



**Needs, Priorities and Costs Associated with
Technical Assistance and Capacity Building for
Implementation of a WTO Trade Facilitation Agreement
A Comparative Study Based on Six Developing Countries**

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The findings, interpretations and conclusions expressed in this paper are entirely those of the authors. They do not necessarily represent the views of the International Bank for Reconstruction and Development/World Bank and its affiliated organizations, or those of the Executive Directors of the World Bank or the governments they represent. A similar disclaimer applies to the IMF and WCO that participated in the data collection and report preparation aspects of the study.

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List of Abbreviations

ASYCUDA	AUTOMATED SYSTEM FOR CUSTOMS DATA
CIF	COST INSURANCE AND FREIGHT
EAC	EAST AFRICAN COMMUNITY
ICT	INFORMATION AND COMMUNICATION TECHNOLOGY
IMF	INTERNATIONAL MONETARY FUND
LDC	LEAST DEVELOPED COUNTRY
OECD	ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT
PSI	PRE-SHIPMENT INSPECTION
S&DT	SPECIAL AND DIFFERENTIAL TREATMENT
SW	SINGLE WINDOW
TF	TRADE FACILITATION
UEMOA	UNION ECONOMIQUE ET MONETAIRE OUEST-AFRICAINE (KNOWN IN ENGLISH AS WAEMU)
UNCTAD	UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT
UNECE	UNITED NATIONS ECONOMIC COMMISSION FOR EUROPE
WCO	WORLD CUSTOMS ORGANIZATION
WTO	WORLD TRADE ORGANIZATION

Executive Summary

i. WTO negotiations on trade facilitation were launched in July 2004. Since that time the Negotiating Group on Trade Facilitation has met at four to six week intervals and over 120 proposals have been tabled by Members.¹ While there is general agreement on scope and broad content of the negotiating agenda, and on the principle that developed country Members will assist developing and least developed countries (LDCs) to implement any agreement reached, many Members remain concerned about the potential costs and implementation challenges associated with any new and binding commitments that might flow from a future WTO trade facilitation agreement.² Many members are also concerned that failure to implement any new commitments might potentially expose them to proceedings under the WTO dispute settlement system. As a result, many developing countries have signalled their reluctance to agree to a new range of trade facilitation related commitments until such time as they understand more clearly the cost implications and challenges they are likely to encounter in implementing the range of measures currently under negotiation.

ii. Assuming that the content of a future WTO trade facilitation agreement is broadly in line with the range of measures proposed to date, the key questions negotiators are seeking information on are: (i) what is the gap between the measures under negotiation and the systems and procedures currently employed in Member countries; (ii) assuming that there is a gap, how much additional external assistance in the form of technical assistance and capacity building support would be required to close the gap; and (iii) how difficult would implementation be in practice.

iii. This study was prepared in response to these questions and concerns and was designed to provide indicative data on the extent of technical assistance and capacity building support developing and LDC Members are likely to require if and when a new WTO Trade Facilitation Agreement is concluded. The conclusions presented in this study are based on the findings from six country assessments or case studies undertaken in Rwanda, Sri Lanka, Paraguay, Senegal, Egypt and the Philippines between April and July 2006. During the assessments, a team of experienced Customs and trade facilitation specialists drawn from the World Bank, the International Monetary Fund (IMF) and the World Customs Organization (WCO) visited each of the countries to compare the systems and procedures currently employed with those under consideration in the WTO trade facilitation negotiations. Although this study reports on the results of assessments in only six WTO member states, and is therefore not necessarily representative of the different circumstances facing all developing and LDC members, it nevertheless suggests some broad ‘order of magnitude’ information that can be usefully considered by members engaged in the negotiation process.

¹ Negotiations were suspended in July 2006.

² While the working paper frequently makes reference to a future WTO trade facilitation agreement, it is recognized that Annex D specifically states negotiations should proceed: “without prejudice to the possible format of the final result of the negotiations and would allow consideration of various forms of outcomes.”

iv. The study found that the concerns expressed by many Geneva-based negotiators about the long-term costs and implementation difficulties associated with measures currently being negotiated may be less than previously thought. While modest amounts of additional technical assistance and capacity building support are required, many of the measures that have the most significant impact on improving the trade facilitation environment in member countries are not necessarily expensive nor are they technically difficult or complex to implement, if the necessary high level vision and political will is present. In many cases, government officials and private sector traders rank domestic issues, not necessarily responsive to technical assistance, regardless of its quality and quantity, as the most significant barriers to successful implementation. For the six countries included in the study, cost estimates for the additional technical assistance and capacity building support required range from US \$165,000 to US \$1.3M.

v. The study also found that the scope and content of the measures currently under negotiation are generally regarded by government officials and private sector traders as positive and welcome. They are typically in keeping with internationally agreed standards and good practice approaches and are in line with current reform and modernization strategies in many countries including all six of the countries assessed during this study. A new WTO trade facilitation agreement could therefore help to lock-in and accelerate the process of reform that has already commenced and contribute to establishing and maintaining the necessary political will and commitment to overcome domestic resistance to change. It should also lead to increased support from the development community for wide-ranging trade facilitation-related reform.

vi. A small number of measures, such as the introduction of a fully electronic single window or the construction or refurbishment of border stations to facilitate the introduction of juxtaposed border operations, are more problematic and will entail significant costs in both technical assistance and equipment/infrastructure. Estimates of the costs associated with these measures were not included in the study. Additionally, some measures, particularly those associated with fees and charges, may have short term revenue impacts that will make their implementation difficult to accomplish; hence a phased approach would be necessary. Moreover, the current level of ICT infrastructure in certain countries may make implementation of such measures difficult or impossible in the short to medium term.

vii. Concerns about exposure to the WTO's dispute settlement provisions are likely to be manageable, as compliance with a likely basic legal standard should be relatively straight forward to achieve and special and differential treatment (S&DT) provisions should similarly ensure adequate timeframes for the most difficult measures. Deep implementation of reforms across all government agencies in such a way as to significantly improve the trade facilitation performance of a country may, however, take more time and will require sustained commitment.

viii. Therefore, it would make sense for any long-term technical assistance and capacity building support provided to achieve compliance with a basic legal standard to be effectively integrated into wider and more comprehensive reform and modernization efforts.

ix. In this way, any technical assistance and capacity building support provided for implementation to a basic level consistent with expected WTO commitments would provide a sound foundation for further development and the refinement of systems and procedures over time as experience and expertise develops progressively within Member countries.

x. Notwithstanding the above qualifications, additional technical assistance will be needed by many countries to achieve implementation of the measures currently under negotiation. Potential does exist, however, for economies of scale in the design and delivery of technical assistance and capacity building support. Each of the six countries participating in the study have commenced reform and modernization programs supported in various degrees by the development community and all have made some progress in respect to many of the measures currently under negotiation. The situation is likely to be similar for many other WTO members.

xi. Custom administrations are generally far ahead of other border management agencies³ in both understanding the WTO agenda and in the implementation of its key measures. As a result, the magnitude and nature of any additional technical assistance ultimately provided will need to be focused on refining and improving existing systems and procedures and their extension into non-Customs agencies rather than the far more resource intensive activities associated with initiating entirely new systems.

xii. This finding points to the need for detailed country specific needs assessments to be conducted prior to the provision of any technical assistance and capacity building support to ensure that scarce resources are well targeted and calibrated to the specific needs and priorities of the countries concerned. Likewise, technical assistance provided to assist with implementation of the specific measures included in the WTO Trade facilitation agenda will need to be carefully integrated and aligned with existing and future support by the development community to ensure that implementation of the WTO agenda delivers meaningful benefits to both governments and traders and does not displace more broadly focused trade facilitation improvement efforts.

³. Such as those responsible for administering health, quarantine and technical standards.

I. Introduction

1. The importance of international trade as a catalyst for economic growth and national development is now well recognized. However, in recent years it has become increasingly clear that in addition to supply side constraints and restricted market access, which impacts negatively on their capacity to participate in the international trading system, many developing and least developed countries (LDCs) struggle with inefficient and outdated border clearance systems. Trade facilitation has therefore become an important development issue.

