

**DEVELOPMENT CO-OPERATION DIRECTORATE
DEVELOPMENT ASSISTANCE COMMITTEE**

**TRADE FACILITATION: TERMS OF REFERENCE TO IDENTIFY GOOD PRACTICES FOR
DEVELOPMENT CO-OPERATION**

22 June 2005

This document is circulated for INFORMATION to the DAC under item 7 of the 22 June 2005 agenda [DCD/DAC/A(2005)10].

The document is based on the 22 April 2005 DAC discussion of the "Project Proposal to Identify Good Practices for Strengthening Capacities to Implement Trade Facilitation Measures" [DCD/DAC(2005)20] and on subsequent comments received on the draft terms of reference sent out electronically on 13 May 2005.

This DAC project complements work undertaken by the OECD Trade Committee and ensures strong linkages with relevant work of other international organisations.

The project relates to output area 5.1.3 Policy Coherence for Development, Economic Growth and Poverty Reduction of the 2005-2006 PoWB and will be financed through voluntary contributions [see DCD/DAC/RD(2005)10/RD2 for further information].

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EXECUTIVE SUMMARY

The DAC activity on trade facilitation aims to strengthen the design, delivery and evaluation of development assistance aimed at supporting trade facilitation reforms in developing countries, in a way that is consistent with the Paris Declaration on Aid Effectiveness (2005) and other DAC guidelines, including the DAC Guidelines on Strengthening Trade Capacity for Development (2001).

This activity is primarily being undertaken in light of the important positive impact trade facilitation can have on development and poverty reduction. Developing countries can indeed 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 investments. The DAC activity in the area of trade facilitation is also timely in light of the increasing aid commitments targeted at supporting trade facilitation reform and the numerous technical assistance and capacity building commitments included in the WTO “July Package”. Delivering on such commitments will be crucial for the successful completion of the Doha Development Agenda.

This activity will deliver two distinct outputs:

- A review of past capacity development efforts of bilateral donors and multilateral agencies in the area of trade facilitation (in Phase 1) – to be completed by November 2005 (and disseminated at the WTO Hong Kong Ministerial Conference in December 2005).
- A good practices paper for strengthening trade facilitation capacities in developing countries (in Phase 2) – to be completed by mid-2006.

These outputs aim to be of relevance to development assistance practitioners, trade and customs officials and private sector representatives in OECD and partner countries involved in the design, implementation and evaluation of trade facilitation measures.

This DAC activity will harness and complement the research on trade facilitation undertaken by the OECD Trade Committee. In addition, it will develop synergies with work underway in a number of bilateral and multilateral agencies (e.g. the World Customs Organisation, UNCTAD and the World Bank).

TRADE FACILITATION: TERMS OF REFERENCE

1. Introduction

1. At the 22 April 2005 DAC meeting, Delegates approved the *Project Proposal to Identify Good Practices for Strengthening Capacities to Implement Trade Facilitation Measures* [DCD/DAC(2005)20]. Trade facilitation was then identified as a high priority area in which the DAC could complement work already undertaken by the OECD Trade Committee, with a view to increasing the synergies between the two Committees.

2. Some Members offered voluntary contributions to support this activity.¹ In addition, a number of detailed comments from DAC members and multilateral agencies were provided on the project proposal and on the draft terms of reference, circulated electronically on 13 May 2005.² Most comments have been taken into account in these terms of reference

3. This paper is structured as follows:

- Section 2 – *Background*- outlines the objective and rationale for this activity, including data on current donor support in this area; and the definition of trade facilitation and support for implementing trade facilitation procedures.
- Section 3- *Terms of reference*- describes the outputs and methodology; process; timeframe; required competencies of the external expert and resource implications for the DAC.

2. Background

2.1 Objective

4. This activity aims to strengthen the design, delivery and evaluation of development assistance aimed at supporting trade facilitation reforms in partner countries, in a way that is consistent with the Paris Declaration on Aid Effectiveness and other DAC guidelines, including the DAC Guidelines on Strengthening Trade Capacity for Development (2001).³ It should as such indirectly contribute to the delivery of technical assistance and capacity development commitments included in Annex D of the WTO “July Package”, which sets out the modalities for negotiations on trade facilitation.

