and the Karachi Port Trust) lacked direct relations with Pakistan's Ministry of Commerce and did not work effectively with the private sector or customs authorities.

134. The governance of this new project reflects lessons learned from these past experiences. The main executing agencies of the project were the Ministry of Commerce and the Pakistan Shippers Council, who thus represented both the public and private sectors. Both agencies' staffs are represented in the project management agency, the National Trade and Transport Facilitation Committee (hereafter the "Committee"). The Committee Secretariat, the primary beneficiary of technical assistance, is located at and closely associated with the Pakistan Shippers Council, further ensuring access to and collaboration with private sector interests (World Bank, 2001). In fact, the project had originally considered allowing the Ministry of Commerce to fund and arrange the Committee Secretariat instead of the Shippers Council, but it was decided that the latter could work better with the private sector and provide local funding for the project.

Sustainability requires institutions.

135. The effectiveness of public-private partnerships determines the sustainability of projects after they have been completed. This project aims to be sustainable through the establishment and strengthening of a permanent institution, the National Trade and Transport Facilitation Committee and its Secretariat. These bodies will be responsible for implementation of any further trade facilitation measures. The Pakistan Shippers Council will fund the Committee's Secretariat after the first round of reforms (World Bank, 2001). The incremental costs of the Secretariat's professional staff are to be reimbursed by the World Bank, and local support staff, office space and utilities will be funded by the Pakistan Shippers Council (World Bank, 2005a).

Alignment around national priorities facilitates donor co-ordination.

136. Donor co-ordination was facilitated thanks to the project's alignment with the Government of Pakistan's own reform priorities in the area of customs reform and private sector development in transportation and freight services and alignment with the World Bank's Country Assistance Strategy for Pakistan.

137. Although the World Bank project involves the standardisation, simplification and harmonisation of trade and transport procedures, it was originally designed to focus primarily on customs procedures. However, because the Asian Development Bank (ADB) was already implementing its Modernisation of Customs Administration Project, the World Bank refrained from including customs procedures in its plan but instead co-ordinated closely with the ADB.

Selection of the sub-contractor is important.

138. The World Bank was careful in ensuring that the most appropriate institutions were chosen for project implementation. UNCTAD, for example, was the main institution delivering technical assistance to the Committee based on its expertise in the area of trade logistics.

A lead agency is essential.

139. Further, the project never considered including port procedures because this would have involved complicated management issues related to the Karachi Port, and experience had shown that projects are most successful when they are focused and led by one agency (World Bank, 2001).

Conclusion

140. The Trade and Transportation Facilitation Project provides a good example of the mechanisms that need to be put into place for effective public-private sector co-operation. It also shows the importance of effective assessment of capacity gaps/constraints and donor co-ordination issues that affect project design and implementation.

3.2.4 The US Jamaica Customs Electronic Payments Project

Summary

141. The USAID-funded Jamaica Customs Electronic Payments (e-Payments) Project, which was launched in February 2002 and lasted until November 2003, had a budget of USD 33,000 (TCBDB). The project was delivered in the framework of USAID's New Economy Project in Jamaica, a four year programme that aims to improve the business environment for small, medium and micro enterprises (SMME) in Jamaica, by helping reduce business constraints while fostering competition, improve company skills, competitiveness and productivity and enhance SMME access to financial products and services.

142. The e-Payments project illustrates how *ICT support* can contribute in making customs administrations measurably more efficient, cost-effective, transparent and accountable. In this way, this project is strengthening Jamaica's adherence to GATT Articles V (Freedom of Transit) and VIII (Fees and Formalities Connected with Importation and Exportation).

143. It highlights the importance of public-private partnerships for managing expectations and concerns of different stakeholders; assessing priorities; and thus ensuring relevance of donor interventions and strong commitment to reform across all sectors.

Project description

144. The Project aimed to improve the efficiency of duty payment to Jamaica Customs, by allowing customs brokers and importers to pay for duties online. This project was initially a 12-week pilot project in early 2003 for fifteen selected customs brokers and importers in preparation for the launch of the customs e-payment system for all brokers and importers in Jamaica (The New Economy Project, 2006). The project was fully launched in July 2003, and at this time of project implementation, there were roughly 3 500 to 4 000 commercial import shipments per week in Jamaica, processed by 350 licensed brokers and commercial importers. Duties were paid by cash, managers' checks, or credit cards to cashiers at the Customs House, and took 2-3 days to process (Remarks by Kermit Moh, 2003). Not only was the system inefficient and labour intensive, it lacked accountability and was ripe for corruption.

145. This project required close collaboration between seven organizations: three government agencies - the Jamaica Customs Department, the Ministry of Finance and Planning, and Fiscal Services Limited- and four private sector organizations - Scotiabank Jamaica, the Jamaica Customs Brokers Association, Grace Kennedy (a Jamaican trading company) and Cable and Wireless,= (a local telecommunications provider). During the project planning and pilot phases, it was important to involve the Jamaica Customs Brokers Association and Grace Kennedy to ensure that the project remained relevant to the main beneficiaries - the brokerage and importer communities.

Main Findings

Alignment with national strategies is crucial.

146. The project was aligned with the Government of Jamaica's Customs Modernisation Programme and the government's plans to develop e-commerce capabilities throughout the public sector in Jamaica.

Need of a holistic approach to trade facilitation reform and TA/CB.

147. The key lessons learned in implementing such a technology-intensive project is that existing business processes, incentive structures, and infrastructure also need to be changed in order for the project

to be effective. In many ways, changing business processes and incentive structure are harder to achieve than introducing new technologies.

Stakeholder buy-in is important during project planning and implementation.

148. It can be difficult to launch ICT infrastructure projects in developing countries. Not only do such projects require support from all stakeholders and sectors involved, such as telephone wire installation companies, but it requires adequate stakeholder consultation and assessments to adequately manage expectations, concerns and problems.

149. In launching the e-Payment system, the Project had to overcome many challenges. First, brokers and importers were initially sceptical of the new technology as some feared they may lose their competitive advantage in the new trade transaction process. Second, with the launch of this system, customs officials would lose overtime work they enjoyed with the old system, as well as some beneficial private arrangements with brokers. Third, telecommunication services encountered challenges as many brokers could initially not receive new phone lines for internet access due to infrastructure deficiencies in some areas. It also became difficult for brokers to reach the system during peak hours and seasons due to technical problems (UNPAN, 2002).

150. Over time these problems were addressed as more telephone lines were installed, training was given to brokers for using the internet and the customs payment programme and a customer service centre with hot lines was established to address requests and problems quickly (UNPAN, 2002, pp. 2-3). This experience highlighted the need for strong commitment to reform across all sectors from the inception of the project, and the need for an awareness programme and assessment of stakeholder priorities and concerns early on in the project (UNPAN, 2002).

Conclusion

151. This project facilitated over 4 000 customs transactions per week, widened Jamaica's tax base and improved tax administration efficiency and ease of compliance with tax requirements (USAID, 2003). At its launch, the e-Payment system was expected to raise the payment limit that the customs system can accommodate from USD 15 254 to USD 84 746, reduce the cost and time spent in procuring manager's cheques, avoid long lines at the Customs House, and enable clients to check entry and approval status on-line (The Jamaica Observer, 2003). By the time the customs e-payment system was launched, the pilot project had:

- reduced the time for processing duty payments from 2-3 days to 1-2 hours; and
- duty payments rose over 1 billion Jamaican dollars (JMD) for 2004, which was almost three times the JMD 366.4 million received for the previous fiscal period (USAID, 2005).

152. This project was thus successful in improving and facilitating customs procedures in Jamaica. The system is in use around the country, with 98% of entries submitted electronically and with 95% of brokers using the system (UNPAN, 2002).

3.2.5 The Asian Development Bank's Regional Trade Facilitation and Customs Cooperation Programme in Central Asia

Summary

153. The Asian Development Bank's Regional Trade Facilitation and Customs Cooperation (RTFCCP) Programme, launched in 2002, targets Azerbaijan, Kazakhstan, Kyrgyz Republic, Mongolia, People's Republic of China, Tajikistan, and Uzbekistan. The primary objectives are to promote customs reforms and modernisation, and support an integrated approach to trade facilitation through interagency and private sector partnership.

154. This ongoing *programme of activities* has an estimated cost of USD 1.12 million (of which the ADB is granting USD 900,000 and recipient countries jointly funding USD 220,000) (ADB, 2004). It is designed to strengthen customs procedures and co-operation, as well as other trade facilitation measures in Central Asia, through a wide range of interventions e.g. support for legal and regulatory reform, infrastructure, and institutional development, study tours, seminars, studies, and consultations (ADB, 2005).

155. The Programme has received both financial and technical support from several bilateral and multilateral agencies, including the EC through its Programme of Transport Corridor in Europe-Caucasus-Central Asia, the Swiss Agency for Development and Cooperation, the IMF, through its 30 point plan for Customs Administration Reform and Modernisation, the USAID through a long-term consultant, and the World Bank through technical assistance and local computer consultants (Akhtar, *et al.*, 2002).

Project Description

156. The Programme is part of the ADB's broader Central Asia Regional Economic Cooperation (CAREC) Programme and forms its main strategy for trade facilitation and regional customs co-operation (ADB, 2004). The Programme addresses the need for strengthening the trading environment and achieving WTO principles of simplification of rules and procedures and transparency. It seeks to modernise customs' legal and physical infrastructure, reform customs codes, foster private customs intermediaries, and support regional customs co-operation to address common concerns and complement country-specific support.

157. The Programme is guided by the Customs Cooperation Committee (CCC) -- which consists of heads of customs administration of CAREC countries. In 2002, this Committee endorsed a Common Action Plan and created groups to study previous and current trade facilitation efforts and to devise work programmes for the project in the region in the areas of: simplification and harmonisation of customs procedures, development of simplified transit systems, data sharing and ICT for customs, and risk management and post-entry audit.

Main Findings

Alignment with national and regional priorities is essential.

158. The project highlights the need to be aligned with all recipient countries' priorities, needs, and capacities, as the participant countries in the Programme have very different levels of customs/legal reform and infrastructure development. This necessitates a phased and pragmatic approach, with bilateral initiatives, pilot testing, capacity building, country-specific initiatives, and knowledge sharing being key strategies in overcoming these challenges (Liang, 2004). Regional customs co-operation is guided and supervised by the Customs Cooperation Committee, which ensures country ownership of projects while at the same time ensuring alignment with regional priorities (ADB, 2004).

Bilateral initiative can strengthen regional approaches.

