

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT
Geneva

TRADE FACILITATION HANDBOOK
PART I
National Facilitation Bodies:
Lessons from Experience



UNITED NATIONS
New York and Geneva, 2006

Trade Facilitation Handbook

Part I

National Facilitation Bodies: Lessons from Experience

In view of the importance of trade facilitation measures to improve a country's trading performance, Part I of this Handbook is intended to guide users in creating the institutional structure for processing trade facilitation measures. It focuses on one platform — the trade facilitation body — in the form of an interdisciplinary committee where private sector managers, public sector administrators and policymakers can work together towards the effective implementation of trade facilitation measures. Approaches to the setting up of a trade facilitation body by different developing countries are reviewed on the basis of case studies carried out by UNCTAD and relevant work by other institutions. From the review, key lessons are drawn for developing countries intent on establishing and operating trade facilitation committees.



UNITED NATIONS
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Note

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UNCTAD/SDTE/TLB/2005/1

FOREWORD

Today's global economy, driven by the liberalization of trade in goods and services, affects countries in different ways as it generates changes in traditional trade and logistics patterns in order to cope with growing international competition. Changes in manufacturing processes that call for just-in-time delivery, the ongoing revolution in information technology and electronic communications, and the phenomenal growth in world trade are only some examples that highlight the significance of trade facilitation. It is especially relevant in the light of growing South–South trade.

Cumbersome documentation requirements, non-transparent regulations, excessive delays at the border and related business losses constitute costly non-tariff barriers lessening the potential gains from trade as a result of the reduction of tariffs and the innovations made in multimodal transport or modern production and distribution methods. Developing countries could make important gains from the introduction of simple, standardized trade documents and the modernization of Customs, as well as from trade facilitation because of its multifaceted nature, which includes trade and transport infrastructure, and technological requirements. Trade facilitation is not only a cross-sectoral discipline involving traders from all industries and various government ministries but also depends on the condition of a country's infrastructure — be it roads, ports or Customs facilities — its human resource and revenue base, and its institutional and regulatory capacity. To modernize Customs administration and simplify trade procedures it is necessary to proceed in a coordinated and inclusive manner by involving both private and public stakeholders in devising and implementing reform measures. This interaction and dialogue between public officials and business operators needs to be fostered in many countries.

In carrying out its mandate to promote development through trade, UNCTAD has long been active in helping countries improve their Customs administration and trade logistics services. In particular, UNCTAD promotes the creation of national trade and transport facilitation committees where reform measures can be researched and discussed between government, trade and transport operators and the business sector, and subsequently recommended for implementation. Its technical assistance in these areas aims to enable developing countries to participate more actively in global trade.

With the start of trade facilitation negotiations at the World Trade Organization on the basis of the July 2004 Package and its Annex D, this subject is now receiving focused attention, as evidenced by the active participation of developing and least developed countries in submitting proposals. Most importantly, in view of the principles and modalities agreed in Annex D, these countries will be able to negotiate special and differential treatment and technical assistance geared to their individual capacity and needs and to phase the implementation of required measures accordingly.

I hope that this Handbook, complemented in due time with technical advice on specific trade facilitation issues, will assist Governments and traders alike in operating national committees in support of domestic trade facilitation reform and WTO negotiations.

Supachai Panitchpakdi
Secretary-General
October 2005

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ABBREVIATIONS AND ACRONYMS

ALBAPRO	Albania PRO Committee
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
ASYCUDA	Automated System for Customs Data
EDF	Export Development Fund
FAL	Convention on the Facilitation of International Maritime Traffic
FPCCI	Federation of Pakistan Chambers of Commerce and Industry
GMS	Greater Mekong Subregion
ICC	International Chamber of Commerce
IMO	International Maritime Organization
ITC	International Trade Centre
MOC	Ministry of Commerce
MoICS	Ministry of Industries, Commerce and Supplies
NGO	non-governmental organization
NTFC	National Transport Facilitation Committee
NTTCC	National Transit Transport Coordinating Committee
NTTFC (Nepal)	Nepal Trade and Transit Facilitation Committee
NTTFC (Pakistan)	National Trade and Transport Facilitation Committee
PSC	Pakistan Shippers Council
SAD	Single Administrative Document
SECI	Southeast European Cooperative Initiative
TIR	Transports Internationaux Routiers
TTCB	Transit Transport Coordinating Board
TTFP	Transport and Trade Facilitation Project
TTFSE	Trade and Transport Facilitation in Southeast Europe Programme
UNCTAD	United Nations Conference on Trade and Development
UN/CEFACT	United Nations Centre for Trade Facilitation and Electronic Business
UN/EDIFACT	Electronic Data Interchange for Administration, Commerce and Transport
WCO	World Customs Organization
WTO	World Trade Organization

INTRODUCTION

Trade facilitation measures seek to establish a transparent, consistent and predictable environment for border transactions based on simple and standardized Customs procedures and practices, documentation requirements, cargo and transit operations, and trade and transport conventions and arrangements. The cross-sectoral nature of trade facilitation calls for close coordination between trade operators and service providers on the one hand and Customs and various ministries and regulatory agencies on the other hand.

In carrying out its mandate to promote development through trade, UNCTAD has built up considerable experience, particularly in the fields of transport (policy, legal and management), Customs (implementation of reform and modernization) and trade facilitation (simplification of commercial procedures and documents). Its technical assistance in these areas helps developing countries participate more actively in global trade.

In 1999, UN/CEFACT updated Recommendation No. 4 of 1974 to promote the establishment of national organizations, or other suitable means, for implementing international trade procedures.¹ The UNCTAD Commission on Enterprise, Business Facilitation and Development endorsed in its work programme on Trade Facilitation, Transport and Logistics the elaboration of a reference document for officials and practitioners setting out the basic concepts and tools for consideration by the private and public sectors in the process of promoting and implementing trade facilitation measures in a country.

Trade facilitation assumed more prominence when the 2001 WTO Ministerial Conference placed it on the Doha Development Agenda with the aim of clarifying and streamlining multilateral trade rules to improve transparency, Customs operations and transit trade. In July 2004, the WTO reached an explicit consensus to start negotiations on trade facilitation on the basis of principles and modalities set out in Annex D of the July 2004 Package. A coordinated approach both to delivering technical assistance and capacity building in this area and to conceiving and implementing national trade policies and facilitation measures constitutes the underpinnings for successful negotiations.

It is important for government agencies, enterprises and traders with a direct interest in improving border transactions that reform measures, innovations and regulations be planned, introduced and implemented in a coordinated fashion. Experience has proved that public-private partnerships are vital to both pinpointing the requirements of traders and government and implementing any relevant national or international measures to improve border transactions.

TRADE FACILITATION ISSUES AND OBJECTIVES

Trade facilitation is a diverse and challenging subject with potential benefits for both business and government at national, regional and international levels. It involves political, economic, business, administrative, technical and technological, as well as financial issues, all of which must be taken into consideration when a country or region develops its trade facilitation strategy. The contents of trade facilitation measures can be highly technical and require the input of expert practitioners and administrators.

Any measure that eases a trade transaction and leads to time and cost reductions in the transaction cycle fits into the category of trade facilitation. The latter can be effected through more efficient procedures and operations — increasing value without a proportionate increase in cost — or through removing any deadweight economic loss and redundancies.

