



OECD/DAC PROJECT ON TRADE FACILITATION:

A PROPOSAL FOR PHASE 2

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PHASE 2 OF THE DAC PROJECT ON TRADE FACILITATION

1. Introduction

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

2. Rationale of the project

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

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

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

3. Phase 2 of the project

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

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

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

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

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

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

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

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

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

4. Organisation of the work

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

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

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

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

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

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

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