159. The ADB generally prefers pragmatic bilateral co-operation between participating countries, even within a regional framework, mainly because bilateral initiatives require and foster more country ownership and accountability (Liang, 2004). Support of two countries is easier to secure than support of all member countries, and this bilateral approach has indeed proved effective in transit development, sharing of customs data and adoption of joint customs control. More traditional regional activities first need wide consultation in advance to ensure support, which takes time and resources.

160. Moreover, because the participating countries have such varied capacities and commitments to trade and trade facilitation, bilateral initiatives, in the form of bilateral agreements and bilateral pilot-tests, have proved to be more pragmatic and result-oriented than a multilateral approach. Bilateral initiatives for harmonisation of customs procedures, data exchanges, transit development, and customs control and one-stop services are proving far easier to achieve than more traditional sub regional cooperation initiatives that focus on developing multilateral trade and transport agreements, pilot-testing them, and then implementing them (ADB, 2005).

Sharing knowledge and best practices builds capacity and trust.

161. The first phase of this project also revealed the importance of sharing knowledge about customs reform. The main focus of the project's regional activities consisted of regional forums for knowledge sharing, for example to share best practices in using ICT, or on implementation of international conventions and agreements (Liang, 2004). Knowledge sharing through regional events has become a priority area of the programme, especially as it also strengthens trust and confidence among the participating countries (ADB, 2005).

Broad-based support and buy-in is crucial.

162. The programme has demonstrated that trade facilitation efforts will not be successful unless all stakeholders are consulted and support the initiatives. The ADB states clearly that failure to consult the private sector especially will lead to project failure or increased costs (Liang, 2004).

Conclusion

163. The programme has seen visible progress in revised customs codes, re-engineered customs business processes, modernised and developed customs administrations, led to bilateral customs co-operation and organised training and regional forums on customs co-operation (Liang, 2004). This programme has promoted a series of bilateral agreements and pilot-testing, as well as country-specific customs modernisation efforts. Training and knowledge sharing has also strengthened capacity, trust, and confidence among member countries.

3.2.6 The World Bank's Cambodia Trade Facilitation and Competitiveness Project

Summary

164. The Cambodia Trade Facilitation and Competitiveness Project (2005-2009) was launched by the World Bank and the Royal Government of Cambodia in June 2005 to reduce trade and investment transaction costs, increase transparency in investment processes and promote exports. This USD 10 million *programme of activities* is being financed by the World Bank (with other donors contributing USD 2 million) and implemented by the Government of Cambodia, led by the Ministry of Commerce.

165. The Project responds to constraints identified by Cambodia in its 2002 Diagnostic Trade Integration Study (DTIS) and is aligned with Cambodia's Private Sector Development Strategy and National Poverty Reduction Strategy. It is being undertaken in consultation with the private sector and financed and implemented by several bilateral donor agencies and multilateral organisations. Finally, it will be monitored against clear performance indicators. It thus provides a good illustration of partner country ownership, donor alignment and harmonisation and results-based aid management, undertaken in the context of the Integrated Framework for Trade Related Technical Assistance.

Project Description

166. This project is the latest in a string of donor activities and technical assistance programmes to help Cambodia achieve trade facilitation reform. Trade facilitation (USD 6.2 million) is the project's largest component, the others being export market access funds (USD 2.1 million), private participation in infrastructure projects (USD 1.2 million), and legal transparency (USD 0.4 million).

167. In its trade facilitation component, the project will develop the automation of customs and trade regulatory agencies through financing a Single Window and implementing UNCTAD's ASYCUDA automated customs processing system. The project will also assist Cambodia in complying with the WCO revised Kyoto Convention, develop a merit-based human resource strategy at trade regulatory agencies, and develop an Integrity Action Plan for the Customs and Excise Department that is based on a self-assessment exercise (World Bank, 2005a). Successfully achieving these objectives will strengthen adherence to WTO principles of transparency, consistency and predictability, and simplification of rules.

Main Findings

Ownership and leadership by the recipient government is essential.

168. The project demonstrates the importance of ownership and leadership in political decisions of reform, and in sustaining what can sometimes be a long project design cycle. Cambodia's Government, led by the Ministry of Commerce has taken a leadership role in overall trade reform and exercises this role in each step of the project. Starting with its commitment to the Integrated Framework process (which started in 2001) and its diagnosis exercise (DTIS), the Government then formalised in 2004 its 12-point reform programme in trade facilitation.¹⁷ The Government was particularly active in proposing and leading this reform programme, in part because they were facing public pressure to strengthen the country's significant garment industry as the Multifibre Agreement came to an end. In working with the World Bank, the EC and other donors, the Government then paved the way for this trade facilitation and competitiveness project (Interview with F. Artuso).

Projects should respond to priorities.

169. This project addresses a number of constraints identified by the DTIS, in particular, excessive regulation, low productivity, weak institutions, weak governance of public-private partnerships and a non-

transparent legal system. The DTIS concluded that the largest constraint to business in Cambodia is trade-related regulations and governance-related constraints (World Bank, 2005a). The DTIS and various donor funded studies have identified the need to support computerisation and automation of procedures and information systems, the clarification of roles and responsibilities of overlapping agencies in border inspection, and professionalisation of officials using appropriate human resource and rewards/compensation policies.

Alignment and donor co-ordination are crucial in the project preparation stage.

170. This project was preceded by many months of preparation, to ensure an adequate needs assessment, donor co-ordination and alignment with Cambodia's priorities. Input from donors to the Ministry of Commerce was largely informal leading up to the adoption of the 12-point plan in 2004, with the World Bank, EC, IMF and AusAID providing need assessments and advice about suitable reform measures. After the Government announced its 12-point plan, donors could then provide assistance based on specific reform priorities. Moreover, before donor consultation with the Government or, for example, the Private Sector Development Steering Committee, donors would consult with each other to be able to present a unified and consistent donor view (Interview with F. Artuso).

Institutional mechanisms are required to ensure private sector involvement.

171. There are two formal mechanisms to ensure private sector co-ordination and collaboration. First, the Private Sector Development Steering Committee, chaired by the Minister of Economy and Finance (which controls customs), has three sub-steering committees one of which deals with trade facilitation. It meets regularly to discuss reform agenda issues with the Government and donor organisations. Second, the Government-Private Sector Forum provided important input to the 12-point reform agenda and provides consultation between the private sector and the government. Both of these mechanisms ensure regular and formal private sector input into the trade facilitation reform process, the 12-point plan, and the Trade and Competitiveness Project (Interview with F. Artuso)

Performance should be monitored.

172. The Trade and Competitiveness Project includes clear objectives and performance indicators,¹⁸ as well as a formal Performance Monitoring System. The purpose of the recently developed Performance Monitoring System is to provide transparent, accurate, and periodic performance data to enable the Ministry of Commerce to measure, evaluate, and improve the project reform measures, as well as to build trust and confidence in the reform measures by all stakeholders, including the private sector. This System is comprised of both quantitative and qualitative evaluations: the WCO's Simplified Time Release Study to judge the time between the arrival and release of goods and the Reform Score Card to ascertain perceptions of the private sector. This project will be regularly evaluated through this system, as well as monitored through a 2006/7 Investment Climate Survey (mid-term report) system, and both will be measured against an August 2005 baseline study. Progress in trade facilitation reforms should in turn trigger disbursement of budget support to the Government, in the framework of the World Bank Poverty Reduction Support Operation (which supports the broader National Poverty Reduction Strategy) (World Bank and Ministry of Commerce, 2005).

Conclusion

173. The World Bank's Cambodia Trade Facilitation and Competitiveness Project has many exemplary components which will help the project achieve success, such as project alignment with identified priorities and objectives, careful donor co-ordination, institutional mechanisms for private sector involvement and collaboration, and performance monitoring. This project also benefits from strong

leadership of the Cambodian government, and the use of trade facilitation needs and capacity gap assessments, such as the Diagnostic Trade Integration Study, which identify the priorities this project and other development initiatives collectively seek to address.

3.2.7 Mozambique's Customs Reform Experience

Summary

174. In 1995, the Government of Mozambique decided to reform and modernise its customs service to increase budget revenues, combat corruption and smuggling and better facilitate the movement of goods. The government established a Technical Unit for Restructuring Customs (TURC) to initiate and oversee these reforms. The Technical Unit contracted a UK-based company, Crown Agents, to manage this reform process with the financial and technical support of UK's Department for International Development (DFID), the IMF, the World Bank and the UNDP (Mwangi, 2004). The technical unit used overseas contractors to manage and implement the reform process due to severe shortages in human resources in Mozambique and entrenched corruption.

175. The first Crown Agents contract from 1997-1999 cost a total USD 37 million, of which DFID financed USD 16 million and the Mozambique government financed USD 21 million (Mwangi, 2004). The initial three-year contract to Crown Agents was extended three times by a further five and a half years until mid-2005 (Duran and Sokol, 2004). The first two extensions cost an additional USD 26 million, of which Government of Mozambique financed USD 15 million with the remaining USD 11 million financed by DFID (Mwangi, 2004). The reform is still ongoing.

176. The donors' *programme of activities* that has supported the reform process highlights the importance of an independent diagnosis; the launch of a national customs reform strategy, as part of an overall national development plan, around which donors can align; the need for sustained external support; the advantages of establishing local training facilities; regular monitoring of progress; and institutionalised donor coordination mechanisms.

Project Description

177. To achieve the Government of Mozambique's overall reform objectives, the project focused on five key areas-- management reforms, human resource reforms, computerisation, review of customs processes and anti-corruption measures (information provided by D. Bond of Crown Agents). The main components of the customs reform have been updating and reissuing a Customs Code at the end of 2002, improving staff payment and training, implementing management and control systems with the aim or reducing corruption, introducing ICT to manage customs processes, training to improve customs valuation and auditing, reducing physical inspection rates and implementing better collection and control procedures to improve revenue collection (Mwangi, 2004). This project was largely about increasing transparency and accountability, and improving due process (as proscribed in GATT Articles V and VIII) in a largely corrupt and inefficient customs organisation.

178. The Government of Mozambique brought in external contractors to fundamentally break the cycle of corruption and initiate a process of renewal at Mozambique Customs. To do so, Crown Agents was tasked with taking over substantial management control of Mozambique Customs - from training and appointment of personnel, to supervising external trade operations and preventing fraud. Crown Agents also began using pre-shipment inspection services to determine the dutiable value of imports.

Main Findings

The Integrated Framework has facilitated donor alignment and co-ordination.