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1. Finland, Norway (€18,000), Sweden, the UK and the Netherlands have indicated they would provide financial support for this project. (Some other DAC members are still considering doing so).
 2. Finland, Norway, Sweden, the UK, the Netherlands Japan, New Zealand, the World Bank, the World Customs Organisation, UNCTAD, the Common Market for Eastern and Southern Africa (COMESA) and OECD Trade Directorate provided comments on the draft terms of Reference, sent out on 13 May 2005.
 3. DCD/DAC(2001)5/FINAL.

5. For this purpose, this activity will:

- Review past development assistance provided in this area, and on that basis;
- Identify good practices to strengthen partner countries' capacities to implement trade facilitation measures. This will be done through a consultation process amongst development assistance practitioners (from bilateral and international agencies), trade and customs officials and private sector representatives in OECD and partner countries involved in trade facilitation reform.

2.2 *Rationale*

6. Trade facilitation has become an important issue on the trade agenda because of the reduction of tariff rates, resulting from successive trade negotiation rounds. The costs that businesses incur through delays at the border due to complicated, unnecessary documentation requirements and excessive physical controls are estimated at 6% to 10% of the transactions cost.⁴ In many cases, these costs exceed those of the applied tariff. Recent delays in the delivery of tsunami-related aid –due to border impediments- also demonstrate the importance of trade facilitation.⁵

7. Research by the OECD Trade Committee shows that facilitating trade can contribute to achieving national development and poverty reduction goals. Trade facilitation measures can help reduce costs due to border delays, enhance government revenue, improve governance and attract foreign direct investments. Furthermore, the costs of implementing trade facilitation measures in developing countries are generally offset by their economic benefits, with short payback periods. The research also suggests that an adequate diagnosis and a coherent, co-ordinated and holistic (as opposed to piecemeal) approach to trade facilitation reform are essential factors for ensuring sustainable results.⁶

8. Developing countries have also identified trade facilitation reform as an important means to improve their country's competitiveness.⁷ The need for reform in that area seems to be even more acute for countries engaged in regional integration schemes (*e.g.* the Asia Pacific Co-operation- APEC; the Southern African Customs Union- SACU; the Caribbean Community- CARICOM; the Common Market for Eastern and Southern Africa - COMESA; etc.).⁸ The recently released Report of the Commission for Africa also acknowledges the importance of supporting developing country supply side capacities, including their capacity to facilitate trade.

9. Despite their potential positive impact, trade facilitation measures are generally more intricate to implement than liberalisation of trade through tariff reductions. Most of these measures may call for institutional, human or financial resources, which are often in short supply in developing countries.

4. <http://europa.eu.int/comm/trade/miti/tradefac/tradefac1.htm>

5. See Shawn Donnan, "Frustration for donors as aid piles up on docks", in the Financial Times of 12 May 2005.

6. TD/TC/WP(2003)11/FINAL, "Trade Facilitation Reform in the Service of Development". TD/TC/WP(2004)4, "Trade Facilitation Reform in the Service of Development: Country Case Studies". TD/TC/WP(2004)36/FINAL, "The Costs of Introducing and Implementing Trade Facilitation Measures: Interim Report". TD/TC/WP(2005)12, "Trade Facilitation: The Economic Impact of Trade Facilitation".

7. See the Diagnostic Trade Integration Study (DTIS), which is undertaken as part of the Integrated Framework for Trade-Related Technical Assistance to LDCs of, for example, Senegal, Lesotho, Cambodia, Madagascar, Guinea, Mozambique, Nepal and Ethiopia. See <http://www.integratedframework.org>.

8. Additional information on the importance and potential impact of trade facilitation measures on economic development can be found at <http://topics.developmentgateway.org/trade> and <http://www.gfptt.org/>.