¹ UNECE Recommendation No. 4, National Trade Facilitation Bodies (ECE/TRADE/242), 2001, available at the following URL: http://www.unece.org/cefact/recommendations/rec04/rec04_ecetrd242e.pdf.

Therefore, trade facilitation may cover measures regarding:

- (a) Formalities, procedures and documents and the use of standard and electronic messages for trade transactions;
- (b) The physical movement of goods through improvements in services (transparent, predictable, uniform), the legal framework, and the transport and communications infrastructure, as well as the use of modern information technology tools by services providers and users; and
- (c) The timely discussion and dissemination of trade-related information to all concerned parties (government, services providers and the trading community), ideally through an established consultation mechanism, such as a trade facilitation body.²

The main objectives are the simplification and standardization of documents, procedures and operations, with a view to harmonizing local (regulatory and commercial) customs and practices in line with multilateral agreements, either binding (e.g. WTO rules or WCO conventions) or voluntary business standards (e.g. recommended customs and practices of the International Chamber of Commerce).

BENEFICIARIES

This Handbook targets three main categories of users: government officials, trade and transport services providers, and transport users. Government officials are responsible for the design and implementation of national policies, laws and regulations to secure the smooth flow of goods and information; services providers offer market-oriented trade and transport solutions within the framework of national and international trade and transport practices; and traders/services users take advantage of these solutions in the organization of their supply chains. In addition, professional staff from development banks, UN regional commissions, WTO and UNCTAD, including task leaders and project officers, might use this Handbook in their capacity-building efforts or in their development projects. For this audience, the Handbook suggests:

- Uniform concepts and criteria related to international trade and transport;
- A comprehensive, cross-sectoral approach to more efficient regional and international trade and transport-related transactions;
- The main components of a national trade facilitation initiative; and
- The incorporation of cross-sectoral issues related to trade and transport in World Bank lending programmes and WTO technical assistance to developing countries.

This Handbook offers a choice of measures to improve the international trade and transport sectors of developing countries. By way of illustrative examples, it highlights relevant issues and refers to a variety of existing conventions, instruments and documents on specific aspects of trade facilitation. The intention is to make additions over time in the light of country experiences and expressed needs of WTO negotiations, all of which will be posted on the UNCTAD website.

SCOPE AND CONTENTS

Part I of the Handbook draws on the experience of a few countries (Albania, Nepal, Pakistan and Thailand) with the establishment of trade facilitation bodies, also called PRO committees,³ in which both public and private sector representatives participate in a national forum to improve Customs procedures and border-related transactions and discuss best practices in international trade. The

² A trade facilitation body is "an effective forum where private sector managers, public-sector administrators and policy-makers can work together towards the effective implementation of jointly-agreed facilitation measures". See footnote 1.

³ PRO stands for "procedures". The creation of PRO committees goes back to UNECE's Recommendation No. 4 of 1974, which recommended that national trade and transport organs of mixed public/private membership be established to coordinate the planning and implementation of trade facilitation measures.

comparative analysis of the respective case studies should guide policymakers and practitioners in setting up a national trade facilitation platform and ensuring its continued operations. The importance of linking up with regional trade facilitation bodies to share information and experience is highlighted. Attention is drawn to international efforts to help developing countries strengthen their institutional and policy capabilities in order to facilitate their integration into the multilateral trading system. Reference is also made to national trade policy coordination and institution-building efforts supported by international agencies, such as the WTO/ITC/UNCTAD and the World Bank, and lessons learned from setting up PRO committees with the help of international finance and technical assistance. The present document should be consulted in conjunction with existing trade facilitation guides and with a clear understanding of the institutional and administrative structure and the composition of the business community in a given country.

CONCEPT

The concept of trade facilitation has evolved over the past 10 years to include all Customs, transit and multimodal trade procedures, including transport and infrastructure issues. An informed and coordinated approach to trade facilitation activities requires regular input from business operators and public policymakers directly involved in international trade transactions and policymaking. The UNCTAD secretariat, in cooperation with UNECE, has for many years fostered the concept and the establishment of formal national trade facilitation bodies to find procedural and policy solutions to Customs, trade and transport problems. They are important centres for pinpointing national shortcomings and capacity-building needs. The special requirements of traders and the appropriate policy response to shortcomings and problems in the transaction chain of cross-border movement of goods are best served in a permanent institutional set-up supported by government and the business community. Members of such an institution would include manufacturers, importers, exporters, freight forwarders, carriers, banks, financial and insurance companies and government officials from trade and transport ministries.

The sharp decline in tariffs and barriers to trade, the deregulation of the transport industry, a surge in world trade and multimodal transport all have contributed to the growing need for close cooperation between traders and regulators in order to make international trade transactions more efficient and less costly. PRO organizations set up in the 1970s were initially more narrowly focused on trade document alignment, automatic Customs data processing and coding. To broaden the scope of trade and transport disciplines as well as address the dire need for institutional capacity in developing countries, UNCTAD-executed technical assistance projects established several national trade and transport facilitation committees (NTTFCs). Both their membership and coverage of border-related disciplines are broader than those of the organs envisaged in UNECE Recommendation No. 4, since they are tasked not only with identifying border problems but also with drawing up proposals for their solution and ensuring their implementation by the relevant government agency, which calls for collaboration between private and public stakeholders at a technical and an institutional level.

Trade facilitation committees are permanent non-profit public/private sector organizations and have proved to be an ideal forum. Developed countries have for many years been operating PRO committees, with both public and private participation and government financial support, to expedite trade facilitation measures. Their overall objective is to increase business and investment by simplifying and automating procedures and information exchange in administration, commerce and transport. Increasingly, developing countries are using the same method for ensuring a coherent approach to ameliorating their trade and transport operations. The formation, structure, composition and functioning of trade facilitation committees may differ according to a country's needs and institutional capacity. A committee may be a single body, or it can be a multi-tiered organization with divided responsibilities and issues-oriented working groups. Government may give the committee implementing capacity or leave it to represented agencies to expedite measures. Equally, depending

on local conditions, a secretariat may be housed either at the Chamber of Commerce or at the Ministry of Commerce or Trade, where problems concerning the smooth, efficient, timely and competitive movement and delivery of cargo are discussed.

To date, some 52 national trade facilitation bodies (or PRO Committees) around the world are known to operate with the support of the trading community and the Governments of their respective countries.⁴ Many of these were conceived in the context of projects and programmes supported by international organizations such as the World Bank, the Asian Development Bank or UNECE and UNCTAD. Such external support and inspiration are essential for familiarizing a nation's trade-related agencies and business community with the complexity of trade facilitation requirements at both national and international level. They also help establish the institutional synergies required for the effective planning and implementation of measures. However, at the end of the programme or project, countries should be in a position to carry on their committee activities independently, albeit with continued government funding.

UNECE RECOMMENDATION NO. 4

In keeping pace with political, economic and technological developments affecting trade and transport since 1974, UN/CEFACT undertook to revise UNECE's Recommendation No. 4. This revised recommendation to encourage the establishment of national organizations for the purpose of implementing recommendations on the facilitation of international trade procedures was adopted at its fifth session in March 1999. It reads as follows:

[UN/CEFACT] “recommends that Governments establish and support national facilitation bodies with balanced private and public sector participation in order to:

- identify issues affecting the cost and efficiency of their country's international trade;
- develop measures to reduce the cost and improve the efficiency of international trade;
- assist in the implementation of those measures;
- provide a national focal point for the collection and dissemination of information on best practices in international trade facilitation; and
- participate in international efforts to improve trade facilitation and efficiency.”

