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## Committee on Trade and Development Second Session on Aid for Trade

### NOTE ON THE MEETING OF 19 JUNE 2007

*Chairman: H.E. Mr. Shree B. C. Servansing (Mauritius)*

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#### A. ADOPTION OF THE AGENDA

1. The draft agenda for the meeting as contained in Airgram WTO/AIR/3027/Rev.1 of 15 June 2007 was adopted.

#### B. THE COMMITTEE ON TRADE AND DEVELOPMENT AND AID FOR TRADE – STATEMENT BY THE CHAIRMAN

2. The Chairman recalled that at the 2 April 2007 Session on Aid for Trade, a number of delegations had asked the Secretariat to prepare and distribute a "Calendar of Events" on future Aid for Trade meetings. He explained that the "Calendar of Events" had recently been circulated to delegations in document WT/COMTD/AFT/W/2 and was a "tentative" schedule of meetings foreseen for the rest of the year. Delegations would have the chance to discuss the meeting schedule in more detail at an informal meeting of the Committee on Trade and Development (CTD) on 21 June 2007. He said that since there was a great deal of interest in the three regional Aid for Trade reviews that were planned for September and early October, he had invited representatives from the three relevant regional development banks – the Inter-American Development Bank (IADB), the Asian Development Bank (ADB) and the African Development Bank (AfDB) – to attend the informal meeting. He said that he had also invited the Organisation for Economic Co-operation and Development (OECD) Secretariat to give a brief presentation on the donor- and partner-country questionnaires which the OECD and WTO Secretariats had jointly prepared after extensive consultations with various international organizations, agencies, and governments. He explained that the donor questionnaire had already been circulated, and that the partner-country questionnaire would be finalized and distributed shortly.

3. The Chairman believed that the regional reviews and the questionnaires would provide crucial and necessary inputs into the three-tiered monitoring process which the Director-General had proposed in December 2006 and which had been discussed at the 2 April 2007 CTD Session on Aid for Trade. He recalled that this three-tiered monitoring process involved global monitoring carried out by the OECD, donor monitoring in the form of self-assessments and partner-country monitoring also in the form of self-assessments. As had also been noted at the 2 April 2007 meeting, the results and recommendations from these events and questionnaires would be presented and discussed in the CTD later in 2007.

4. The Chairman said that the present CTD's Second Session on Aid for Trade was the second of several meetings planned on subjects that were of key importance to Aid for Trade. These meetings would also include one on trends in trade-related infrastructure to be held on 9 July 2007.

5. The representative of Costa Rica expressed his disappointment that his request to include an assessment of adjustment needs in the calendar had not been reflected. He said that he would expand more on this issue at the upcoming informal meeting.

6. The Committee took note of the statements made.

C. COMMUNICATION FROM EGYPT (WT/COMTD/AFT/W/3)

7. The Chairman recalled that on 6 June 2007, the delegation of Egypt had submitted a paper which had subsequently been circulated as document WT/COMTD/AFT/W/3. He asked Egypt to introduce its paper on Aid for Trade.

8. The representative of Egypt said that the objective of Egypt's communication was to put forward some important elements in regard to Aid for Trade which should be discussed in the CTD. He said that there were barriers which went beyond foreign market access that could impede export development. These barriers, including a lack of supply side capacity and ability to compete in international markets, needed to be adequately addressed through Aid for Trade. He believed that delivering effective Aid for Trade was a mutual responsibility between donors and beneficiaries, with each having an important role to play. He said that the ultimate goal in the CTD should be to draft an effective, simple and practical monitoring and evaluation mechanism that would ensure that the expected results of the Aid for Trade initiative were being adequately met and implemented. He also believed that national ownership was an important aspect that should exist at each and every step of the overall process of Aid for Trade. This would not only create the strong leadership and political will needed for underpinning an effective development strategy, but also would help ensure that any development assistance was aligned with the national development framework.