179. The customs reforms are part of a broader government initiative to reform trade and encourage donor-funded technical assistance and public-private partnership. Mozambique has received trade-related support primarily from USAID, the EC and the Southern Africa Development Community. The national

PRSP and Integrated Framework processes facilitated dialogue and co-ordination between the government and donors (Siteo, 2005). More specifically, the DTIS, undertaken in 2002, forms the basis for identifying future reform projects and integrating trade plans into the country's development and poverty reduction strategies.

Modernisation of the entire customs management strategy and staffing practices is sometimes necessary.

180. The key element of the customs reform was a change in management strategy that involved substantial changes to staffing practices. The new recruiting processes focused on academic achievement, psychometric tests, background and integrity checks and training that includes paramilitary as well as customs training. A Customs Training Unit was established to meet the training needs of customs officials and provide continuing education from technical specialists and other training material. Moreover, this project has decided to remunerate customs staff well to prevent the need to rely on unofficial payments. A new salary scale was introduced that is higher than other civil servants and comparable with private sector pay and health insurance and pensions plans are also provided. (Mwangi, 2004).

Needs assessments are crucial to project outcomes.

181. Diagnostic and feasibility studies of the management duties that are to be outsourced to international contractors need to occur before the project contract is determined. Such studies could provide a more realistic timetable and cost projection and reduce the need for extensions or suggest the need of a more flexible contract length for capacity building projects of this nature (Mwangi, 2004). A detailed needs assessment and/or feasibility study should define project requirements accurately.

Project outcomes need constant and collaborative monitoring.

182. The change management strategy implemented by external contractors was constantly reviewed by a steering committee made up of representatives of the Technical Unit, the IMF, the World Bank and DFID. This committee met on a quarterly and annual basis to carry out reviews that benchmarked and documented progress against the original objectives of the project. The steering committee also acted as a donor co-ordination mechanism. This factor of quarterly and annual reviews provided added flexibility and authority to the process and contributed to donors' willingness to extend their support beyond the period originally envisaged (Mwangi, 2004).

Conclusion

183. Over the course of this project, significant improvements to customs in Mozambique have been made. From 1995-2001:

- The project increased revenue collection for Mozambique significantly. A falling revenue collection trend was reversed with revenue collected in 2005 representing a 338% increase over the 1996 project baseline (information provided by D. Bond of Crown Agents);
- Goods clearance times have reduced dramatically. Prior to the reforms, clearance times averaged in the weeks. Now, the goal is to have 80% of goods cleared within 24 hours and the remaining 20% cleared within 48 hours (information provided by D. Bond of Crown Agents);
- Overall customs staff size increased from 365 to 1,272, but with roughly half of the staff removed and replaced with new staff, recruited according to more transparent procedures (Mwangi, 2004); and

- ICT in customs management (in areas such as declarations, manifest management and risk management) has been introduced in a phased approach and continues to be developed. Customs procedures of Mozambique now represent the best in international standards.

184. Given a significant lack of capacity in Mozambique, the participation of external contractors such as Crown Agents has been beneficial in reorganising customs and implementing reform with measurable results. None of this would have been possible without consistent political support.

3.2.8 USAID FASTrade Project Initiatives in Central America

Summary

185. USAID is using its Facilitating Streamlined Trade (FASTrade) initiative to implement a customs and border trade facilitation *programme of activities* in Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua, the five original Central America Free Trade Agreement (CAFTA) countries. This assistance is part of the US Government's overall trade capacity building effort in Central America, which was funded at USD 33 million in 2003 and USD 47.6 million in 2004 (Miller, 2005), and responds to concerns by Central American countries that their economies are asymmetrical with the US and that they need assistance to successfully negotiate and implement the CAFTA. The FASTrade initiative was established by USAID in 2003 to help support USAID field activities by bringing together USAID and other US Government officials, the private sector, developing countries, and donor agencies to collectively identify and implement projects that will "streamline clearance procedures, meet new security requirements, and reduce incoming and outgoing transaction costs at international borders." (FASTrade website) Overall USAID annual funding to FASTrade for its projects in Central America amount to less than USD 500,000 (Interview with Booz Allen Hamilton, private contracting firm for FASTrade).

Project Description

186. Since 2003, FASTrade has been implementing projects to assess needs and capacity; establish public/private sector partnerships called 'pro-committees' to facilitate customs reform; increase transparency and publication of laws and regulations; strengthen advanced rulings of laws, regulations and procedures; facilitate express shipment; improve risk management and cargo selectivity and improve customs integrity. All of these projects address critical areas of customs to meet CAFTA requirements and provisions within the limited time available to each country for compliance. Two of these initiatives have been particularly successful. First, FASTrade completed trade and commercial law assessments in each of the five CAFTA countries from May to September, 2004. These assessments resulted in key recommendations for improving regional trade facilitation through supporting the customs union, streamlining customs and security procedures, trade and security, upgrading and maintaining infrastructure and improving funding for trade facilitation. These results were then presented at a regional conference in Guatemala in January 2005.¹⁹

187. Second, in early 2004, FASTrade began assisting customs and border trade facilitation through national and regional public-private 'pro-committees.' These pro-committees have been established elsewhere in the world, especially in Eastern Europe, and are platforms for government customs and trade agencies, as well as providers and users of customs and trade services, to collectively discuss trade and transport problems and solutions.

Main Findings

Methodologically consistent country assessments are useful for designing regional programmes.

188. The five national CAFTA Trade and Commercial Law Assessments commissioned by USAID were aimed at providing a factual basis for describing the status of development and trade reforms in each country, a methodologically consistent foundation for understanding capacity gaps in each country and analytical and planning metrics to design new approaches and reforms. In conducting these assessments, the contractor used teams of local experts in each country that included business leaders, government officials, judges and lawyers, and also conducted interviews with various private and public sector actors. These assessments all used Commercial Law and Institutional Reform and Tradestream methodologies, which have been developed and used by USAID and the contractor since 1988 to focus on trade facilitation

issues. These assessments are now publicly available and continue to provide a useful framework for devising future national and regional initiatives (Interview with Booz Allen Hamilton).

Supporting regional and national Pro-committees that bring together private and public sector stakeholders is essential for identifying priorities and action plans

189. Public-private partnerships are essential for trade facilitation efforts to be sustainable, cost-effective and efficient. USAID established groups called pro-committees to bring together government representatives, private sector traders, and providers of trade and transportation services to collectively identify and address trade facilitation priorities. FASTrade first established a pro-committee in Guatemala in March 2004, and because of its success, established others in Honduras, Nicaragua and Costa Rica. A regional pro-committee was also established to identify a common agenda for cross-border trade facilitation. These committees hold regular meetings and videoconferences to discuss issues and support reform. USAID Program Officers hold observer status in these committees to ensure progress and accountability (Interview with Booz Allen Hamilton).

190. The pro-committees are already well-known within their countries, and play a central role as a platform for FASTrade's other efforts such as increasing transparency of customs and other harmonization efforts. The pro-committees are also increasingly sustainable and are developing alternative sources of funding. Establishing pro-committees in these CAFTA countries has been easier and faster than in Eastern European countries, primarily because in Central America there is more experience with free market principles (Interview with Booz Allen Hamilton).

Conclusion

191. USAID has used its negotiations and engagement with Central American countries through the Central America Free Trade Agreement to assist in trade facilitation. Through the FASTrade initiative, USAID has funded numerous customs-related trade facilitation initiatives that will help CAFTA countries achieve their obligations under the CAFTA agreement. Most notably, FASTrade has used state-of-the-art assessment methodologies to understand the capacity gaps and needs in each CAFTA country, and has used the innovative pro-committee structure to engage both public and private sector actors to effectively and collectively improve customs and border transactions and procedures.

ENDNOTES

14. Programme based approaches (PBAs) have been defined by the Learning Network on Program-Based Approaches (LENPA) as: A way of engaging in development cooperation based on the principle of co-ordinated support for a locally owned programme of development, such as a national poverty reduction strategy, a sector programme, a thematic programme or a programme of a specific organisation. PBAs share the following features: Leadership by the host country or organisation; a single comprehensive programme and budget framework; a formalised process for donor co-ordination and harmonisation of donor procedures for reporting, budgeting, financial management and procurement. Efforts to increase the use of local systems for programme design and implementation, financial management, monitoring and evaluation. (Lavergne and Alba, 2003). Source: OECD, 2005b).
15. The Phare programme is one of the three pre-accession instruments financed by the European Union to assist the applicant countries of Central and Eastern Europe in their preparations for joining the European Union. See <http://europa.eu.int/comm/enlargement/pas/phare>.
16. The World Bank Trade and Transport Facilitation in Southeast Europe project had a regional investment program funded at US\$120M by the World Bank, United States, France, and Austria. This project included public-private partnerships, a regional steering committee, training programs for importers and exporters, a website, and a survey of users. This project led to significant reductions in waiting times at borders, improved communication between customs administrations, greater transparency, and higher than expected trade volumes and revenue collection. See http://72.14.203.104/search?q=cache:iofhcytfCwIJ:www.unece.org/trans/main/eatl/docs/World_Bank_Transport_and_Trade_Linkages.ppt+Transport+and+Trade+Facilitation+Project+in+Southern+Europe&hl=en
17. These twelve reform measures are: establishing a cross-agency trade facilitation/investment climate reform team; establishing a system of transparent performance measurement including private sector monitoring; streamlining documents to introduce a Single Administrative Document; introducing a risk management strategy for all control agencies; review and reform CamControl; introduce a Single Window process, to be automated by December 2005; introduce a flat fee for service for customs clearance; and three measures to streamline and reform licensing and registration.
18. The project aims to reduce the number of documents required to clear imports (from 44 in 2003 to 8 in 2008), reduce the share of export shipments that are inspected, by introducing a risk management system (from 100% in 2003 to 25% by 2008), and reduce the time required to clear export shipments (from 6.5 days in 2003 to 3.25 in 2008) (World Bank, 2005a). The project also aims to reduce (from 74% in 2003 to 64% in 2007) the number of firms reporting corruption as a problem.
19. To view these assessments, see http://tcb-fastrade.com/country_assessments.htm

ANNEX A: METHODOLOGY

A.1 Definition

192. There is no single definition of trade facilitation. Different organisations use the term to cover a wide range of activities. In this study the WTO/OECD Trade Capacity Building Database definition is used. The Database defines TA/CB support for trade facilitation measures (category 33121) 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.”²⁰ Category 33121 contains official development assistance (ODA) and official assistance (OA) commitments, as well as commitments for non-official assistance (i.e. non-concessional loans and self-financed activities).