It is in the spirit of this recommendation and its updated version that PRO bodies and trade facilitation committees have been established with the overall objective of reducing the amount of time required for, and the costs of, cross-border trade procedures and operations.⁵ At present, a new initiative is under way to bring Recommendation No. 4 into line with the requirements of today's trading environment and the institutional realities of developing countries.

PUBLIC SECTOR CONSIDERATIONS

In the absence of a direct market link between national regulations and international standards and their beneficiaries, trade facilitation measures fit neatly into the concept of global public goods in that a domestic trade policy measure may increase government efficiency, and even revenues, and constitute cost savings for business operators. But they also benefit foreign traders and Governments which do not contribute financially to the effectiveness of a given measure, yet which in turn contribute to the country's trade performance through higher exports or cheaper imports. Therefore, it is logical for government to financially sustain trade facilitation bodies and committees. Over time, they should achieve financial soundness through their own activities, be it through offering training or selling publications.

⁴ A list of these organizations can be found on the UN/CEFACT web page, www.unece.org/cefact.

⁵ The set of guidelines to Recommendation No. 4 on national trade facilitation bodies can be consulted at http://www.unece.org/cefact/nat_bodies.htm.

While public financial support of facilitation bodies is justified, it does not guarantee their success or long-term financial viability. A facilitation body that is not integrated adequately into the trading community may actually have counterproductive effects. Its meetings cost time and energy, and the composition of committees may come across as a bastion of power rather than cooperation. In the worst of cases, a facilitation body may become just another hurdle for trade facilitation. If a sound proposal for a specific facilitation measure has to be approved by a facilitation body before being ratified and implemented, and if such approval entails additional delays, negotiations and meetings, a trade facilitation committee would be counterproductive. Equally, if members of a trade facilitation body find that their efforts are of little or no avail and duplicate another institution's activities, they will surely withdraw their support. It is therefore of paramount importance that international organizations, in cooperation with Governments, ensure that interactions and channels for communication with a national trade facilitation committee are synchronized with existing institutions from the outset.

OVERVIEW OF PRO COMMITTEES

Of the 52 known PRO committees, 11 are part of the Southeast European Cooperative Initiative (SECI) and 13 are operational in developing countries. The rest are established in diverse industrialized countries, including the United Kingdom, Japan, and Austria, or emerging economies in the former COMECON countries and China. In view of their geographical distribution and economic and cultural differences, their functions and performance vary widely. Early national trade facilitation committees were located in and supported by central government, for example the group of Scandinavian countries led by the Nordic Council in the 1950s, and focused on simplification and standardization of documents. Subsequently, UNECE's Working Party broadened its scope and coverage to include internationally aligned documentation (e.g. UN Layout Key) and the facilitation of international trade procedures. The latter had emerged as a major obstacle to Customs operations and trade; the promotion of procedural simplification gave rise to the term "PRO committees". The spread of multimodal transport, computerization and electronic messaging again changed both representation and expertise in UN bodies and private working groups away from trade experience towards automated systems expertise. This shift from domestic transactional problems towards international documentation and procedures caused many of the older national PRO committees to disappear.

In today's rapidly changing trading environment there is a need for well-connected trade facilitation committees in developing countries that focus on the adoption of automated Customs management systems, standardized documentation and improved trade and transport-related transactions. In that context, their institutional capacity and their level of collaboration with the private sector become important factors in ensuring the necessary consultation. Trade facilitation committees in the context of ongoing institutional capacity building will be an essential platform for improving Customs and other border operations. Several national trade and transport facilitation committees were established in developing countries as an important outcome of UNCTAD-executed technical assistance projects.⁶

DEVELOPED COUNTRY EXAMPLES

Successful PRO committees in developed countries distinguish themselves by the breadth of their coverage of trade facilitation measures; their participation in the work of both private and international trade organizations; the extensive private sector representation on their boards; and their

⁶ Their promotion was also the basis for a memorandum of understanding between UNCTAD and the Latin American Association for Integration. This memorandum received the full support of the Conference of Transport Ministers of Latin America in 1997.

close collaboration with government, which provides the bulk of their funding. SITPRO in the United Kingdom, for example, was initially set up in 1970 as the Government's trade facilitation agency. In 2001, it was reconstituted as a limited company and non-departmental public body under the Department of Trade and Industry, from which it receives a grant-in-aid. SITPRO helps business to trade more effectively and to simplify the international trading process. Its main focus is on the procedures and documentation associated with international trade, namely through:

- Identification and removal of barriers in the international trading process;
- Identification and promotion of best trading practices;
- Influencing future trade policies.

SITPRO's work is guided by a board of directors and policy groups consisting of about 100 executives and specialists. They offer their advice and contributions on a voluntary basis and participate actively in international forums dealing with uniform electronic data and document processing, such as UN/CEFACT; best practices established by the International Chamber of Commerce; WTO issues relating to Customs and trade facilitation negotiations; or the Global Facilitation Partnership for Transport and Trade supported by the World Bank, UNCTAD and WCO.

Similarly, in Sweden, the Trade Procedures Council (SWEPRO) is the discussion forum for international work in the field of simplification of trade procedures. It is under the National Board of Trade, which is a governmental agency and the central administrative body in Sweden dealing with foreign trade and trade policy. The Board provides the Government with analyses and recommendations and acts as the secretariat for SWEPRO, which consists of representatives of the Government and key business organizations. SWEPRO participates in the intergovernmental work in the United Nations and the European Union to simplify and harmonize procedures and information flow, including electronic means in international trade.

SOUTHEAST EUROPEAN COOPERATIVE INITIATIVE⁷

Successful examples of PRO committees are those created in recent years under SECI, in cooperation with UNECE and the Organization for Security and Cooperation in Europe. UNECE provides technical assistance to SECI and the necessary expertise to the project groups. It brings together experts from the member countries and international financial institutions. The SECI Coordinator helps establish project groups that come up with specific recommendations for action; presents UNECE recommendations to the Agenda Committee; and leads the efforts to implement. The Coordinator also raises funds from bilateral and multilateral sources, including the private sector, and encourages supporting States such as the United States and the European Union to collaborate with SECI in meeting its trade facilitation objectives.

The SECIPRO network was born out of SECI and is now also under the umbrella of the Stability Pact for South Eastern Europe. By bringing together representatives of the business community and in particular chambers of commerce, transport and freight-forwarding associations, and insurance and financial firms, as well as representatives of public sector agencies, SECIPRO builds a bridge between private sector priorities for cost-effective and efficient movement of goods and public sector concerns about security and control at national borders. By and large, SECIPRO bodies have performed well, with a special focus on border measures, although financial problems, political changes, a high staff turnover and a relatively brief tradition of entrepreneurship in some countries still tend to have a dampening effect on their operations.

⁷ Created in 1999 on the initiative of the EU to foster local governance and regional cooperation in South-East Europe, it is supported by 40 partners, including the United States, Canada, Norway, Japan and international organizations such as the World Bank, IMF and OECD.