2. The decision taken by the WTO General Council in July 2004 to launch negotiations on trade facilitation was inspired by such sentiments and indicates a widely shared view that trade facilitation reforms make good developmental sense within the context of the wider Doha Development Agenda (*See Annex I*). Support for this initiative from international organizations was solicited at the outset of negotiations. In particular, Annex D of the WTO General Council Decision (the so-called, “July Package”) notes that:

“In order to make technical assistance and capacity building more effective and operational and to ensure better coherence, members shall invite relevant international organizations, including the IMF, OECD, UNCTAD, WCO and the World Bank to undertake a collaborative effort in this regard.”

3. To date the work of the international organizations in support of the trade facilitation negotiations has focused on three key areas: i.) promotion and advocacy to highlight the benefits of trade facilitation and encourage members to seek a positive and ambitious outcome; ii.) sharing of information on relevant tools, instruments and international standards that the organizations have developed and/or maintain; and iii.) provision of advice and assistance to assist WTO members to determine their own needs and priorities for technical assistance relative to the negotiating agenda.

4. While the value of the work undertaken to date by the World Bank and other international organizations has been acknowledged by WTO Members, many developing countries continue to be concerned about the potential costs and implementation challenges associated with any new and binding commitments that might flow from a future WTO trade facilitation agreement.

5. Many WTO members are also concerned that failure to implement any new commitments would in turn potentially expose their countries to WTO dispute settlement proceedings. As a result, many developing country and especially LDC members are reluctant to agree to a new range of trade facilitation related commitments until such time as they understand more clearly the cost implications and implementation difficulties they are likely to encounter when implementing the issues currently under negotiation.

6. Indeed, the importance of these concerns was specifically addressed in Annex D of the WTO General Council Decision, which states that the negotiations:

“shall address the concerns of developing and least developed countries related to the cost implications of proposed measures.”

7. This study was prepared in response to these issues and concerns and was designed to provide indicative data on the technical assistance needs, priorities and implementation difficulties developing countries are likely to face if and when a new WTO trade facilitation agreement is concluded. Although this study reports on the results of assessments in only six WTO member states and is therefore not necessarily representative of the different circumstances facing all developing and LDC members, it nevertheless suggests some broad ‘order of magnitude’ information that can be usefully considered by members engaged in the negotiation process.

8. The results of the study are presented in three parts. Part One introduces the purpose of the study and identifies some important qualifications and limitations that need to be understood in order to correctly interpret the study findings. Part Two looks at the gap between the measures under negotiation and the systems and procedures currently employed in the six countries and discusses the additional external assistance that would typically be required to close the gaps identified. It also highlights a number of challenges and implementation difficulties the countries are likely to face. Part Three summarises the findings and identifies a range of additional issues that need to be considered by the negotiators engaged in framing the content of a future trade facilitation agreement and any mechanisms for the delivery of any required technical assistance and capacity building support. Where possible, examples drawn from the experience of the six countries are used to illustrate some of the key issues that are frequently discussed, but not always well understood by negotiators.

II. Methodology

9. The conclusions presented in this study are based on the conduct of six country assessments or case studies undertaken in Egypt, Paraguay, the Philippines, Rwanda, Senegal and Sri Lanka between April and July 2006. During the assessments, a team of Customs and trade facilitation specialists from the World Bank, the International Monetary Fund (IMF) and the World Customs Organization (WCO) visited each of the countries for one week to work with country counterparts to examine the systems and procedures currently employed and to compare them with the range of measures under consideration in the WTO negotiations.

10. The six country assessments took the form of diagnostic reviews during which the specialists compared current systems and procedures with the systems and procedures outlined in the various WTO proposals submitted to date in the Negotiating Group on Trade Facilitation. During the country assessments, the World Bank, IMF and WCO teams met with relevant officials from the key government agencies most involved in the WTO negotiations and those most likely to be affected by any new trade facilitation related disciplines, as well as with representatives of the private sector.

This typically involved meetings with the ministry principally responsible for coordinating the country's input into the WTO negotiations and the administrative agencies most responsible for managing the border, such as Customs, Agriculture and Standards. In addition, the team met with representatives of local Chambers of Commerce and the Customs Brokers and/or Freight Forwarders Associations. These discussions were complemented as appropriate by site visits to operational areas.

11. In order to provide a systematic framework for the examination of the range of trade facilitation measures currently under consideration in the negotiations, and in turn for comparing these measures with the systems and procedures currently employed in participating countries, the World Bank commissioned the development of an assessment tool or Readiness Assessment Guide. The guide was prepared to mirror the content and structure of WTO document TN/TF/W43 (Compilation of Member's Proposals)⁴.

12. Individual country reports were prepared for the consideration of each of the six participating countries. The results of these detailed country assessments remain the property of the countries concerned. In order to preserve confidentiality, only general needs, priorities, trends and summary costing data are reported in this study.

III. Qualifications

13. While the negotiations have made significant progress on narrowing down the range of measures expected to be implemented under a future WTO trade facilitation agreement, they have only recently moved to the so-called, "text based mode" and much work is still required to finalize the precise wording and content of the key issues under consideration. To undertake a diagnostic gap assessment of this kind while the negotiations were still underway, it was necessary to make some assumptions about the likely final form of the various measures under negotiation against which to assess the current situation in each country. These assumptions were based on typical implementation strategies and existing good practice models throughout the world and where appropriate, existing internationally accepted standards, such as those contained in various WCO and UN instruments, particularly the WCO's Revised Kyoto Convention on the Harmonization and Simplification of Customs Procedures. In addition, it should be noted that the so-called, "third generation" proposals tabled thus far tend to be less ambitious in scope than those tabled earlier in the negotiation process.

14. This study has sought to assess whether the basic disciplines and administrative infrastructure are in place for the key measures under negotiation and, therefore, whether the country is likely to be deemed to have met or complied with the provisions of a future WTO trade facilitation agreement. It is therefore important to note the distinction between this minimum level of compliance, such as the likely requirement to meet the basic legal standards in a future agreement, and deep and effective implementation and operation to such a level that would allow the realization of the full trade facilitation benefits possible. This point can be illustrated by the example of risk management (*See Box 1*).

4 See www.wto.org for WTO trade facilitation related documents, including TN/TF/W43.

Although no country would reasonably claim to have perfected the process and therefore have no room for further improvement, almost all Customs administrations apply some form of risk management to the assessment of imported goods. Almost all are therefore likely to possess the basic disciplines and administrative infrastructures required to formally comply with the likely risk management provisions of a new WTO trade facilitation agreement. However, in many countries, including some of the ones included in this study, risk management practices coexist with non-risk based selectivity systems with the result that excessive levels of documentary and physical inspections, complex control procedures and low levels of facilitation continue to persist. As a result, this study notes that while a country may have reached a basic level of implementation necessary to comply with the terms of a new agreement, it would likely still benefit from substantial technical assistance and capacity building support. In the case of risk management, this observation applies to all six countries studied.

15. The purpose of the study was to identify additional needs and priorities for technical assistance and capacity building relative to the specific set of measures under consideration in the WTO trade facilitation negotiations⁵. Determining the needs for technical assistance and capacity building support across all relevant trade facilitation areas was well beyond the scope of this study and is more appropriately addressed through the use of more widely focused diagnostic tools and studies, such as the WCO's Customs Capacity Building Diagnostic Framework or the Diagnostic Trade Integration Studies conducted as part of the Integrated Framework for Trade Related Technical Assistance. The study does not attempt to describe a suitable mechanism for the delivery of any technical assistance and capacity building support that might be required to ensure effective implementation.

⁵ For example, in each of the countries examined during the study, some potential exists for increased investment in such areas as trade related infrastructure including, but not limited to ports, airports, land border crossings, roads, bridges, etc., however, as these are not addressed in the mandate, no attempt has been made to identify the specific needs and priorities associated with the issues here.

Box 1 - Risk Management

The implementation of risk management has been the subject of several proposals and continues to be a central theme throughout the negotiations. Customs administrations in all the surveyed countries have implemented some form of a formal risk management system and do not subject all cargo and traders to an identical level of documentary and physical examination. In most cases the risk management system relies on manually generated risk profiles that are fed into the Customs IT system and facilitate the screening of import, export and transit cargo against some pre-determined selectivity criteria. More or less complicated risk profiles and formulas are then employed to channel cargo to the “red channel” requiring physical inspection, the “yellow channel” requiring documentary inspection or the “green channel” for cargo that is to be released without inspection.