10. In recent years, many DAC Members and multilateral and regional agencies have significantly increased their efforts to support trade facilitation reform in partner countries. Development assistance commitments targeted at supporting trade facilitation measures (TCBDB category 33121) increased by 167% from 2002 to 2003 (from US\$ 144 million to US\$ 384 million).⁹ This represents almost 40% of total aid commitments targeted at supporting “trade policy and regulations” in 2003.¹⁰ Partial data for 2004 shows that this trend is increasing.¹¹ In addition, the *Overview of Donor and Agency Policies in TRTA/CB*¹² also shows an increased focus on trade facilitation in some donor and agency TRTA/CB Strategies.

11. In general, past assistance projects to support trade facilitation in developing countries have, however, not fulfilled their full potential. This is mostly due to their narrow focus, lack of co-ordinated approaches and insufficient attention to longer-term capacity development needs. While some bilateral donors and multilateral agencies have already initiated some work to identify good practices or to support the adoption of internationally-agreed standards for customs procedures or trade data processing¹³, these have often been targeted at a specialized audience or conducted in isolation from other (trade-related) development assistance programmes.

12. The WTO “July Package”, which outlines the modalities for negotiations on trade facilitation, includes numerous technical assistance and capacity building commitments. More specifically, the modalities require WTO Members to:

- Examine the needs and priorities of developing countries and LDCs.
- Address cost implications.
- Support participation of developing countries and LDCs in the negotiations.
- Provide assistance for the implementation of commitments resulting from the negotiations.
- Review effectiveness of the assistance provided to developing countries and LDCs.
- Collaborate with international organisations -including the OECD- in order to ensure relevance, effectiveness and coherence of the assistance delivered.

13. While the cost implications of implementing different types of trade facilitation measures have been examined by the OECD Trade Committee, the DAC activity would also contribute (though sometimes indirectly) to delivering on most of the other WTO commitments listed above.

9. This figure excludes donor support for Customs Valuation (category 33122) which aims at helping countries determine the customs value of imported goods and eliminate arbitrary or fictitious customs values. Development assistance in that area amounted to US\$17 million in 2002 and US\$18 million in 2003. Cf. 2004 WTO/OECD Report on TRTA/CB (December 2003) posted on <http://tcbdb.wto.org>.

10. “Trade policy and regulations” is one of the two main TRTA/CB categories used in the TCB Database (the other one being “trade development”). Further information on this main category can be found in the 2004 WTO/OECD Report on TRTA/CB or in the TCB Database (<http://tcbdb.wto.org>).

11. See http://tcbdb.wto.org/category_project.asp?cat=331&subcat=21&maxyear=2005 which shows that commitments in 2004 amount so far to over US\$ 500 million. (Complete 2004 data will be included in the 2005 WTO/OECD Report on TRTA/CB, to be released in November 2005).

12. DCD(2005)10/REV1.

13. *E.g.* the World Customs Organization (WCO); the UN Economic Commission for Europe’s (UNECE) Working Party on Facilitation of International Trade Procedures.

2.3 *Definition*

14. Trade facilitation refers to the improvement of procedures related to the movement of goods across borders. 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)¹⁴, VIII (fees and formalities)¹⁵ and X (publication and administration of trade regulations)¹⁶ of the GATT 1994 with a view to “further expediting the movement, release and clearance of goods, including goods in transit”.¹⁷

15. In the proposals made by WTO Members for clarifying and improving GATT Article V, VIII and X, it is possible to identify a number of common and interlinking themes:

- Transparency.
- Consistency and predictability.
- Non-discrimination.
- Simplification and avoidance of unnecessary (trade) restrictiveness.
- Due process.

16. These correspond to the core principles underpinning trade facilitation, to be found in various existing multilateral, regional or national trade facilitation endeavours. They are intertwined and woven into the three GATT articles under scrutiny, and in this sense they correspond to concepts and obligations already applicable under current WTO commitments. Their relevance is widely accepted and they may be viewed as an essential element of a possible WTO instrument on trade facilitation.¹⁸

14. Art. V establishes the principle of freedom of transit. Goods, and their means of transport, are defined as being in transit when their passage across a territory is only a portion of a complete journey beginning and terminating beyond the frontiers of the country through whose territory the traffic passes. Source: WTO official website.