193. This definition complies with the core GATT 1994 principles (*e.g.* transparency, non-discrimination, consistency and predictability, simplification and avoidance of unnecessary restrictiveness, and due process) that are currently being clarified in the framework of WTO negotiations.²¹ Yet it is broader in scope as development assistance programmes are usually broader in nature and do not solely focus on supporting the implementation of those specific articles.

194. While the Database definition is used to conduct the analysis of TA/CB for trade facilitation, it should be noted that some donors have adopted a broader interpretation of trade facilitation and consider infrastructure investments and investments in other closely related activities as part of trade facilitation. This Review does briefly refer to such investments, by examining official development assistance (ODA) and official assistance (OA) commitments recorded in other categories of the OECD/WTO Trade Capacity Building Database as well as in the OECD Creditor Reporting System .

A.2 Sample

195. The analysis of TA/CB for trade facilitation and other donor activities included in Chapter 2 is based on Official Aid (OA) and Official Development Assistance (ODA) commitments only. ODA/OA activities are undertaken by official agencies, including state and local governments, or by their executing agencies; with the main objective of promoting economic development and welfare of the recipient country; and are provided at favourable financial terms (i.e. including a minimum element of subsidy).²²

196. The analysis of TA/CB for trade facilitation is based on 1 440 activities, i.e. 1 644 activities minus 162 activities with no dollar values and 42 non-concessional loans and self-financed activities. As non-concessional loans and self-financed activities are also important sources of TA/CB financing and indicate the level of commitment by partner countries themselves, we include an analysis of such activities in Annex B.

A.3 Method

A.3.1 Quantitative overview

197. The analysis is mainly based on the volume of activities, and not on the number of projects. This is because of differences in reporting between donors and agencies: some trade related TA/CB providers make a breakdown of regional activities by splitting amounts between different beneficiary countries, whereas others simply reported “regional” or “global” projects or programmes. As a result, the breakdown of the *number* of activities by donors, categories, recipient, year, etc., is not fully comparable.

198. In order to provide a meaningful representation of TA/CB for trade facilitation and donor competencies in the latter, projects and programmes included in the WTO/OECD Database category “TA/CB for trade facilitation” are divided into four broad types that are consistent with DAC definitions:

Technical assistance

199. Technical assistance projects and programmes tend to be characterised by short-term, one-off activities, with a focus on individuals rather than institutions or processes, and/or reports written by foreign consultants. These include projects/activities such as:

- Needs assessments and feasibility studies.
- Short-term training (including training, seminars & workshops, conferences, study visits).
- Consultancies (including advisory services, provision of experts, other studies).

Capacity building

200. Capacity building includes longer-term programmes, with a focus on institutions, the broader policy framework and the development of networks (e.g. research or trade policy networks). Capacity building efforts within the context of trade facilitation include:

- Programme of activities: programmes that contain several different components/activities responding to a wide range of concerns (e.g. legal, administrative and human resources related).
- Institution building, e.g. support to the establishment and strengthening of institutions related to trade facilitation).
- Support for legislative and regulatory reforms.

Physical Support

- ICT systems and equipment: the provision of hardware and software such as automation systems, computers, and x-ray and gamma-ray machines.
- Other facilities: support for customs buildings, border crossing posts and other facilities at the border (excluding transport and storage facilities).

Unknown

201. Those activities that do not fit into any of the above or for which adequate descriptions were not available.

202. In classifying projects into the above categories, it was not possible to distinguish between those activities targeted at supporting the current WTO *negotiations* from activities targeted at supporting the *implementation* of trade facilitation measures. The project summaries used to make these classifications do not provide details to make such nuanced distinctions.

203. Classification into the above types was done using a “single blind” methodology. Two members of the project team went through the project summaries of all 1 644 records included in the TA/CB for trade facilitation category of the WTO/OECD Trade Capacity Building Database to classify projects according to these types independently. They then came together to review differences and arrive at “consensus” classifications. In general, there was a high degree of correlation between these independent classifications.

A.3.2 *Qualitative analysis*

204. For the qualitative review, the eight case studies were chosen based on a number of criteria. These included:

- Main donor programmes and projects (in USD) emanating from the WTO/OECD Trade Capacity Building Database,
- Recommendations of this project’s steering group,
- Programmes where multiple donors were involved in funding and/or implementing projects,
- Projects that had a regional programming dimension,
- Projects that took novel approaches to trade facilitation programming, and
- Availability of project evaluation/assessment reports and general information publicly available on the project.

205. The cases have primarily been produced through a desk review and secondarily through interviews with relevant project managers and stakeholders.

A.4 *Limitations*

A.4.1 *The WTO/OECD Trade Capacity Building Database*

206. There are some important limitations to this *Review*. While category 33121 of the WTO/OECD Trade Capacity Building Database is the most comprehensive collection of project information on trade facilitation, the comprehensiveness and accuracy of the database is a function of the quality of reporting by donors and participating institutions. Donor reporting is not always accurate and some international institutions have not participated annually in the data gathering exercise. As such, both the level and scope of funding of TA/CB for trade facilitation may be inaccurately reported in the WTO/OECD Trade Capacity Building Database. In requesting donor information, agencies were asked by the OECD Secretariat to provide an estimate of shares of project funding that they thought conformed to the definitions of category

33121. This reporting mechanism resulted in some divergence of opinion on what elements of projects did or did not conform to definitions of category 33121.²³

207. In submitting projects to the WTO/OECD Trade Capacity Building Database, many projects lacked detailed descriptions on project objectives and outcomes. In many instances, project descriptions were limited to only a few words. In these instances, the project team had to make a judgment call on how to categorise such projects based on assessments of various donor documentation including donor website and strategy papers on trade capacity building.

A.4.2 The qualitative review

208. One important caveat on the findings of the qualitative review was the lack of available evaluation reports for projects or programmes in TA/CB for trade facilitation. As only one evaluation report was made available to the project team, it therefore had to rely on publicly available information and interviews with project officers to derive lessons learned for this *Review*.

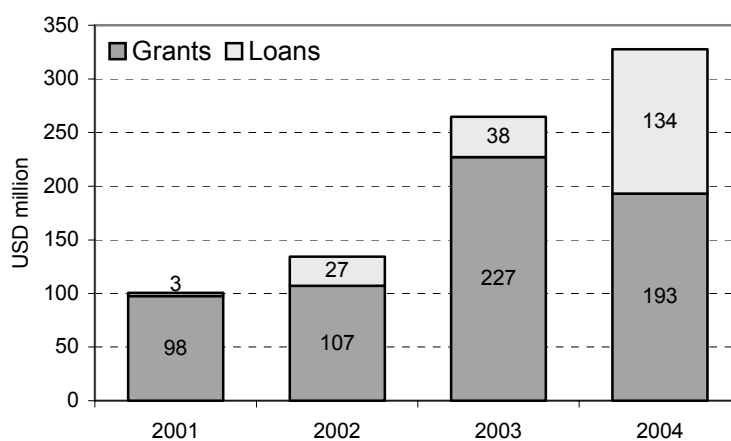
ANNEX B: STATISTICAL ANALYSIS

TA/CB for Trade Facilitation

B.1 Concessional loans and grants

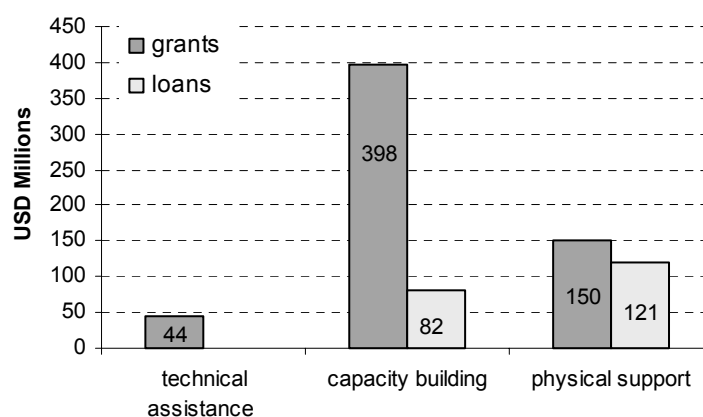
209. The bulk of financing for TA/CB for trade facilitation is committed in the form of grants. Over the 2001-04 period, 76% of assistance (USD 624.7 million) was provided as grants with the remaining 24% of assistance as concessional loans (USD 202.3 million) (Figure B.1). Concessional loans were mainly directed to physical support, and to a lesser extent, toward capacity building programmes (Figure B.2). These loans were mainly provided by two financial institutions: the World Bank and ADB.

Figure B1. Donor activity by instrument of assistance, 2001-04



Source : TCBDB

Figure B2. Distribution of grants/loans by type of project, 2001-04



Source: TCBDB

B.2 Non-concessional loans and self-financed activities

210. Although the WTO/OECD Trade Capacity Building Database does not contain comprehensive information on non-concessional loans provided by all donors (the DAC mainly monitors official aid flows), it does include data on some IBRD loans and self-financing activities related to trade facilitation. These non-concessional loans and self-financing activities provide an indication of the extent to which partner countries themselves are willing to take on the risks related to trade facilitation programming.

211. Over the 2001-04 period, 42 non-concessional and self-financed activities worth USD 65.2 million were reported to the WTO/OECD Trade Capacity Building Database under category 33121. The vast majority of commitments consisted of five non-concessional IBRD loans worth USD 57.7 million (or 89% of non-concessional and self-financed activities). The main beneficiaries of these loans were Russia (USD 35 million), Egypt (USD 11.4 million), India (USD 7 million), Brazil (USD 3 million) and China (USD 1.3 million). All of these loans were part of larger *programme of activities* and financing for *other facilities* related to trade facilitation.

212. Self-financed activities, undertaken by partner countries and usually implemented by multilateral institutions, such as UNCTAD, amounted to 37 projects valued at USD 7.5 million for the 2001-04 period. A diversified range of partner countries provided self-financing to meet parts of their trade facilitation needs. The top five countries were Botswana (USD 1.04 million), Pakistan (USD 1 million), Gabon (USD 0.6 million), Cameroon (USD 0.6 million) and Madagascar (USD 0.5 million).

213. As we can see in Table B.1, 54.8% of non-ODA/OA financing was directed toward physical support with a further 23.80% dedicated to technical assistance.