REVIEW OF CASE STUDIES

ALBANIA

Albania is among the 11 countries belonging to SECI. Albania participates in the Trade and Transport Facilitation in Southeast Europe (TTFSE) Programme under SECI, which seeks to reduce non-tariff costs for trade and transport, reduce smuggling and corruption at border crossings, and strengthen and modernize the Customs administrations and other border control agencies. The TTFSE fund enabled the Albanian PRO Committee (ALBAPRO) to carry out many trade facilitation activities.

Committee set-up

Under the auspices of SECI, the ALBAPRO was established by ministerial decision in October 1998 to foster cooperation and constructive debate on international trade and transportation issues. At the outset, there was a lack of interest on the part of the business community and no trust between it and the Government. However, with the establishment of the Committee, a permanent venue for public–private sector dialogue on trade concerns and regional cooperation was created. Membership was free for any trading company endorsing the mandate and objectives of ALBAPRO. All trade-related government agencies ensured high-level participation in ALBAPRO, thereby emphasizing the importance of cooperation and dialogue amongst stakeholders. ALBAPRO had a good image and was recognized as a representative institution by international partners.

Until December 2002, ALBAPRO had been hosted by the Ministry of Economic Cooperation and Trade and chaired by the Deputy Minister of Trade. This arrangement created protocol problems because presidents of chambers of commerce and industry chaired the PRO committees in the other SECI countries. As a consequence, the Minister of Economy nominated the President of the Chamber of Commerce and Industry as Chairman of ALBAPRO in December 2002, supported by qualified managers and experts.

Performance

The original structure of ALBAPRO had a positive impact. High-level government participation lent power and visibility to the Committee, raised awareness about its role among governmental institutions and earned the trust of the business community. However, busy schedules prevented officials from participating regularly in the work of the Committee, while creating the impression that ALBAPRO was dominated by the Government. Because of the prominent status attached to Committee posts, a high turnover of government officials in tandem with political changes curbed the continuity of activities.

The change of chairmanship in December 2002 from the public to the private sector brought ALBAPRO's leadership role into line with that of other regional PRO committees. It encouraged the business community to make its contribution and ensured that the Committee had the independence and power to address its concerns. This move protected the Committee from political changes and gave a certain regularity to its activities.

ALBAPRO organized public–private meetings and bilateral meetings with other PRO committees, managed business support from regional PRO committees and brought trade issues to the attention of government institutions. For example, it was instrumental in involving the Ministry of Foreign Affairs in the assessment of the visa regime; offered training to members and the business community at large on trade and transport facilitation issues; managed, monitored and upgraded the regional TTFSE project website; and developed promotional campaigns on trade facilitation issues. It provided decision makers with a set of objectives in the area of simplifying and standardizing trade procedures and promoting modern technologies. It also familiarized the business community with the role of international organizations, trade rules and trade facilitation practices. Furthermore, it contributed to a study on non-tariff barriers, the conduct of a regional survey on barriers to transport and the implementation of a common weight certificate in South-East European countries.

Consequently, ALBAPRO is well known within and outside Albania. As part of the TTFSE project it trained 300 traders and transport operators. It has built capacity within the region on international trade issues, assisted in strengthening the knowledge of the local business community and attracted the interest of international trade facilitation institutions.

However, ALBAPRO was unable to carry out all its statutory objectives, such as designing specialized projects, formulating trade facilitation programmes, conducting professional studies and disseminating concrete measures for trade facilitation. It neither generated activities beyond those covered under the TTFSE fund nor maintained a dynamic public–private sector dialogue. Financial problems hampered Committee operations.

Sustainability

The TTFSE fund enabled ALBAPRO to carry out the above activities; however, to sustain Committee operations, the following factors are deemed to be essential:

- Increased cooperation of interested parties;
- Expertise in managing public–private structures;
- Experience in trade facilitation matters at national, regional and international levels;
- Adequate finances for secretariat operations, activities and employment of quality staff;
- Local input.

Although the Government initially hosted and funded the entire local input for ALBAPRO, there was no cash available for day-to-day operations. No plans had been made to ensure its financial survival. Over time, ALBAPRO's capabilities were recognized and specific programmes on trade facilitation, simplification and standardization of trade procedures, working methodologies, studies and publications, and measures for implementation were earmarked as potential sources of income.

Replication

ALBAPRO's experience holds out promise for setting up similar trade facilitation bodies in other countries and regions. Being part of a regional initiative and start-up funds with full political backing were key factors in organizing the Committee. Once a committee succeeds in demonstrating to stakeholders the benefits of belonging to a PRO committee, its survival is likely, provided that its financial needs are identified at the outset along with commensurate goals. A new committee should forge close ties with other PRO committees in order to learn about the obstacles and challenges it might face.

NEPAL

The implementation of the economic reform programme introduced by the Government of Nepal in the 1990s to encourage trade and foreign investment and reduce public expenditure has been undermined in recent years by political instability.

Committee set-up

The Nepal Trade and Transit Facilitation Committee (NTTFC) was formed in late 1998 in the context of the Multimodal Transit and Trade Facilitation Project, financed by a World Bank/International Development Association credit and with UNCTAD as the executing agency.

The NTTFC was composed of representatives from the public and private sectors and quasi-State organizations. Initially, out of 16 members, half represented the business community; later, membership was enlarged. The Secretary of the Ministry of Industries, Commerce and Supplies (MoICS) chaired the Committee and the day-to-day activities were entrusted to the deputy director of the Project Implementation Unit, who acted as the secretary of the Committee. A section officer

whose main responsibility was to organize meetings and take minutes assisted him. It was envisaged that MoICS would take over the secretariat and consolidate the activities of the Multimodal Transport and Trade Facilitation Project.

Initially, the technical team was housed in the UNCTAD Nepal Project Office, from where the project activities were supervised by the resident Chief Technical Adviser and national and international professionals. At its plenary session, the main committee established different subcommittees on legislation, documents and procedures, Customs, banking, transit and transport with members from related fields. A consultative group was created to guide the Committee on specific topics.

Performance

The main achievements of the Committee were the drafts of the Carriage of Goods by Road Act, the Carriage of Goods by Rail Act and the Multimodal Transport Act, an update of Nepal's insurance laws and the introduction of the Road Haulers Insurance Policy. The Acts were later translated into Nepali as required by law. The Committee also drew up recommendations on the simplification, standardization and harmonization of transit and trade documents. Reports on the simplification of banking procedures and on imports on FOB terms were completed and submitted to the Committee. Upon request by the private sector, an Express Procedure for the movement of sealed containers from Kathmandu to port was drafted. To date, the above three Acts (Road, Rail and Multimodal Transport) have not been enacted, while the Express Procedure was endorsed in the 2004 budget speech.

The above Acts were produced under the Multimodal Transit and Trade Facilitation Project with input from national and international consultants. Although many workshops and seminars were organized on trade facilitation, Customs reforms, ASYCUDA and ACIS, none were held on the NTTFC per se.