15. Art. XIII establishes that all fees and charges (other than duties) imposed on, or in connection with, import or export shall be limited to the approximate cost of services rendered, and shall not constitute indirect protection to domestic products or taxation for fiscal purposes. This principle applies to all fees, charges, formalities and requirements including those relating to consular transactions, quantitative restrictions, licensing, exchange control, and statistical services, as well as to documents, documentation and certification, to analysis and inspection, and to quarantine, sanitation and fumigation. Source: WTO official website.

16. Art. X establishes two principles: First, all laws and regulations, judicial decisions and administrative rulings, etc., affecting imports and exports should be published; furthermore, they may not be enforced before official publication. Second, administration of these laws, regulations, etc., shall be uniform, impartial and reasonable. Independent judicial, arbitral or administrative instances should be instituted for recourse for prompt review and correction of action inconsistent with this principle. Source: WTO official website.

17. The OECD Trade Committee has produced three papers (documents TD/TC/WP(2002)36, TD/TC/WP(2002)50 and TD/TC/WP(2002)51) and a synthesis report (TD/TC/WP(2003)12/FINAL), discussing how proposals related to the three GATT articles under scrutiny may be implemented in selected OECD and non-OECD countries and offering some initial reflections on national practices.

18. OECD Trade Committee, “Trade Facilitation Principles in GATT Articles V, VIII and X: Reflections on Possible Implementation Approaches” (June 2003), TD/TC/WP(2003)12/FINAL.

17. The WTO/OECD Trade Capacity Building Database (TCBDB), which monitors trade-related technical assistance and capacity building (TRTA/CB) targeted at trade facilitation, defines support for trade facilitation procedures (category 33121) as the “simplification and harmonization of international trade procedures, *e.g.* customs or licensing procedures, transport formalities, payments and insurance; and support to customs departments”.¹⁹ While the underlying principles of this definition (*e.g.* transparency, non-discrimination, etc.) are the same of those underlying the GATT 1994 articles V, VIII and X, this definition has a **broader** scope than the articles, as development assistance programmes are usually broader in nature and do not solely focus on supporting the implementation of those specific articles (which are still in the process of being clarified).

18. The Database definition will be used in the context of this project, though some international organisations have adopted an even broader interpretation of trade facilitation and consider infrastructure investment and compliance with health, safety and other regulations and standards as part of trade facilitation (*e.g.* World Bank²⁰; UNIDO). The reasons for adopting the Database definition are methodological, namely (1) in order to make use of the data included in the Database (see quantitative analysis and mapping below); and (2) avoid examining distinct yet interlinked areas of donor intervention (border procedures; infrastructure and standards) in the framework of one project. Focusing solely on lessons and good practices for technical assistance and capacity development targeted at supporting the implementation of GATT 1994 articles V, VIII and X will be difficult due to the reasons outlined in the paragraph above.

19. This project will nevertheless examine the important linkages that exist between donor support for trade facilitation procedures (category 33121) and other types of donor interventions, such as:

- Support for customs valuation (category 33122 in the TCBDB)²¹.
- Support for tariff reforms (category 33123 in the TCBDB)²².
- Support for infrastructure development (more specifically in the area of transport and storage, category 210 in the OECD Creditor Reporting System)²³.
- Support for compliance with standards (sanitary and phytosanitary measures - SPS, category 33113 in the TCBDB; and technical barriers to trade- TBT, category 33112 in the TCBDB)²⁴.

19. Joint WTO/OECD Trade Capacity Building Database - 2005 Data Collection; or TCBDB website. Category 33121 also includes support for participation in the WTO negotiations on trade facilitation.

20. The World Bank defines trade facilitation in four dimensions: (1) port efficiency; (2) customs environment; (3) regulatory environment; (4) service sector infrastructure. Source: World Bank website.

21. Covers support for: Determination of the customs value of imported goods; elimination of arbitrary or fictitious customs values. Source: TCBDB website.

22. Covers support for: Development of simple, transparent and low uniform tariff regimes that minimize discrimination between production for domestic or export markets, and between purchases of domestic and foreign goods. TCBDB website.

23. Data on development assistance for infrastructure development can also be found on the TCBDB website <http://tcbdb.wto.org>.