Table B1 Programme distribution for non-concessional loans and self-financing activities, 2001-04

Type of Trade Facilitation Programme	Commitment Level (USD million)	Share (%)	No. of records	Share (%)
Technical Assistance	1.41	2.12	10	23.80
Needs Assessments and Feasibility Studies	0.01	0.02	1	2.40
Consultancies	-	-	-	-
Short-term Training	1.40	2.10	9	21.40
Capacity Building	38.00	58.30	2	4.80
Programme of Activities	38.00	58.30	2	4.80
Institution Building	-	-	-	-
Support for Legislative and Regulatory Reforms	-	-	-	-
Physical Support	25.80	39.50	23	54.80
ICT Systems and Equipment	5.10	7.90	18	42.90
Other Facilities	20.70	31.60	5	11.90
Unknown	-	-	7	16.70
Total	65.20	100.00	42	100.00

Source: TCDBD.

ANNEX C: TRADE FACILITATION INSTRUMENTS AND TOOLS

C.1 Diagnostic Tools and Performance Indicators

249. **WCO's Customs Capacity Building Diagnostic Framework and Self-Assessment Checklist:** The *Customs Capacity Building Diagnostic Framework* is used by the WCO in designing its technical assistance and capacity building projects. It is both a diagnostic tool and a project guide that covers all customs requirements and procedures. The framework is available for use by WCO members for self-assessment or by practitioners to assess capacity building needs and design. Users can find common questions and weaknesses, possible solutions and reference materials.²⁴

250. The WCO has developed from this framework a *Self-Assessment Checklist for GATT Articles V, VIII and X*, to contribute to the very early stage of the WTO Trade Facilitation negotiations during the WTO Doha Round. The checklist aims to help WTO Members identify their trade facilitation needs and priorities in the area of customs in the context of the Negotiating Group on Trade Facilitation's mandate. It is currently being reviewed in co-operation with the other international organisations, as WTO trade facilitation discussions progress.

251. **WCO's Time Release Study:** This tool measures the amount of time it takes between the moment a good (i.e. its means of transport) arrives in the country and its release from Customs custody. It also measures the time taken at each intervening step of the clearance process, including those procedures of stakeholders other than Customs. Officials can therefore identify any constraints or obstacles that may be impeding a freer and faster movement and clearance of goods. It can also be used by WCO members to identify capacity building needs, especially for developing and Least Developed members.²⁵ This tool has become an international standard in measuring the amount of time required for a good to be released into the domestic market - a key diagnostic tool in implementing customs administration reforms.²⁶

252. **WCO's Benchmarking Manual:** This manual is a practical guide to help customs administrations carry out international customs benchmarking exercises. It includes information and guidelines for all participants in benchmarking projects and results of benchmarking studies conducted by WCO members.

253. **WCO's Integrity Self-Assessment Guide:** This guide is based on the provisions of the Arusha Declaration and is designed to assist WCO Member administrations to develop and implement their own Integrity Action Plans relevant to their needs, resources, cultural circumstances and operational environments. The guide provides not only a diagnostic framework but also provides a practical guide to assist customs managers to assess the usefulness of current strategies and identify areas of improvement.

254. **World Bank's Trade and Transport Facilitation Audits:** These audits offer governments a simple method to assess their own trade supply chains and how they can improve them. The World Bank has conducted audits in Malawi, Chad, Benin, Zambia, Guinea, Mozambique, Bangladesh, Dominican Republic and Tajikistan. *Trade and Transport Facilitation: A Toolkit for Audit, Analysis and Remedial Action*, complements the original audit but also offers governments greater methods to analyse the audit findings and resolve supply chain problems.

C.2 Internationally Agreed Standards/Conventions

255. **WCO's Revised Kyoto Convention (International Convention on the Simplification and Harmonisation of Customs Procedures, amended in 1999):** This is the WCO's key instrument to simplify customs procedures.²⁷ It is an update of the 1973 Kyoto Convention, which established basic rules and definitions for customs procedures. The revision was made to ensure that the convention meets the current demands of governments and international trade and reflects recent technological and technical developments.

256. As a result of the revision, core Customs principles which are applicable to any Customs procedures and operations are consolidated under a single annex, namely, the General Annex. The core principles cover: transparency and predictability; standardised and simplified documents; minimum requests and intervention; separation of release from clearance; use of risk management; simplified procedures for authorised traders; maximum use of information technology; co-operation with other agencies and foreign counterparts and partnerships with traders. While acceptance of the General Annex without reservations is mandatory for accession to the revised Kyoto Convention, acceptance of the 10 annexes (i.e. the Specific annexes) that address measures pertaining to specialised Customs procedures (e.g. temporary admission, inward processing) is optional.

257. As of January 2006, 41 countries had acceded to the revised convention. The revised Kyoto Convention will enter into force on 3 February 2006.²⁸

258. **WCO's Istanbul Convention on Temporary Admission of Goods:** This convention combined all agreements on temporary admission of goods into a country or customs union that existed at the time of its signing in 1993 into one instrument. These agreements were incorporated as annexes into the Istanbul Convention, and the rules within them still govern the import of goods for specific purposes, such as for trade fairs or exhibitions. The Istanbul Convention allows for the continued use of the A.T.A. Carnet System first established in 1961. The A.T.A. system uses a single document, called the A.T.A. Carnet that allows the temporary admission of imported goods to be exempted from any customs duties or taxes. All goods covered by the A.T.A. Carnet can be exempted from these fees. This greatly facilitates the ability of businesses and individuals to bring or move their goods into a country for temporary use at trade fairs, or to display to potential buyers.

259. **WCO's Convention on the Harmonised Commodity Description and Coding System (HS):** The HS Classification system is one of the most widely adopted standards, used by almost all countries for collecting customs duties and gathering trade statistics. Over one hundred and ninety countries and regional economic unions use the HS Classification, representing 98% of all international trade. This nomenclature system is maintained by the HS Committee under the auspices of the WCO to ensure the uniform interpretation, up-to-date with the technological/scientific progress and social demands. The HS is also applied to customs tariffs and rules of origin, in the negotiation of trade agreements, in collecting trade statistics and in various other transactions (transport, risk assessment, controlled goods). The HS classification system has been in place since 1988, and has undergone three updates since then, the latest in 2002. With the adoption of electronic transactions, the HS will play an important role in standardised databases and information exchange.²⁹

214. **International Organisation for Standardisation (ISO):**³⁰ The role of standards in the movement of goods is critical. The ISO is the world's largest developer of standards and has an active programme for assisting developing countries adopt and implement ISO standards, entitled *The ISO Action Plan for Developing Countries*. ISO has a policy committee on developing country matters, DEVCO, with a membership of nearly 117 standards institutes from both developed and developing countries. Since 1947, the ISO has published more than 15 000 International Standards. ISO's work programme ranges from

standards for traditional activities, such as agriculture and construction, through mechanical engineering, to medical devices, to the newest information technology developments, such as the digital coding of audio-visual signals for multimedia applications. ISO has developed standards based on the UN-Layout Key, as well as complementary standards (e.g. country codes). This work programme is conducted in ISO's 190 Technical Committees (TC), 544 subcommittees, 2 188 working groups, and 30 ad hoc study groups.

215. In the narrow area of supply chain integrity, the ISO has developed over 290 standards for a variety of sectors including transport and distribution of goods, road vehicle engineering, railway engineering, shipbuilding and marine structures, aircraft and space vehicles engineering, Materials handling equipment, and Packaging and distribution of goods. Three TCs of the ISO have developed logistics standards currently used across the world. ISO's *Ships and Marine Technology Technical Committee* (TC8) has developed standards for the design and construction of ships and ship-to-shore interface and all other marine structures subject to IMO requirements. ISO's *Freight Containers Technical Committee* (TC104) has developed standards for freight containers used by maritime carriers internationally as regards to terminology, classification, dimensions, specifications, handling, test methods and marking of these containers. ISO's *Intelligent Transport Systems Technical Committee* (TC 204) has developed standards of information, communication and control systems in the field of urban and rural surface transportation, including intermodal and multimodal aspects, traveller information, traffic management, public transport, commercial transport, emergency services and commercial services in the intelligent transport systems field.

216. The ISO is not a funding agency. Funding for its *Action Plan for Developing Countries* is therefore dependent on financial assistance received from its members, international development and aid agencies, governments and donor organisations. ISO's technical assistance activities took the form of seminars, workshops, training courses, e-learning, and IT support and training for trainers programmes.

217. **UNECE's International Road Transit (TIR) Convention:** Since its revision in 1975, the TIR Convention and its transit regime has formed the basis for many regional transit systems and has thus, directly and indirectly, contributed to the facilitation of international transport, especially international road transport, not only in Europe and the Middle East, but also in other parts of the world such as Africa and Latin America.

218. The latest amendments to the Convention that came into force on 17 February 1999 brought about considerable improvements in the application of the TIR regime at the national and international levels, enhanced the possibilities of Customs control and improved inter-governmental co-operation and co-ordination through the establishment of a TIR Executive Board. To date, the TIR Convention has 64 Contracting Parties, including the EC. It covers the whole of Europe, North Africa and Middle East. The US, Canada, Chile, and Uruguay are also contracting parties.

219. Traditionally when goods crossed the territory of one or more countries in the course of international transport of goods by road, the customs authorities in each country applied national controls and procedures. These varied from country to country, but frequently involved the inspection of the load at each national frontier and the imposition of national security requirements (guarantees, bond, deposit of duty, etc.) to cover the potential duty and taxes at risk while the goods were in transit through each territory. These measures, applied in each country of transit, led to considerable expenses, delays and interferences with international trade. The TIR system was devised in an attempt to make in-land transit of goods more efficient while at the same time effectively protecting the revenue of each State through which goods were carried (UNECE, 2003).

220. As regards customs control measures at frontiers, the TIR system clearly has advantages for Customs administrations as it reduces the normal requirements of national transit procedures. At the same

time the system avoids the need - expensive in manpower and facilities - for physical inspection in countries of transit other than checking seals and the external conditions of the load compartment or container. It also dispenses with the need to operate national guarantees and national systems of documentation. In addition advantages arise from the fact that the international transit operation is covered by a single transit document, the TIR Carnet, which reduces the risk of presenting inaccurate information to Customs administrations.

