

**Committee on Sanitary and Phytosanitary Measures**

**ADOPTION OF THE STANDARDS AND TRADE DEVELOPMENT FACILITY  
BUSINESS PLAN, CALL FOR PROPOSALS AND 2005 WORKPLAN**

Note by the Secretariat<sup>1</sup>

**Background**

1. The Standards and Trade Development Facility (STDF) grew out of a joint communiqué issued by the Heads of the Food and Agriculture Organization (FAO), World Organization for Animal Health (OIE), World Bank, World Health Organization (WHO) and the World Trade Organization (WTO) at the Doha Ministerial Conference in November 2001. In the communiqué, the five organizations agreed to jointly explore new technical and financial mechanisms for coordination and resource mobilization and to build alliances between standard setting bodies and the implementing and financing agencies so as to ensure the most effective use of technical and financial resources.

2. The STDF was formally established in mid-2002 as a partnership and a Trust Fund with three years of start-up financing from the World Bank and WTO. It brings together five partner organizations each with specific expertise in the domain of SPS standards and trade: FAO, OIE, World Bank, WHO, WTO.

3. The STDF is both a financing and a co-ordinating mechanism. Grant financing is available for private and public organizations in developing countries seeking to comply with international SPS standards and hence gain or maintain market access. Applications are particularly encouraged from stakeholders in Least Developed Countries (LDCs).

**Adoption of STDF Business Plan**

4. On 10 September 2004, the five partner agencies formally adopted a business plan for the STDF. The plan explains in detail the organization and operation of the Facility, including information on project eligibility criteria, project funding possibilities and the project review process. It presents scenarios for the operation of the Facility against which the Facility may be later evaluated. The Business Plan is attached to this note.

5. Governance arrangements for the Facility have been established in the Business Plan. A Policy Committee provides policy and strategy oversight for the STDF, while the Working Group is responsible for the operational functioning of the Facility including review of grant and project applications, approval of projects etc. The involvement of stakeholders, both donors and potential beneficiaries, is key to the successful functioning of the Facility. To this

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<sup>1</sup> This document has been prepared under the Secretariat's own responsibility and is without prejudice to the positions of Members or to their rights or obligations under the WTO.

end, the STDF Secretariat, housed within WTO, will be consulting with stakeholders to ascertain the best way to structure their participation in the STDF's governance bodies.

6. The STDF was established with seed funding of US\$300,000 per year for a three year period from the World Bank's Development Grant Facility (DGF). The WTO also contributed CHF100,000 from the Doha Development Global Trust Fund in 2003 and 2004. The World Bank's DGF funding cannot exceed three years and ends on 30 June 2005. After that date, the Facility must attract financial commitments from other sources to continue. As such, the Business Plan was formally presented to interested donors on 10 September 2004 at a meeting hosted by the Director-General of the OIE, Dr Bernard Vallat, at the OIE's offices in Paris. At the meeting, two European donor agencies made pledges to contribute funding to the STDF. It is hoped that further pledges will follow.

### **Call for Proposals**

7. The STDF provides funds for two types of grants: project preparation grants and project grants.

8. Project preparation grants aim to turn good ideas into projects. Preparation grants for up to US\$20,000 are available for project development. The STDF may also award these grants to revise interesting project proposals from eligible beneficiaries. The project preparation grant aims to act as a bridge between the identification of technical assistance needs and the development of coherent project proposals which may be financed by the STDF or by other donors.

9. The STDF will also fund projects. The size of grants will typically range from between US\$300,000 and US\$600,000. Applicants must assume some of the financial cost of projects, although not of project preparation grants. Applicants from Least-Developed Countries must meet at least 10 per cent of the cost of the project from their own resources, with other developing countries required to fund at least 25% of project cost.

10. Each project will be examined in the light of eligibility criteria explained in detail in Section III of the Business Plan. Project proposals must be sent directly, and preferably in electronic copy, to the STDF Secretariat at the WTO (e-mail: [STDFSecretariat@wto.org](mailto:STDFSecretariat@wto.org)). Proposals must be submitted in the prescribed formats and templates. Application forms are available on the STDF website ([www.standardsfacility.org](http://www.standardsfacility.org)) and are included in the Business Plan.

11. Grants are awarded on a semi-annual basis and applications must be received at least 45 working days before each project review meeting. If an application is received after this date, it will be considered in the next project cycle. The STDF project submission closing dates for consideration in 2005 are:

- **8 December 2004** (45 days before the February 2005 Working Group meeting); and
- **1 July 2005** (45 days before the September 2005 Working Group meeting).

## **2005 WORK PLAN**

12. Activities to be funded as part of the STDF work plan for 2005 can be separated into new activities approved by the Working Group at their meeting of 10 September 2004 and on-going activities approved in 2003 and 2004.

### **A. NEW ACTIVITIES**

#### ***STDF 37: Assistance to Developing Countries in the Implementation of ISPM 15 (Guidelines for regulating wood packaging material in international trade)***

13. The project will be implemented by the IPPC Secretariat in conjunction with a number of collaborating agencies or governments including the Canadian Food Inspection Agency, Canadian Forest Service, United States Department of Agriculture and government experts from Chile, Jamaica, Malaysia, South Africa, Sweden and the United Kingdom. The objective of the project is to facilitate understanding of ISPM No. 15 among developing and least-developed countries so as to ensure implementation of the standard and minimize disruption to trade. The project will focus on three key activities:

- A workshop to provide information and guidance for National Plant Protection Organizations (NPPOs) on implementation of ISPM No. 15, analyze difficulties in implementation and build consensus on how to resolve implementation issues in a consistent manner worldwide. The workshop is tentatively scheduled to take place in Vancouver, Canada on 28 February - 4 March 2005;
- The development of training materials to provide guidance to NPPOs on the implementation of ISPM No. 15; and
- The development of implementation plans for the national implementation of ISPM No. 15 in conjunction with relevant stakeholders, notably the private sector.

14. The project will enhance the capacity of countries and national plant protection officials to set up adequate infrastructure and systems to implement ISPM No. 15. Global implementation in a consistent manner will protect natural resources, decrease the movement of pests harmful to plants and increase countries' market access and their ability to engage in trade.

#### ***STDF 13: Development of a Strategy and Action Plan for Selected African Regions to Enhance Public and Private Sector Capacity in Meeting Sanitary Standards for International Trade of Livestock and Livestock Products***

15. The OIE, in collaboration with the FAO, the World Bank and the OIE's African Regional Representation, will undertake a project to develop regional strategies to enhance African Veterinary Services' and other stakeholders' capabilities to export livestock and livestock products. The project contains the following steps:

- A field review of current capacity in setting and implementing modernized veterinary services, compliant with sanitary standards for international trade according to the SPS Agreement, in selected African Regional Economic Commissions (RECs), with particular emphasis on public-private collaboration;

- A desk review to summarize new initiatives on the strengthening of veterinary services, including public-private partnership in the enforcement of sanitary standards;
- Preparation of draft regional strategies for strengthening public and private capacity to enhance export trade of livestock products, and protect health of domestic livestock resources and public health;
- Policy level workshops in each of two regions, to discuss these strategies;
- Preparation of country specific pilot projects including improvements and modernization of veterinary services and public-private partnerships in each of the two selected zones; and
- Preparation of a toolkit for scaling up SPS animal health standards implementation, including training modules etc.

One of the pilot countries chosen will be an African country having identified animal health issues as a priority action area within the Integrated Framework process. Implementation of the project will begin in 2005.

***STDF 38: Agricultural Health and Food Safety Laboratory Needs Assessment for CARICOM Countries***

16. A project preparation grant has been approved for the CARICOM Secretariat to prepare a project to assess the agricultural health and food safety laboratory needs of countries in the region. The grant will be used to assist the CARICOM Secretariat in the design of a project to strengthen existing regional laboratory capacity and to avoid duplication of resources at national level.

***STDF 26: Cameroon Standards Training***

17. A project preparation grant has been approved by the STDF Working Group to assist the government of Cameroon in the preparation of a project on the basis of technical assistance needs identified in document G/SPS/GEN/401.

**B. ON-GOING ACTIVITIES**

***STDF 14: OIE veterinary capacity evaluation project***

18. The project aims to develop a specific diagnostic tool capable of evaluating the capacity of national veterinary services to meet international zoosanitary obligations in an efficient and sustainable manner. The instrument will measure capacities of various countries through an inventory of the functions and resources available to comply with zoosanitary obligations according to the OIE standards. Progress has been made in the implementation of this project. The OIE has developed the tool in both English and Spanish language versions and applied it to pilot countries in the Americas. The OIE will now apply the evaluation tool to pilot countries in Africa and then make any necessary amendments to the tool. One of the pilot African countries chosen will be a country that has identified animal health as a priority action area within the Integrated Framework process. A number of organizations have already expressed interest in applying the tool elsewhere in the world.

***STDF 20: Country-based plans for SPS-related development***

19. The goal of the project is to facilitate sanitary and phytosanitary (SPS) capacity building in both the private and public sectors. The goal will be achieved by making available a planning methodology responsive to economic objectives and which encourages a cooperative relationship between donors and private and public sector stakeholders in recipient countries. The project will demonstrate in selected countries an integrated approach to planning and executing SPS capacity-building, with special emphasis on enhancement of export market access for agricultural, food, fishery, horticulture and forest products of developing economies. The project was tendered on a restrictive basis and on the basis of bids received a consultancy company has been appointed to undertake the project. Implementation should begin in November 2004 and last 18 months in total.

***STDF 19: Model arrangements for SPS stakeholder involvement at the national level***

20. The project aims to improve SPS-related information flow, as well as information sharing between the public and private sectors, with positive spin-offs for market access. The wider objective of this project is to improve the capacity of stakeholders in the public and private sectors of developing countries to work in an international trading system that applies demanding standards in the area of food safety and animal and plant health. This improvement in institutional capacity should translate into an improvement in export performance. The project was tendered on a restrictive basis and on the basis of bids received a consultancy company has been chosen, but has not yet been appointed to undertake the project. Project implementation should begin early in 2005.

**STDF 9: Model Programme for Developing Food Standards within a Risk Analysis Framework**

21. This project aims to increase the capacity of low income countries to use risk analysis techniques to develop their own food standards; to participate in the Codex standard-setting process; and to understand and comply with, in the development of these standards, international obligations under the relevant WTO agreements. This project will provide a model for implementation of this programme in other regions of the world. The project is partly funded by the STDF and partly funded from FAO sources. Implementation is expected to begin in late 2004 or early 2005.

***STDF 10: International Portal on Food Safety, Animal and Plant Health project***

22. This project builds on existing work by the FAO on the International Portal on Food Safety, Animal and Plant Health. The portal is a powerful source of information on international standards and of national legislation and regulations on food safety, animal and plant health. The aim of this project is to extend the country coverage of the Portal on a pilot basis to one least-developed country and one middle income developing country. The project will be partly funded by the STDF and partly funded from FAO sources. Implementation is expected to begin in late 2004 or early 2005.

***STDF 15: Expanding SPS Capacities at National and Regional Levels***

23. The project has been revised so as to develop a training programme for delegates to the OIE and to deliver this training through the regional offices of the OIE. The training programme will be held back-to-back with WTO regional workshops planned for 2005 and 2006 to ensure that greater coordination is promoted at regional level between STDF partners both in regular activities and in the delivery of technical assistance. Implementation of the project will begin in late 2004.

***STDF 5: STDF Database***

24. In the final quarter of 2003, a database on SPS technical assistance was established. The database can be consulted at <http://stdfdb.wto.org>. The objective of the database is to provide an overview of planned and delivered SPS-related technical assistance; to assist coordination between the partner institutions of the STDF; to enable information sharing between institutions thereby creating opportunities to identify gaps and exploit synergies; and to minimize and/or avoid duplication in the provision of technical assistance. A data collection exercise took place in July 2004 and information harvested is being entered on the database.

***STDF website***

25. A website for the STDF has been established at [www.standardsfacility.org](http://www.standardsfacility.org). In addition to information on the STDF and how to apply, each of the partner organizations has made available their training materials on SPS-related standards. The website is being updated and further materials will be added in 2005 as part of the co-ordination function of the STDF. The website is being progressively made available in French and Spanish language versions.