However, in practice the inspection categories generated by the IT system are frequently ignored by Customs officials who have considerable discretion to re-categorize to a higher or lower level of inspection. For example, in one of the countries included in the study, Customs officials would regularly override the IT-generated inspection classification to increase the level of inspection to a more rigorous inspection category. Moreover, even when Customs officials respect the classification category, the same is not true for other government agencies, resulting in the same cargo being inspected several times by different government agencies. Only one country included in the study did not take advantage of an IT-based risk management and selectivity system, relying solely on the experience of customs staff to select cargo for different degrees of inspection.

Statistics on the share of imports that are inspected (physically or on a documentary basis), and the evolution over time of these statistics demonstrate how a Customs agency can progressively develop its systems to strike a better balance between trade facilitation and control. However, there are no internationally agreed standards governing inspection rates, as each country must strike its own balance in light of local circumstances and the compliance level of its traders.

Other regulatory agencies do not generally employ such sophisticated systems and tend to physically inspect all cargo, subject to their particular interest or mandate. Coordination between these agencies and Customs, particularly by using the risk profiling capacities inherent in Customs systems, would substantially improve the situation. In one country, such coordination is being tested on a pilot basis with encouraging preliminary results.

IV. Key Findings

4.1 What is the Gap at Present Between the Measures Under Negotiation and the Systems and Procedures Currently Employed in Member Countries

16. The study found that none of the six countries included in the study is starting from scratch and that all have commenced some form of reform and modernization program with support in various degrees from the development community. For example, with respect to the negotiating agenda, all six countries currently:

- maintain websites containing a significant amount, though not all, of the required import/export/transit related information and offer it in at least one WTO language;
- have some form of formal appeal mechanism in place that allows disputes to be resolved without initial recourse to the judicial system;
- utilize some form of basic risk management and selectivity system⁶;
- provide informal advice on tariff classification in advance of importation⁷;
- process their import, export and transit declarations using an IT system;

⁶ Although all require assistance to further develop their risk management systems and capacities.

⁷ Although advice on tariff classification is available and Customs typically honors any advice provided, the systems in place are typically not binding on Customs.

- use many of the key international standards applicable to import, export and transit procedures; and
- possess the basic technical knowledge to oversee implementation of many of the key measures under consideration.

17. This final point is of critical importance in determining the extent of technical assistance and capacity building support required. It is sometimes assumed that implementing new measures will require significant technical advice. However, the study found that much of the core technical knowledge necessary to implement many of the measures already exists within the Customs administrations of all six countries. The fact that they have not fully implemented them is not necessarily a result of any lack of technical expertise, but rather a lack of high-level support and direction to undertake the necessary reforms. Additionally, as many of the measures are already incorporated in internationally agreed, but not necessarily legally binding or enforceable instruments, much of the required supporting implementation guidelines, tools and blueprints already exist and are readily available to guide effective implementation.

18. As such, it is clear that the extent and nature of any technical assistance ultimately provided will often need to be focused on refining and improving existing systems and procedures as well as their extension into other non-Customs agencies, rather than the far more difficult and resource intensive activities associated with initiating entirely new measures. This finding points to the need for detailed country-specific needs assessments to be conducted prior to the provision of any technical assistance and capacity building support. While additional assistance is required to realize the full potential of these initiatives, it is clear that all six countries have commenced work on implementing a number of the most important measures currently under negotiation.

19. A quick snapshot of the current situation relative to the measures under negotiation is presented in Table 1. The indicators of the current state of readiness reflected in the table are best estimates based on the findings of the teams that visited the six countries. In several instances, subjective judgments had to be made as to whether a country was likely to comply with the specific provisions expected to be incorporated in a future trade facilitation agreement. As noted above, such an assessment required the teams to make some assumptions about the basic legal standards that a future agreement would likely incorporate⁸.

20. In addition, as the negotiating agenda covers a very wide range of potential measures, it was not feasible given the time constraints facing the team, to undertake a robust diagnostic assessment of each and every measure. The results contained in Table 1 therefore need to be read with some caution. They do, however, provide a general sense of where the countries stand relative to the key measures included in the negotiating agenda. Moreover, the detailed reports prepared for each of the participating countries provide an excellent starting point for their own comprehensive needs and priorities assessment process.

⁸ While the measures proposed to date range enormously in ambition, the content of the third generation “text based” proposals are relatively modest in both content and scope of coverage.

Table 1 - Current Status of Readiness						
TRANSPARENCY	A	B	C	D	E	F
Publication and Availability of Information	√	P	P	P	P	P
Single Enquiry Point	X	X	P	X	X	X
Interval Between Publication and Entry in Force	P	√	√	√	P	√
Prior Consultation	P	√	√	P	√	P
Advance Rulings	P	P	X	P	P	P
Appeals Procedures	√	P	√	P	P	P
Uniform Treatment	√	X	P	P	P	P
Integrity	√	P	X	P	P	P
FEES AND PROCEDURES	A	B	C	D	E	F
Fees and Charges	√	P	X	P	√	√
Non-Discrimination	√	√	√	√	√	√
Periodic Review and Simplification	√	P	√	P	√	P
Limitation of Formalities	P	P	P	P	√	P
Use of International Standards	√	√	√	√	√	√
Uniform Customs Code	√	P	√	√	√	P
Acceptance of Commercially Available Docs.	√	P	√	P	√	X
Automation	√	P	P	P	P	P
Single Window/One-Time Submission	X	X	P	√	P	X
Elimination of PSI	n/a	n/a	n/a	X	n/a	n/a
Mandatory Use of Customs Brokers	X	√	X	√	√	P
End of Consularization Fees	n/a	n/a	X	n/a	X	n/a
Border Agency Coordination	X	P	X	X	P	X
Pre-Arrival Clearance	X	X	√	P	√	X
Procedures for Express Carriers	X	P	P	P	P	P
Risk Management	P	P	P	P	P	P
Authorized Traders	X	P	X	X	P	P
Post-Clearance Audits	√	P	X	P	P	P
Separate Release from Clearance	√	P	√	X	√	X
Publication of Average Release Time	X	X	X	P	P	X
Tariff Classification	√	√	√	√	√	√
TRANSIT	A	B	C	D	E	F
Regional Transit System	X	n/a	X	X	X	n/a
National Guarantee System	√	n/a	√	P	√	n/a
Sealing of Transit Shipments	P	n/a	√	X	√	n/a
Freedom of Transit Routes	√	n/a	X	X	√	n/a
Speedy Release of Bonds	P	n/a	√	X	X	n/a
Abolish Escorts	X	n/a	√	X	X	n/a
√ = Fully Compliant, P = Partially Compliant, X = Not Compliant, n/a = Not Applicable ⁹ .						

⁹ With a basic legal standard likely to be included in a new TF agreement.

21. Based on the findings of the study, it appears that the areas in which the most significant gaps exist between existing systems and procedures and those being negotiated in the WTO are in the areas of:

- Establishing formal mechanisms for cross agency cooperation at border crossing points;
- Improving risk management capabilities and their extension to non-Customs agencies;
- Designing and implementing formal authorized trader regimes;
- Developing objective systems for establishing and reporting on average cargo release times;
- Development of practical single window – one time submission regimes to allow traders to submit their documentary requirements to government only once;
- Full and effective implementation of regional transit regimes; and
- Modifying systems and procedures to accommodate pre-arrival submission, assessment and clearance of cargo where such cargo is rated as representing a low risk.

22. In addition, while not technically complex or demanding to implement to the likely standard required, some disciplines associated with fees and charges have significant revenue implications and are likely to face stiff domestic opposition unless the process is managed in such a way as to ensure a revenue neutral outcome. The consular fees collected in two of the studied countries fall into this category, as they raise substantial amounts of earmarked revenue. However, when the domestic will to do so is there, countries can make the necessary adjustments as evidenced by one country that has taken a decision to replace a warehousing fee that was calculated on the basis of the CIF value of imports with a modest WTO compatible service fee and plans to eliminate the requirement that all goods entering the country use the warehouse. The same is true of advance rulings on valuation, that while not necessarily technically demanding to implement, are seen by many officials as likely to result in revenue losses¹⁰.

23. While the majority of measures under negotiation in the WTO focus on improving Customs systems and procedures, Customs is not the only government agency involved in processing and clearing import and export cargo (*See Box 2*). Implementation of measures incorporated in a future WTO trade facilitation agreement will therefore also have to address the technical assistance and capacity building needs of these other government agencies. In this respect, Customs agencies are typically far more advanced than other government agencies and would be well equipped to share their experience with other national agencies. For example, in each of the six countries visited during the study, the Customs administrations already had an IT system in place to support the processing and clearance of import/export/transit cargo.