24. 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. TBT: covers support for improved understanding of WTO rights and obligations regarding the use of technical regulations, standards and conformity assessment procedures. Source: TCBDB website.

- Support for tax reform/ revenue-enhancing reforms (which is included under category 15020, public sector financial management, in the OECD Creditor Reporting System)²⁵.
- Support for security reform.
- Support for public sector reform (which is covered by categories 15020, public sector financial management, 15030, legal and judicial development, and 15040, government administration, in the OECD Creditor Reporting System)²⁶.

Further information is included in paragraphs 23 and 27.

3. Terms of reference

3.1 *Outputs and methodology*

20. This activity will deliver **two outputs** sequentially:

- A review of capacity development efforts in phase 1.
- A good practices paper in phase 2.

3.1.1 *Phase 1: A review of capacity development efforts*

21. This phase will review past capacity development efforts of bilateral donors and multilateral agencies in the area of trade facilitation. The review will be conducted through a desk study. It will comprise four parts.

Part 1: A quantitative analysis

22. The quantitative analysis will be based primarily on the WTO/OECD TCB Database, and, if needed, on databases of other bilateral and multilateral agencies. It will aim to identify and analyse, in regard to support for trade facilitation measures (category 33121 in TCBDB):

- The trends in aid volume (if possible broken down by type of support- *e.g.* training; support for automation; for legal and regulatory reforms; etc.).
- Aid delivery modes (*e.g.* bilateral vs. multilateral).
- Aid financing modalities (grants vs. loans).
- Geographical distribution of aid.

25. Public sector financial management: strengthening financial and managerial accountability; public expenditure management; improving financial management systems; tax assessment procedures; budget drafting; field auditing; measures against waste, fraud and corruption. Source: DCD/DAC/STAT(2004)6/REV2.

26. Legal and judicial development: Constitutional development, legal drafting; institutional strengthening of legal and judicial systems; legal training and education; legal advice and services; crime prevention. Government administration: Systems of government including parliament, local government, decentralisation; civil service and civil service reform. Including general services by government (or commissioned by government) not elsewhere specified. Source: DCD/DAC/STAT(2004)6/REV2.

- Main beneficiary countries.
- Major bilateral donors and multilateral agencies active in trade facilitation.

23. In addition, related categories of donor intervention, as outlined in paragraph 19, will be reviewed to check if they include trade facilitation support programmes. If this is the case, those programmes will also be taken into account in the quantitative analysis outlined in the paragraph above.

Part 2. A “mapping” of existing donor expertise in the field

24. The mapping will be based on the quantitative analysis and other relevant material (*e.g.* the 2004 Overview of Donor and Agency Policies in TRTA/CB²⁷; donor strategy papers; official websites; papers by independent research institutes). It will aim to identify which agency specialises in what type of intervention (if any). The mapping will among others list and describe existing instruments designed by different agencies, for example:

- Trade facilitation diagnosis tools (*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’s Compendium of Trade Facilitation Recommendations).
- 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).
- Trade facilitation performance indicators (*e.g.* WCO’s Time Release Study; APEC’s benchmarks).
- Co-ordination mechanisms (*e.g.* the Global Facilitation Platform on Transport and Trade).

Part 3. A qualitative analysis

25. The qualitative analysis will be based on available evaluation reports of donor support for trade facilitation and other relevant material (*e.g.* case studies provided by agencies; studies by independent research institutes). It will aim to identify (and possibly rank) factors that have contributed to success (or failure) of donor programmes, based on previous donor experience. This exercise does not aim to be a thorough evaluation of past development assistance programmes. Rather, it aims to identify and share lessons regarding past experience with development assistance in the area of trade facilitation.