**ATTACHMENT**

**BUSINESS PLAN**

**STANDARDS AND TRADE DEVELOPMENT FACILITY  
(STDF)**

A joint initiative of the Food and Agriculture Organization, the World  
Organization for Animal Health, the World Bank, the World Health  
Organization and the World Trade Organization



## **EXECUTIVE SUMMARY**

### ***Aim of the Standards and Trade Development Facility (STDF)***

1. The strategic aim of the STDF is to assist developing countries enhance their expertise and capacity to analyze and to implement international sanitary and phytosanitary (SPS) standards, improving their human, animal and plant health situation, and thus ability to gain and maintain market access. In addition to facilitating international trade, SPS capacity building, notably in the area of food safety, can result in improved health conditions for local markets and so favour economic and social development.

### ***What is the STDF?***

2. The STDF grew out of a joint communiqué issued by the Heads of the Food and Agriculture Organization (FAO), World Organization for Animal Health (OIE), World Bank, World Health Organization (WHO) and the World Trade Organization (WTO) at the Doha Ministerial Conference in November 2001. In the communiqué, the five organizations agreed to jointly explore new technical and financial mechanisms for coordination and resource mobilization and to build alliances between standard setting bodies and the implementing and financing agencies so as to ensure the most effective use of technical and financial resources.

3. The STDF was formally established in mid-2002 as a partnership and a Trust Fund with three years of start-up financing from the World Bank and WTO. It brings together five partner organizations each with specific expertise in the domain of SPS standards and trade: FAO, OIE, World Bank, WHO, WTO.

4. The STDF is both a financing and a co-ordinating mechanism. Grant financing is available for private and public organizations in developing countries seeking to comply with international SPS standards and hence gain or maintain market access. Applications are particularly encouraged from stakeholders in Least D-developed Countries (LDCs).

5. Partner organizations may also apply for grant financing for projects which meet a need expressed by a developing country or group of developing countries, which are collaborative (i.e. benefit from the involvement of two or more of the STDF partner organizations); and/or that address gaps in the quality and accessibility of SPS information and/or training materials and/or which have an innovative approach. It is envisaged that as the Facility grows, projects by partner organizations will decline in number in the overall fund.

6. As a co-ordinating mechanism, the STDF acts as a forum for information sharing on the regular activities of the five partners, notably on technical assistance. Sharing of calendars, training materials and data on technical assistance are core co-ordination functions. It is envisaged that as the STDF grows this co-ordination function will expand to include donors so as to provide a forum for sharing best practice in the provision of SPS-related technical assistance.

7. The STDF complements other initiatives by partner organizations and donors aimed at increasing the participation of developing countries in standard setting. As the focus of the STDF is on developing the expertise and capacity to analyse and implement standards, as opposed to participation in the standard-setting process, it neither duplicates nor replaces these initiatives. Furthermore, partner agencies shall ensure that STDF projects do not



duplicate existing regular programme work or technical assistance activities, and ensure synergy between the activities of the STDF and on-going initiatives, such as the Integrated Framework (IF) and the Joint Integrated Technical Assistance Program (JITAP).

### *Demand for the STDF*

8. Developing country demand for SPS-related assistance has risen considerably in recent years. Demand for ever high levels of consumer protection coupled with technological progress (for example in new testing equipment that can detect ever lower concentrations of contaminants and pathogens) is leading to reinforcement of agricultural and food inspection systems in developed country markets. This results in higher costs of entry for countries seeking to diversify away from their traditional raw commodity export base into higher value products such as fisheries products, meat, and horticultural products. It is also raising the commercial risk of rejections for all market players. Furthermore, much of the dynamic of this process is being generated by large commercial buyers in developed markets where food safety, plant and animal protection have become a point of supermarket or brand differentiation. The range and breadth of commercial SPS requirements and the related demand for public regulation is having ever greater impact on market relations and on the competitiveness of suppliers – both in developed and developing countries. Finally, south-south trade in SPS-sensitive products is growing at a rapid rate, creating new commercial opportunities but also challenges in managing SPS requirements.

9. Developing country demand for SPS technical assistance in this highly technical area exceeds existing supply. Replies to questionnaires submitted to the WTO by 35 developing and least-developed countries show a broad range of technical assistance needs in the SPS area. Within the Integrated Framework, "priority actions" in the SPS standards area have also been identified by a number of least-developed countries. Information from partner organizations show similar technical assistance requests across a broad spectrum of developing countries. Furthermore, such demand appears to be on a steady upward curve.

### *Value added by the STDF*

10. The STDF is designed to complement the current and expected future assistance efforts by bilateral agencies, to draw upon and apply important implementation lessons from recent assistance efforts in this field, and to achieve additional improvements in the quality of assistance work through deeper collaboration among major multilateral agencies working in this field.

11. The overwhelming majority of technical assistance in the SPS area is provided on a bilateral basis. Often this bilateral technical assistance is either reactive in nature (e.g. responding to an animal health emergency) or driven by regulatory change in importing countries (e.g. assistance to comply with new import requirements). In this context, the STDF is distinctive in that it is a facility which seeks to address longer term issues of capacity and compliance, rather than concentrating exclusively on short term policy-driven or "fire-fighting" projects. In this respect, the STDF aims to act as a reference point for good practice.

12. Bilateral donors also report difficulties in bringing the appropriate expertise to bear in this highly technical area, both in the preparation and execution of projects. In this respect, the STDF has clear value added. The STDF brings together the standard setting organizations designated by the SPS Agreement as reference bodies in the area of food safety (Codex), plant health (IPPC) and animal health and zoonoses (OIE) either in their own right or through the involvement of their parent organizations. In addition, the STDF benefits from the "trade-rules perspective" of the WTO and the broad development experience of the World Bank. Hence by the very nature of its make-up, the STDF has technical and policy expertise to offer

in project design, evaluation and implementation. As such, the STDF stands to benefit from the experience and skills that each partner brings to the facility.

### ***Mechanisms***

13. The STDF annual work programme will consist of a mixture of project preparation grants and project grants. Project preparation grants up to a maximum of US\$20,000 are available for proposal development. Project preparation grants are a key mechanism in the development of suitable project proposals and aim to bridge the gap between the identification of needs (in such initiatives as the Integrated Framework and JITAP) and their articulation.

14. The Facility will fund projects submitted by eligible beneficiary organizations with no upper limit other than the financial resources of the Facility itself. Grant financing up to 90 per cent of project cost is available for private and public organizations in LDCs and Other Low Income Countries. Applicants in countries that are neither LDCs nor Other Low Income Countries shall provide at least 25 per cent of the project value from their own resources either in the form of financing or staff time. To keep transactions costs related to management of the Facility to a minimum, projects funded will preferably be between US\$300,000 and US\$600,000 in size. Projects shall not normally be longer than 24 months in duration. The STDF has established a target of allocating at least 40 per cent of STDF project funds to LDCs.

15. Independent ex post evaluation of projects financed by the Facility shall be undertaken. The STDF itself shall be evaluated by an external auditor every three years beginning in November 2007. Both the ex post evaluation of projects and external evaluation of the Facility shall be financed as direct project costs from the Facility.

16. Charges for administrative overheads shall not exceed 13 per cent of direct costs. The Secretariat of the STDF will be funded from the levy of administrative overheads. In the fund start-up phase, some Secretariat functions may have to be financed as separate budget items from the STDF. Once the STDF reaches a critical mass in terms of operational funds, these budgetary items shall be subsumed with the administrative overhead charge. The WTO, as administrator of the Fund, may decide to contract out certain of the Secretariat functions to an independent project entity – in particular where it lacks the necessary expertise or human resources.

### ***Future of the STDF***

17. Seed funding from the World Bank's Development Grant Facility (DGF) ends in June 2005. After that date, the Facility must attract financial commitments from other sources to continue. For the Facility to prosper, it must be placed on a more stable and sustainable long-term financial footing. For this purpose, the partners are pursuing the creation of a multi-donor trust fund. Scenarios are presented for operation of the Facility with initial start-up financing of US\$3 million, of US\$5 million and US\$7 million annually.

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## **STANDARDS AND TRADE DEVELOPMENT FACILITY (STDF) – BUSINESS PLAN**

### **I. OVERALL OBJECTIVE AND CONTEXT**

1. The Food and Agriculture Organization (FAO), World Animal Health Organization (OIE), World Bank, World Health Organization (WHO) and World Trade Organization (WTO) are committed to work together to assist developing countries enhance their expertise and capacity to contribute to the development and implementation of international sanitary and phytosanitary (SPS) standards, improving their human, animal and plant health situation, and thus their ability to gain and maintain market access. In addition to facilitating international trade, SPS capacity building, notably in the area of food safety, can result in improved health conditions for local markets and so favour economic and social development. For this purpose, the Standards and Trade Development Facility (STDF) has been established. This business plan underlines the needs of developing countries to build capacity in the areas of food safety, plant and animal health standards, and presents what and how the STDF can contribute to meeting these needs. It also describes the organization and governance of the STDF, its mobilization of resources, and allocation of grants.

#### ***Background to the STDF initiative***

2. At the WTO Ministerial Meeting in Doha in November 2001, the Executive Heads of the FAO, OIE, World Bank, WHO, and WTO issued a joint communiqué committing the institutions to explore new technical and financial mechanisms for coordination and resource mobilization to assist developing countries in the establishment and implementation of appropriate SPS measures. Building on this commitment, work already underway in the five institutions, and developing country demand for enhanced capacity building programs in the areas of food safety, plant and animal health, the STDF was established to facilitate collaboration in enhancing the expertise and capacity of developing countries to implement SPS standards.

3. To establish the STDF, start-up funding of US\$300,000 per annum for a maximum three years ending in June 2005 was approved by the Board of Directors of the World Bank on 27 June 2002. The WTO accepted to serve as the executing institution on 27 August 2002 and committed financial resources (CHF100,000) to the STDF from the Doha Development Agenda Global Trust Fund for the first two years of the Facility's operations.

#### ***What problem does the STDF seek to address?***

4. Developing countries need assistance to develop the expertise and capacity to implement sanitary and phytosanitary standards, particularly for agricultural products destined for international markets. Trade liberalization has reduced tariff barriers, but it has exposed another layer of trade measures, in the form of standards, which can prove just as difficult to surmount for developing country exporters. For example, initiatives such as the US African Growth and Opportunity Act and the EU's Everything But Arms have provided duty free access to producers in many least developed countries. Duty free access does not automatically equate with market access, however, as producers still need to comply with mandatory official sanitary and phytosanitary controls and commercial conditions. Furthermore, both official and commercial requirements are evolving rapidly as a result of competitive forces, changes in consumer attitudes, the role of supermarkets, commercial risks related to food scares, stringent public and private standards, traceability/product tracing and certification requirements that extend right along the production chain. Public and private

capacity in developing countries needs to be strengthened to protect human health, animal health and the phytosanitary situation and to gain and maintain market access.

5. The entry into force of the WTO Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement) in 1995 has brought to light the need for assistance to developing countries. The Agreement itself has also created new challenges and opportunities for developing countries. One particular task is to harmonize sanitary and phytosanitary (SPS) measures on as wide a basis as possible with the standards, guidelines and recommendations developed by the Codex Alimentarius Commission (Codex), the World Animal Health Organization (OIE) and the International Plant Protection Convention (IPPC). Given the institutional and resource constraints of developing countries, this is a tough challenge.

6. However, this process of harmonization of domestic rules with international standards also provides opportunities. The rules-based framework of the SPS Agreement, allied to the standards, guidelines and recommendations of the Codex, OIE and IPPC, creates new means for developing countries to pursue market access opportunities and poverty reduction goals while improving human health, animal health and the phytosanitary situation.

7. Participation in international trade and the application of robust, justifiable SPS controls are not mutually exclusive aims, but rather reinforce each other. International commerce involves potential risks to public health from the entry of unsafe food, risks to animal health from the entry of pests or diseases and unsafe feedstuffs, and to plant life and the environment from the entry of alien invasive species, other pests and diseases. Strong SPS controls not only protect against the possible negative human, economic and biological consequences of disease or pest outbreaks, but also engender confidence among trading partners creating positive spin-offs for trade, health and poverty reduction.