¹⁰ While the implementation of an Advance Ruling system for Valuation is not necessarily technically difficult, many developing countries currently make use of reference price lists to inform their final assessment of value. As such, they are not prepared to advise traders in advance of the particular valuation method that will be employed once the goods have arrived until such time as they have seen a declared value and in turn have compared it to their internal value information. In other words, the transaction value method would only be accepted if a declared value falls within an accepted range.

In most cases, however, the permits, licenses and other approvals necessary to satisfy the requirements of other agencies are not automated and have to be applied for, issued and processed manually. Customs administrations also employ some form of risk management system to selectively identify high risk cargo and traders, but most other government agencies do not. Instead they rely on simple tariff classification information to determine what cargo needs to be inspected. One exception noted by the study team is a pilot initiative being undertaken in one country whereby physical inspections of cargo are closely coordinated between Customs and the Bureau of Standards. In addition, Customs officials tend to be far more advanced in their understanding of the scope of the WTO trade facilitation agenda and have plans in place that are in broad compliance with the anticipated provisions of a future agreement.

24. The implications of this finding could possibly have an impact on the nature of the technical assistance required to fully and effectively implement the provisions of a future agreement across all government agencies. More importantly, this conclusion points to the need for high level political will to overcome some of the inter-ministerial and inter-agency barriers that currently hinder wider cross-agency implementation of the measures under consideration, thereby denying traders the full benefits of the reforms likely to be agreed to by their respective governments. For example, the slow implementation of a more extensive IT system in one of the studied countries resulted from the reluctance of non-Customs border agencies to modify their procedures to participate in a transparent and fully electronic process.

25. When drafting the final agreement, careful attention will need to be paid to precisely specifying the expected scope and administrative coverage of the agreed measures across all relevant government agencies. Moreover, it will need to be carefully factored into any consideration of the relevant S&DT provisions that might apply to timelines for implementation. Estimates of the additional technical assistance and capacity building requirements contained in this working paper therefore include, where appropriate, provision for implementation in agencies other than Customs.

Box 2 - Institutional Responsibilities for Trade Facilitation

The mandate for the WTO TF negotiations, as per Annex D of the General Council Decision stated that negotiations would, “*aim at provisions for effective cooperation between customs or any other appropriate authorities on trade facilitation and customs compliance issues.*” Even though Customs is the major regulatory agency involved in the processing of imports, exports and transit, the processes of a number of other agencies are clearly included in the negotiation agenda. Various studies have shown that Customs is responsible for only a portion of the total time it takes for goods to be imported or exported. Non-Customs agencies are responsible for enforcing regulations pertaining to issues such as public health and safety, environment, security and morality, etc. These agencies operate within their own mandate and often without any coordination with Customs or with each other. At times, this requires traders to submit multiple documents incorporating the same or very similar information to a variety of different government organizations. This process is both time consuming and costly to the trader. Two examples drawn from the study illustrate this point.

In one country included in the study, both the Customs administration and the Standards organization were heavily involved in processing imports and exports, as are a number of other government agencies. At one time, the agencies operated independently from each other, causing excessive clearance delays for which Customs was often blamed. Recently the Standards organization was assigned responsibility for coordinating all the import/export activities of the other regulatory agencies and to act as the main contact point with Customs to streamline the various inspection and permission granting activities. Progress is now being made on rationalizing and simplifying these previously independent activities, mainly at sites where modern customs clearance practices are being piloted.

In another country, before Customs could clear imports, the trader needed to provide proof that he/she had satisfied the demands of a variety of regulatory agencies. Some of these requirements and approvals can be obtained prior to importation and some only after the goods have landed. In the case of animal health and plant certificates, the trader needs to obtain them from the Ministry of Agriculture, located a good distance from the port of entry. Some accommodation to the complex set of requirements is made by posting staff from non-Customs agencies at the major clearance points and by coordinating any physical inspections that might be required. Moreover, as in one case, a separate government agency acted on behalf of Customs to clear goods that entered the country under duty suspense regimes.

4.2 How Much Additional Technical Assistance and Capacity Building Support Would be Required to Close the Gap

26. In order to establish some broad estimates of the additional costs associated with implementing a future agreement, it was necessary to examine the individual elements that might need to be addressed through targeted technical assistance and capacity building support programs. To do this comprehensively, the study team identified a range of possible cost components that needed to be considered and incorporated in the estimates. These components were: revisions required to the legal framework; changes to administrative policy and procedures; new training needs; additional human resource requirements; and organizational and change management needs.

27. Requirements for new IT equipment and infrastructure that might be needed to improve performance have only been included if and when such assistance is considered as critical to implementation of the specific measures under negotiation. All these issues were examined and appropriate provision was made for them during the country studies. Likewise, where such resources were identified, they are incorporated into the estimates presented in this working paper. Note that no attempt was made to include ongoing running costs, as these were impossible to estimate during the mission, due in part to the

lack of cost data available for estimation purposes and the fact that they are typically incorporated into general administrative overheads.¹¹

28. In addition, where a pre-existing WTO commitment exists, such as the requirement to establish a single enquiry point, the study only considered and incorporated any additional costs associated with extending functionality to include the new areas under negotiation. All such costs also need to be offset by improvements in administrative efficiency as described below. Costs have been expressed in US \$1,000s and are based on the World Bank's experience in estimating the cost of procuring high quality international consultancy support. Cost estimates include consultancy fees plus travel, accommodation and other relevant overheads.

29. The findings of the study suggest that the extent of additional technical assistance and capacity building required to implement the measures under consideration in the negotiations may be less than previously anticipated. Many of the measures that have the most significant impact on improving the trade facilitation environment in member countries are not necessarily difficult or complex to implement to the standard likely to be necessary and can be achieved with modest amounts of technical assistance and capacity building support. Indeed, the study identified that in the surveyed countries much work has already begun on implementing many of the measures likely to be included in a future WTO agreement.

30. Notwithstanding the above qualifications, modest amounts of additional technical assistance are required in all six countries. Such support is, however, likely to be confined to a small number of technical areas in which the countries concerned lacked practical experience and/or where they did not have sufficiently skilled personnel to devote to the labor intensive work associated with developing new administrative procedures, implementation regulations, staff operating manuals/instructions and staff and client training. Amongst the countries included in the study, several benefit or have benefited from significant donor support and therefore much of the additional assistance will need to be directed to agencies other than Customs provided that these agencies are included in a new agreement and inter-agency cooperation is secured.

31. There are, however, some exceptions which may entail significant costs in both technical assistance and equipment/infrastructure. Measures such as the introduction of a fully electronic single window regime (*See Box 3*) and the construction or refurbishment of border stations to accommodate joint operations between neighbouring countries, are more problematic and are likely to require much longer implementation time frames and many millions of dollars of investment¹². Moreover, the current level of telecommunication infrastructure in certain countries may make implementation of sophisticated automated systems difficult or impossible in the short to medium term. Estimating the cost of these issues, which are considered unlikely to be included on the

¹¹. See OECD TD/TC/WP(2004)36/Final for further information on calculation of administrative overheads.

¹². Recent World Bank projects that have included the implementation of a genuine electronic Single Window System to connect traders with relevant government agencies have ranged in cost from \$US 5.6M to more than \$US 30M.

final list of obligatory measures agreed within the WTO context, are therefore not attempted, as they are beyond the scope and competence of this study.

Box 3 - Single Window

Proposals for the introduction of a Single Window (SW) refer to the gradual introduction of a procedure that allows for a one-time submission of all import and export documentation to one authority who would then disseminate data to the relevant agencies and inform the trader when authorizations and permits are granted. Such a procedure would work most efficiently if it were to rely on high-tech information and communications technology, but could also operate with a paper based procedure. The procedure can also be used to coordinate the inspection processes of the various agencies, thus avoiding unnecessary duplication.