221. **UNECE's Location Code:** The UNECE has also developed Location Codes (UN/LOCODE) which include codes for over twenty-six thousand specific locations around the world where international trade takes place. These codes are widely used by companies in the banking, tourism and transport industries as well as by statistical agencies. The five-letter alphabetic codes are abbreviations of the names of locations of interest to international trade, such as ports, airports, inland freight terminals, and other locations where Customs clearance of goods can take place, and whose names need to be represented unambiguously in data interchange between participants in international trade. The UN/LOCODE's code list currently contains 60 000 codes for locations around the world.³¹

222. **UNECE's Layout Key for Trade Documents (UNLK):** The UN Layout Key is an information exchange system that proposes rules and templates to align all trade documents dealing with trade transactions. During the 1960s, the UNECE developed the International Model Form to standardise trade transactions. It was later adopted as the UNECE Layout Key. The UNECE, UNCTAD and other organizations introduced the Layout Key to international organisations and national governments, which adapted its standards and forms to the Layout Key's recommended templates. Once it had widely established itself as a valuable instrument, it was renamed the UN Layout Key for Trade Documents. Nearly all international trade documents are now aligned to the UNLK. It is, in effect, an integrated set of various international standards such as the UNECE and ISO, facilitating the exchange of information between all players involved in international trading (Butterly, 2004).

223. **International Maritime Organisation's (IMO) SOLAS/ISPS Codes:** In 2002, the IMO amended its 1974 *Safety of Life at Sea Convention* (SOLAS) to enhance maritime security on board ships and at the ship/port interface. The renamed *International Ship and Port Facility Security* (ISPS) Code applies to all cargo ships with gross tonnage of 500 tonnes or above, passenger vessels, mobile offshore drilling units and port facilities serving such ships. It is required of all 147 states that have ratified SOLAS to implement the ISPS code. The code entered into force in July 2004.

224. The ISPS code provides a standardized framework to evaluate security risks. This framework brings together all parties involved in international trade and shipping: government agencies and local administrations, as well as the port and shipping industries. Its purpose is to improve the detection of security threats and to take preventative measures against these threats (UNCTAD, 2004). ISPS/SOLAS has been instrumental in ensuring that the integrity of container trade is maintained, especially in light of the new security environment post September 11th.

225. **IMO's Convention on Facilitation of International Maritime Traffic (1965):** This Convention seeks to prevent unnecessary delays in maritime traffic, increase co-operation between countries, and bring about the highest degree of uniformity in formalities and other procedures as possible. To do this, the Convention provides Standards and other Recommended practices through seven IMO Standardized Forms (FAL 1-7) for IMO General Declaration, Cargo Declaration, Ship's Stores Declaration, Crew's Effects Declaration, Crew List and Passenger List, and Dangerous Goods. The 1965 Convention has been amended 10 times.

226. **International Electrochemical Commission (IEC):** The IEC prepares and publishes international standards for electrical, electronic, and related technologies, and performs conformity assessments and

product certifications based on these international standards. It has various conformity assessments and product certification schemes: IECEE is a scheme for conformity testing and certification of electrical equipment, IECQ is a scheme for quality assessment of electrical components and related materials and processes, and IECEx is a scheme for certification to standards for electrical equipment for explosive atmospheres.³²

227. **International Telecommunication Union (ITU):** ITU has a Telecommunication Standardization Sector (ITU-T) which produces recommendations (standards), regulations, resolutions, and an ITU Operational Bulletin as a medium of information exchange on the latest developments in international communications networks and services, handbooks for operations, implementation, network planning, protection, measurement methods, and test charts.

228. The most important product of ITU-T is its Recommendations. With more than 3,000 Recommendations in force, these are in effect standards that define how telecommunication networks operate and integrate. ITU-T Recommendations are non-binding, but are generally viewed as international standards due to their high quality and because they guarantee the interconnectivity of networks and enable telecommunication services to be provided on a worldwide scale.³³

229. **International Civil Aviation Organisation (ICAO):** The International Civil Aviation Organization develops standards and recommendations to promote productivity, security, compliance, and customer service in international border clearance formalities in the aviation industry (ICAO Web site). ICAO's standard-setting function falls into three areas:

- Standards and Recommended Practices (SARPs) are broad and restricted to essential requirements in air clearance formalities. SARPs that are fundamentally regulatory in nature are described in the Annexes of the *Convention on International Aviation*, whereas more detailed technical specifications are described in the Appendices to the Annexes or in manuals.
- Procedures for Air Navigation Services (PANS) are operating worldwide material and practices that are too detailed for SARPs.
- Regional Supplementary Procedures (SUPPs) are similar to PANS but do not have worldwide applicability and are thus region-specific.

C.3 Good Practice Recommendations

230. **WCO's Immediate Release Guidelines:** These Guidelines operated on the principle of information being provided by the operator to Customs in advance of the arrival of goods. The Guidelines also provided categorisation of goods. It also identified a minimum set of data that was to be provided for grant of release of goods under these categories as well as procedures to be followed, including the conclusion of Memoranda of Understanding between Customs authorities and traders for the implementation of these Guidelines and the procedures contained in them.³⁴

231. **WCO's Handbook on Customs Technique:** This handbook brings together in one book all of the WCO's recommendations, norms and resolutions on customs procedures and information technology, as well as providing a glossary of international customs terms.³⁵

232. **WCO's Customs Valuation Control Handbook:** This handbook provides customs officials with the procedures necessary to administrate the WTO Valuation Agreement.³⁶

233. **WCO's Kyoto Information and Communication Technology Guidelines:** These guidelines provide application of ICT in Customs business processes. The objective of this guideline is to focus customs administration's attention on the impact of ICT on the business of customs and to outline the potential advantages to Customs authorities of enhanced ICT integration programmes and to indicate the elements which Customs authorities explore in introducing and maintaining the use of ICT in its operation.

234. **World Bank's Customs Modernisation Handbook:** This handbook provides both an overview of customs reform and lessons-learned from World Bank customs reform projects, and is meant to complement the WCO's Diagnostic Framework highlighted above. It discusses all aspects of customs reform, including: valuation, rules of origin, information technology, transit and integrity. It offers lessons to governments on common problems faced by customs officials in reforming their administrations and guidelines for administrations to improve their efficiency. It also includes a review of the legal framework relevant to customs administration and ways to fight corruption. This book is accompanied by the *Customs Modernization Initiatives*, a book of case studies on customs modernization initiatives in eight developing countries: Bolivia, Ghana, Morocco, Mozambique, Peru, the Philippines, Turkey, and Uganda.³⁷

235. **APEC Sub-Committee on Customs Procedures (SCCP) Collective Action Plan (CAP):** In 2001, APEC Member Economies committed themselves to reducing the transactions costs across the APEC region by 5% over the 2002-2007 period. APEC's Committee for Trade and Investment developed a *Trade Facilitation Action Plan* to cover customs procedures, standards and conformance, business mobility, and electronic commerce, through Collective Action Plans across the region as well as Individual Action Plans of Member states.³⁸

236. The Collective Action Plan was developed by the APEC Sub-Committee on Customs Procedures (SCCP), established in 1994 to harmonize and simplify customs procedures. With 14 items, the SCCP CAP is comprehensive, and helps Member Economies implement the framework established by the World Customs Organization and various other international frameworks such as the Revised Kyoto Convention through developing principles, standards, technical assistance programmes, and other trade facilitation instruments.

237. With guiding principles of Facilitation, Accountability, Consistency, Transparency, and Simplification, the objectives of the SCCP are to simplify customs clearance procedures, implement intellectual property rights commitments, harmonize customs valuation, and enhance the environment for investments. To achieve these objectives, the 14 items of the SCCP's Collective Action Plan are: Harmonization of Tariffs through HS Convention through workshops, visits, and technical advice (all Member Economies have completed this CAP); Transparency of Customs Procedures; Simplification and Harmonization of Customs Procedures on the Basis of the Kyoto Convention through Pathfinder Initiatives which allows Member Economies to share their accession and implementation experiences with each other; Adoption and Support of UN/EDIFACT for paperless trading; Adoption of Principles of WTO Valuation Agreement; Adoption of principles of WTO Intellectual Property (TRIPS) Agreement; Introduction of Clear Appeals Provision; Introduction of an Advanced Classification Ruling System; Provisions of Temporary Importation through accession to the A.T.A. Carnet Convention of the Istanbul Convention; Harmonized APEC Data Elements; Risk Management Techniques; Implementation of WCO's Guidelines on Express Consignments Clearance (18 Member Economies have 'implemented' this CAP); Customs Integrity based on the WCO's Arusha Declaration; and Enhancing Customs-Business Partnerships.³⁹

238. **APEC's Transparency Standards on Custom Procedures:** The APEC Transparency Standards on Custom Procedures are one of the key outcomes of the SCCP. They uphold the principles of Customs Integrity as well as the Adoption of Transparency Standards. These standards include the publication of customs information and regulation, implementing Advanced Rulings on tariff classification, customs

valuation, procedural transparency, and establishing contact points to address concerns. There are also opportunities for Peer Review, a voluntary process that identifies best practices for implementation of CAP items.⁴⁰

239. **APEC's Blueprint for Customs Modernisation:** Created by the SCCP, this Blueprint formalizes SCCP's vision for customs facilitation. It helps the private sector identify ways it can benefit from SCCP activities. First published in 1997, it is updated and published every year.⁴¹

240. **International Chamber of Commerce' Customs Guidelines:** The Paris-based International Chamber of Commerce (ICC) has been developing customs simplification and harmonization instruments since the 1920s. The ICC has established 60 international customs guidelines, including in areas such as reducing paper work, increasing use of electronic commerce, introduction of risk assessment techniques such as pre- and post-clearance audits, and professional training for customs employees. Moreover, the ICC works with WCO to administer the ATA Carnet System for temporary entry of goods.⁴²

241. The ICC Customs Guidelines, published in 2003, are a revised version of the ICC International Customs Guidelines, first published in 1997. They are produced out of ICC's Agreement with the World Customs Organization, and draw on many WCO documents and frameworks. The Guidelines are accompanied by Explanatory Notes which expand on each Guideline and outline its advantages, and which are updated frequently. The ICC hopes these Guidelines serve as a check-list to keep track of the many customs reforms underway in various international organizations, or assess the progress of many customs reforms programmes.