A major weakness of the NTTFC was the private sector's passive role. A sense of ownership or of advantages to be gained from being proactive was lacking, with participation limited to attending meetings. Several changes of Government resulted in frequent transfers of civil servants. As a consequence, fewer meetings were held, and the devotion to activating the NTTFC suffered. The NTTFC received little publicity and no staff training was provided to raise awareness of the importance of the NTTFC or PRO bodies elsewhere. For example, although the construction of inland container depots was a regular feature in political speeches and local newspapers, the topic of the NTTFC was rarely brought up. Only one expert from Pakistan was invited as part of the Project to help with NTTFC activities.

The NTTFC did not suffer from a lack of funds. Members of the technical team were on the government pay roll and the Multimodal Transit and Trade Facilitation Project supported operations and expenses for organizing meetings.

Sustainability

The launching of the Nepal Multimodal Transit and Trade Facilitation Project offered the Government a good opportunity to start and maintain the operations of the NTTFC. Although finances were not a problem in this instance, the NTTFC proved to be unsustainable owing to political instability and concomitant shifts in priorities by the Governments in power. The technical team was nominated by the Government and prone to frequent transfers. The NTTFC was never a key priority on the political agenda.

Another reason for the demise of the NTTFC was that its activities were restricted to domestic legislative reform issues and no effort was made to make international connections or learn from other PRO bodies in the region. This crucial shortcoming may have been partly due to the fact that the Nepal Multimodal Transit and Trade Facilitation Project itself did not develop regional and global information exchange mechanisms.

A major role of trade facilitation bodies is that of providing a platform for public and private stakeholders to familiarize themselves with the larger picture of trade facilitation at the domestic, Customs and international levels. It would have been necessary to inform Committee members about its activities and performance in improving the trade and transport scenario of the country. Better management, skills and staff remuneration might have made a difference.

From the outset, there was no clear mandate to sustain the NTTFC beyond the life of the project, and this may have dampened private sector enthusiasm. The NTTFC came as a package within the Nepal Multimodal Transit and Trade Facilitation Project and was sustained as long as the project lasted. Once the project was nearing completion, the NTTFC started to disintegrate. There was an assumption that the Committee would ultimately be handed over to the Government after the Project had been completed. This dissuaded the Committee from creating a self-sustaining mechanism.

Replication

The case of the Nepalese trade facilitation body shows that the unstable political situation was not the only reason for the disintegration of the NTTFC. Even with financial support and the Committee's involvement in a larger project, a lack of political will, of active private sector involvement, and of communication links to similar bodies and international organizations all contributed to its failure.

PAKISTAN

Trade and transport facilitation in Pakistan was discussed as far back as 1989 in a World Bank workshop. Although a committee (PAKPRO) was established in Karachi Port Trust, it lay dormant until 1991 when the Government of Pakistan embarked on a two-year multimodal transport and trade facilitation programme with UNCTAD assistance. That programme reiterated recommendations made at the 1989 workshop. A World Bank Logistics Cost Study in 1995/1996 showed that the documentation and logistics costs of doing business were much higher in Pakistan than in developed countries. At the request of the Government of Pakistan the World Bank prepared an action programme with technical assistance from UNCTAD to remove inefficiencies in the trade and transport system through a Trade and Transport Facilitation Project (TTFP). In workshops and seminars in preparation for the TTFP, stakeholders had agreed on well-defined objectives. This preparatory work provided the momentum for the Project Mobilization Workshop (PMW), which jumpstarted the NTTFC in February 2002.

Committee set-up

The National Trade and Transport Facilitation Committee (NTTFC) of Pakistan was established in July 1998 by resolution of the Ministry of Commerce (MOC). All relevant ministries and public and private sector organizations were represented. The official chair is the Secretary of the MOC. The body has a two-tiered structure comprising the main committee and the working groups. The NTTFC Secretariat was placed in the private sector with the Pakistan Shippers Council (PSC) of the Federation of Pakistan Chambers of Commerce and Industry (FPCCI). Under a Memorandum of Understanding between the PSC and MOC, PSC was to gradually assume greater financial responsibility for covering Secretariat expenses.

Performance

The Secretariat's main tasks were to organize NTTFC meetings, set up the working groups, arrange their meetings and provide secretariat support. The most notable achievements of the NTTFC were the introduction of the Goods Declaration Form (based on the European Union's Single Administrative Document — SAD), standard trading conditions and minimum qualification standards for freight forwarders. A Marine Insurance Act based on the United Kingdom's Marine Insurance Act was drafted, but stakeholders subsequently decided that such legislation was not required. Standard documents for port clearance of ships in accordance with the FAL Convention of the International

Maritime Organization (IMO)⁸ were introduced. Certificates of Origin, phytosanitary certificates and commercial invoices in accordance with the UN Layout Key for Trade Documents were produced and submitted to stakeholders for implementation.

Draft legislation for carriage of goods by various modes of transport was prepared, of which the Cabinet has already approved, in principle, the draft of the Carriage of Goods by Sea Act. The other Acts, such as the Carriage of Goods by Road (Liabilities) Act and the Carriage by Air Act, are being processed in the relevant ministries. Amendments to the Railways Act in respect of carriage of goods have also been proposed. The Multimodal Transport of Goods Act was drafted, but the Government halted the process because the UN Multimodal Transport Convention had not come in force. Several recommendations were adopted, but their implementation by relevant government departments require close follow-up and prodding.

To streamline financial and banking provisions relating to foreign trade transactions, a number of seminars were held in Karachi, Lahore and Islamabad to familiarize stakeholders with the International Chamber of Commerce's (ICC) Uniform Customs and Practice for Documentary Credits (UCP500 and the electronic supplement eUCP500) and International Standard Banking Practices (ISBP). Other seminars offered were:

- Training in preparing and processing the newly introduced Goods Declaration Form;
- A "training for trainers" course for freight forwarders;
- Guidance on the implementation of the TIR Convention⁹ for the industry and Pakistan Customs.

In addition, a report on international transport conventions was submitted. Recommendations to ratify the Montreal Convention for carriage by air and accession to The Hague-Visby Rules for carriage of goods by sea have been submitted to the relevant ministries. A study was conducted to identify requirements and policy measures for the promotion of refrigerated transport and cold storage of fresh produce, focusing on mangoes and fisheries.

Sustainability

Financial constraints on the NTTFC Secretariat undermined its operational efficiency. The Secretariat was expected to generate income through workshops, sale of publications and other activities. However, there were no resources to set up and conduct income-generating activities, such as training courses, in the first place. Apart from salaries and petty cash, no provisions existed for meeting operating expenses. In the absence of a travel budget, the Executive Secretary was unable to establish effective liaison with public sector organizations and trade bodies outside Karachi. The Port of Singapore Authority could not take on financial responsibilities as agreed in the MOU. The problem was eventually overcome by sanctioning a grant from the Export Development Fund (EDF) to meet the Secretariat's operating expenses. The EDF is financed by a small surcharge on most exports. Thus although exporters are in fact supporting the NTTFC, they might not do so voluntarily. Therefore, as is the case for many PRO committees in developed countries, it is essential for government to ensure budgetary support.

The NTTFC was established by a ministerial resolution as a committee of the MOC. While its terms of reference call for review, coordination and dissemination of information, it was not invested with decision-making power. This shortcoming can produce long time lags between proposals and recommendations and implementation. The participation of government decision makers in committee meetings is therefore important as political commitment is essential for the trade and transport facilitation work to move forward effectively. Whenever the busy schedule of the Secretary of the MOC allowed him to chair NTTFC meetings, progress was assured. Otherwise, the level of

⁸ Convention on the Facilitation of International Maritime Traffic.