The TradeNet system operating in Singapore is a good example of a high-tech approach to the SW concept. It links 34 parties involved in external trade into a single system through which traders can discharge all their regulatory responsibilities. Its introduction resulted in a drastic reduction in the number of documents required, lower clearance times for imports and significant cost savings for traders. In 2000 one of the studied countries launched an electronically based SW that has been progressively rolled out to an increasing number of trade related government and private sector agents, a process that was slowed by the reluctance of some agencies to abandon their traditional ways of dealing with traders. Another surveyed country has recently created a high tech SW for exports, connecting all relevant parties to the export transaction and channels requests for information and permits between them. On the import side, it is piloting a system that can be termed a 'single door' approach, in that it co-locates representatives of the various regulatory agencies in one room at the main port, greatly facilitating the submission of the required documentation and the flow of permits and authorizations that are necessary. Yet another country is piloting a SW for its imports and intends to roll out the system across all customs clearance points when the Customs IT system has been upgraded. A similar initiative to create a SW was launched a few years ago in another of the studied countries, however, it had to be suspended due to the absence of top level political commitment and vision required to bring the project to implementation stage. In that case, managers of a number of regulatory agencies were reluctant to participate in the new process fearing a loss in their status and importance.

Notwithstanding the limitations imposed by underdeveloped telecommunication infrastructure in some countries, achieving an electronic single window environment is not technically impossible for many countries. However, such an approach is only feasible if the necessary political will and commitment is present to force government agencies to cooperate fully in its design and implementation.

32. Fortunately, potential exists for economies of scale in the design and delivery of this sort of technical assistance and capacity building. In addition, potential exists for support to be developed and delivered in a regional context, employing global standards. For example, support for improvement in transit arrangements in the studied countries could be provided in the context of regional groups, such as Mercosur, UEMOA (WAEMU) and the East African Community (EAC).¹³ This is already the case in one East African country where a World Bank-financed project is currently being implemented to improve trade facilitation arrangements and capacities throughout the region. Section V of the working paper elaborates further on this observation.

33. The following areas are likely to lend themselves to such collective international and/or regional initiatives and could form the backbone of an implementation kit, yet to be developed, that could be made available to all WTO Members to facilitate implementation of key measures:

¹³ Although such regional groups may themselves need some assistance before they could effectively assume responsibility for coordinating the delivery of capacity building support.

- Preparation of legislative amendments to give legal force to a number of new measures not currently incorporated or adequately addressed in the Customs code and/or subordinate legislation;
- Preparation of guidelines and staff instructions on new/revised administrative systems and procedures to support adoption of new measures;
- Support for IT system migration to later versions of current systems that would provide enhanced functionality and potential for future expansion of systems to non-Customs regulatory agencies;
- Preparation and conduct of specialized training, particularly in areas such as risk management, post clearance audit and managing authorized trader regimes; and
- Preparation of a standardized yet country specific framework and methodology for assessing release and clearance times that enables stakeholders to monitor progress over time.

34. An estimate of the additional technical assistance and capacity building requirements for the six countries included in the study is presented in Table 2. Note, however, that in many cases extensive technical assistance and capacity building support has already been provided by the development community through previous or existing assistance programs, so only additional support above and beyond existing and programmed support is identified in this study (*See Annex 1*). These previous and future development assistance initiatives have been factored into the assessment of additional technical assistance and capacity building needs outlined in Table 2.

Table 2 - Additional Costs of Implementation in Sample of Six countries in \$1000

TRANSPARENCY	A	B	C	D	E	F
Publication and Availability of Information	0	30	30	0	0	0
Single Enquiry Point	100	100	100	100	100	100
Interval Between Publication and Entry Into Force	0	0	0	0	0	0
Prior Consultation	0	0	0	0	0	0
Advance Ruling	30	30	30	0	0	30
Appeals Procedures	0	0	0	0	0	0
Uniform Treatment	0	80	60	0	0	0
Integrity	10	20	30	30	30	20
FEES AND PROCEDURES	A	B	C	D	E	F
Fees and Charges	0	20	0	0	0	0
Non Discrimination	0	0	0	0	0	0
Periodic Review and Simplification	0	40	40	40	0	0
Reduction and Limit. Formalities	50	50	20	60	0	30
Use of International Standards	0	0	0	0	0	0
Uniform Customs Code	0	100	0	0	0	0
Acceptance of Commercially Available Documents	0	0	0	0	0	0
Automation	0	450	0	0	0	0
Single Window/One Time Submission.	50	100	50	0	0	0
Elimination of PSI	n/a	n/a	n/a	50	n/a	n/a
Mandatory Use of Customs Brokers	0	0	0	0	0	0
End of Consularization Fees	n/a	n/a	0	n/a	0	n/a
Border Agency Coordination	40	40	80	80	0	0
Pre-Arrival Clearance	0	20	0	0	0	0
Procedures for Express Carriers.	20	20	20	0	0	0
Risk Management	50	80	60	50	0	50
Authorized Trader	40	20	20	0	0	0
Post Clearance Audits	0	70	100	70	0	0
Separate Release from Clearance	0	10	0	40	0	0
Publication of Average Release Time	35	35	35	35	35	35
Tariff Classification	0	0	0	0	0	0
TRANSIT	A	B	C	D	E	F
Regional Transit System	0	n/a	100	100	0	n/a
National Guarantee System	0	n/a	0	20	0	n/a
Sealing of Transit Shipments	0	n/a	0	0	0	n/a
Freedom of Transit Routes	0	n/a	0	0	0	n/a
Speedy Release of Bonds	0	n/a	0	0	0	n/a
Abolish Escorts	0	n/a	0	0	0	n/a
TOTAL	425	1315	775	675	165	275

35. It should be noted from Table 2 that in several cases there is no identifiable technical assistance and capacity building costs associated with the implementation of particular measures. This is due principally to the fact that some measures do not necessarily require any significant new knowledge or assistance, but rather simply require a clear government decision or direction. The measures that fall into this category include:

- Time period between publication and entry into force of new legislation, regulations and administrative procedures;
- Prior consultation;
- Acceptance of commercially available information and copies;
- Eliminating Consular Fees;
- Eliminating the requirement for mandatory use of Customs brokers;
- Freedom of transit routes; and
- Abolishing mandatory use of escorts for goods in transit.

36. In some cases the costs expressed are the same for all six countries. Two cases are worthy of special mention; the establishment of a single trade enquiry point and the implementation of a standard system for measuring average release times. In respect to the single enquiry point, the teams assumed that all countries would only maintain one enquiry point (probably in the capital) and that it would service the entire country. While the six countries differ enormously in terms of scale, the establishment of a single enquiry point will in all cases require similar foundation activities including the development and implementation of appropriate terms of reference and operating instructions, development and signing of cooperative agreements between relevant agencies, provision of basic telecommunications infrastructure necessary to support telephone and internet based inquiries and the refurbishment of a suitable office or offices. It is also understood that a single enquiry point is a pre-existing WTO commitment. As such, the estimate provided in Table 2 is calculated using the likely cost of international consultancy support to prepare the necessary agreements, etc., plus \$50,000 for basic equipment and office refurbishment. In respect to the implementation of a system for measuring average release times, the cost estimates are based on the Bank's experience in financing the cost of a series of WCO technical assistance missions necessary to develop a robust method for undertaking a periodic WCO Time Release Study. Once the system is established, it can be maintained and periodically undertaken without further external support.

37. Table 2 provides an overview of the best estimates of what the likely cost will be to bring the six countries up to a basic legal standard of compliance with the measures tabled to date. The cost estimates need to be regarded as indicative only as the study team was unable, in the time available, to make the detailed diagnostic study that would have been required to prepare more accurate cost estimates. The broad conclusion that emerges from the study is that the additional amounts of technical assistance and capacity building support that are likely to be required to achieve a basic level of functionality and legal compliance, are not substantial for most of the countries included in the study.

38. While the identification of technical assistance and capacity building needs and the likely costs of providing such assistance is the focus of this study, it is important to remember that such costs should also be regarded as a sound investment for the future. All of the measures currently under negotiation are expected to deliver benefits that far exceed the costs associated with their implementation. While no attempt has been made within this study to quantify the economic benefits that might accrue from effective implementation of the measures under negotiation, it is nevertheless important to factor them into any decisions on the scale and scope of any disciplines finally agreed to. Economic returns from investment in trade facilitation reforms include:

- Lower administration costs that allow Customs and other border control agencies to handle larger trade flows without compromising their government mandated regulatory functions. For example, the effective use of automation for manifest and declaration submission and processing together with a sound risk management system supported by post clearance audit will streamline the clearance process and permit Customs to cope with an increased work load without additional resources. It also allows it to mobilize officials from low value inspection tasks to higher value audit tasks.
- Lower compliance costs for importers, exporters and transit operators. Complex procedures are costly for traders to comply with. As a result, many have recourse to specialist brokers or clearing agents whose compensation is directly proportional to the complexity of the clearance process. In addition, complex procedures provide opportunities for rent seeking and undermine the integrity of the agencies involved. These compliance costs have variously been estimated at 3-10% of the value of the cargo¹⁴.
- Implementation of the proposed measures will lead to speedier release times. Stakeholders place great emphasis on obtaining quick access to their imports, fast processing of their exports and fluid and transparent transit procedures. While no hard figures can be placed on the value of shorter clearance times, some studies have suggested that a reduction in clearance times may amount to savings to the cargo owner of about 0.5% of the value of the cargo. Delays in clearance times can be caused by a variety of border regulatory agencies, not only customs. The solution therefore must come from improvements in the overall clearance chain. It is thus important to measure the release time between the arrival of the cargo and the release of the cargo to the owner and identify which agencies are responsible for the delays.
- Improvement in external competitiveness may contribute to a better export performance, as exporters will have easier access to imported intermediate inputs, export processes will become smoother and the anti-export bias built into the cost increasing effect of inefficient import procedures will be reduced.