8. Many developing countries are heavily dependent on food, agricultural, forestry and fish products for export revenue. Developing countries are also significant importers of food and agricultural products. As such, science-based SPS controls are an imperative and essential element in both maintaining and expanding market access as well as protecting against the negative human, animal or environmental consequences of sanitary or phytosanitary problems. Developing countries with weak institutional and resource constraints in both the public and private sector can thus not only be marginalized in trade terms, but also leave themselves exposed to sanitary and phytosanitary hazards.

9. By harmonizing SPS legislation with the international standards, guidelines and recommendations of Codex, the OIE and IPPC all countries, but in particular developing

**Examples of developing country weaknesses in management of SPS standards**

Out-dated and incomplete SPS legislation with poor enforcement capacity.

Absence of a "competent authority" recognized by the importing country to implement and certify basic SPS requirements.

Under-funded regulatory agencies lacking skilled staff, appropriate infrastructure and adequate inspection, monitoring and certification capabilities.

Insufficient public-private dialogue and cooperation in standards development, implementation, domestic enforcement and export market strategy.

Lack of technical capacity and available resources to engage in standards development and to assess the technical justification and economic implications of new standards and their application domestically or by export partners.

Absence of national strategy on food safety, animal and plant health combined with ad hoc mechanisms for resource allocation.

Lack of information on export market SPS requirements in both the public and private sector.

Inability to monitor, manage and report data on plant pests and animal diseases. Weak institutional capacity to respond to requests for information on disease and pest prevalence.

Inability to control plant and animal pests and diseases through initiatives such as surveillance, eradication or zoning. Problems in securing international recognition of disease free areas of production.

Problems in sharing responsibilities between the public and private sector

Insufficient awareness of international food standards and poor institutional capacity to implement and enforce these standards, e.g Codex general standard on food hygiene and related hazard analysis and critical control points (HACCP) and to apply good agricultural practice (GAP), good manufacturing practices (GMP), etc.

Weak private sector technological capability, shortage of trained staff, outdated processing, quality and safety systems, poor management of coordinated supply-chains (especially those involving smallholders).

Lack of institutional capacity to engage in market access negotiations, provide data for importing country risk assessments and to exercise rights and obligations under the SPS Agreement.

countries, stand to benefit from levels of SPS protection based on science and from participation in international trade.

10. Adopting standards is not without cost for either developed or developing countries. The decision to implement a new standard has resource allocation, trade and competitiveness implications at government and enterprise levels. These implications are starker in resource constrained environments, for example ministries of agriculture or health in low income countries or small and medium sized enterprises. Developing countries need to be selective in allocating their resources in the SPS area and creative in the linkages they foster between the public and private sector to ensure cost-effective, efficient SPS services. One element to consider in this context is cross-border co-operation and the optimal utilization of resources at regional level. For example, many disease or pest free areas of production can only be maintained through regional coordination. As such, a key component of the STDF work to date and in future is the establishment and application of country and sectoral SPS planning tools to assist in resource allocation questions.

11. Developing country demand for SPS-related assistance has risen considerably in recent years. Demand for ever high levels of consumer protection coupled with technological progress (for example in new testing equipment that can detect ever lower concentrations of contaminants and pathogens) is leading to reinforcement of agricultural and food inspection systems in developed country markets. This re-enforcement of inspection and testing systems is raising the costs of entry for countries seeking to diversify away from their traditional raw commodity export base into higher value products such as processed fish, meat, and horticultural products and raising the risk of rejections for all market players. Furthermore, much of the dynamic of this process is being generated by large commercial buyers in developed markets where food safety, plant and animal protection have become a point of supermarket or brand differentiation. The range and breadth of commercial SPS requirements and the concomitant demand for public regulation is having ever greater impact on market relations and on the competitiveness of suppliers – both in developed and developing countries. Finally, south-south trade in SPS-sensitive products is growing at a rapid rate, increasing new commercial opportunities, but also challenges in managing SPS requirements.

***What SPS technical assistance is currently provided?***

12. In recent years annual expenditure by donor agencies on trade-related SPS programmes have been some US\$65 to 70 million.<sup>2</sup> This level of resource commitment to SPS capacity building appears to be modest in comparison with the total value of food and agricultural products moving in international trade. It is also low in light of the rising level of developing country trade which is encountering import restrictions/detentions and the fact that the management of SPS matters is now emerging as a very essential part of trade competitiveness.<sup>3</sup>

13. Most current capacity-building expenditure is undertaken by bilateral donors/governments. Often this assistance is provided as a response to specific trade problems which have manifested themselves in relation to certain product groups. Assistance in the SPS area also has a payback for the donor country in that the risk of exposure to food borne hazards, plant or animal diseases is reduced by intervention in the exporting country. In contrast, less support has been provided to facilitate south-south trade, in regional SPS capacity-building or to tackle longer term "structural or infrastructural issues". In the absence of a particular trade problem and/or explicit consumer concerns about a particular product

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<sup>2</sup> Based on STDF database data for the period 2001-2003 <http://stdfdb.wto.org>.

<sup>3</sup> Estimated by the World Bank at US\$1.5 billion for middle-income countries and US\$275 million for low-income countries for 2001.

group or a particular risk, bilateral agencies may face problems in committing resources in such a highly technical area, not least because of the difficulties many donors report in recruiting personnel with the necessary skills.

14. Assistance from multilateral institutions is limited in both scope and resources. Of the partner agencies, OIE, WTO and WHO assistance in the SPS area is generally limited to the provision of training workshops to governmental officials in developing countries on topics within their respective mandates. Both the World Bank and FAO provide project and programme assistance to developing countries, but the majority of assistance provided tends to be broader in scope than just SPS, focusing on issues such as agricultural sector strategies, food security, rural employment and environmental protection.

15. Research by the World Bank highlights several lessons from donor experience:

- SPS-related challenges are tending to exacerbate the competitive weakness of small/low income countries in global markets for SPS-sensitive products. LDCs face especially difficult challenges in SPS compliance due to weak infrastructure, limited administrative/scientific capacities, the absence/limitations of a dynamic domestic market, and difficulties in marshalling economies of scale and scope. Such countries are typically overlooked by large international private buyers, due to, for example, the investment required to upgrade systems or because of on-going SPS-related problems. Limited budgetary resources prevent all but the most urgent public expenditures in relation to SPS management systems. Institutional weaknesses in public administration also hamper the identification and articulation of technical assistance needs. Nevertheless, experience demonstrates that well prioritized and implemented SPS capacity-building programs can bring solid results and high returns.
- While some capacity-building measures require significant capital investments, many do not and very substantial gains can be obtained from financially modest investments in the 'soft infrastructure' of SPS management, including farmer and firm awareness, design/training in improved management systems, improved information/surveillance systems, etc. The application of good agricultural and manufacturing practices, of HACCP procedures, and of basic risk management policies in public administration lie at the core of many SPS compliance strategies and supporting their adoption can be a high return investment by donor agencies.
- Many technical assistance projects in the SPS field have directed their attention at either public sector agencies or private entities. Yet, many of the more effective and sustainable interventions have involved assistance for both public and private sector functions and careful attention to linkages between public and private efforts. Collaboration between the public and private sector tends to strengthen the processes of prioritising and sustaining resource allocations, improves accountability and more generally yields the results required by overseas trading partners.
- A variety of past programs illustrate the merits of fostering collaborative approaches and personal networking on a regional or multi-country level. This can speed up and deepen strategic learning and enable the realization of economies of scale and scope both in the performance of certain SPS management functions and in the administration of capacity-building projects.
- The vast majority of SPS capacity-building projects have not included ex ante cost-benefit analysis of interventions and little ex post impact assessment or cost

effectiveness analysis. Part of the explanation for this lack of assessment may lie in the "fire-fighting" or "policy-driven" nature of some of the assistance.

***What value will the STDF add in the search for answers to this problem?***

16. The STDF is designed to complement the current and expected future assistance efforts by bilateral agencies, to draw upon and apply important implementation lessons from recent assistance efforts in this field, and to achieve additional improvements in the quality of assistance work through deeper collaboration among major multilateral agencies working in this field.

17. The partners in the STDF are singularly qualified to assist developing countries in dealing with relevant international standards, guidelines and recommendations for food safety, plant and animal health. The STDF brings together the standard setting organizations designated by the SPS Agreement as reference bodies in the area of food safety (Codex), plant health (IPPC) and animal health and zoonoses (OIE) either in their own right or through the involvement of their parent organizations (WHO and FAO). The World Bank provides both analytical and financial backing to the STDF. Involvement of the WTO brings a "trade rules perspective" to the STDF. As such, the STDF stands to benefit from the experience and skills that each partner brings to the facility.

18. Furthermore, through the involvement of the SPS Committee, which brings together Geneva-based delegates and national experts from the 147 Member countries of the WTO, the STDF has a natural constituency from which to draw support (analytical and financial) and project proposals (over 80 per cent of the WTO Members are developing countries).

19. The STDF does not replace, nor does it compete with either the standard setting work of OIE, IPPC and Codex or the regular technical cooperation activities of FAO, OIE, World Bank, WHO and WTO. Instead, the STDF reinforces and complements these activities by bringing the collective expertise of the five organizations together in one facility with a singular objective: to assist developing countries to acquire the capacity to contribute to the development of, and to meet, international sanitary and phytosanitary standards. The STDF is distinct from other initiatives aimed at fostering increased participation by developing countries in the standard setting process such as the Codex Trust Fund and the IPPC Trust Fund.<sup>4</sup> The STDF will not cover the costs of participation in standard setting activities, but the expertise and capacity gained under the STDF will enhance the ability of developing country participants to effectively contribute to the process.

20. Given its specific focus, the STDF also complements other technical assistance trust funds managed by the WTO which aim to mainstream trade into development policy, notably the Integrated Framework and JITAP. The Integrated Framework for Trade-Related Technical Assistance to least-developed countries (IF) is a multi-agency, multi-donor program that assists least developed countries (LDCs) to expand their participation in the global economy whereby enhancing their economic growth and poverty reduction strategies. The IF program was first mandated by the WTO Singapore Ministerial Conference in December 1996.<sup>5</sup> As of February 2004, Diagnostic Trade Integration Studies (DTIS) had been completed in 13 LDCs. These studies include policy and technical assistance matrices which list measures necessary to mainstream trade into national development plans. Within

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<sup>4</sup> See <http://www.who.int/foodsafety/codex/trustfund/en/> for further information on the Codex Trust Fund and [/www.ippc.int](http://www.ippc.int) for further information on the IPPC Trust Fund.

<sup>5</sup> The participating agencies are [IME](#), [ITC](#), [UNCTAD](#), [UNDP](#), [World Bank](#) and the [WTO](#). See <http://www.integratedframework.org/> for further information on the Integrated Framework.



the SPS area, these matrices have identified a number of policy and technical assistance actions which should be taken.

21. To ensure that STDF adds value to the Integrated Framework, specific SPS policy and technical assistance actions identified in the DTIS matrices will receive priority in STDF project preparation grant proposals and projects. The STDF Secretary will liaise closely with colleagues in the Integrated Framework Secretariat so as to assist in the identification of SPS needs and the development of projects to address these needs. For specific SPS actions identified in the action matrices of IF countries, the partner agency with technical competence in area concerned (food safety, animal or plant health) will be invited to assist in the preparation of an application for a project preparation grant. In this way, the STDF will help bridge the gap between the identification of SPS needs and their realisation.

22. The Joint Integrated Technical Assistance Program (JITAP) is a partnership between the United Nations Conference on Trade and Development (UNCTAD), the WTO and the International Trade Centre (ITC) which aims to enhance development opportunities for sixteen African country partners, through more effective participation in the multilateral trading system. JITAP activities are focused on the most pressing needs of the 16 countries and aim to: (i) build national capacity to understand the evolving multilateral trading system and its implications for external trade; (ii) adapt the national trading system to the obligations and disciplines of the new multilateral trading system; and (iii) seek maximum advantage from the new multi-lateral trading system by enhancing the readiness of exporters. JITAP, Window II of the Integrated Framework and the international financial institutions represent a potential source of funding for projects either too large for the STDF to pick up or with SPS as just one element of a broader approach. As STDF administrator, the WTO will ensure complementarity between JITAP and the Integrated Framework with that of the STDF so as to avoid duplication in project implementation and so as to maximise co-ordination between these activities.