26. The analysis will rely on the examination of a representative sample of development assistance programmes.²⁸ It will consider different types and examples of development assistance programmes aimed at supporting trade facilitation and will examine, where possible, their relevance, (cost-)efficiency and effectiveness, in light of different country settings (general definitions of these assessment criteria are

27. DCD(2005)10/REV1.

28. The quantitative analysis and mapping should help identify a representative sample.

provided by the DAC Network on Development Evaluation, and can be found on www.oecd.org/dac/evaluation). Impact and sustainability might be more difficult to assess in light of the relatively recent emergence of this type of development assistance.²⁹ More specific performance indicators are provided below for each of the three assessment criteria.³⁰

27. *Relevance:*

- The extent to which the aid programme is suited and responds to the priorities, capacity gaps and policies of the target group (*e.g.* customs authority; private sector; etc.) and the partner country as a whole, or in the other words, the extent to which the supply of aid activities corresponds to, or aligns with, the partner's demand and strategy. (Methodology: Examine the priorities and eventual capacity gaps identified in sectoral and national diagnostic studies, Action plans and strategy papers, *e.g.* IF DTIS and Action matrix, PRSP. If no national trade-related priorities have been identified or no diagnosis has been conducted, this should be highlighted. The analysis will also examine the extent to which the partner makes use of existing diagnosis instruments).
- The extent to which the aid programme is suited to more general country conditions, *e.g.* existing governance and institutional setting and capacities in the partner country; regional economic relations; level of development; location; etc.
- The extent to which the aid programme is suited to the policies and expertise of the donor agency (Methodology: Examine donor strategy/mission and expertise, cf. mapping above).
- The extent to which the aid programme contributes to the “underlying principles” of trade facilitation (*e.g.* transparency, non-discrimination, etc.) as defined para. 15.
- The extent to which the programme is part of an overall framework, *i.e.* coherence and linkage with broader national development policies and strategies (*e.g.* PRSP), sectoral policies and programmes (*e.g.* in the area of national trade development; infrastructure/transport; revenue-enhancement; public sector reform- see paragraph 19).

28. *Efficiency:* The relationship between inputs and outputs, *i.e.* the activities and the results of the intervention. It is an economic term which signifies that the aid uses the least costly resources possible in order to achieve the desired results. This includes the way in which the objectives have been operationalised, and in particular:

- The relative strengths and weaknesses of the different aid delivery modes (*e.g.* regional programmes; Integrated Framework; bilateral vs. multilateral programmes);
- The level of participation of, or consultation with, the private sector.

29. *Impact:* The positive and negative changes and effects caused by the programme. This includes assessment of the wider and long-term effects of aid activities on the economic and social environment, gender, environment and poverty levels. The impact of donor interventions in the area of trade facilitation on poverty reduction could be assessed by examining the impact (benefits/costs) of such interventions for small-scale traders. *Sustainability:* the continuation of benefits for the beneficiaries from the intervention after it has been completed. Projects need to be environmentally as well as financially sustainable.

30. Some donor agencies have a different interpretation of the assessment criteria and consider some of the specific indicators to be under a different criteria. *E.g.* level of donor co-ordination: it is used in this project as an indicator for effectiveness though it could also be considered as an indicator for efficiency.

29. *Effectiveness*: the extent to which the resources/outputs provided relate to, and achieve, the programme objectives, or will achieve once the benefits have materialized. This includes:

- The extent to which the programme and its individual outputs contributed to strengthening local capacities for the design and implementation of trade facilitation measures (this includes identifying the outputs that have been more critical than others in achieving this objective).
- The extent to which other factors (beyond the aid activity) might have contributed to success (*e.g.* partner country leadership and ownership, including private sector support; external factors; etc.).
- The sequencing and coherence of different outputs/ types of trade facilitation support (within one agency).
- The level of co-ordination and coherence with aid programmes of other bilateral donors and multilateral agencies (*i.e.* across agencies).

30. Examples of types of trade facilitation support to consider include:

- Support for designing a trade facilitation strategy linked to the national trade, and development strategies.
- Support for harmonization and simplification of procedures – *e.g.* through support for reforming the legal and regulatory framework, for automation (*e.g.* electronic single “window”), etc.
- Support for strengthening national customs administrations – *e.g.* through support for automation, equipment, training of customs officers, etc.
- Support for enhanced co-ordination between the customs administration and other border authorities).³¹

Part 4. Lessons learned and conclusions.