In addition there are frequently financial returns to the Treasury. A detailed analysis of the results of several World Bank sponsored reform projects throughout the world indicates that well designed and implemented customs modernization initiatives will improve trade facilitation, while at the same time improving budget revenues¹⁵.

¹⁴ OECD, (2001), *Business Benefits of Trade facilitation*, OECD, Paris.

¹⁵ DeWulf, L and Sokol, J., editors, *Customs Modernization Handbook*, World Bank, Washington DC, 2005 and *Customs Modernization Initiatives*, World Bank, Washington DC, 2005.

Box 4 - Customs Automation

A number of proposals tabled in the negotiations rely on the presence of an efficient and effective Customs IT system. A sound automation system will: enhance Customs control over exemptions, concessions and duty suspension regimes; reduce clearance times; ensure uniform application of regulations; increase transparency and predictability; ensure more efficient revenue collection and accounting; provide more accurate trade statistics; and facilitate the effective application of risk management. It will also greatly increase integrity by reducing opportunities for the inappropriate exercise of official discretionary powers. During the negotiations, proposals on automation have highlighted the benefits to be achieved through electronic submission of the cargo manifest and declaration, even before the goods arrive in the country, the contribution it can make to accurate assessment of duties and taxes and its central role in supporting the implementation of an effective risk management regime. All countries surveyed rely heavily on automation to manage their Customs operations, however, few are making maximum use of the functionality available. Moreover, in several cases they do not employ the latest available versions of the systems they use. One country has recently upgraded its ASYCUDA system and has aligned its clearance procedures with the new system, however, not all modules are currently operational in all customs posts, in part because of the fragile telecommunications infrastructure available in the country. Another country also employs ASYCUDA, but has not yet implemented the risk assessment; and manifest lodgement modules and many manual processes coexist alongside the electronic ones. Likewise, trade statistics are still compiled manually and multiple copies of the customs declaration are required to be submitted. Two of the countries surveyed recognize the limitations in their current Customs systems and have embarked on major modernization initiatives that, when completed, should provide them with state of the art clearance systems. Another surveyed country developed its own high quality automated clearance system and has recently sold it to another developing country. The system is well designed, yet customs clearance processes are not sufficiently aligned with the system, thereby limiting its effectiveness and potential to deliver meaningful trade facilitation benefits to traders. For example, while the system incorporates a robust transit module, it is currently not rolled out to the borders, thus delaying the bond cancellation process.

4.3 How Difficult is Implementation Likely to Be in Practice

39. During the course of the study, considerable attention was devoted to identifying the most critical challenges that reformers will need to overcome to ensure effective and sustainable implementation of the measures under negotiation. Some of these relate to a lack of experience, technical knowledge or a lack of basic equipment and infrastructure. These are likely to be responsive to well designed and targeted technical assistance interventions. However, many public sector officials and private sector representatives contacted during the study consistently highlighted the need to deal with a range of issues and barriers not likely to respond well to technical assistance and capacity building support regardless of its quality and/or quantity. These include:

- Lack of cooperation and information sharing between the various government agencies and ministries responsible for border management, resulting in the need to provide the same information to several agencies and multiple controls and inspections of cargo;
- Intense rivalry and competition for influence and resources amongst government agencies resulting in the duplication of activities and demarcation disputes over respective roles, responsibilities and administrative mandates;
- Poor quality of the relationship between the public and private sectors characterized frequently by distrust and confrontation and a lack of constructive and productive dialogue;
- Single minded focus on revenue maximization by Customs at the expense of other equally important government objectives including trade facilitation, community protection and national security;

- Low levels of voluntary compliance among sectors of the trading community leading to the development of a control mindset amongst government officials charged with regulating trade; and most importantly,
- A lack of high level political will be necessary to initiate and maintain the long term commitment required to ensure sustainable reform and modernization in key border management agencies.

4.4 Categorization of Measures – By Implementation Difficulty

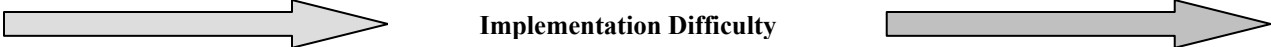
40. In examining the implementation costs and difficulties the six countries are likely to face, the study attempted to prioritize each of the relevant measures against the relative cost and difficulty of implementation and the potential benefits they are likely to deliver to both government and the trading community. Such an approach was informed not only by the assessment of the individual circumstances facing the six countries included in the study, but also by the sequencing of trade facilitation reforms typically observed in reform and modernization projects throughout the world. Based on this broad analysis, certain necessary subjective conclusions can be reached, allowing some general categorizations of the key measures under consideration into three broad headings or groups. The analysis also suggests some likely timeframes for implementation and some logical sequencing of reform measures.

41. Group One includes those measures considered relatively simple and inexpensive to implement, offering significant benefits to traders and government even when implemented to the basic level considered necessary to meet WTO obligations. Group Two covers measures that are considered more complex or difficult to implement and for which technical assistance and capacity building support will be needed. Group Three covers measures that are considered significantly more difficult to implement and/or will require large amounts of technical assistance and capacity building support including, in some cases, financing for infrastructure and equipment. Group Three also includes a number of measures that may not necessarily be difficult to implement but are likely to be problematic due to a prevailing perception that they may lead to short term revenue losses. The elimination of pre-shipment inspection (PSI)¹⁶, the obligatory use of Customs brokers and the elimination of consular fees fit into this category.

42. Such an approach does not suggest that the measures falling into Groups Two or Three are not meaningful or necessary, but rather that they typically require proper sequencing, taking into account progress on implementation of measures falling into the previous categories and the specific circumstances of the countries involved.

¹⁶ It should be noted that in two of the surveyed countries, PSI has already been eliminated and officials claim that it has not resulted in any significant revenue loss. They did, however, need to establish a sound exit strategy to allow them to progressively assume certain Customs responsibilities previously provided by the PSI companies.

Table 3 - Categorization of Measures by Cost and Implementation Difficulty

<p style="text-align: center;">Group 1</p> <p style="text-align: center;">Transparency</p> <ul style="list-style-type: none"> ▪ Internet publication of regulations, penalty provisions and procedural requirements. ▪ Time between publication of regulations and entry into force. ▪ Period for consultation on new/amended regulations. ▪ Advance rulings on tariff classification. ▪ Right of appeal. ▪ Release of goods subject to appeal. ▪ Integrity – Code of Conduct. <p style="text-align: center;">Fees and Formalities</p> <ul style="list-style-type: none"> ▪ Calculate fees and charges on the basis of costs of services provided. ▪ Use of relevant international standards. ▪ Automation of Customs clearance processes. ▪ Adoption of uniform/standardized forms across Customs Unions. ▪ Risk management in Customs. ▪ Objective criteria for Tariff Classification. ▪ Publication of average clearance times. ▪ Expedited procedures for express carriers. <p style="text-align: center;">Transit</p> <ul style="list-style-type: none"> ▪ Periodic review and rationalization of fees and charges for import/export/transit operations. ▪ Publication of transit related information and fees preferably on the Internet. ▪ Limitation of inspection on transit goods. ▪ Coordination and harmonization of documentary requirements. 	<p style="text-align: center;">Group 2</p> <p style="text-align: center;">Transparency</p> <ul style="list-style-type: none"> ▪ Establishment of single enquiry points. ▪ Advance rulings on Valuation. ▪ Appeal mechanisms in a Customs Union. ▪ Development and implementation of national anti-corruption strategy and enforcement program. <p style="text-align: center;">Fees and Formalities</p> <ul style="list-style-type: none"> ▪ Uniform Customs Code. ▪ Pre-arrival clearance. ▪ Authorized trader regimes. ▪ One time submission of all import/export/transit documentation to government authorities. ▪ Coordination of domestic border agencies including joint inspections. ▪ Risk management in non-Customs agencies. <p style="text-align: center;">Transit</p> <ul style="list-style-type: none"> ▪ Elimination of prescribed transit routes. 	<p style="text-align: center;">Group 3</p> <p style="text-align: center;">Transparency</p> <ul style="list-style-type: none"> ▪ Establishment of single enquiry point for all trade related information. <p style="text-align: center;">Fees and Formalities</p> <ul style="list-style-type: none"> ▪ Electronic single window. ▪ Post clearance audit. ▪ Elimination of mandatory use of Customs brokers. ▪ Elimination of high revenue yielding fees and charges. ▪ Elimination of consularization (where revenue impact is significant). ▪ Pre-arrival clearance where major IT upgrade is required . ▪ Elimination of PSI. <p style="text-align: center;">Transit</p> <ul style="list-style-type: none"> ▪ Juxtaposed/One stop border stations. ▪ Implementation of regional transit guarantee schemes.
 <p style="text-align: center;">Implementation Difficulty</p>		