9. He then highlighted some of the elements in Egypt's communication. First, he thought that there was a problem for developing and least-developed country (LDC) Members to conduct their own needs assessments. He suggested that developing and least-developed Members requesting Aid for Trade consult with the donors concerned, particularly with the development agencies, so that they would be assisted with identifying their trade needs and priorities. Second, with regard to national coordination, he believed that there should be a national dialogue between stakeholders. This dialogue should include the public and private sectors in the beneficiary countries. Third, regarding the mainstreaming of trade into the national development strategies, he was of the view that this required prioritizing and maintaining a range of policies in order to enhance trade. Fourth, he suggested that a national Aid for Trade Committee be established as was recommended by the Aid for Trade Task Force. The role of this Committee would be to determine country needs, to set priorities, mainstream trade into the national development strategies and to report to the WTO monitoring body. Fifth, regarding the Aid for Trade request procedures, he said that developing and least-developed countries must know how to make requests for Aid for Trade. He said that the procedures should not

create a burden on the requesting Members. He also believed that the CTD, through its role as the monitoring body for Aid for Trade, should continue to lead discussions on the above-mentioned elements with a view to reaching a common and clear understanding among WTO Members on how these issues could be adequately operationalized and implemented, taking into account the views of developing and LDC Members.

10. The representative of the European Communities said that Egypt's paper provided a common thinking on how to reach a good strategy. On needs assessment, her delegation encouraged the use of the diagnostic trade integration studies (DTIS) in countries that were part of the Integrated Framework (IF). In countries that were not part of the IF, the use of other similar analyses was encouraged, for example, the trade needs assessments carried out by the European Communities (EC) in various developing countries such as Viet Nam, Pakistan and Sri Lanka. She invited the partner countries which had benefited from a needs assessment analysis made by the EC to share their experiences with other donors. Regarding national coordination and mainstreaming of trade, she asked beneficiary countries to also share their experiences in these areas with Members. On National Trade Committees, she encouraged the use of existing institutions rather than the creation of ad hoc entities. On procedures for requesting Aid for Trade, she said that the analyses of trade needs assessments had to be published at national level so that they could be integrated into national development strategies and open up dialogues between donors and partners on how to request funding.

11. The representative of the United States said that Egypt's paper contained several practical suggestions and raised important themes both for donors and beneficiaries. She said that different countries had found different means to prioritize and mainstream trade and that one of the positive results of the regional reviews on Aid for Trade would be sharing experiences and best practices. She said that on the donor side, the United States (US) was integrating Aid for Trade into its regular national assistance strategies and that various agencies were involved in Aid for Trade. She said that one of the contributions the US could make for the regional reviews was a listing by country of the Aid for Trade contacts in each of the beneficiary countries.

12. The representative of Japan said that in regard to Aid for Trade requests and the eventual implementation of any related activities, it was essential to rationalize processes and to use existing mechanisms. He said that these and other related issues could be discussed within the CTD to achieve a better understanding of the Aid for Trade inter-linkages.

13. With regard to needs assessments, the representative of Pakistan asked the representative of Egypt whether it was necessary to consult with donors. She noted that beneficiaries of Aid for Trade usually were aware of their infrastructure needs and were able to avail themselves of the existing opportunities to increase their trade. She also asked the delegation of the EC what type of needs assessments it envisaged for developing countries that could not participate in the Integrated Framework.

14. The representative of Egypt replied that it was necessary to discuss needs assessment with all the parties involved in Aid for Trade. He noted that if an LDC was having problems identifying its needs, this could be solved with the help of the participating agencies and the donors.

15. The representative of Kenya said that the Poverty Reduction Strategy Papers could be used in assessing the needs of countries which could not participate in the IF. He added that there were some issues that were not reflected in the paper by Egypt, such as conditionalities and the additionality of Aid for Trade. These issues also needed to be discussed.

16. The representative of the European Communities clarified that what she had proposed was to use the needs assessment carried out by the EC for those developing countries not participating in

the IF. Sharing the analyses done by one donor with other donors would avoid duplication and would help increase transparency.

17. The representative of Nigeria said that there were high expectations that Aid for Trade would be one of the answers to help lift developing countries out of poverty, in tandem with the result of the Doha Development Agenda (DDA) negotiations. He concurred with Egypt on the mutual responsibility of donors and partner countries, as well as national ownership. He added that to be effective and efficient, Aid for Trade needed to be local, less constrained and better monitored.

18. The representative of Benin said that regional integration was another aspect of Aid for Trade that should be taken into account. He was of the view that a coherent regional dimension would facilitate coordination and synergies in Aid for Trade.