242. The Guidelines consist of 54 guidelines that aim to establish a more modern, efficient, and effective customs administration. The guidelines relate to strategy, workforce and structure, cargo processing (general, inward, outward, and transit), transparency of administration and regulation, automation, tariff classification and valuation, origin, disputes and sanctions, and passenger processing.⁴³

243. **ICC Integrity Toolkit:** The ICC Integrity Toolkit provides guidelines to Customs agencies for achieving high standards of morale and behaviour, based on the assumption that such integrity leads to efficiency. This toolkit selects various Guidelines from the ICC Customs Guidelines and uses Explanatory Notes to explain how customs integrity in the each area leads to efficiency. The ICC Integrity Toolkit specifically advises on the areas of: Customs Workforce; Customs Integrity; Customs Employee Identification; WTO Valuation Agreement; Binding Rulings, Customs Experts; Publication of Rulings; Automated Payment; Selective Examination; Non-intrusive Inspection; Electronic Filing; Appeals; Ombudsman; and Memoranda of Understanding.⁴⁴

244. **ICC Customs Security Toolkit:** The ICC Customs Security Toolkit provides guidance on achieving high quality of border management and security, and abiding by many new regulatory and co-operative requirements. The toolkit selects relevant Guidelines from the ICC Customs Guidelines that highlight how to achieve secure customs and borders, and hopes to thus provide customs agencies with a means of rapidly assessing the quality of their customs security, improving such security, and measuring the improvement. This toolkit overlaps with, yet is significantly different from, the ICC Integrity Toolkit. These Guidelines include topics such as Customs Workforce; Automated Information; Automated Risk Assessment; Strategy; Internal Security Unit; Staff Identification; Fraud Investigation; Pre-arrival and Post-entry Audit; Inward and Onward Movement; Inspection Equipment; Convergence of Official Controls; Transit Measures; Mutual Assistance; Consultation with the Trade; and Memoranda of Understanding.⁴⁵

245. **ICC Incoterms:** The ICC develops, publishes, and translates into 31 languages Incoterms, standard trade terms and definitions used in international sales contracts. Incoterms are referred to by three-

letter abbreviations, such as EXW (Ex works), FOB (Free on Board), and CIF (Cost, Insurance, and Freight). Updated six times since 1936, the latest edition of Incoterms is “Incoterms 2000.” Incoterms have been endorsed by UNCITRAL, and serve to maximize legal certainty and confidence in international trade.⁴⁶

C.4 Customs Automation Systems

246. **WCO Customs Data Model:** The Customs Data Model grew out of a G7 initiative on customs standardization. This initiative sought to set standards on how customs information is stored and transferred electronically. The WCO assumed responsibility for the initiative in 2002. Now known as the Customs Data Model, this instrument has expanded its scope to include all countries and relevant trade procedures governed by the public agencies other than Customs in the international trading system, and updated to ensure that the data model is synchronised with the principles of the Revised Kyoto Convention, namely ensuring that data sets are kept to the minimum needed to provide a fast and secure movement of goods. The data model provides for a fully automated electronic system that handles export and import documents and requires customs administrations to follow similar customs procedures, such as the two-step import procedure. Eventually, once customs administrations and other border agencies adopt an automated and standardized system traders will be able to have their goods processed through a ‘Single Window’ that will reduce their trade transactions to just one step by allowing a Customs body to deal with all regulations governing imports or exports.⁴⁷

247. **UNCTAD’s Automated System for Customs Data (ASYCUDA):** The ASYCUDA programme helps countries streamline their customs clearance procedures. It provides the ASYCUDA software programme and the training necessary for customs officials to use the software. UNCTAD developed the software in 1981 after recognizing the role information technology can play in modernizing customs procedures. It has gone through several updates to keep pace with new needs such as e-commerce, but still fulfils its basic role in computerizing and simplifying customs procedures, thus reducing the amount of documentation required and the number of steps involved in processing goods. ASYCUDA covers import and export procedures, transit and warehousing, and is compatible with UN/ECE, WCO and ISO standards. By adopting ASYCUDA, a country can accelerate customs processing, increase customs revenues, decrease its administration costs and generate customs data for statistical analysis and economic planning. ASYCUDA has been installed in more than 80 countries.

248. The latest version of the ASYCUDA software programme is AsycudaWorld, which was launched in 2002. AsycudaWorld is a web-based system that allows customs officials to process customs transactions over the Internet. Under this new system, ‘E-documents’ take the place of paper documents. Countries that already use ASYCUDA++ will be able to gradually adopt AsycudaWorld, since its architecture allows for a mix of the two systems until it the new programme is completely phased in.⁴⁸

249. **UNCTAD’s Advanced Cargo Information System (ACIS):** ACIS is a transport information system that monitors movement of goods throughout the supply chain. ACIS has four main systems - RailTracker, RoadTracker, Lakes/RiversTracker and PortTracker - that in essence create an information network at all points of the logistics chain. ACIS, therefore, aims to provide government agencies and the private sector real-time information on cargo movements, which can be used for short-term operations and long-term planning. UNCTAD began ACIS in the mid-1980s after identifying the lack of transparency surrounding transport costs and procedures. It began implementing RailTracker and PortTracker during the 1990s. UNCTAD’s implementation programme involves training staff in both government and the private sectors in ACIS software and procedures. As of 2002, RailTracker and PortTracker had been implemented in 20 countries.

250. **UNECE's Instruments related to E-Commerce:** Under the auspices of the UNECE, several international e-commerce standards have been established and are currently applied in both developing and developed countries. The most important of these is now called United Nations Trade Data Interchange Directory (UNTDID) which contains the UN/EDIFACT (the United Nations rules for Electronic Data Interchange for Administration, Commerce and Transport); the UN Trade Data Elements Directory (UNTDED), and the UN Layout Key for Trade Documents.

251. **UNTDID and UN/EDIFACT:** UN/EDIFACT comprises a set of internationally agreed standards, directories, and guidelines for the electronic interchange of structured data, between independent computerized information systems. These rules are approved and published by the UNECE and are maintained under agreed procedures. UNTDID has established:

- Uniform rules of conduct for interchange of trade data by tele transmission (UNCID).
- Standard Message Types and design rules for the electronic transmission of data (UNSM).
- Standard Directories that will allow quick access to cargo information in electronic form. These include: message type directories, segment directories; and a data element directory.

C.5 Co-ordination Mechanisms

252. **World Trade Point Federation:** The World Trade Point Federation is a spin-off from UNCTAD's TradePoint programme, which it first began in 1992. The federation was created in 2000, but UNCTAD officially transferred the TradePoint programme to it in 2002. TradePoint's objective is to help SMEs, particularly those in developing and LDCs, trade internationally by providing them with market information and contacts at "TradePoints" in their countries. TradePoints are essentially "one-stop shops" where an SME can find information on foreign markets, business opportunities, foreign buyers, and consultation and e-commerce services. A TradePoint may house customs officials, banks and insurers, logistics companies, and foreign trade and business agencies. The Global TP Network connects individual TradePoints electronically; there are currently more than 120 TradePoints in over 90 countries.⁴⁹

253. **APEC Customs Business Dialogue:** The APEC Customs Business Dialogue is a yearly exchange of ideas between customs officials and the business community. Business associations, importers and exporters, forwarding agents, customs brokers, national chambers of commerce, APEC Member Economies' Customs Administrations heads, as well as representatives from the World Customs Organization attend these meetings. This year (2005) it was held in Gyeongju, Korea on September 5, and previous dialogues have been held in Thailand (2003) and Chile (2004).⁵⁰

254. **WCO's Informal Networks:** The WCO has also established a series of informal co-ordination mechanisms and Discussion fora in various areas of customs administration. These include its Customs Enforcement Network, Valuation Discussion Forum, Origin Discussion Forum, HS Discussion Forum, Laboratory Forum, etc.

255. **Global Facilitation Partnership for Transportation and Trade (GFPTT):** This mechanism is a collaborative tool for practitioners and policy makers involved in trade and transport facilitation (TTF). The World Bank is currently responsible for co-ordination of GFPTT activities and acts as its secretariat. The GFPTT is essentially a vehicle to disseminate research and best practices information on various aspects of trade facilitation, including: *Border Agency Modernization*, Building TTF Partnerships, Customs Issues, Economic Development and Trade Facilitation, Electronic commerce and business, Standards and Conformity Assessment, Regional transport integration, Trade Liberalization and Facilitation, Trade Logistics and Facilitation, Transit, and Transport Operations.

C.6 Legislative Toolkits

256. UNCITRAL⁵¹ has developed an extensive array of legislative and non-legislative texts that have influenced trade facilitation -related legislation in many developing countries. UNCITRAL legislative texts, such as conventions, model laws, and legislative guides, may be adopted by states through the enactment of domestic legislation. UNCITRAL non-legislative texts, such as the UNCITRAL Arbitration Rules, are used by parties to international trade contracts.

257. UNCITRAL's legislative texts include the following: United Nations Convention on Contracts for the International Sale of Goods; Convention on the Limitation Period in the International Sale of Goods; UNCITRAL Model Law on International Commercial Arbitration; UNCITRAL Model Law on Procurement of Goods, Construction and Services; United Nations Convention on Independent Guarantees and Stand-by Letters of Credit; UNCITRAL Model Law on International Credit Transfers; United Nations Convention on International Bills of Exchange and International Promissory Notes; United Nations Convention on the Carriage of Goods by Sea, 1978 (Hamburg); United Nations Convention on the Liability of Operators of Transport Terminals in International Trade; UNCITRAL Model Law on Electronic Commerce; UNCITRAL Legislative Guide on Privately Financed Infrastructure Projects; UNCITRAL Model Law on Electronic Signatures; UNCITRAL Model Law on International Commercial Conciliation; United Nations Convention on the Assignment of Receivables in International Trade, and the UNCITRAL Legislative Guide on Insolvency Law. Non-legislative texts include the following: UNCITRAL Arbitration Rules; UNCITRAL Conciliation Rules; UNCITRAL Notes on Organizing Arbitral Proceedings; UNCITRAL Legal Guide on Drawing Up International Contracts for the Construction of Industrial Works; and UNCITRAL Legal Guide on International Countertrade Transactions.

258. Complementing this drafting mandate, UNCITRAL undertakes a range of technical assistance activities to promote its work and the use and adoption of its legislative and non-legislative texts. Technical activities undertaken by UNCITRAL include:

- Organising briefing missions and seminars to familiarize participants with UNCITRAL texts.
- Undertaking law reform assessments in developing countries to review existing legislation and assess their needs for law reform in the commercial field.
- Assisting with the drafting of national legislation to implement UNCITRAL texts.
- Assisting international development agencies, such as the World Bank, to use UNCITRAL texts in their law reform activities and projects.
- Providing advice and assistance to international and other organizations, such as professional associations, organizations of attorneys, chambers of commerce and arbitration centres, on the use of UNCITRAL texts.
- Preparing teaching and other IT tools, such as the Case Law on UNCITRAL Texts (CLOUT) system, and analytical digests of case law on specific texts, which may be useful in seminars and briefing missions and in the context of university teaching.