⁹ Transports Internationaux Routiers – International Road Transit.

involvement of other ministries and organizations dropped and work slowed down. Also, in conducting committee meetings it is important not to create the perception that government controls the process.

In some specialized areas, local technical expertise is scarce and international support continues to be necessary. The TTFP will provide this support until 2006. It is therefore important that the NTTFC develop communications and linkages with relevant international institutions for financial and technical support when needed.

Replication

NTTFC operations and the successful promotion of trade facilitation measures in Pakistan confirm the potential for replicating an institution of a similar nature in other developing countries. The prerequisites are government commitment and financial support from the outset and active consultation and collaboration with private enterprise to ensure operational relevance and efficiency as well as the longevity of the institution.

Stakeholders need to have a sense of ownership and a clear understanding of their roles. Preparatory workshops/seminars conducted by an international organization could identify the national trade facilitation priorities and create interest among stakeholders to commit human, technical and financial resources for designing and implementing trade facilitation measures. Membership should be open to all interested public and private entities engaged in trade and transport activities.

THAILAND

Thailand established the National Transit Transport Coordinating Committee (NTTCC) in 1998 in accordance with the ASEAN Framework Agreement on the Facilitation of Goods in Transit and the Agreement on Facilitation of Interstate Transport. The Committee comprised 12 representatives from the public sector and one representative from the private sector. It has been dormant until now. Another committee was created to serve as the National Transport Facilitation Committee in the context of work undertaken by the Asian Development Bank. All of its 13 members are from the public sector. This committee is not active either. Individual committee members interact on an ad hoc basis. Under these circumstances, Thailand is not considered to have an active national trade facilitation body in accordance with UNECE Recommendation No. 4.

Current trade facilitation activities are conducted through the International Affairs Division of the Customs Department, which is considered to be the NTFC and serves as a focal point. All information or assignments on trade and transport facilitation issues will be passed through this focal point and from there to the appropriate government agency. Its current activities are limited to disseminating relevant information from regional and international meetings. There has not yet been active discussion and consultation among the committee members regarding trade and transport facilitation initiatives.

Given the existence of two formal committees in Thailand, there is a genuine risk of overlap and duplication in carrying out trade and transportation facilitation measures under various agreements. Ideally, there should be only one NTFC.

REGIONAL COMMITTEES IN SOUTH-EAST ASIA

Trade facilitation is of increasing concern to most South-East Asian countries. Major multilateral cooperation in the area of trade facilitation is conducted through APEC (Asia-Pacific Economic Cooperation), ASEAN (Association of Southeast Asian Nations) and GMS (Greater Mekong Subregion) initiatives. ASEAN has played a vital role in development, including trade and transport facilitation in this region. It has 10 member countries, namely Brunei Darussalam, Cambodia, Indonesia, the Lao People's Democratic Republic, Malaysia, Myanmar, Philippines, Singapore, Thailand and Viet Nam. Economic integration has been strongly promoted under the Association, focusing on transport and communication as one of the key elements. ASEAN introduced trade

facilitation committees as a requirement for member countries in 1998 under the ASEAN Framework Agreement on the Facilitation of Goods in Transit.

With assistance from the Asian Development Bank, the GMS programme was established in 1992 to enhance economic relations among its member countries, Cambodia, China, the Lao People's Democratic Republic, Myanmar, Thailand and Viet Nam. The GMS Cross-Border Transport Agreement aims at facilitating cross-border transport. The GMS programme also encourages each member country to establish a trade facilitation committee as a platform for addressing trade and transport facilitation issues. The signing of the Framework Agreement on the Facilitation of Goods in Transit in December 1996 paved the way for intraregional trade and transport efficiency, whereby transit goods carried in sealed road vehicles/and or containers were not subject to examination by Customs en route. This Framework Agreement included the establishment of national transit transport coordinating committees (NTTCCs), with the oversight of a regional Transit Transport Coordinating Board.

Most countries in the region have already established committees in line with ASEAN and GMS, except for some, such as the Philippines and China, where the issue is still being studied. In the case of the Lao People's Democratic Republic, committee members include representatives from various ministries as well as the Customs department, without any private sector participation; the Ministry of Commerce is the lead agency. Currently, information is still being disseminated informally through the focal points of the offices concerned, each focal point not necessarily being a listed member of a given committee.

WTO CONTEXT

Negotiations on trade facilitation were launched with the explicit consensus of WTO Members according to the modalities set out in Annex D of the July 2004 Package.¹⁰ The focus of the negotiations is "to clarify and improve relevant aspects of GATT 1994 Articles V (Freedom of Transit), VIII (Fees and Formalities connected with Importation and Exportation), and X (Publication and Administration of Trade Regulations) with a view to further expediting the movement, release and clearance of goods, including goods in transit". Annex D also refers to the need for effective cooperation between Customs or any other appropriate authorities on trade facilitation and Customs compliance issues, including national authorities and business. Developing and least developed countries will be assisted by various international agencies in their efforts to better understand their WTO rights and obligations and make substantive contributions to the negotiations.

INSTITUTIONAL SYNERGIES THROUGH TRADE-RELATED TECHNICAL ASSISTANCE¹¹

Trade facilitation bodies, by virtue of their multidisciplinary and technical agenda, are prime examples of collaboration between government agencies, industry, service providers and a host of other agents involved in the cross-border movement of goods. Such coordination must be structured and operated to provide maximum timely and relevant information and input into the decision-making and implementation process.

In setting up trade facilitation committees with broad stakeholder representation, much can be learned from the activities carried out under the joint integrated technical assistance programme (JITAP),

¹⁰ The World Bank published in March 2005 a negotiations support guide, or Procedural Guide intended to help developing and least developed WTO Members establish practical and cost-saving mechanisms for effective participation in the negotiations. See *WTO Trade Facilitation Negotiations Support Guide*, World Bank, March 2005, prepared by the Centre for Customs and Excise Studies, University of Canberra, for and on behalf of the World Bank.

¹¹ See JITAP, *Institutional Capacity Building, Toolkit for Module 1, Trade Negotiations, Implementation and Policies*, United Nations, New York and Geneva, 2005.

mostly concentrated on the African continent.¹² It is a capacity-building programme — for trade policymaking and related institutions — executed by the ITC, UNCTAD and the WTO with donor assistance to help developing and least developed countries integrate into the multilateral trading system. Initiated in 1998, it is now in its second phase with broadened country coverage to provide maximum information on trade rules and their application.¹³ One of the main conditions for the selection of partner countries and funding is Governments' willingness to allocate counterpart resources for programme activities, set up a national steering committee and create an inter-institutional committee on the multilateral trading system in an effort to mainstream trade in national policymaking.