31. This section will harness the lessons learned in the quantitative analysis, the mapping and the qualitative analysis. It will draw conclusions about the factors that have led to success (or failure) of development co-operation efforts and their relative importance.

3.1.2 Phase 2: A good practices paper

32. The good practices paper for strengthening trade facilitation capacities in developing countries aims to provide guidance to policy makers and experts from trade and development communities in both OECD and partner countries, taking account of different country settings and capacities. Phase 2 seeks to “test” the review conducted in Phase 1 (*i.e.* desk study) through:

- Direct interviews with practitioners in the field.

31. Reporters to the Database have been asked to provide as much details as possible on projects and programmes related to trade facilitation (cf. 2005 Data request). Findings of the quantitative analysis conducted in the frame of this DAC project might also be included in the form of a box or annex in the upcoming *2005 WTO/OECD Report on TRTA/CB*.

- Wide consultations with partner countries, the OECD Trade Committee, other international organisations that have undertaken relevant work in this area (*e.g.* WTO, the World Bank, the WCO, UNCTAD, APEC, COMESA, etc.), individual donor agencies and private sector representatives.³²

33. This process of interviews and consultations will guide the drafting of the good practices paper and help ensure ownership and relevance of the DAC's output. The paper will take account of the Paris Declaration on Aid Effectiveness³³, the 2001 DAC Guidelines on Strengthening Trade for Development and other relevant work of the DAC, in particular, work on capacity development, governance, managing for development results and evaluation.

34. The good practices paper will address three inter-related issues:

1. **What are good practices –for both partner countries and bilateral donors and multilateral agencies- for strengthening developing country capacities to implement trade facilitation measures?** (Methodology: Identification of good practices for partner countries will build on existing work conducted by, among others: (i) the OECD Trade Committee; (ii) the World Bank; (iii) WCO; (iv) UNECE; (v) UNCTAD; (vi) APEC; (vii) COMESA. Identification of good practices for bilateral donors and multilateral agencies will be drawn from the desk study produced in Phase 1 and the consultation process).
2. **How can donors and recipients best work together to strengthen sustainable capacities to implement trade facilitation measures?** (Methodology: Identification of good practices will be drawn from the desk study produced in Phase 1 and the consultation process).
3. **What are good practices for benchmarking, monitoring and evaluating the effectiveness of development assistance in this area?** (Methodology: Identification of good practices will be drawn from the desk study produced in Phase 1 and the consultation process).

3.1.3 Phase 3: Dissemination and monitoring compliance

35. A 3rd phase –consisting of dissemination and monitoring of compliance with the Good Practices Paper- should be considered by Members at a later stage. Proposals to this end will be developed as the work under phases 1 and 2 proceeds.

3.2 Process

36. It is suggested to establish a small ad-hoc expert group to steer this activity and prepare for DAC discussions (hereafter called the “steering group”). This group will consist of approximately 10 – 15 people from:

- Specialised agencies involved in the design and delivery of such assistance (*e.g.* bilateral aid agencies; multilateral agencies; customs authorities; subcontractors; experts in the area of trade, customs, etc.); and

32. i.e. The group consulted in Phase 2 will be *wider* than the project's steering committee (cf. Process).

33. 2005 Paris Declaration on Aid Effectiveness: Ownership, Alignment, Harmonisation and Results. DCD/DAC/EFF(2005)1/FINAL.

- Recipients of trade facilitation-related development assistance (e.g. public officials and experts in the area of trade, transport, logistics, customs and ports; business representatives).³⁴

37. The Global Facilitation Partnership for Transport and Trade [GFP], which includes more than 100 partners, provides a useful starting point for identifying experts that might be interested in participating in the steering group.³⁵

38. The DAC will provide “political” guidance throughout the activity. It will have a critical role in ensuring compliance with, and dissemination of the good practices. The Terms of Reference (ToR), the desk study and the Good Practices paper will be presented to the DAC for comments and final drafts for approval.

3.3 *Timeline*

39. The review (Phase 1) should be completed and validated in **November 2005** (DAC meeting of 21 November 2005), in order to disseminate the results at the WTO Hong Kong Ministerial (13-18 December 2005). The second phase, during which the good practices paper will be produced, is planned to start at the beginning of 2006, lasting until September 2006 (see Table 1).