Table C.1 Trade facilitation instruments developed by selected multilateral institutions

Institution	Diagnostic Tools and Performance Indicators	Internationally Agreed Standard/Convention	Good Practice Recommendation	Customs Automation Systems	Co-ordination Mechanism	Legislative Toolkit
APEC			APEC's Collective and Individual Member Action Plans in Customs Procedures, Standards and Conformance, and E-Commerce		APEC Customs Business Dialogue	
			APEC Transparency Standards on Customs Procedures			
			Blueprint for APEC Members' Customs Modernization			
WCO	Customs Capacity Building Diagnostic Framework	Revised Kyoto Convention	Immediate Release Guidelines	WCO Customs Data Model	Customs Enforcement Network	Model Bilateral Agreement on Mutual Administrative Assistance on Customs Matters
	Self-Assessment Checklist for GATT Articles V, VIII, X	Istanbul Convention on Temporary Admission of Goods	Handbook on Customs Technique	HS Commodity Database	Valuation Discussion Forum	Guidelines for drafting National Valuation Legislation
	Time Release of Goods Study Methodology	Convention on Harmonized Commodity Description and Coding System	WCO Recommendations, Norms and Resolutions	HS Explanatory Notes	Origin Discussion Forum	

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Institution	Diagnostic Tools and Performance Indicators	Internationally Agreed Standard/Convention	Good Practice Recommendation	Customs Automation Systems	Co-ordination Mechanism	Legislative Toolkit
	WCO Benchmarking Manual	Nairobi Convention on Mutual Administrative Assistance for the Prevention, Investigation, and Repression of Customs Offences	Kyoto Information and Communication Technology Guidelines	Compendium of Classification Opinions	HS Discussion Forum	
	WCO Handbook on Identification and Detection of Nuclear Materials		Commercial Fraud Manual for Senior Customs Officials		Laboratory Forum	
	Integrity Self Assessment Guide		Commercial Fraud Investigation Manual		Customs Modernization Discussion Forum	
			Handbook on Container Control			
			Commercial Fraud Enforcement Training Modules			
			CITES Convention Training Manual			
			Business Anti-Smuggling Coalition (BASC) Guide			
			Customs Valuation Compendium			
			Customs Valuation Control Handbook			

Institution	Diagnostic Tools and Performance Indicators	Internationally Agreed Standard/Convention	Good Practice Recommendation	Customs Automation Systems	Co-ordination Mechanism	Legislative Toolkit
			Practical Guide to the Implementation of the WTO Agreement on Rules of Origin HS Classification Handbook Good Classification Work Model Binding Pre-entry Classification Information WCO Laboratory Guide WCO Integrity Information Brochure WCO Model Code of Ethics and Conduct Risk Management Guide			
World Bank	World Bank's Trade and Transport Facilitation Audit		Customs Modernization Handbook Standards and Trade Development Facility Global Logistics Indicators		Global Facilitation Partnership for Transportation and Trade (GFPTT)	
UNCTAD				Automated System for Customs Data (ASYCUDA)	Trade Point Programme	

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Institution	Diagnostic Tools and Performance Indicators	Internationally Agreed Standard/Convention	Good Practice Recommendation	Customs Automation Systems	Co-ordination Mechanism	Legislative Toolkit
				Advanced Cargo Information System (ACIS)		
UNECE		TIR Convention 1999	Compendium of Trade Facilitation Recommendations	United Nations Trade Data Interchange Directory (UNTDID)		
		Location Codes (UNLOCODE)		United Nations rules for Electronic Data Interchange for Administration, Commerce and Transport (UN/EDIFACT)		
		UN Layout Key for Trade Documents				
IMO		Safety of Life at Sea (SOLAS)/ International Ship and Port Facility Security Code				
		Convention on Facilitation of International Maritime Traffic (1965)				

Institution	Diagnostic Tools and Performance Indicators	Internationally Agreed Standard/Convention	Good Practice Recommendation	Customs Automation Systems	Co-ordination Mechanism	Legislative Toolkit
UNCITRAL		United Nations Convention on Contracts for the International Sale of Goods	UNCITRAL Arbitration Rules			UNCITRAL Model Law on International Commercial Arbitration
		Convention on the Limitation Period in the International Sale of Goods	UNCITRAL Conciliation Rules			UNCITRAL Model Law on Procurement of Goods, Construction and Services
		United Nations Convention on Independent Guarantees and Stand-by Letters of Credit	UNCITRAL Notes on Organizing Arbitral Proceedings			UNCITRAL Model Law on International Credit Transfers
		United Nations Convention on International Bills of Exchange and International Promissory Notes	UNCITRAL Legal Guide on Drawing Up International Contracts for the Construction of Industrial Works			UNCITRAL Model Law on Electronic Commerce
		United Nations Convention on the Carriage of Goods by Sea, 1978 (Hamburg)	UNCITRAL Legal Guide on International Countertrade Transactions			UNCITRAL Legislative Guide on Privately Financed Infrastructure Projects

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Institution	Diagnostic Tools and Performance Indicators	Internationally Agreed Standard/Convention	Good Practice Recommendation	Customs Automation Systems	Co-ordination Mechanism	Legislative Toolkit
		United Nations Convention on the Liability of Operators of Transport Terminals in International Trade				UNCITRAL Model Law on Electronic Signatures
		United Nations Convention on the Assignment of Receivables in International Trade				UNCITRAL Model Law on International Commercial Conciliation
						UNCITRAL Legislative Guide on Insolvency Law
ISO		Standards Developed by ISO's <i>Ships and Marine Technology Technical Committee</i> (TC8)				
		Standards Developed by ISO's <i>Freight Containers Technical Committee</i> (TC104)				
		Standards Developed by ISO's <i>Intelligent Transport Systems Technical Committee</i> (TC204)				
International Chamber of Commerce (ICC)			ICC Customs Guidelines			
			ICC Integrity Toolkit			

Institution	Diagnostic Tools and Performance Indicators	Internationally Agreed Standard/Convention	Good Practice Recommendation	Customs Automation Systems	Co-ordination Mechanism	Legislative Toolkit
			ICC Customs Security Toolkit			
International Electrochemical Commission (IEC)		International Standards for Electrical, Electronic, and Related Technologies IECCE (Scheme for Conformity Testing and Certification of Electrical Equipment) IECQ (Scheme for Quality Assessment of Electrical Components and Related Materials and Processes) IECEx (Scheme for Certification of Standards for Electrical Equipment for Explosive Atmospheres)				
International Telecommunications Union (ITU)		More than 3000 International Recommendations (i.e. Standards) in place				
International Civil Aviation Organisation (ICAO)		Standards and Recommended Practices (SARPs) Procedures on Air Navigation Services Regional Supplementary Procedures				

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Institution	Diagnostic Tools and Performance Indicators	Internationally Agreed Standard/Convention	Good Practice Recommendation	Customs Automation Systems	Co-ordination Mechanism	Legislative Toolkit
UNESCAP					Asia Pacific Research and Training Network on Trade (ARTNET)	

ENDNOTES

20. See Joint WTO/OECD Trade Capacity Building Database (2005), WTO Web site, tcdb.wto.org/index.asp?lang=ENG
21. The mandate of the work of the WTO Negotiating Group on Trade Facilitation is, as defined in paragraph 1, Annex D of the WTO “July Package” (WT/L/579), to clarify and improve relevant aspects of Articles V (freedom of transit), VIII (fees and formalities) and X (publication and administration of trade regulations) of the GATT 1994 with a view to “further expediting the movement, release and clearance of goods, including goods in transit.”
22. Official development assistance (ODA) is defined as those flows to countries on Part I of the DAC List of Aid Recipients (developing countries) and to multilateral institutions for flows to Part I aid recipients which are: i. provided by official agencies, including state and local governments, or by their executing agencies; and ii. each transaction of which: a) is administered with the promotion of the economic development and welfare of developing countries as its main objective; and b) is concessional in character and conveys a grant element of at least 25% (calculated at a discount rate of 10 per cent). Official aid (OA) consists of flows that meet all the tests of ODA, except that they are directed to countries on Part II of the DAC List of Aid Recipients (countries in transition) and to multilateral institutions which primarily benefit Part II aid recipients. Source: www.oecd.org/dac/stats/idsonline.
23. Further information can be found in *the Guidance for Data Analysis*, found on the WTO/OECD Trade Capacity Building Database website (<http://tcdb.wto.org>).
24. WTO Secretariat Note January 2005.
25. Ibid.
26. See: WCO Web site, www.wcoomd.org/ie/En/en.html
27. Compendium of WCO Capacity Building Tools, G/C/W/445, 2002
28. See: WCO Web site, www.wcoomd.org/ie/En/en.html
29. See: The Harmonized System: The Language of International Trade (WCO Fact Sheet); Trade Facilitation: A Development Perspective in the Asia-Pacific Region.
30. See: Overview of ISO System, ISO website, <http://www.iso.org/iso/en/aboutiso/introduction/index.html>
31. See: Trade Facilitation, UNECE website, <http://www.unece.org/leginstr/trade.htm>
32. See: IEC Web site, www.iec.ch/
33. See: ITU Web site, www.itu.int/home/
34. See: WCO Web site, www.wcoomd.org/ie/En/en.html
35. WCO Secretariat Note January 2005
36. WCO Secretariat Note January 2005
37. See: WCO Web site, www.wcoomd.org/ie/En/en.html and Global Facilitation Partnership for Transportation and Trade Web site www.gfptt.org/

38. About SCCP/APEC, www.sccp.org/about/menu.htm
39. About SCCP/APEC, www.sccp.org/about/menu.htm
40. APEC SCCP,
www.apec.org/apec/apec_groups/committees/committee_on_trade/sub-committee_on_customs.html
41. APEC SCCP,
www.apec.org/apec/apec_groups/committees/committee_on_trade/sub-committee_on_customs.html
42. See: ICC Web site, www.iccwbo.org/
43. See: Introduction, ICC Web site, www.iccwbo.org/home/custom_trade/introduction.asp
44. See : ICC Integrity Toolkit, ICC Web site, www.iccwbo.org/home/custom_trade/integrity_toolkit.asp
45. See: ICC Integrity Toolkit, ICC Web site, www.iccwbo.org/home/custom_trade/security_toolkit.asp
46. See: Rules at the core of world trade, Incoterms 2000, www.iccwbo.org/index_incoterms.asp
47. Fact Sheet on The WCO Customs Data Model. www.wco.org accessed 2 September 2005.
48. Information on ASYCUDA
49. World Trade Point Federation Web site
50. APEC SCCP,
www.apec.org/apec/apec_groups/committees/committee_on_trade/sub-committee_on_customs.html
51. See: UNCITRAL Web site, www.uncitral.org/uncitral/index.html

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