23. In conclusion, the STDF intends to add value in the following ways:

- STDF shall act as a reference point for good practice by implementing demonstration projects with innovative approaches;
- STDF shall address longer term issues of capacity and compliance, rather than involve itself in short term policy-driven "fire-fighting" projects; and
- By nature of its make-up, which includes the standard setting organizations recognised by the SPS Agreement, the STDF has technical expertise and experience to offer in this highly technical area.

## **II. ORGANIZATION OF THE FACILITY**

### ***Structure of the Facility***

24. The international organizations which jointly established the Facility are its members (FAO, OIE, the World Bank, WHO and WTO). Membership of the STDF may be expanded to other partner organizations on the basis of an unanimous decision by the Policy Committee.

25. The trust fund will follow the governance arrangements of the host agency, WTO, and possible further arrangements agreed with donors. Fiduciary responsibilities and arrangements are presented in Annex I.

26. The Facility has the following three main bodies:

- (i) The **Policy Committee**, consisting of high level representatives of the FAO, OIE, the World Bank, WHO and WTO and relevant stakeholders decides on policy and strategy, and is responsible for oversight of activities of the Working Group.
- (ii) The **Working Group**, consisting of representatives of the partner organizations, the standard setting bodies, is responsible for preparing and approving the annual work programme, the approval of grants, approval of the annual report of the Secretariat, the oversight of the Secretariat, and appointment of committees for special tasks.
- (iii) The **Secretariat** of the Facility is located at WTO and is bound by the legal and fiduciary rules of WTO and trust funds that support the Facility's activities.

#### ***Policy Committee***

27. The Policy Committee shall:

- (i) Set policy guidelines and provide policy oversight;
- (ii) Provide guidance on programmes and the Facility's work agenda; and
- (iii) Evaluate reports on progress of the Facility.

28. All decisions of the Policy Committee shall be made by consensus. Meetings of the Policy Committee will be called at the request of one or more of the partner agencies and/or through a decision of the Working Group. Its meetings are hosted on a rotational basis and chaired by the agency which hosts the meeting. The Policy Committee shall seek to develop a broader financial basis for the Facility, through outreach to other donors. Arrangements for the participation of stakeholders in the governance of the STDF will be developed by the Policy Committee.

#### ***Working Group***

29. A technical-level Working Group of representatives of the partner institutions, with participation by Codex and IPPC, will report to the Policy Committee. The responsibilities of the Working Group will include:

- (i) Preparation of the annual work plans;
- (ii) Guiding the development of data bases, training materials, tool kits, etc.;
- (iii) Establishing the criteria for the selection of countries and projects;
- (iv) Review and approval of project proposals;
- (v) Support fund raising activities; and
- (vi) Preparation of reports on progress to the Policy Committee.

30. The STDF Working Group has final responsibility for allocating grants. It will be assisted in this task by the STDF Secretariat.

31. All decisions of the Working Group shall be made by consensus. The Working Group shall normally meet twice a year, with the location of the meetings to be determined on the basis of convenience for the participants.

32. The Working Group shall select a chairman from among its members. The chairmanship shall reside in the agency and be rotated on an annual basis among the partners. The Working Group shall also appoint a vice-chairman who, on the expiry of the chairman's term, shall become chairman.

33. The role of the chairman, or in his or her absence, the vice-chairman is to work with the STDF Secretary in advancing the implementation of the work programme. In particular, he or she will assist in: preparing meeting agendas and responding to official STDF correspondence; preparing the draft work programme of the STDF; representing the Working Group in meetings with donors and other interested parties; and approves the reports of STDF related meetings. The Working Group may appoint advisory committees for special purposes.

#### ***Secretariat of the Facility***

34. Under the overall responsibility of the Policy Committee, the direct responsibility of the Working Group and the administrative responsibility of the WTO, the STDF Secretariat will:

- (i) Assemble and disseminate information and material from all partners involved in the Facility in order to improve inter-agency coordination, including establishment of an ongoing information technology mechanism;
- (ii) Assist the partners in identifying possible projects in the area of food safety, plant and animal health for funding, according to the criteria established by the Working Group;
- (iii) Carry out preliminary review of project proposals submitted for funding and consult with the Working Group chairman on further steps;
- (iv) Assist the members of the Working Group in identifying additional sources of funding of the Facility;
- (v) Provide administrative assistance to the Policy Committee and the Working Group in preparation of these meetings, and perform the function of Secretary at these meetings;
- (vi) Assume responsibility for the accounting and financial tasks needed to administer STDF funding; and
- (vii) Prepare annual reports on the achievements and finances of the Facility and perform other duties as required by the Working Group.

35. The Secretariat of the Facility is located at WTO. WTO appoints the Secretary from its staff to head the Secretariat, and appoints or contracts other staff for the Secretariat as

necessary, funded by the budget of the Facility. The Secretariat is bound by the legal and fiduciary rules of WTO and trust funds that support the Facility's activities.

36. The Secretariat of the STDF shall be funded from the levy of administrative overheads by the administrator of the STDF (the WTO). The overhead charge will not exceed 13 per cent of direct project costs. (Ex post evaluation of projects and independent evaluation of the Facility will be treated as direct project costs in the Facility itself). On the part of the Administrator, the service charge shall cover the costs of management of the STDF, inter alia, provision of Secretariat services, servicing of meetings, reporting and audit functions.

37. The STDF Secretariat is currently operated by one full-time staff member appointed from the WTO Secretariat. Other resources are utilised from within the Budget and Control Section, Agriculture and Commodities Division, Institute for Technical Co-operation and Training, Informatics and Language Services and Documentation of the WTO Secretariat. In accordance with the WTO's commitment to act as Secretariat for the Facility, these resources have been provided without cost to the STDF to date. However, as the STDF moves from its present start-up phase and becomes fully operational so additional resources and expertise will need to be found to support the functions of Secretariat and Administrator of the Facility.

38. Since the Facility is in a start-up phase, the levy of administrative overheads will not cover the costs incurred in running the Secretariat. Therefore, certain of the functions mentioned above will have to be financed as budgetary items from the STDF itself, including, for example, additional staff to manage the STDF. As the Facility grows, so overhead costs shall be progressively subsumed in the overhead charge of 13 per cent, before being fully subsumed, with the exception of ex post project evaluation and independent evaluation of the Facility, once the Facility reaches "critical mass".

39. The WTO, as administrator of the Fund, may contract out certain of the Secretariat functions to an independent project entity. Contracting out may be necessary to ensure that adequate expertise is brought to bear for certain Facility functions.

#### ***Relations with donors***

40. The STDF Secretary will report to the regular meetings of the WTO Committee on Sanitary and Phytosanitary Measures (the SPS Committee) on STDF activities during the Committee's regular meetings each year. The SPS Committee brings together Geneva based delegates, representatives of partner agencies and national experts from WTO Members. It normally meets three times per year.

41. The governance of the STDF shall include representatives of donors contributing funds to the STDF. In addition, it is envisaged that further consultations with interested donors could be held, as necessary, on the margins of the SPS Committee. Other informal consultations with donors will be conducted wherever possible, such as in framework of the OECD Development Assistance Committee, the Poverty Net Agriculture Group or partner agency's donor networks.

42. As a co-ordinating mechanism, the STDF acts as a forum for the sharing of information on the regular activities of the five partners, notably on technical assistance. It is envisaged that as the STDF grows, this co-ordination function will expand to include donors so as to provide a forum for sharing best practice in the provision of SPS-related technical assistance.

*Relations with other stakeholders*

43. The Facility may also periodically organize meetings and workshops of an informative and consultative nature with representatives of the private sector, NGOs working in the field of capacity building and consumer organizations.

### III. OPERATION OF THE FACILITY

#### *Call for proposals*

44. Proposals from eligible organizations for STDF funding will be solicited through notifications on the STDF website ([www.standardsfacility.org](http://www.standardsfacility.org)). Partner agencies may also circulate announcements through their own websites. The WTO will provide regular announcements of calls for proposals through communications to the SPS Committee. Partner agencies can also propose their own project proposals directly to the STDF Working Group.

45. Requests for funding must be made in the format agreed by the Working Group for project preparation grants and project grants (see Annex II). Funding requests must include a detailed budget.

46. The STDF Secretariat will be responsible for keeping records of proposals received. In addition, it will be responsible for ensuring applications for grants and other records are maintained. The FAO, OIE, World Bank, WHO and WTO, will also provide regular notifications of STDF grant applications through their on-going communications with developing country clients.

47. The call for proposals on the STDF website shall list information about how to apply for a project grant. It defines:

- procedures to be followed;
- eligibility of applicants;
- eligibility of applications;
- how preparation grants can be obtained;
- eligibility of expenses to be funded from grants;
- obligations of grantees;
- when and how submissions can be made;
- what formats and templates have to be used for application;
- when and how decisions will be taken;
- how approved projects will be implemented, and how disbursements will take place;
- what reporting and accounting procedures have to be followed;
- intellectual property rights; and
- disclosure.

48. Projects must be submitted in electronic or paper copy to the STDF Secretary in advance of each STDF Working Group meeting. Proposals will only be accepted in one of the three working languages of the STDF (English, French and Spanish). Proposals may be tabled at any point in the calendar year. However, only those proposals tabled no later than 45 working days before a Working Group meeting will be considered at that STDF Working Group meeting. Projects submitted after that date shall be considered at the next meeting of the STDF Working Group. Costs of translation from French and Spanish into English (the working language of the STDF Working Group) will be borne by the WTO Secretariat. Proposals will be circulated to the STDF Working Group in their original language version and when available, in English translation.

***Annual work programme***

49. An annual work programme will be approved by the STDF Working Group at its last meeting in the preceding year. The annual work programme will be established on the basis of approval given by the STDF Working Group to:

- project preparation grants submitted by eligible beneficiary organizations and partners; and
- project proposals submitted by eligible beneficiary organizations and partner organizations.

50. Taken together, these activities will form the annual programme of the STDF. The STDF Secretariat shall have responsibility for managing the annual work programme.

***Project Preparation Grants***

51. Preparation grants up to a maximum of US\$20,000 are available for proposal development. Such grants may also be awarded to assist eligible beneficiaries revise project proposals which the Working Group deems of interest but in need of revision before final approval can be granted.

52. Project preparation grants are a key mechanism in the STDF and address a fundamental constraint on the part of developing countries: notably, the technical and institutional capacity to develop project proposals. For example, in both the country reviews conducted under the JITAP process and the action matrices of the Integrated Framework, priority projects in the SPS area have been identified. The project preparation grant aims to bridge the gap between the identification of needs and their articulation.

53. While the expectation is that project preparation grants would be given for projects which would subsequently be re-submitted to the STDF for funding, this is not an absolute requirement. The main criterion in awarding preparation grants is the likelihood that the project developed may receive funding.

***Project grants***

54. The Facility will fund projects submitted by eligible beneficiary organizations. Grant financing up to 90 per cent of project cost is available for private and public organizations in LDCs and Other Low Income Countries.<sup>6</sup> Applicants in countries that are neither LDCs nor Other Low Income Countries shall provide at least 25 per cent of the project value from their own resources either in the form of financing or staff time. Regional projects including LDCs

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<sup>6</sup> The STDF recognizes as least-developed countries (LDCs) those countries which have been designated as such by the United Nations. There are currently 49 least-developed countries on the UN list: Afghanistan, Angola, Bangladesh, Benin, Bhutan, Burkina Faso, Burundi, Cambodia, Cape Verde, Central African Republic, Chad, Comoros, Democratic Republic of the Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gambia, Guinea, Guinea Bissau, Haiti, Kiribati, Laos, Lesotho, Liberia, Madagascar, Malawi, Maldives, Mali, Mauritania, Mozambique, Myanmar, Nepal, Niger, Rwanda, Samoa, Sao Tome & Principe, Senegal, Sierra Leone, Solomon Islands, Somalia, Sudan, Tanzania, Togo, Tuvalu, Uganda, Vanuatu, Yemen, Zambia. The STDF recognizes as Other Low Income Countries those countries which have been designated as such by the United Nations. They include Armenia, Azerbaijan, Cameroon, China, Ghana, Honduras, India, Indonesia, Kenya, Korea Dem. Rep, Kyrgyz Republic, Moldova, Mongolia, Nicaragua, Nigeria, Pakistan, Tajikistan, Turkmenistan, Viet Nam, and Zimbabwe.

and Other Low Income Countries can benefit from the higher rate of funding (up to 90 per cent). Applications are particularly encouraged from organizations in LDCs.