Table 1. Planning

	FIRST PHASE
Date	Output
22 April 2005	DAC discussion of the project proposal
May 2005	Draft ToR and outline of the desk study Collect background material Search for a consultant (e.g. qualified expert)
June 2005	Identification of the steering group E-discussion on the ToR with the steering group
22 June 2005	Presentation of the steering group and ToR to the DAC (for information)
<i>July- October 2005 (included)</i>	Drafting of the desk study (i.e. review of capacity development efforts). The consultant will be required to send the DAC Secretariat monthly progress reports.
September 2005	Presentation of the DAC work to the Trade Committee (TBC)
20 September 2005	Presentation of the DAC work and discussion of a 1 st draft/preliminary results at the GFP annual meeting (TBC).
October 2005	2 nd draft E-discussion of 2 nd draft with the steering group Progress report to the DAC
November 2005	Revision and final draft.
21 November 2005	DAC validation of final draft.
November 2005	Presentation to the final draft to the TC (for information) -TBC
5 December 2005	DAC SLM – presentation of the conclusions of the final draft
December 2005	Presentation of the Review/ Desk Study at the Hong Kong WTO Ministerial
	SECOND PHASE⁰
January – March 2006 (included)	1 st draft of the Good Practice Paper (including interviews in the field) Steering group (e-)discussion of the 1 st draft
April 2006	2 nd draft Consultations and presentation of the 2 nd draft to a wider group of stakeholders
May 2006	3 rd draft DAC discussion of the 3 rd draft
June 2006	Revision and final draft
June or Sept. 2006	DAC validation of the final draft and presentation to the TC (for information)

More detailed milestones might be decided upon at the end of the First Phase

34. See Annex 1.

35. <http://www.gfptt.org>

3.4 Resource implications

40. The consultant will work with the DAC Secretariat (mainly the DCD Project Manager). He/she will have strong experience of donors' practices in development co-operation and a sound background in trade facilitation reform. Both products are covered in this terms of reference, yet each product could be undertaken by a different expert, depending on the outcomes of the bidding process.

41. The 2005 – 2006 Programme of Work and Budgets identifies in output area 5.1.3.2 'Policy Guidance to Donors on Trade Capacity Building'. This project clearly belongs to this output area, but has not been specifically identified in the PWB. Thus, voluntary contributions are required to fund the cost of the project.

ANNEX 1: STEERING GROUP: CURRENT LIST OF CONTACTS

Representing Country/Organisation	Name
Finland / Permanent Delegation of Finland to the OECD	Ms. Pirkko-Liisa KYÖSTILÄ Counsellor
Finland / Ministry of Foreign Affairs	Mr. Max von BONSDORFF Economic adviser
Netherlands / Ministry of Foreign Affairs	Ms. Margriet KUSTER Senior Trade Policy Adviser
Netherlands / Ministry of Foreign Affairs	Ms. Anja ROELOFS OECD/DAC Coordinator
New Zealand/ New Zealand Permanent Mission in Geneva	Ms. Diana REAICH Second Secretary
New Zealand / Permanent Delegation of New Zealand to the OECD	Ms. Stephanie LEE Deputy Permanent Representative
Norway / Permanent Delegation of Norway to the OECD	Ms. Birgit KLEVEN First Secretary
Sweden / Ministry of Foreign Affairs	Ms. Christina RAHLEN
United Kingdom / Department for International Development (DFID)	Ms. Tamsyn BARTON Team Leader, Trade and Development, International Trade Department
United Kingdom / Department for International Development (DFID)	Dr. Jean-Christophe MAUR Economic Adviser International Trade Department
United Nations Conference for Trade and Development (UNCTAD)	Mr. Maxence ORTHLIEB Chief, Trade Facilitation Section
World Bank	Mr. Marc JUHEL Transport and Logistics Adviser Transport Division
World Customs Organisation (WCO)	Mr. Joe KELLY
OECD	Ms. Evdokia Moisé-Leeman Senior Trade Policy Analyst Trade Directorate