Two aspects of JITAP are of particular relevance for creating and running trade facilitation committees: the organization and functioning of inter-institutional or national committees, and the specific programme modules¹⁴ that stipulate the creation of reference centres and national enquiry points, the latter being mandatory under certain WTO agreements for transparency and notification purposes.¹⁵

While emphasizing that diverse needs and economic realities of countries determine the institutional constellation and function, JITAP recommends a basic structural set-up consisting of an inter-institutional committee (IIC) or national committee that unites governmental and private sector stakeholders, including NGOs, academia, the media and parliamentarians involved in international trade. Essential for safeguarding the sustainability of such an IIC is its establishment under a legal mandate or government decree, which *inter alia* entitles the committee to receive contributions from the government budget. The plenary of an IIC, responsible for trade negotiations, implementation of trade agreements and trade policy formulation, might be chaired by a national focal point, usually the Ministry of Trade or Foreign Affairs, as appropriate for WTO matters. Subcommittees or working groups are assigned thematic issues (e.g. agriculture, services, regional trade agreements). A technical secretariat, housed in one of the above-mentioned ministries, equipped with operational funds (initially provided through technical cooperation) and the necessary political backing, serves as a backstop to the IIC. Performance is closely monitored on the basis of an IIC's terms of reference and detailed outcome indicators.

It goes without saying that a trade facilitation committee (with a lead agency more appropriately being the Ministry of Transport, Trade or Customs) along the lines suggested in this Handbook should be closely linked to national committees through membership or other representation and regular information exchange and follow-up of their activities. In some countries (e.g. United Republic of Tanzania), subcommittees are being created to handle the new WTO negotiating subject of trade facilitation and report to the IIC set up under JITAP. Such subcommittees could for example serve as a starting point for a full-fledged national trade facilitation body in countries where none exist. Established national trade facilitation committees should tap into such WTO-oriented subcommittees to ensure that trade facilitation measures considered are in line with multilateral rules. Equally, the reference centres for trade-related information created under JITAP constitutes a valuable source and depository for trade facilitation activities and measures. For the

¹² For more detailed and up-to-date information, visit <http://www.jitap.org>.

¹³ JITAP I covered Benin, Burkina Faso, Côte d'Ivoire, Ghana, Kenya, Tunisia, Uganda and the United Republic of Tanzania. JITAP II continued in 2003, adding eight new countries: Botswana, Cameroon, Malawi, Mali, Mauritania, Mozambique, Senegal and Zambia.

¹⁴ UNCTAD has the lead responsibility for executing Module 1 on MTS Institutional Support, Compliance, Policies and Negotiations.

¹⁵ The WTO agreements covered under this module are the Agreement on the Application of Sanitary and Phytosanitary Measures (SPS); the Agreement on Technical Barriers to Trade (TBT); the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS); and the General Agreement on Trade in Services (GATS). In future, as an outcome of ongoing WTO negotiations on trade facilitation, national inquiry points might be created for easy retrieval of all trade-related information and Customs procedures and formalities.

purposes of cost, efficiency and clarity, it is important to concentrate information flows and avoid duplication at a time when institution-building efforts are proliferating.

A number of countries set up trade-related institutions in the wake of the Uruguay Round and the creation of the WTO in 1995. JITAP's support of institution building and integration of public and private stakeholders into trade-related discussions and practical work is beginning to show real results. Many developing and least developed countries are increasingly making their trading interests and needs known to the WTO membership and are submitting substantive proposals for negotiations, especially in the area of trade facilitation. UNCTAD, in conjunction with WTO technical assistance, provides both financial and technical support for the logistics and contents of meetings and workshops on trade facilitation.

LESSONS LEARNED

COMPARISON OF NATIONAL TRADE FACILITATION COMMITTEES

The above review of the case studies reveals some similarities in the formation and ownership of these committees, but also variations in start-up conditions, political commitment and private sector interest and participation. There are also common problems in terms of the functioning, financing and sustainability of the committees. All, except ALBAPRO, were established in developing countries eager to introduce trade reforms, usually in the context of World Bank lending programmes assisted by UNCTAD or other regional initiatives. Each country faced its own difficulties — be it lack of a private enterprise tradition, international crisis or political instability — which made setting up and operating a trade facilitation committee a real challenge. Governments and the business community in the cases under review should be commended for their efforts and dedication in the face of these obstacles.

Committee set-up

The committees in Pakistan and Nepal were established within the broader framework of a trade and transport facilitation project financed by the World Bank. The committee in Albania was established as part of SECI to improve cross-border movement of goods. In Thailand and other Asian countries, the committees were established within the ASEAN Framework initiative. Except in the case of the Lao People's Democratic Republic, all these committees had representatives from both the private and the public sector.

The committees in Albania, Pakistan and Nepal were legally constituted, permanent institutions. The Albanian committee was initially chaired by the deputy minister, and later by the president of the Federation of Chambers of Commerce in order to conform with the practice of other regional bodies. Nepal and Pakistan always had senior public officials chairing their committees.

Albania's committee is one entity, whereas those of Nepal and Pakistan had a two-tiered structure consisting of the main committee and the working groups. The committees in Pakistan and Albania are housed in chambers of commerce, whereas in Nepal the committee is under the Ministry of Industries, Commerce and Supplies. The technical team in Nepal came from the government bureaucracy, whereas in Pakistan it was selected from among professionals.

Performance

The committees in Albania and Pakistan performed well because of the lead agency's proactive role, especially when chaired by a "champion" with a vision. The performance of all main committees suffered, however, because outside commitments of the heads of the lead agency and individual members prevented them from devoting the necessary attention to committee work.

While a strong commitment by high-level officials and business leaders is essential, advisory committees, a steering committee and working groups are good solutions to ensure focus and continuity in the work programme. In some instances, a lack of awareness of the purpose of committee work at the national and stakeholder levels hampered the effectiveness of the committee. Staff training, awareness raising and publicity campaigns should go hand in hand with the setting up and maintaining of trade facilitation bodies.

High-level decision makers need to be taken on board. To lend independence to the secretariat, experienced professionals should be recruited. Most importantly, perennial problems of finance and sustaining mechanisms need to be addressed from the outset. Although Pakistan and Albania found stopgap solutions, public funds should constitute the basic financing source. Most PRO committees in developed countries are financed by government, while the private sector contributes its expertise and time on a voluntary basis.

A common problem is to get reform proposals from committees to the implementation stage. To address it, relevant ministries need to be represented by officials with decision-making powers who can facilitate implementation.

Sustainability

Most committees suffer from a lack of sustainability. Cooperation between private and public sectors and the creation of a sense of ownership among stakeholders are important prerequisites. The sustainability of a committee also depends on:

- International technical assistance for initial guidance, assessment of trade facilitation needs and the setting of objectives;
- Proactive and supportive public and private sector participation;
- Its promotion in national and international forums;
- Strong linkages with international institutions and trade bodies;
- An independent secretariat and technical team of experienced professionals with commensurate remuneration;
- The identification of the appropriate lead agency and the selection of a “champion”;
- Its successful transfer from project dependence to a lead agency;
- High-level decision makers with influence in government ministries;
- Assurances from the outset of public financial support for operational and overhead expenses.

In Albania, in spite of a slow start, the committee’s training and other activities helped stimulate interest and awareness in the private sector. As ALBAPRO is embedded in a broader regional effort, its sustainability appears to be assured. Conversely, in Nepal, such regional integration did not take place, and when the supporting project ended, the committee was also weakened. In Pakistan, the sustaining project will be finalized in 2006.