55. Grant financing is also available for projects submitted by partner organizations for project initiatives which are collaborative (i.e. benefit from the involvement of two or more of the STDF partner organizations or one or more partner organization and one or more other multilateral or regional organization with experience in SPS capacity building), that address gaps in the quality and accessibility of SPS information and/or training materials and/or which have an innovative approach. As the facility grows, such "start-up" projects from partner organizations will decline as a proportion of the overall fund.

***Eligible organizations***

56. The following organizations are eligible to apply for STDF funding:

- (i) Public sector entities with responsibility for SPS measures or policy either in their own right or in co-operation with the private sector (including regional or international bodies). Applications from the public sector must encourage concrete elements of public-private co-operation and consultation. Public and private agencies may enter into a contractual relation to conduct a particular project or activity jointly, e.g. public-private partnership, or public-private cooperation (PPC). Such co-operation assumes by definition that there can be no exclusivity. All interested private sector parties must have an equal chance to participate. The public sector should use a transparent competitive procedure to select a partner or give reasons why this is not necessary (e.g. co-operation with a representative industry organization, or pilot project from which others can benefit). Once a decision is made, allocation of public funds should be transparent and granting of contracts should be limited to cases where accountability standards are audited and met through monitoring and evaluation procedures.

- (ii) Private sector entities and/or partnerships. Eligible private sector entities are:

- legally registered farmers and/or professional service provider organizations;
- legally registered trade and industry associations.

Eligible partnerships are:

- one or more farmers and/or professional service provider organizations with one or more private enterprises and/or trade and industry organizations and/or one or more public sector entities and/or one or more non-profit organizations;
- one or more trade and industry associations with public sector entities and/or non-profit organizations.

Applicants must not have been involved in unlawful activities. Applicants must have the endorsement of the competent governmental authority.

- (iii) STDF partner organizations (FAO, OIE, the World Bank, WHO and WTO).



- (iv) Not for profit non-governmental organizations with expertise in the SPS area operating in developing countries with a partner organization in a developing country. Applicants must have the endorsement of the competent governmental authority (or competent governmental authorities when a project is regional in nature).

57. Applicants must show, to the satisfaction of the Facility, that they are capable of executing the requested project, or include an executing agency which is acceptable to the Facility. For this purpose, applicants will be required to produce a record of achievements and a record of financial probity.

***Eligible projects***

58. To be eligible, projects or project preparation grants must address one of the following three themes:

- **Theme 1: SPS capacity evaluation and planning tools, including the need for and implications of international standards and their application.**
- **Theme 2: Capacity building for public and private organizations, notably with respect to market access.**
- **Theme 3: Information sharing on standards and technical assistance activities.**

59. The theme headings are broad and not mutually exclusive. For example, a project assisting a country to adopt an international standard may have elements for capacity building for public and private organizations.

60. No minimum or maximum limits apply on the size of the projects funded, other than the financial resources of the Facility itself. However, to keep transactions costs related to management of the Facility to a minimum, projects under Theme 1 and Theme 3 will preferably be between US\$150,000 and US\$400,00 in size. Theme 2 projects would preferably be between US\$300,000 and US\$600,000 in size.

61. The main objective of the project must be to (i) enhance capacity to meet official or commercial requirements in the sanitary and phytosanitary field and/or to (ii) better protect human and animal health and plants against disease and pest hazards related to cross border trade. In particular, the proposal should convincingly show that:

- the main effort of the project is to meet one of these objectives, although the project may also address related bottlenecks of market access, human and animal health and plant protection;
- the project addresses necessary and sufficient conditions;
- where possible, project benefits need to be quantified and specified for the final beneficiaries, such as smallholders, other producers, groups having or seeking employment, and consumers;
- the project is a cost-effective contribution to solving obstacles; costs and benefits should be justified against possible alternatives.

62. Proposals must be submitted in the prescribed formats and templates.

63. Projects should not normally be longer than two years in duration.
64. The proposal must show how the results of the project will be made available for possible wider use.
65. The proposal must include a detailed list of activities, cost and cost components and proposed funding. Projects should have clear, measurable outcomes against which an evaluation of their success can be made.
66. Where relevant, the proposal must describe linkage to or coordination with related programmes of donors and international agencies in the country, notably the Integrated Framework, Joint Integrated Technical Assistance Programme and related FAO, WHO and OIE programmes.
67. Where relevant, public and private capacities should be enhanced simultaneously.
68. The proposal must describe the organizational and decision structure for the project.
69. If a project involves the private sector in a country, the proposal should have the endorsement of the Government of the beneficiary country
70. Only activities that would not otherwise be undertaken as part of that STDF partner's normal operations will be financed. The STDF should not substitute for the regular budgetary resources of the partners. Projects submitted by STDF partners must demonstrate the following characteristics:
  - corresponding demand for the project from a developing country or group of developing countries;
  - collaborative project ideas i.e. benefit from the involvement of two or more of the STDF partner organizations;
  - and/or an innovative approach;
  - and/or address gaps in the quality and accessibility of SPS information; and
  - and/or address gaps in available training materials.

***Examples of eligible activities***

71. The table below provides examples of projects that might be financed under each one of the three STDF themes.

<b>Heading</b>	<b>Examples of eligible activities</b>
<p>Theme 1:</p> <p><b>SPS capacity evaluation and planning tools, including the need for and implications of international standards and their application.</b></p>	<ul style="list-style-type: none"> <li>• Development of capacity evaluation and planning tools – sector or country specific.</li> <li>• Support for participatory country or sector specific surveys, including the preparation of action plans.</li> <li>• Support in understanding and use of risk analysis methodologies.</li> <li>• Assessment of impact of proposed commercial standards and new standards implemented by trading partners.</li> <li>• Training for national officials to analyse the implications of SPS standards in development.</li> </ul>
<p>Theme 2:</p> <p><b>Capacity building for public and private organizations, notably with respect to market access</b></p>	<ul style="list-style-type: none"> <li>• Strengthening of public-private dialogue and partnerships in the food safety, animal health and plant health area.</li> <li>• Training and assistance in adapting domestic legislation to international standards and commercial market requirements.</li> <li>• Training in contracting for private and public sector organizations engaged in the implementation of SPS standards.</li> <li>• Establishment and maintenance of disease and pest surveillance databases and reporting systems.</li> <li>• Support to improve institutional capacity to engage in market access negotiations related to food safety, animal health and plant health.</li> <li>• Applied research for developing good agricultural practice, good laboratory practice and good manufacturing practice.</li> <li>• Advisory services and training of staff in the fields of food safety, animal or plant health.</li> <li>• Strengthening farmers organizations and/or professional service provider organizations, and trade and industry organizations in contributing to better management of SPS standards.</li> <li>• Analytical support to identify potential markets and their SPS requirements, including collecting data for risk analysis.</li> <li>• Support in achieving international recognition of disease freedom – technical, legal and institutional aspects.</li> <li>• Applied research for analyzing, assessing and solving SPS obstacles to gaining and maintaining market access.</li> <li>• Feasibility studies for important investments, such as establishment of pest and disease free zones, or sanitation and quarantine systems.</li> </ul>

Heading	Examples of eligible activities
<p>Theme 3:</p> <p><b>Information sharing on standards and technical assistance activities</b></p>	<ul style="list-style-type: none"> <li>• Collection of SPS training materials.</li> <li>• Maintenance of database on SPS-related technical assistance activities.</li> <li>• Analysing information on official and commercial SPS requirements.</li> </ul>

Projects whose main objective is to address environmental or labour standards will not be funded by the STDF. In addition, STDF will not provide funding for buildings, vehicles or major equipment items, with the qualified exception of information technology and laboratory equipment.

### *Project Approval Process*

72. The project review process shall contain five steps. These steps are elaborated in the figure overleaf.

73. Projects shall be subject to review at three stages:

- On receipt by the STDF Secretary (step 2);
- By an STDF partner with expertise in the project subject and/or by an independent expert/consultant (step 3); and
- By the STDF Working Group (step 4).

74. All projects shall pass through the steps elaborated above. Review at step 3 may be accompanied by a site visit to an eligible beneficiary organization if deemed necessary.

75. All reviews at step 3 shall be conducted prior to each Working Group meeting. To enable this process to function properly, all proposals must be submitted to the STDF Secretariat at least 45 working days before each STDF Working Group meeting.

76. The reviewers at step 3 shall base their evaluation of project proposals on at least the following considerations:

- (i) verification of the eligibility of the applicant;
- (ii) verification of the technical and professional capacity of the applicant to undertake the actions described in the project proposal;
- (iii) a technical evaluation of the proposal to judge its feasibility, practicability and sustainability, assessment of the likelihood that the project will achieve its expected outcome and impact;
- (iv) an assessment of the development dimension of the project, in particular any measurable impacts on market access, the SPS situation, and poverty reduction;

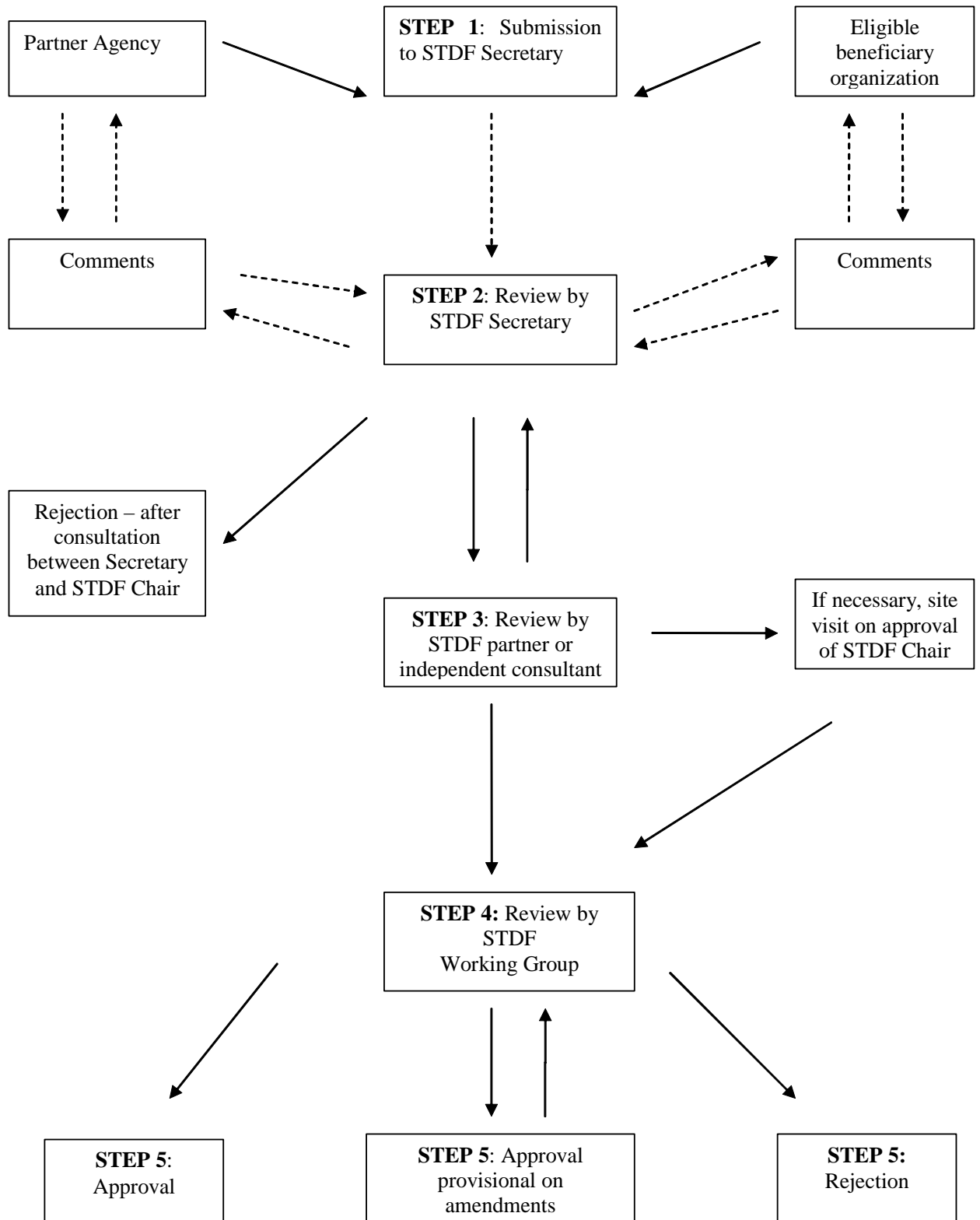
- (v) linkages to bilateral or multilateral donor programmes (for example the Integrated Framework, JITAP etc.)
- (vi) verification against needs identified through partner agency national programmes;
- (vii) financial analysis of the project budget; and
- (viii) verification of supporting documentation on the financial and economic standing of applicants.