V. Some Additional Observations

5.1 Commonality of Needs and Priorities

43. Although technical assistance and capacity building needs and implementation capacities varied significantly across the six countries covered in the study, there was a high degree of commonality in the development issues identified and in the likely challenges they would face in ensuring effective implementation of the measures under negotiation. Likewise, there was a high degree of commonality of opinion on the respective benefits to be obtained by investing time and resources in implementing various aspects of the negotiating agenda.

44. These conclusions suggest that there may be significant potential for economies of scale to be employed in the design and delivery of technical assistance and capacity building support for implementation of a future agreement. For example, donor organizations may wish to combine their efforts to contribute to the development of a standard suite of high quality training and technical assistance programs or packages that could be tailored over time to the particular needs, operating environments and linguistic circumstances of recipient countries. For example, if fifty countries identified support for risk management as a technical assistance priority it would make sense to invest resources in the development of a comprehensive and high quality implementation support kit that could be employed, with slight modification, in all fifty countries. In this way, development costs could be better contained and shared and the probability of ensuring an appropriate level of quality and consistency would be improved. Moreover, various aspects of the development work could be allocated to those organizations such as the WCO, UNECE and UNCTAD that possess the necessary mandate and/or technical expertise in particular fields. Such an approach would also ensure that relevant international standards are incorporated in the implementation support materials.

45. This finding has some obvious implications for WTO members as they consider the most appropriate mechanism for delivering the required technical assistance and capacity building support required to give effect to the provisions of a future agreement. Likewise, it has particular implications for the S&DT provisions likely to be included in a new agreement. While acknowledging the need for flexibility to be incorporated into any S&DT provisions, the study suggests that there is a great deal of commonality in the perceptions of countries about the relative difficulty of particular measures and therefore the time is required to achieve effective implementation. This finding suggests that there is potential for the measures to be categorized by implementation difficulty and cost thereby enabling expected implementation timelines to be calibrated accordingly.

46. This finding also suggests that there may be some practical efficiencies and cost savings to be obtained by engaging and involving in the design and delivery of technical assistance and capacity building support those existing regional cooperative organizations and fora that have the necessary institutional capacity to play a meaningful role in the design and delivery of technical assistance relative to the WTO agenda. As identified above, in the sample of countries studied, it was noted that potential exists for any transit related support to be channelled through relevant regional organizations.

5.2 Perception of the Relative Efficacy of Proposals

47. Government officials and the business community in the countries visited during the study considered the vast majority of measures under consideration to be positive and practical. With very few exceptions¹⁷, both public sector officials and private sector representatives recognized the value of effective implementation of the individual measures covered in the WTO negotiating agenda. This finding suggests that there may frequently be differences of perception between officials working in their respective capitals and their representatives active in the negotiation process in Geneva. The study identified two possible reasons why capital-based officials are generally more positive about the negotiating agenda than their Geneva-based counterparts.

48. First, both government officials and private sector representatives in capitals acknowledge that the vast majority of measures currently under negotiation are generally not new and are already contained in the generally accepted suite of internationally agreed instruments and good practice approaches promoted by specialist international organizations and donors. For example, a large number of the measures are contained in the WCO's Revised Kyoto Convention on the Harmonization and Simplification of Customs Procedures or in the UNECE's suite of tools, instruments and recommendations. As a result, in all six countries visited during the study, Customs officials were already attempting to implement a significant number of the measures currently under negotiation and would do so regardless of whether there is a WTO agreement in place or not. All considered that achievement of a WTO trade facilitation agreement would help consolidate and accelerate the process of implementation.

49. Second, in all six countries, government officials and private sector representatives agreed that an agreement on trade facilitation would be likely to act as a much needed catalyst for reform and modernization and would make a major contribution to establishing and maintaining the political will and momentum necessary to overcome domestic resistance to change thereby contributing to the availability of resources for reform focused activities and initiatives. In addition, most donor agencies in the countries visited during the study indicated their preparedness to increase financing and other support for trade facilitation related reform which is currently constrained by the low priority often afforded to the issue by governments.

¹⁷ For example, some capital-based officials in the countries studied oppose the elimination of mandatory use of Customs Brokers as they claim that importers and exports often lack the sophistication and technical skills necessary to undertake clearance formalities without the support of licensed Customs brokers. Moreover, they claim that the relative size of the informal sector requires then to take steps to mandate that at least one key party to the import/export transaction to be traceable in case post clearance action is required.

5.3 Exposure to WTO's Dispute Settlement Mechanisms

50. Concerns have been expressed by many negotiators about committing to a range of new trade facilitation measures when difficulties in implementation might expose them to the WTO's dispute settlement mechanisms. The study finds, however, the risks associated with such an eventuality are likely to be manageable, firstly because compliance with the likely basic standards will typically be easier to achieve than deep and complete implementation and, secondly, because S&DT provisions are likely to ensure adequate timeframes for the measures that are the most difficult to implement.

51. The three categories of measures described in Table 3 offers some guidance on the study team's judgment about the relative difficulties associated with implementing various measures under negotiation. As a general guide, Group 1 measures would typically require a timeframe of one to two years for effective implementation, Group 2 would typically require three to four years, and Group 3 four or more years for full implementation. Full implementation beyond the basic level required by a future agreement, in such a way as to significantly improve the trade facilitation performance of a country, is likely to take more time and commitment from the governments concerned but this should not affect the level of exposure to the WTO's dispute settlement provisions.

VI. Summary and Conclusions

52. The study set out to respond to three questions or concerns:

- What is the gap between the measures under negotiation and the systems and procedures currently employed in Member countries;
- Assuming that there is a gap, how much additional external assistance in the form of technical assistance and capacity building support would be required to close the gap; and
- How difficult would implementation be in practice?

53. First, the study reveals that in each of the six countries work has already commenced on implementing many of the key measures under consideration. This flows from the fact that they are not entirely new measures but rather measures that most countries have already subscribed to in other fora, in particular in the context of their commitments to the principles reflected in the WCO's Revised Kyoto Convention. Even though the measures are not new, a number of countries have not or have only partially succeeded in implementing them. The paper does, however, make a clear distinction between formal legal compliance with a likely basic standard, which often will not be difficult for many countries and complete implementation to a level that will ultimately deliver the full trade facilitation benefits that might be possible.

54. Second, the extent of additional support required to assist many developing countries to comply with the range of measures likely to be incorporated in a future agreement are in most cases relatively modest. This conclusion stems from the fact that many countries have already identified their key shortcomings in the area of trade facilitation and have initiated modernization programs for which they have mobilized domestic and external support. Most attention to date has focused on Customs and any future support may have to be widened somewhat to incorporate support for non-Customs agencies. Customs could, however, play a useful role in supporting implementation in other government agencies.

55. In addition, the extent and nature of any technical assistance ultimately provided will often need to focus on refining and improving existing systems and procedures rather than the far more resource intensive activities associated with initiating entirely new systems. As such, any technical assistance provided will need to be carefully integrated and aligned with existing and future support by the donor community to ensure that implementation of the WTO agenda delivers meaningful benefits to both governments and traders.

