

AID-FOR-TRADE: CASE STORY

UNCTAD

**CAPACITY BUILDING IN DEVELOPING COUNTRIES AND LEAST DEVELOPED COUNTRIES TO
SUPPORT THEIR EFFECTIVE PARTICIPATION IN THE WTO NEGOTIATIONS PROCESS ON
TRADE FACILITATION**

CASE STUDY ON SUPPORT PROVIDED TO HONDURAS

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EFFECTIVE PARTICIPATION IN THE WTO
NEGOTIATIONS PROCESS ON TRADE
FACILITATION - CASE STUDY ON
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Table of Contents

1.	Issues Addressed	3
2.	Objectives Pursued	3
3.	Design and Implementation	3
4.	Problems Encountered	4
5.	Factors for Success/Failure	4
6.	Results Achieved	5
7.	Lessons Learned	6
8.	Conclusion (applicability to other programs)	6

1. This aid for trade case study illustrates support provided by UNCTAD to the national task force on trade facilitation in Honduras. The support aimed at institution building and dialogue among stakeholders to strengthen the country's productive capacities through improved trade facilitation. The activities were undertaken within the framework of an UNCTAD multi-donor trust fund to support developing countries during the WTO negotiations on trade facilitation.

1. Issues Addressed

2. As its title states, the UNCTAD Trust Fund "*Capacity building in developing countries and least developed countries to support their effective participation in the WTO negotiations process on trade facilitation*" addresses the issue of the negotiations on trade facilitation at the WTO and developing countries' capacity to participate effectively in these negotiations. Activities commenced in early 2005.

3. Within the framework of the Trust Fund, Honduras specifically requested support regarding the issue of creating and strengthening its national trade facilitation task force. Such national task forces are necessary to ensure that all relevant stakeholders are consulted during the process of negotiating a trade facilitation agreement and, subsequently, to implement the resulting commitments. The support from UNCTAD also covered advisory services and assistance for activities undertaken by the national task force, notably regarding the preparation, undertaking and updating of a national self assessment of trade facilitation needs and priorities.

2. Objectives Pursued

4. The objective of the Trust Fund is to provide developing countries and particularly LDCs with on-going support in the multilateral negotiations process on trade facilitation and in the implementation of resulting commitments. Specific objectives include strengthening the understanding of the trade facilitation issues involved; exploring the range of measures that need to be considered; identifying developing countries' interests and, in particular, ensuring that the development dimension is addressed. The Trust Fund also contributes to consensus building in this process.

5. In the case of Honduras, the objective of UNCTAD's activities was, above all, to create and strengthen the national trade facilitation task force, leading to an improved institutional capacity and dialogue among stakeholders. Among the objectives of the national task force was the development of the country's negotiating position concerning the trade facilitation measures that were tabled at the WTO. At a later stage, the objectives of the task force were amended to also include the preparation, undertaking and updating of the national self assessment of the country's trade facilitation needs and priorities.

3. Design and Implementation

6. The Trust Fund is designed as a flexible financing instrument that allows UNCTAD to respond to a wide range of demands for support to its member countries during the WTO negotiations on trade facilitation. Initially, the Trust Fund focused mostly on global and regional awareness raising seminars and publications. In more recent years, emphasis has been placed on tailor-made national and regional activities in response to specific requests by members. All activities are managed in close collaboration with the WTO, other Annex D organizations and members' Delegates in Geneva. During the six years since its inception, the Trust Fund has received contributions from Norway, Spain, Sweden and Switzerland, totalling 2 million USD.

7. The activities implemented under the Trust Fund include, *inter alia*, the following:

- a) Research and publications, such as web based *Technical Notes* and a repository of trade facilitation task forces, topical studies and articles in UNCTAD's *Transport Newsletter*.
- b) Training and awareness raising, such as the organization of regional seminars, a Forum on private sector participation and national seminars that helped prepare countries for their WTO self-assessment workshops.

- c) Advisory services for Geneva-based delegates, groups of experts at the national level and bodies of regional economic communities.