77. For applications from STDF partner organizations, the STDF Secretariat may appoint independent external consultants/experts to evaluate whether or not the project (i) corresponds to a request from a developing country or group of developing countries; (ii) is collaborative in nature (i.e. benefits from the involvement of two or more of the STDF partner organizations); (iii) and/or addresses a gap in the quality and accessibility of SPS information; or (iv) and/or addresses gaps in available training materials; (v) and/or has an innovative approach to capacity building.

78. More detailed review procedures shall be elaborated by the STDF Working Group as the Facility evolves over time on the basis of experience and input from partners and donors. One particular aspect to which attention will be given is ensuring that projects meet not just the technical specifications required, but also include a development dimension, e.g. a measurable impact on market access, the sanitary and phytosanitary situation and poverty reduction.

79. The Working Group shall only consider for funding those projects supported in principle by the reviewer. All comments made at step 3 must be answered to the satisfaction of the STDF Working Group by the organization proposing the project prior to a final decision to allocate funds.

**PROJECT REVIEW PROCESS**



80. The STDF Working Group may only approve projects within the limit of the financial resources of the Facility for that year's operations (including funds carried over from previous years).

81. The STDF Working Group shall review projects in the following order:

- (i) Projects resubmitted from previous STDF Working Group meetings;
- (ii) Requests for project preparation grants;
- (iii) Projects from or benefiting eligible organizations in LDCs;
- (iv) Projects from partner organizations; and
- (v) Projects from or benefiting eligible organizations in non-LDC countries.

82. Projects within each category shall be examined according to the date of their receipt by the STDF Secretary, with those received the farthest in advance of each meeting being examined first.

83. This review procedure will ensure that projects from LDCs are given preference by the STDF (as well as a lower project cost sharing formula).

84. After review, the Working Group will formally decide on those projects which shall be funded by the STDF in any one calendar year. In the event the financial resources of the Facility are insufficient to fund all the projects positively reviewed, the Working Group shall decide on those projects to be funded on the basis of quality, replicability and probable impact. The Working Group shall aim to devote at least 40 per cent of Facility project resources to beneficiaries in LDCs. This target figure will be evaluated in the review of the Facility. In publicising the STDF, special effort shall be made to stimulate project applications from LDCs.

***Tasks of the STDF Secretariat in grant allocation***

85. The STDF Secretariat shall have the following tasks:

- Advise and inform possible applicants about all requirements for submission and criteria used for evaluation of projects;
- Acknowledge receipt of applications;
- Verify if all project proposals meet the technical requirements. Minor deficiencies may be addressed by the STDF Secretary in consultation with the applicants. In the case of major deficiencies, proposals will be returned to the applicants for further work;
- Organize the review of all projects proposals, including proposals submitted by STDF partner agencies;
- Prepare advice for decision making by the Working Group;
- Follow-up on decisions of the Working Group for adjustments of projects;
- Draw up contracts with successful applicants;

- Organize the publication of tenders on the STDF website and the websites of partner agencies responsible for the project tender; and
- Ensure publication of all information on the STDF website about projects approved and findings from the execution of these projects.

### ***Monitoring and Evaluation of Projects***

86. The systematic monitoring and evaluation of projects undertaken by the Facility is one way in which information can be disseminated about the relative effectiveness of different approaches to SPS capacity building. Monitoring and evaluation of projects shall be undertaken as follows:

- The executing agency or eligible beneficiary organization shall ensure quality control, consistency of objectives, and other criteria as outlined in the STDF guidelines.
- The STDF Secretary shall arrange for ex post evaluation of all projects under Theme 2 financed by the STDF. Evaluation shall be by independent consultants and financed by the Facility. The basis for evaluation of the project shall be the activities and outputs described in the project document – in particular, a measurable impact on market access, improved SPS situation and poverty reduction.
- The STDF Secretary shall arrange for ex post evaluation of projects over US\$200,000 in size financed by under Themes 1 and 3. Evaluation shall be by independent consultants. The basis for evaluation of the project shall be the activities and outputs described in the project document.

87. For projects implemented by eligible beneficiary organizations, the contract between the Administrator and that organization shall include reporting obligations such as an inception report, project progress report, draft final report and final report. For projects with an executing partner agency, the representative of that partner shall report at each STDF Working Group on implementation of the project.

88. Successful applicants have the obligation to make all information available to the Executing Agency and/or the Facility on techniques, methods, procedures, and information for better managing SPS market requirements developed with the help of the grant. Company specific commercial information will be exempt from this requirement.

### ***Monitoring and Evaluation of the Facility***

89. The operation of the STDF will be evaluated by the STDF Working Group on an annual basis. The STDF Secretary will prepare a report for evaluation at the first meeting of the Working Group in each new financial year.<sup>7</sup> The report will be based on (a) implementation of the tasks foreseen in the annual plan for the operation of the STDF and (b) the evaluation reports submitted by Executing Agencies on individual projects.

90. The STDF shall be evaluated by an external auditor every three years. The operation of the Facility shall be audited against the scenarios outlined in section V. After circulation to the Working Group, the evaluation shall be made available in a public document circulated

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<sup>7</sup> In accordance with WTO rules, the STDF financial year is the calendar year.



through the SPS Committee. The first evaluation of the STDF by an external auditor shall be no later than November 2007.<sup>8</sup>

#### IV. FACILITY OPERATION SCENARIOS

91. The STDF is currently in a "start-up phase". Seed funding of US\$300,000 per year has been provided by the World Bank from its Development Grant Facility (DGF). The WTO has also contributed CHF100,000 from the Doha Development Global Trust Fund in 2003 and 2004. However, the World Bank's DGF funding cannot exceed three years and ends on 30 June 2005. After that date, the Facility must attract financial commitments from other sources to continue. For the Facility to prosper, it must be placed on a more stable and sustainable long-term financial footing.

92. This section outlines various scenarios for the operation of the Facility. The scenarios offer a benchmark against which the operation of the STDF may be evaluated by an external auditor and by the Working Group.

93. The scenarios examined below correspond to donor contributions to the Facility totalling on average US\$3 million, US\$5 million and US\$7 million per year. The three scenarios have been termed low, medium and high case scenarios for ease of reference.

94. In each scenario, the principal financial item would be the disbursement of project grants. The majority of expenditure (between 52-55 per cent of total fund resources) would be targeted at Theme 2 (capacity building for public and private organizations, notably with respect to market access). Approximately 20 per cent of total fund resources would be allocated to Theme 1 (SPS capacity evaluation and planning tools, including the need for and implications of international standards and their application). Expenditure under Theme 3 (information sharing on standards and technical assistance activities) would grow in financial terms, but decline in importance in relative terms as the facility grows (from 10 per cent in the low case scenario to 7 per cent in the high case scenario). Each scenario is set out in the table below.

**Table: Indicative Allocation of Facility Resources Under Different Scenarios**

	<b>Low case</b>	<b>Medium case</b>	<b>High case</b>
<b>Project preparation grants</b>	<b>US\$100,000</b>	<b>US\$160,000</b>	<b>US\$240,000</b>
<b>Project grants</b>	<b>2,473,867</b>	<b>4,129,779</b>	<b>5,752,190</b>
<i>Theme 1:</i> SPS capacity evaluation and planning tools, including the need for and implications of international standards and their application	600,000	1,000,000	1,500,000
<i>Theme 2:</i> capacity building for public and private organizations, notably on market access	1,573,867	2,729,779	3,752,190
<i>Theme 3:</i> information sharing on standards and technical assistance activities	300,000	400,000	500,000
Ex post project evaluation	<b>81,000</b>	<b>135,000</b>	<b>202,500</b>

<sup>8</sup> An evaluation of the STDF shall be conducted by the WTO in accordance with the terms agreed with the World Bank for the transfer of DGF funding. This review must be conducted no later than 30 April 2006.

<b>Sub-total</b>	<b>2,573,867</b>	<b>4,289,779</b>	<b>5,992,190</b>
Administrative overhead (13%)	<b>345,133</b>	<b>575,221</b>	<b>805,310</b>
<b>Total</b>	<b>3,000,000</b>	<b>5,000,000</b>	<b>7,000,000</b>

95. Although small in financial terms in the total allocation of fund resources (approximately 3.5 per cent), project preparation grants are expected to play an important role, particularly in ensuring that LDCs derive maximum benefit from the Facility. For example, various needs in the SPS field have been identified through the Integrated Framework and JITAP needs assessment exercises. It is envisaged that such needs identified by countries could be developed into projects. The allocation of resources to project preparation grants is constrained only by the transaction costs of disbursing small sums of money (the funding limit is US\$20,000).

96. As outlined in paragraph 61, projects funded under each of the three themes will normally be in the range of US\$150-400,000 under Themes 1 and 3 and US\$300-600,000 under Theme 2. For the three scenarios below, the average size of project is assumed to be approximately US\$300,000 for Theme 1 and approximately US\$500,000 under Theme 2. Under Theme 3 the average size is assumed to be between US\$200,000 and US\$300,000. It is assumed that all the projects financed would be subject to ex post evaluation. A charge of US\$15,000 per project is assumed for each ex post evaluation.

#### *Low case scenario*

97. In the low case scenario, a total of approximately US\$2.57 million would be devoted to project expenditure. Project preparation grants totalling US\$100,000, or 5 project preparation grants, would be disbursed. US\$2.47 million would be allocated to projects. In terms of project implementation this could mean:

- Under Theme 1, expenditure would total US\$600,000 or the implementation of 2 projects.
- Under Theme 2, US\$1.57 million would be devoted to a total of 3 projects.
- Under Theme 3, US\$300,000 would be allocated to one project.

98. Overall, a total of 5 project preparation grants and 6 projects would be implemented. Assuming the Facility meets its target to allocate at least 40 per cent of project resources to LDCs, a total of approximately US\$988,000 or 2 or 3 out of the total of 6 projects would be allocated to LDCs.

#### *Medium case scenario*

99. In the medium case scenario, a total of approximately US\$4.29 million would be devoted to project expenditure. Project preparation grants totalling US\$160,000, or 8 project preparation grants, would be disbursed. In addition, US\$4.13 million would be allocated to project expenditure. In terms of project implementation this could mean:

- Under Theme 1, expenditure would total US\$1 million or 3 projects.
- Under Theme 2, US\$2.73 million would be devoted to a total of 5 projects.
- Under Theme 3, US\$400,000 would be allocated to 2 projects.

100. Overall, a total of approximately 8 project preparation grants and 10 projects would be implemented. Assuming the Facility meets its target to allocate at least 40 per cent of project resources to LDCs, a total of approximately US\$1.72 million or approximately 4 out of a total of 10 projects would be allocated to LDCs.

***High case scenario***

101. In the high case scenario, a total of approximately US\$5.99 million would be devoted to project expenditure. Project preparation grants totalling US\$240,000, or 12 project preparation grants, would be disbursed. In addition, US\$5.75 million would be allocated to project expenditure. In terms of project implementation this could mean:

- Under Theme 1, expenditure would total US\$1.5 million or 5 projects.
- Under Theme 2, US\$3.75 million would be devoted to a total of 8 projects.
- Under Theme 3, US\$500,000 would be allocated to 2 projects.