56. Most of the support eventually provided will need to be focused on the individual circumstances of the countries concerned; however, many needs and priorities are common and therefore lend themselves to resolution on a much wider scale. For example, economies of scale could be realized through cooperation at the international level particularly in the preparation and dissemination of detailed guidelines, manuals and implementation tools. Likewise, some measures lend themselves to being addressed on a regional basis. Streamlining border procedures and the development of regional transit systems would fall into this category. The study also noted that additional support may be required to strengthen human resources and managerial competencies of the various regulatory agencies involved in trade facilitation. Customs is far ahead of the other border management agencies in this regard. In addition, it should be stressed that many of the most pressing implementation challenges do not necessarily lend themselves to resolution through technical assistance. Rather, the study suggests that effective implementation will depend on the mobilization of political will and strong long term commitment to overcome domestic opposition.

57. Third, the study has classified the various measures into three categories according to the degree of implementation difficulty and their potential to make an effective contribution to trade facilitation in the countries concerned. Table 3 provides an overview of the findings and documents the conclusion that many measures are likely to present little or no implementation difficulties and will therefore require little if any technical assistance and capacity building support. However, the implementation of some other measures will be more demanding and will benefit from the provision of well designed and targeted technical assistance. Still other measures, such as the introduction of a genuine electronic single window system and the introduction of joint or juxtaposed border posts, are considerably more difficult and expensive to implement and are likely to remain beyond the reach of many Members for some time.

58. In conclusion, the survey of six countries clearly shows that the measures tabled to date in the WTO trade facilitation negotiations are generally positive and are likely to make a meaningful difference to the trade facilitation performance of many Members, even at the basic level required to comply with a new agreement. Likewise, they do not represent a totally new agenda and are generally consistent with existing international standards and best practice approaches. Their incorporation into a legally binding WTO trade facilitation agreement is generally supported by capital-based officials and private sector representatives and such an approach is likely to strengthen the resolve of Member governments to devote the necessary commitment and resources to effective implementation of the required reforms.

59. While additional technical assistance and capacity building support will be required by many countries, including the six included in this study, the extent of this support is not likely to be as substantial as often thought. Many Members have already benefited from extensive donor support for Customs and trade facilitation reform and modernization and are thus well placed to tackle implementation of most of the measures likely to be incorporated in a future agreement. Where such assistance has not been provided by the development community, the costs are likely to be much higher. In addition, many of the measures currently on the agenda are neither excessively difficult nor costly to implement, at least to a standard likely to allow probable compliance with a future agreement.

60. A smaller number of measures will present implementation challenges and will require the provision of well designed and targeted technical assistance and capacity building support. Still others may present implementation challenges because they require very substantial resources and/or a degree of cooperation amongst regulatory agencies that so far has been difficult to achieve. All these issues need to be considered by negotiators when framing the specific provisions of a future WTO trade facilitation agreement.

Annex 1 - Modalities for Negotiations on Trade Facilitation

1. Negotiations shall aim to clarify and improve relevant aspects of Articles V, VIII and X of the GATT 1994 with a view to further expediting the movement, release and clearance of goods, including goods in transit¹⁸. Negotiations shall also aim at enhancing technical assistance and support for capacity building in this area. The negotiations shall further aim at provisions for effective cooperation between customs or any other appropriate authorities on trade facilitation and customs compliance issues.
2. The results of the negotiations shall take fully into account the principle of special and differential treatment for developing and least-developed countries. Members recognize that this principle should extend beyond the granting of traditional transition periods for implementing commitments. In particular, the extent and the timing of entering into commitments shall be related to the implementation capacities of developing and least-developed Members. It is further agreed that those Members would not be obliged to undertake investments in infrastructure projects beyond their means.
3. Least-developed country Members will only be required to undertake commitments to the extent consistent with their individual development, financial and trade needs or their administrative and institutional capabilities.
4. As an integral part of the negotiations, Members shall seek to identify their trade facilitation needs and priorities, particularly those of developing and least-developed countries, and shall also address the concerns of developing and least-developed countries related to cost implications of proposed measures.
5. It is recognized that the provision of technical assistance and support for capacity building is vital for developing and least-developed countries to enable them to fully participate in and benefit from the negotiations. Members, in particular developed countries, therefore commit themselves to adequately ensure such support and assistance during the negotiations¹⁹.
6. Support and assistance should also be provided to help developing and least-developed countries implement the commitments resulting from the negotiations, in accordance with their nature and scope. In this context, it is recognized that negotiations could lead to certain commitments whose implementation would require support for infrastructure development on the part of some Members. In these limited cases, developed-country Members will make every effort to ensure support and assistance directly related to the nature and scope of the commitments in order to allow implementation.

¹⁸ It is understood that this is without prejudice to the possible format of the final result of the negotiations and would allow consideration of various forms of outcomes.

¹⁹ In connection with this paragraph, Members note that paragraph 38 of the Doha Ministerial Declaration addresses relevant technical assistance and capacity building concerns of Members.

It is understood, however, that in cases where required support and assistance for such infrastructure is not forthcoming and where a developing or least-developed Member continues to lack the necessary capacity, implementation will not be required. While every effort will be made to ensure the necessary support and assistance, it is understood that the commitments by developed countries to provide such support are not open-ended.

7. Members agree to review the effectiveness of the support and assistance provided and its ability to support the implementation of the results of the negotiations.

8. In order to make technical assistance and capacity building more effective and operational and to ensure better coherence, Members shall invite relevant international organizations, including the IMF, OECD, UNCTAD, WCO and the World Bank to undertake a collaborative effort in this regard.

9. Due account shall be taken of the relevant work of the WCO and other relevant international organizations in this area.

10. Paragraphs 45-51 of the Doha Ministerial Declaration shall apply to these negotiations. At its first meeting after the July session of the General Council, the Trade Negotiations Committee shall establish a Negotiating Group on Trade Facilitation and appoint its Chair. The first meeting of the Negotiating Group shall agree on a work plan and schedule of meetings.

Annex 2 - Donor funding for Trade Facilitation in the Sample Countries

(Not Exhaustive)

Rwanda

Rwanda has benefited from a DFID financed project of £4.3 of which 30% was dedicated to the implementation of ASYCUDA ++, redrafting of the Customs Code as well as other support for the Customs Department. The project has been extended till February 2007 and Rwanda is negotiating a new project that would include a number of trade facilitation elements as well as the establishment of joint border posts with Uganda and Tanzania. In addition, Rwanda will benefit from participation a US \$40+M World Bank financed regional trade facilitation project which will commence in 2006/07.

Egypt

The Egyptian Customs Authority is the beneficiary of a US \$30 million support project of which \$12-15M is dedicated to development of the Customs IT system, with the rest allocated for staff training, review of legal framework and regulations, curriculum development and the development and implementation of new procedures. In addition, a €6 EU-financed TA project, supports improvements in the areas of IT, valuation, rules of origin, risk management, post clearance audit, training, capacity building and web development. The two projects are fully coordinated.

Paraguay

Paraguay has received US \$1.4 m of support from the Inter American Development Bank (including national counterpart financing) focussed predominantly on support to the human resource department for manpower planning, training and work on an integrity enhancement program.

Sri Lanka

The Sri Lanka Customs Department shares in the proceeds of the Asian Development Bank's Fiscal Management Reform project that is designed to benefit mainly the human resource management program. The Millennium Challenge Grant is supporting the compilation and publication of customs regulations that amend the Customs Code.

Senegal

No significant donor support has been provided to the Senegalese Customs Department or any other regulatory agency in recent years.

The Philippines

The BOC has benefited from several donor-financed projects while several others are under discussion. The US AID/Millennium Challenge Account has allocated US \$3.35 million to improve enforcement, enhance compliance through transparent laws and regulations and enhance the professionalism of personnel. The EU has provided a €1.3 million grant to improve border management, a €1.2 million grant to support of risk management, training in customs valuation and human resource development and a €200,000 grant to support ASEAN regional integration initiatives. Japan has allocated or is in the process of allocating about \$12 million in grants to strengthen the intelligence capacity of the BOC (storage and data retrieval), human resource development, and improvement of risk management, customs valuation practices and some infrastructure. Australia has provided several small-scale TA projects and donated AUD \$1.5 million to advance the ASEAN Customs Cooperation Project, with a focus on cargo clearance procedures. In addition, BOC was provided with a \$10 million grant from national resources in support of its e-government project.