Photo: Regional UNCTAD - SIECA workshop on trade facilitation held in Guatemala

8. The Trust Fund is set up in a way that an individual member country can potentially benefit from the implementation of many of the above activities, be they global, regional or national. With regard to the case of Honduras, while some activities were implemented as a tailor-made response to specific requests from the country, others were regional or global, and Honduras participated or made use of those that best fit its areas of interest:

- Delegates from Honduras participated in different UNCTAD round tables in Geneva, including some which were specifically organized for the Latin American and Caribbean countries. Honduras also made use of *Technical Notes* and other publications produced under the Trust Fund, notably with regard to the issues of Special and Differential Treatment and the national trade facilitation committees.
- On the regional level, the Geneva-based Honduras Delegate actively participated in three regional seminars that were organized or co-sponsored by UNCTAD (Guatemala 2005, Panama 2006 and Guatemala 2010).
- On the national level, UNCTAD experts undertook three missions to the country's capital Tegucigalpa, contributing to a WTO national seminar (2005), providing tailor-made support to the country's national trade facilitation group (2006) and organizing a national seminar to update the results of the trade facilitation self assessment (2010). The Trust Fund also financed the participation of a capital-based Delegate in a meeting of the WTO Trade Facilitation Negotiating Group.

4. Problems Encountered

9. In general, the activities of the Trust Fund aim at responding to countries' needs in view of the on-going negotiations on trade facilitation at the WTO. As these negotiations are not advancing as fast as was initially expected when the Trust Fund was created, UNCTAD has to regularly adjust its planned activities, which is done in close coordination with the WTO secretariat and the other Annex D organizations.

10. With regard to the specific case of Honduras, the political crisis in June 2009 affected the normal operation of the national administrations. As a consequence, some of UNCTAD's tailored activities in Honduras had to be postponed for several months.

5. Factors for Success/Failure

11. The factors of success/ failure for the case of Honduras are similar to many of the countries where UNCTAD implemented technical assistance activities under the Trust Fund.

12. Factors for success include, *inter alia*

- a. A good and professional working relationship between the Geneva-based Delegate and the Customs expert and other counterparts in Capital.
 - b. A nucleus of motivated and TF-knowledgeable members of the Support Group.
 - c. In spite of possible political instabilities, there was a relatively consistent participation of key stakeholders allowing for the maintenance of institutional memory.
 - d. The country has on-going national trade facilitation programmes and it participates in regional initiatives. These reflect the high priority attached to the issue of trade facilitation.
13. Similar to numerous other cases, obstacles encountered in Honduras include, *inter alia*
- a. A high turn-over of civil servants in key ministries and Customs.
 - b. The level or seniority of stakeholder delegates within the Support Group is not always as high as it should be to assure sufficient decision making power. There is often a lack of availability of group members for whom their participation in the group constitutes an additional workload.
 - c. The Support Group would probably benefit from a formal administrative recognition similar to the existing “*Comisión Especial Inter-Ministerial para el Mejoramiento del Sistema Aduanero (CEIMSA)*”. CEIMSA was established to solve Customs-related operational issues, while the Support Group is mandated to provide input to the Delegate of Honduras at the WTO. The major trade stakeholder institutions are represented in both CEIMSA and the Support Group.

6. Results Achieved

14. The Trust Fund clearly contributed to the understanding of the trade facilitation issues negotiated at the WTO. Developing countries are now in a better position to explore the measures under negotiation and to identify their needs and priorities with regard to trade facilitation and related technical assistance. The Trust Fund also contributed to consensus building to the effective participation of developing and least developed countries in the negotiations on trade facilitation at the WTO. This includes an improved capacity to respond to tabled proposals, as well as the capacity of developing and least developed countries to develop and sponsor their own proposals at the WTO. The approach of working with Capital-based officials and with Geneva-based Delegates has strengthened linkages between Ministries and Missions of developing countries. The technical notes are being used as highly relevant reference material. The work with the support group of specific Latin American countries has created a sustained institutional setting that is working systematically on the negotiations.