102. Overall, a total of approximately 12 project preparation grants and 15 projects would be implemented. Assuming the Facility meets its target to allocate 40 per cent of project resources to LDCs, a total of approximately US\$2.40 million or 6 out of a total of 15 projects would be allocated to LDCs.

***Facility Evaluation Criteria***

103. The three scenarios outlined above provide a basis on which to conduct an external evaluation of the operation of the Facility. Criteria for evaluation of the Facility will be agreed by the Working Group in consultation with donors, but it is expected to include:

- Utilization of Facility resources for project delivery;
- Impact of projects implemented in terms of market access, improved SPS situation and poverty reduction;
- Allocation of Facility projects resources to LDC beneficiaries (achievement of the at least 40 per cent target); and
- Effective operation of the Facility by the STDF Secretariat.

## **ANNEX I: FIDUCIARY RESPONSIBILITIES**

1. The WTO hereby formally establishes a Trust Fund (hereinafter referred to as "the Fund") under the financial regulations and rules of the WTO for the receipt and administration of funds and for mobilising resources needed to enhance the programme activities of the Standard and Trade Development Facility in the area of SPS (hereinafter referred to as "the STDF").

2. The WTO will serve as the executing institution to administer the STDF and as the Administrator of the Fund. The Fund shall provide a central point for the deposit of contributions to the STDF. Financial resources pledged to the Fund will be managed by the WTO as the Administrator of the Fund. All WTO standard rules, regulations and procedures will be applied to management reporting and financial management and accounting related to the Fund.

3. The STDF Working Group will designate one or several executing agencies (hereinafter referred to as "Executing Agency") for the implementation of each activity financed under the Fund or alternately, projects will be executed solely by the eligible applicant or applicants.

### **Contributions to the Fund**

4. Contributions to the Fund may be accepted by WTO from Governments of Member States of the United Nations, from Specialised Agencies or from intergovernmental or non-governmental organisations.<sup>9</sup>

5. The Administrator may accept contributions in cash to the Fund in fully convertible currency or in any other currency which the Administrator determines can be readily utilised. Such contributions shall be deposited into bank accounts designated by WTO.

6. The value of a contribution-payment, if made in other than Swiss Francs, shall be determined by applying the United Nations operational rate of exchange in effect on the date of payment.

7. All financial accounts and statements shall be expressed in Swiss Francs.

### **Utilisation of the Fund**

8. Applications may be made for project grants or for project preparation grants. Project preparation grants may be made up to a maximum of US\$20,000. Details of such projects or project preparation grants, including the respective budgets, shall be as set out in the relevant application documents. Applicants from developing countries will be provided with grant financing up to a threshold limit of 75 per cent of project value. Applicants from LDCs or Other Low Income Countries will be provided 90 per cent grant financing.

9. In accordance with decisions and directives of the WTO General Council, overhead costs will not exceed 13 per cent of direct costs. On the part of the Administrator, the service charge shall cover the costs of management of the STDF, provision of Secretariat services, project monitoring, servicing of meetings, reporting and audit functions. The overhead costs of the Executing Agency shall cover all costs related to the implementation of the project by that Agency.

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<sup>9</sup> According to the WTO Guidelines on the Acceptance of Contributions, Gifts or Donations from Non-government Donors (document WT/L/386).

10. Overhead costs for administration of the Fund and project execution will not cover either ex post evaluation of projects or independent evaluation of the operation of the STDF. Separate provision shall be made from the Fund for these items.

11. All costs of participation in Policy Committee and Working Group meetings shall be borne by the partner agencies. The costs of participation of the Secretary of the STDF shall be borne by the STDF Trust Fund.

12. Any interest income derived from contributions to the Fund shall be credited to the Fund in accordance with the applicable WTO regulations, rules and practices.

### **Administration of the Fund**

13. The Fund shall be administered by the WTO in accordance with the applicable WTO rules and regulations.

14. Project management and expenditures shall be governed by the regulations, rules and practices of the WTO and, where applicable, the regulations, rules and directives of the Executing Agency.

### **Implementation and Budgeting of Funds**

#### *i. Project implemented by a STDF partner*

15. The Executing Agency shall have sole responsibility for the projects it implements once they have been approved by the STDF Working Group.

16. On the basis of the budget approved by the STDF Working Group for the project, the Administrator shall transfer from the Fund to the Executing Agency the agreed amount, including overheads or administrative costs. In case of projects having a lifespan of more than one year, the transfer will be broken down by year, according to the funding requirements in each year. The first such transfer shall occur after the approval of the project by the STDF Working Group, and the subsequent transfer at the beginning of the following year thereafter.

17. The Executing Agency shall make available to the Administrator all relevant factual and financial information, including a yearly statement of account, concerning the approved projects implemented under its responsibility. The accounting period of reference will be the calendar year.

18. All declared expenses in the yearly statement of accounts will be supported in the bookkeeping records of the Executing Agency by original documents (invoices, vouchers, contracts, order forms, tickets, etc.).

19. Interests earned on the funds provided by the Fund shall be identified as such and shown in the financial reports and statements of account.

20. The accounts presented by the Executing Agency to the Administrator shall follow the format and contain at least the same level of details as in the budget approved for a particular project. The Executing Agency shall stand ready to answer the questions of the Administrator on these accounts, and to provide a copy of supporting documents as needed.

21. In consultation with the Executing Agency, the Administrator may decide to give a specific mandate to the external auditor of the Executing Agency for the control of the

expenses incurred under a particular project. In such a case, the Fund shall bear the cost of the audit.

22. The aggregate of the amounts budgeted for the projects together with any estimated payments in respect of support services shall not exceed the total resources available to the Fund.

23. If unforeseen increases in commitments or expenditures occur (whether due to inflationary factors, fluctuation in exchange rates or unforeseen contingencies), after consultation with the Executing Agency, the assistance to be provided under the Fund may be reduced, suspended or terminated by the Administrator.

24. Upon expiration or termination of a project, the Executing Agency shall reimburse to the Fund any unused balance within three months, unless otherwise agreed with the Administrator.

*ii. Project implemented by an eligible beneficiary*

25. Where projects are implemented by an eligible beneficiary, a contract shall be agreed between the Administrator and the eligible beneficiary. The contract, based on the approved project proposal, shall define the implementation activities and budget disbursement of both parties. It is envisaged that budget disbursement shall be on the following terms: 40 per cent on signature of the contract, 40 per cent of production of the draft final report and 20 per cent on production of the final report.

26. The Eligible Organization shall make available to the Administrator all relevant factual and financial information upon request, including all accounts concerning the approved projects implemented under its responsibility and its yearly statement of account.

27. All declared expenses in the project accounts will be supported in the bookkeeping records of the Executing Agency by original documents (invoices, vouchers, contracts, order forms, tickets, etc.).

28. The accounts presented by the eligible beneficiary to the Administrator shall follow the format and contain at least the same level of details as in the budget approved for a particular project. The eligible beneficiary shall stand ready to answer the questions of the Administrator on these accounts, and to provide a copy of supporting documents as needed.

29. The Administrator may decide to give a specific mandate to an external auditor for the control of project expenses incurred. In such a case, the Fund shall bear the cost of the audit.

30. The aggregate of the amounts budgeted for the project together with any estimated payments in respect of support services shall not exceed the total resources available to the Fund.

31. If unforeseen increases in commitments or expenditures are expected or realised (whether due to inflationary factors, fluctuation in exchange rates or unforeseen contingencies) the assistance to be provided under the Fund may be reduced, suspended or terminated by the administrator.

32. Upon expiration or termination of a project, the eligible beneficiary shall reimburse to the Fund any unused balance within three months, unless otherwise agreed with the Administrator.

### **Ownership of Equipment, Supplies and other Property**

33. Ownership of equipment, supplies and other property financed from the Fund shall vest in the Executing Agency. Matters relating to the transfer of ownership by the Executing Agency shall be determined in accordance with its applicable policies and procedures.

### **Audit**

34. The Fund shall be subject exclusively to the internal and external-auditing procedures provided for in the financial regulations, rules and practices of WTO.

### **Reporting**

35. The Administrator shall report to the STDF Policy Committee through the Working Group on the financial operation of the Fund.

36. The Administrator shall provide to the STDF Policy Committee through the Working Group an annual report prepared in accordance with WTO accounting and reporting procedures. The annual report shall provide information on income and expenditure incurred during the previous year.

### **Other Matters**

37. Notwithstanding the completion of the projects financed from the Fund, any unutilised balances shall continue to be held in the Fund account until all commitments and liabilities incurred in implementation of the projects have been satisfied and project activities have been brought to an orderly conclusion.

38. The Fund shall terminate upon completion of all projects identified pursuant to this Agreement and after satisfaction of all commitments and liabilities arising there from. Any balance then remaining shall be disposed of by the WTO in consultation with the donor(s).

39. Upon approval of a project by the STDF Working Group, when necessary the STDF Secretariat will prepare a grant agreement to be signed by the grantees. The grant agreement will specify the obligations of the grantee, which will normally include:

- Requirements for project administration;
- Periodic reporting of progress;
- Financial reporting;
- Auditing and evaluation;
- To make request for disbursements following prescribed formats and procedures;
- Obligations to provide information on request and to provide full access to financial administration; and
- Obligation of repayment of all funds unused or used for activities and costs not included in the grants agreement.

### **Intellectual property rights**

40. All techniques, methods, procedures, and information for better managing SPS market requirements developed with the help of the grant shall be in the public domain. The grantee shall not seek intellectual property rights on any of these, and any property rights on these that may emerge as a result of the project will be owned by the Facility and/or the STDF partner agencies.



**ANNEX II: FACILITY APPLICATION FORMS**

**GRANT APPLICATION FORM**

1. Project title	
2. Requesting government/agency or private body	
3. Collaborating government(s)/agency	
4. Project objectives <u>Attach</u> description of project background and rationale.	
5. Project activities Itemise main elements here and <u>attach</u> a detailed work plan, dissemination plan and evaluation plan.	
6. Private/public sector co-operation Detail the arrangements for public/private sector co-operation, if any, in the project.	
7. Partner institutions involved If appropriate, identify STDF partner institutions who will be involved and describe the nature of that involvement.	
8. Project outputs Specify outputs clearly and in detail and show relationship to key STDF objectives including capacity enhancement, improved market access and trade opportunities, poverty reduction, linkages to country or regional program development priorities, public-private co-operation, innovativeness, demonstration effects, etc.	
9. Project Impact Specify the expected impact the project will have on market access, the SPS situation and poverty reduction. Identify how the project will fit with existing bilateral or multilateral donor projects and programmes, examine the sustainability of the proposed action and, where possible, suggest where the project may be replicated	
10. Project inputs Specify total project cost. <u>Attach</u> detailed breakdown of proposed uses of funds.	
11. Non-STDF contributions If appropriate specify any financial contributions expected from sources other than STDF.	
12. Timetable Show proposed commencement and conclusion dates (maximum project duration two years)	

### PREPARATION GRANT APPLICATION FORM

1. Prospective project title	
2. Requesting government/agency or private body	
3. Collaborating government(s)/agency	
4. Project objectives Describe the objectives of the proposed project in general terms. <u>Attach</u> description of project background and rationale.	
5. Preparation activities Describe the means by which the project proposal is to be prepared e.g. in-house activity, consultant study, etc.	
6. Private/public sector co-operation Detail the role, if any, that will be played by the private sector in the preparation of the project	
7. Partner institutions involved If appropriate, identify STDF partner institutions who will be involved and describe the nature of that involvement.	
8. Preparation project inputs Specify total cost of preparing project proposal (maximum US\$20,000). <u>Attach</u> breakdown of proposed uses of preparation grant funds.	
9. Non-STDF contributions If appropriate specify any financial contributions expected from sources other than STDF.	
10. Timetable Show proposed commencement and conclusion dates (maximum duration of preparation phase six months?)	