KEY CONSIDERATIONS FOR ESTABLISHING TRADE FACILITATION BODIES

A trade facilitation body cannot be a stand-alone institution but needs to be linked with national, regional and international institutions. It is more likely to be effective in the context of a regional programme, with several country-based projects. The countries involved must be able to count on the necessary political will at the national level and must have an understanding of the institutional and market environments of their potential partner countries. To that end, specific national and regional studies and consultations should define needs and priorities. National decision makers then have to set

their objectives in those countries that have performance indicators to track progress. This will require a transparent dialogue, follow-up and readjustments in the event of slippages.

Although preparations for setting up a trade facilitation body are bound to vary from country to country, such variations reflecting their individual economic and institutional capacities, the box below suggests a series of basic steps to be considered. Well-coordinated support from several donors and/or international agencies would be necessary in order to help launch the process.

Launching a trade facilitation programme: Flow of supportive steps

- Preliminary identification of issue(s)
- Survey of scope for regional collaboration
- Country analysis
 - definition of major constraints
 - institutional assessment
 - specific studies
 - stakeholder analysis
- Identification of mechanisms for interaction
 - national and/or regional champions
 - task forces
 - legal changes
 - procedural/operational changes
 - interagency collaboration
- Forum: identification of key issues
 - national committees
 - regional steering committee
- Development of action plan or strategic plan
- Setting of action plan within project context of donor/local funding
- Identification of performance indicators
- Monitoring and evaluation

Source: <http://www.seerecon.org/tfse/tfse-launch.htm>, accessed December 2004.

Prerequisites

A Government must be politically committed to establishing and supporting a trade facilitation committee as a national forum for promoting trade facilitation measures. The committee should be established by decree or within a legal framework, as appropriate. Technical and financial assistance from international agencies and donor support should be sought. A search needs to be undertaken for the appropriate lead agency, be it from the public or the private sector, as this organization is likely to be heavily involved in the eventual implementation of activities. The lead agency could, for example, be Customs, the Ministry of Trade/Transport/Commerce or the Chamber of Commerce and Industry, and secured by a legal mandate.

Committee composition

Since trade facilitation relies heavily on cooperation among government agencies and the (private) trade and transport community, a balanced membership from these constituencies is essential. The lead agency may identify the public and private sector stakeholders needed for the programme work of a particular committee. Members could be from Customs, brokers, freight forwarders, transport operators, Ministry of Trade/Commerce, Ministry of Transport, the port authority and operators, chambers of commerce, financial institutions, insurance companies and others that are deemed

relevant according to the country's needs. To harness the implementation of difficult reforms, it is imperative for members of the main committee (or steering committee — see below) to be high-level decision makers from the various organizations.

Appointment of officials (chair)

The chair should be a senior and influential government official with the necessary inter-agency networking capacity, or the president of a business association who has a voice in the industry. If the private sector is to take the lead, the legal framework for formalizing the committee should be in place. The tenure of the chair should be a minimum period of three years. To ensure stability and long-term perspectives, an “extended chair system”, consisting of the incumbent, the previous chair and a vice chair who would succeed the chair, is advisable.

Structure and functioning of the committee

The committee will be responsible for spearheading, managing and coordinating trade facilitation initiatives among all stakeholders. Experience shows that large main committees are difficult to manage in terms of organizing meetings and plenary sessions. Therefore, a three-tiered structure is recommended as follows:

- (i) The main or whole committee;
- (ii) The steering committee; and
- (iii) Working group(s).

Members of the main committee should represent all trade and transport operators and public agencies interested in trade facilitation. The steering committee should have a limited membership comprising officials with decision-making power, who can devote the necessary time to guiding the activities of the working groups. The main committee should meet at least once a year for programme and budget approval, while the steering committee should meet every three months to provide guidelines for the working group(s) and to consider and approve recommendations. The formation of working group(s) will be dictated by the work programme in question and may be on an ad hoc basis. Any output of the working group(s) should be presented to the steering committee for endorsement and submission to the appropriate government agency for implementation. The steering committee could assume the role of an advisory council.

Selection of a “champion”

This is possibly the clinching element for a successful national TTFC. The committee needs visionary leadership and the right combination of people who can bring about change. The champion has to have a proven track record as a team leader. As the motivating engine of the committee he or she should be empowered to take major decisions in the implementation of reforms.

Formation of a technical team and location of the secretariat

The committee should set up the secretariat, supported by a technical team. A full-time secretary with an assistant should manage the day-to-day affairs of the committee. They should be recruited from the industry on a competitive basis and remunerated accordingly. Their professional experience should be in trade, Customs and transportation. To avoid government bureaucracy, the secretariat could be housed in a representative private sector organization, such as a chamber of commerce. The technical team should be motivated to undergo training, establish contacts with other regional committees and international organizations, and participate in exchange programmes.

Ownership of the committee

A sense of ownership is one of the vital factors that can make or break a committee. As the ultimate aim of trade facilitation is to promote trade, and therefore business opportunities, for the economic

benefit of the nation, the prospect of trade facilitation measures should naturally invite active private sector interest and participation. In some countries, it may be necessary to provide enterprises and operators with a better understanding of the benefits of collaboration with government and vice versa in order to achieve improvements in their trade transactions. It will be up to the committee's leadership and functioning to harness the motivations and contributions that ultimately instil a sense of ownership. The benefits for the public sector of engaging fully in a trade facilitation body flow from any technical improvements in its cross-border trade, higher revenues and opportunities to form international alliances to promote trade and reforms.

Financial sustainability

Experience has shown that financial support from the Government, be it in the form of regular budgetary contributions or grants, is vital to sustaining the committee in its early development and throughout its existence. However, complementary income-earning activities are needed to bolster financial soundness. Activities could consist in offering training courses at a fee, organizing workshops or operating a franchise of international bodies or their products. Publishing reports, and selling forms and technical material related to trade are other means, as is hosting a commercially viable website that provides trade-, transport- and customs-related information on the country (forms, requirements, manuals, etc.). Chambers of commerce often provide the services of their staff to secretariat work and the expertise of their members on a voluntary basis.

Nationwide recognition of the committee

Experience shows that lack of visibility of the committee within government and the private sector may result in the formation of other institutions performing similar functions. The economic benefits of reforming the trade and transport sector should be highly publicized. Hence, at the outset, the terms of reference with a clear mandate need to be developed. The committee needs to be publicized as the focal point of all trade-facilitation-related activities in order to give it the political edge and credibility to pursue the implementation of reforms.

Information exchange

The committee will assemble all players on a common platform where issues affecting both the Government and the private sector can be discussed and effectively resolved. It could also serve as the information-sharing platform where domestic, bilateral, regional and global issues are discussed, future directions identified and conclusions drawn on trade-related matters affecting the country. These positions should be useful background for WTO negotiators or liaison officials. The committee could play the role of a national forum by organizing national debates among local experts on any trade- and transport-related issue. Similarly, it could be the place where international experts would come to share ideas and experiences and acquire knowledge about the country's needs.

Establishing relationship with regional and/or global bodies

Establishing formal and informal relations with similar or regional bodies will assist the committee in accumulating experience as well as pave the way for bilateral and regional cooperation of mutual benefit. The technical team and other members should be encouraged to attend the meetings of regional and global forums to expand their horizons and acquire know-how. Other means are writing introductory (e-mail) letters to existing trade facilitation committees and registering with global trade facilitation bodies, such as the Global Facilitation Partnership for Transportation and Trade and UN/CEFACT.

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