15. In the specific case of Honduras, UNCTAD’s activities helped to create and strengthen the national trade facilitation task force, leading to an improved institutional capacity and dialogue among stakeholders. The national activities, in combination with the regional and Geneva-based events and Trust Fund publications, contributed to the following results:

- The national trade facilitation group was created (2005) and remained active in its analysis of the trade facilitation measures tabled at the WTO.
- The national trade facilitation group has successfully undertaken the WTO self assessment (2008).
- During an UNCTAD national seminar, the group undertook an update of the WTO self assessment (2010).
- At the regional level, Honduras actively participated in a workshop that helped participating countries align their commitments at the regional level with the rules under the forthcoming WTO agreement.
- At the WTO, Honduras actively participated in working groups on Special and Differential Treatment and co-sponsored several initial proposals on this issue. These early proposals

benefited from round-tables organized by UNCTAD in Geneva (in particular documents TN/TF/W/41, TN/TF/W/81, TN/TF/W/137 and TN/TF/W/172).

- Also at the WTO, Honduras co-sponsored the proposal on national trade facilitation committees, which draws on UNCTAD's related Technical Note on the same issue (TN/TF/W/157 and TN/TF/W/158).

16. Of course it is not possible to establish a direct causality between UNCTAD's activities and most of the above-mentioned "results achieved", such as Honduras' successful institutional reforms, the national self assessment workshop or the country's active participation in the WTO negotiations. In fact, any causality would most likely go both ways: As the issue of the trade facilitation negotiations is considered of high priority by Honduras itself, the country a) worked actively on the above-mentioned issues; and b) requested UNCTAD's support. In turn, UNCTAD's support then helped to strengthen the national capacities and it also contributed to further awareness-raising among stakeholders.

7. Lessons Learned

17. As OECD DAC statistics show, financial and technical assistance provided in the area of trade facilitation has increased significantly during the last decade. However, a large part of this increase has been assigned to low and middle-income developing countries such as Honduras. Honduras is a typical example for a country that a) attaches a high priority to trade facilitation, and b) has the absorption capacity to receive and benefit from related technical assistance.

18. Experience with the Trust Fund suggests that more advanced economies may require less assistance from UNCTAD during the WTO negotiations on trade facilitation. Many LDCs, on the other hand, have either other priorities or may not have the necessary capacity to even receive and benefit from the type of assistance that UNCTAD can provide with the limited resources of the Trust Fund.

19. The Honduras experience could not be replicated in countries that require more fundamental and costly support involving, for example, broader capacity building programmes or a dedicated (team of) senior technical advisor(s). The Honduras case is, however, a positive example where the UNCTAD multi-donor Trust Fund has proven to be a very flexible and cost-effective financial instrument that allows providing demand-driven assistance in an important area of the AFT initiative.

8. Conclusions

20. The UNCTAD trade facilitation trust fund has developed numerous capacity building and technical assistance activities since 2005 to support countries in the WTO trade facilitation negotiation process. Honduras is one of several countries that have benefited from both, global and regional Trust Fund activities as well as from tailor-made support to their national trade facilitation groups.

21. In general, UNCTAD's support through the Trust Fund, together with other Annex D organizations, has contributed to the positive and constructive development of the negotiations on trade facilitation within the Doha Development Round at the WTO. According to evaluations undertaken by the WTO Secretariat, the WTO national self assessments that were undertaken since the end of 2007 are considered a success, and UNCTAD's contribution to this success is acknowledged by the WTO, donors, and - most importantly - the developing countries which benefited from the Trust Fund activities.

22. More important than a one-off national self assessment workshop is the strengthened institutional capacity and dialogue among stakeholders that allows developing countries to negotiate trade facilitation agreements and implement the resulting commitments. Honduras is an interesting case where this objective was achieved with the assistance of UNCTAD's Trust Fund "*Capacity building in developing countries and least developed countries to support their effective participation in the WTO negotiations process on trade facilitation*".