**ANNEX III: OPERATION OF THE STANDARDS AND TRADE DEVELOPMENT  
FACILITY AND WORKPLAN FOR 2004**

**WORLD TRADE  
ORGANIZATION**

G/SPS/GEN/486  
20 April 2004

(02-0000)

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**Committee on Sanitary and Phytosanitary Measures**

**OPERATION ON THE STANDARDS AND TRADE DEVELOPMENT FACILITY (STDF)  
AND WORK PLAN FOR 2004**

Note by the Secretariat<sup>10</sup>

1. The Standards and Trade Development Facility (STDF) is a joint initiative of the FAO, OIE, World Bank, WHO and WTO. The STDF grew out of the Doha WTO Ministerial meeting held in Qatar in November 2001 at which the heads of the five organizations committed themselves to work together to strengthen the capacity of developing countries in meeting SPS standards. From this joint commitment, the STDF was launched in September 2002.
2. The strategic aim of the STDF is to assist developing countries enhance their capacity to meet international sanitary and phytosanitary (SPS) standards, improving their human health, animal health and phytosanitary situation, and thus gaining and maintain market access. In addition to facilitating international trade, SPS capacity building, notably in the area of food safety, can result in improved health conditions for local markets and so favour economic and social development.
3. The STDF is both a financing and a co-ordinating mechanism. Grant financing is available for private and public organizations in developing countries seeking to comply with international SPS standards and hence gain or maintain market access. Applications are particularly encouraged from stakeholders in least-developed countries. The STDF annual work programme will consist of a mixture of project preparation grants and projects.
4. At the present time, the STDF is in a "start-up phase". Seed funding of US\$300,000 per year has been provided by the World Bank from its Development Grant Facility (DGF). The WTO has also contributed CHF100,000 from the Doha Development Global Trust Fund in 2003 and 2004. However, the World Bank's DGF funding cannot exceed three years and ends on 30 June 2005. After that date, the Facility must attract financial commitments from other sources to continue. For the Facility to prosper, it must be placed on a more stable and sustainable long-term financial footing.
5. To attract funding for the Facility and to strengthen the operation of the STDF, the partners have drafted a Business Plan. The Business Plan explains in detail the organization of the Facility, its mechanisms and related eligibility criteria. Once approved by partner agencies, this document will be circulated to donor agencies.

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<sup>10</sup> This document has been prepared under the Secretariat's own responsibility and is without prejudice to the positions of Members or to their rights or obligations under the WTO.

6. To date, few proposals have been received from outside the partner institutions of the STDF.<sup>11</sup> Therefore, projects undertaken have been those tabled by the partner agencies. This situation is not expected to continue. It is envisaged that as the Facility grows, projects tabled by the partners will decline in number and financial importance in the overall fund.

7. Once the Business Plan is approved the partners can be more pro-active in bringing the Facility to the attention of potential applicants through:

- the STDF Website [www.standardsfacility.org](http://www.standardsfacility.org) (now available in English, French and Spanish language versions);
- information provided to Geneva-based missions and national experts through the SPS Committee; and
- input in regular technical assistance activities of the partners (e.g. such as WTO regional workshops and national seminars and equivalent activities of other partner agencies).

8. As of April 2004, financing of approximately US\$380,000 was available for projects between 1 July 2004 and 30 June 2005. Growth in the number and nature of activities undertaken depends on the level of financing provided by donors.

9. Two key areas stand out as priority areas for future activities.

#### ***Building on needs identified in the Integrated Framework and JITAP processes***

10. Various needs in the SPS field have been identified through the Integrated Framework and JITAP needs assessment exercises. It is envisaged that needs identified by countries could be developed into projects. For example, in the Integrated Framework action matrices of several African countries a number of activities have been identified in the animal health sector such as recognition of disease freedom, improvement of information on the livestock sector both for disease control and commercial operators and penetration of export markets in neighbouring countries. It is envisaged that such needs could be addressed either through the development of projects using the project preparation grant or through project proposals from partner organizations.

#### ***Utilising SPS capacity evaluation and planning***

11. Capacity evaluation tools have been developed in the plant health area by IPPC and in the food safety area by Codex and are in development, through STDF funding, for the animal health sector by OIE. In addition, an overarching methodology designed to look at the cost-benefit analysis of different interventions is being developed by a project to be funded as part of the 2004 work plan. It is envisaged that these tools could be applied to countries in need of such evaluation methodologies (identified by responses to the WTO technical assistance questionnaire). Application of these participatory methodologies would also have the effect of identifying future projects for possible funding through the STDF.

#### **2004 WORK PLAN**

12. Activities to be funded as part of the STDF work plan for 2004 can be separated into new activities approved by the Working Group in the first quarter of 2004 and on-going activities approved in 2003. Further activities may be added to the work plan after the Working Group meeting scheduled for the second half of 2004.

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<sup>11</sup> Proposals have been received from Uganda, the Philippines, Cameroon and Lithuania to date. Unfortunately, none of the proposals met the eligibility criteria for the STDF. However, in the case of Uganda and Cameroon, some of the substance of the proposals has been taken up in other project proposals.

A. NEW ACTIVITIES

***STDF 19: Model arrangements for SPS stakeholder involvement at the national level***

13. The goal of this project is to improve SPS-related information flow as well as information sharing between the public and private sectors with positive spin-offs for market access. The wider objective of this project is to improve the capacity of stakeholders in the public and private sectors of developing countries to work in an international trading system that applies demanding standards in the area of food safety and animal and plant health. This improvement in institutional capacity should then translate into an improvement in export performance. The project will be organized in three stages.

14. Stage 1 will be the establishment of the project organization structure including the working framework and operational mechanisms to develop and strengthen links between stakeholders in two case study countries. This stage will also include a literature review of examples of best practice of SPS co-ordination activities and an assessment of the current practices for SPS co-ordination and technical capacities in the study countries.

15. Stage 2 will facilitate the formation or strengthening of an SPS coordination group within each country. Different stakeholders in SPS activities (identified and interviewed during the first stage) will be invited to form a national SPS co-ordinating body. Special attention will be paid to develop consultative structures that involve private sector stakeholders.

16. In Stage 3, the parameters for best practice in co-ordinating SPS activities will be reassessed based on the experience gained and a final project report produced.

***STDF 20: Country-based plans for SPS-related development***

17. The goal of the project is to facilitate sanitary and phytosanitary (SPS) capacity building in both the private and public sectors. The goal will be achieved by making available a planning methodology responsive to economic objectives and which encourages a cooperative relationship between donors and private and public sector stakeholders in recipient countries. The project will demonstrate in selected countries an integrated approach to planning and executing SPS capacity-building, with special emphasis on enhancement of export market access for agricultural, food, fishery, horticulture and forest products of developing economies. The project will be organized in four stages.

18. In Stage 1, a methodology will be developed for evaluating SPS capacity at national level. The methodology will identify key economic sectors (e.g. livestock, arable, food processing, fisheries, forestry), look at private/public interaction relevant for these sectors, study the state of SPS legislation and enforcement and draw conclusions on the SPS capacity of the country in both the public and private sector. The methodology will build on existing IPPC, Codex and OIE tools as well as those developed by other relevant organizations (e.g. IICA) to produce a single generic planning tool. One essential element of the methodology will be a cost-benefit analysis framework to gauge the impact of different resource allocation decisions. A key parameter will be the ability of the sectors selected to maintain or expand export market access.

19. In Stage 2, the methodology will be applied in two pilot countries chosen on the basis of technical assistance questionnaires submitted to the WTO and requests made for project funding under the STDF. The methodology will be applied with a participatory approach pulling in expertise from the public and private sectors. The results of the methodology will then be used to report on SPS capacity and develop an action plan for each country.

20. Stage 3 will mobilise resources for the national action plans. The plans will make use of national budget resources and identify where international donor support is necessary. Once completed, these reports will be presented by the national authorities to donors, both in-country and in other appropriate venues.

21. In the fourth and final stage, the consultant will revise the methodology in the light of the experience gained during the project, and prepare a guidance document to facilitate the use of the methodology in other developing countries.

***STDF 9: Model Programme for Developing Food Standards within a Risk Analysis Framework***

22. This project aims to increase the capacity of low income countries to use risk analysis techniques to develop their own food standards; to participate in the Codex standard-setting process; and to understand and comply with, in the development of these standards, international obligations under the relevant WTO agreements. This project will provide a model for implementation of this programme in other regions of the world. The project will be organized around the following four activities:

- preliminary survey of needs of participating countries;
- development of a training programme based on the results of the needs assessment and covering such topics as risk analysis, risk management, practical case studies, legal framework for standards, identification of stakeholders, drafting of standards, assessment of regulatory impact;
- delivery of training programme; and
- survey and evaluation of the course and its results 6 months after the conclusion of the training course.

23. The project will be partly funded by the STDF and partly funded from FAO sources.

***STDF 10: International Portal on Food Safety, Animal and Plant Health project***

24. This project builds on existing work by the FAO on the International Portal on Food Safety, Animal and Plant Health. The portal is a powerful source of information on international standards and of national legislation and regulations on food safety, animal and plant health. The aim of this project is to:

- extend the country coverage of the Portal on a pilot basis to one least-developed country and one middle income developing country;
- develop a portal implementation handbook to assist countries in the establishment of a national internet-based site for the exchange of official legislation and regulations on food safety, animal and plant health; and
- assist countries meet their transparency obligations under the SPS Agreement by ensuring that legislation in force is "available in such a manner as to allow interested Members to become acquainted with them". Portal links in each country will be maintained by the SPS Enquiry Point.

25. The project will be partly funded by the STDF and partly funded from FAO sources.

***STDF 15: Expanding SPS Capacities at National and Regional Levels***

26. The aim of this project is to promote greater co-ordination at regional level between the partners both in regular activities and in the delivery of technical assistance. To date, the STDF has focused on improved co-operation between staff at Secretariat level. The objective of this pilot project is to duplicate this enhanced co-operation also in the regions through training for the OIE's regional representation offices. If successful, the project would be repeated for the regional offices of other partner agencies. Expected benefits include:

- creation of regional inter-partner networks for information dissemination and training;
- greater understanding of inter-agency roles in animal disease and zoonoses emergency situations, allied to structured consultation procedures;
- improved technical capacity to deliver assistance on the part of partner organizations, in particular OIE; and
- avoidance of duplication in projects and or production of training materials by partners.

**B. ON GOING ACTIVITIES STARTED IN 2003**

***STDF website***

27. A website for the STDF has been established at [www.standardsfacility.org](http://www.standardsfacility.org). In addition to information on the STDF and how to apply, each of the partner organizations has made available their training materials on SPS-related standards. Further materials will be added in 2004 as part of the co-ordination function of the STDF. Furthermore, the website is also being made available in French and Spanish language versions.

***STDF 5: STDF Database***

28. In the final quarter of 2003, a database on SPS technical assistance was established. The objective of the database is to provide an overview of planned and delivered SPS-related technical assistance; to assist coordination between the partner institutions of the STDF; to enable information sharing between institutions thereby creating opportunities to identify gaps and exploit synergies; and to minimize and/or avoid duplication in the provision of technical assistance.

29. The database is an on-going activity and at present the period of coverage is 2001 to 2003. Data on technical assistance activities in the SPS area is reported from the five partner institutions, multilateral agencies, regional and bilateral donors and harvested from the existing WTO/OECD Trade-Related Technical Assistance and Capacity Building database. In April and in the final quarter of 2004, further data collections are planned. These data collection exercises should yield further useful information on trends in technical assistance in this area. The database can be consulted at <http://stdfdb.wto.org>. A search of the database can be performed by one of four STDF categories (food safety, plant health, animal health and a general category) or by beneficiary country, donor country or agency.

***STDF 14: OIE veterinary capacity evaluation project***

30. Capacity evaluation tools exist in the plant and food safety areas, but not in the area of animal health. As such, the STDF funded a project proposal from OIE to develop such a veterinary capacity evaluation tool. The project aims to develop a specific diagnostic tool capable of evaluating the capacity of national veterinary services to meet international zoosanitary obligations in an efficient

and sustainable manner. The instrument will measure capacities of various countries through an inventory of the functions and resources available to comply with zoosanitary obligations according to the OIE standards. The instrument was developed in collaboration with the Inter-American Institute for Cooperation on Agriculture (IICA) and it is being refined in the OIE region of the Americas. Once complete it is expected that the self-diagnostic tool will assist developing countries to prepare internal and external grant applications for projects on technical and administrative infrastructure improvements.

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