19. The Chairman said that many of the issues contained in the paper by Egypt had already been flagged in the work of the Aid for Trade Task Force. Therefore, the recommendations of the Task Force would continue to provide guidance to the Committee when discussing these issues.

20. The Committee took note of the statements made.

#### D. BUILDING CAPACITY TO FACILITATE TRADE

21. The Chairman said that building capacity to facilitate trade was emerging as a critically important aspect of Aid for Trade for many countries. Therefore, it was very timely to have a discussion of trade facilitation in the CTD Session on Aid for Trade. He introduced the Geneva-based representative from the World Bank.

22. The representative of the World Bank said that his presentation would focus on trade facilitation and on the World Bank's current work to support the continuing trade facilitation negotiations.

23. He said that time was important for trade. In an OECD country, it took an average of six days for merchandise to move from ship to warehouse. However, in other regions there were enormous time differences for the same operation. In Latin America, for example, it took more than ten days, and in Sub-Saharan Africa, more than 25 days. He said that it was important to reduce these times. He explained that the data he cited was taken from a World Bank publication titled "Doing Business Survey" in which six different trade agents were polled in each country surveyed. He noted that the 16 fastest growing developing countries had trading times which were roughly half of the time of other low-income countries. This included the time spent filling out forms, preparing the documentation for customs, as well as getting the goods on the ship and out to sea. He explained that when the number of days it took to get goods through customs on the import side was compared with the trade to Gross Domestic Product (GDP) ratio, the result was that the trade to GDP ratio rose as days through customs fell. This could be seen as an interactive process where trade tended to increase as days through customs decreased and trade facilitation improved. He noted that in Ouagadougou, Burkina Faso, it took an average of 71 days to move a container from a factory to the nearest port, fill out customs arrangements, undertake administrative procedures and load the ship. From Kazakhstan, it took 93 days, from Berlin six days and from Santiago, Chile or Kuala Lumpur, Malaysia 20 days. Reducing delays in customs and in the ports by just one day in most developing countries had the same effect as bringing a country 70 kilometres closer to its trading partners. It also improved competitiveness by expanding exports on average by 1 per cent. Similarly, reducing transit times by one day lowered the costs of exports by nearly 1 per cent once again. As an example, he said that if Uganda reduced its factory to ship time from 58 days to 27 days, that would be equivalent to moving Uganda 2,200 kilometres closer to its main trading partners. Its exports would increase by

31 per cent. He emphasized again how trade facilitation was very important in reducing delays at border crossings and delays going into ports.

24. He explained that trade facilitation was more than just WTO disciplines. It also included improving roads from farms and factories to the ports and removing informal transit barriers which frequently stopped transit cargoes or charged informal fees. He said that trade facilitation also meant reducing administrative requirements for exports and imports and improving the efficiency of ports, both in regard to logistics and to labour relations. He was of the view that many implementation barriers did not really lend themselves to narrow technical-assistance projects. Therefore, broad-based technical assistance was needed. The reasons for this were varied and included a lack of cooperation between government agencies, poor relationships between the public and the private sector, customs agencies excessively focussed on revenue collection, low levels of voluntary compliance and underdeveloped private sectors and associated services, i.e. banking and telecommunications. He also believed it was important for the sustainability of reforms to have high levels of political will and commitment. In this context, a WTO agenda on trade facilitation could motivate and accelerate more comprehensive reforms and unlock new Aid for Trade.

25. Regarding the activities of the World Bank on trade facilitation, he explained that there were a number of ongoing projects that had the overall goal of helping governments make more use of trade. He said that at the global level the World Bank was working to support the WTO negotiations. This included holding workshops to bring together the Geneva negotiators with their respective customs officials, sometimes in multi-country regional fora. The World Bank was also working on implementation studies to help Members determine what the actual costs would be of implementing any new trade facilitation agreement in the Doha Round. The World Bank also had developed a logistics perception index which allowed countries to identify issues related to moving goods through ports. He said that at the country level the World Bank was providing analytical advisory services. This included country studies, some of which were carried out in connection with the IF, and regional studies where, for example in Africa, the World Bank was looking at road networks throughout the region.

26. The World Bank was also active in associated trade facilitation lending. This included projects some of which were sectoral in nature and which provided governments with general budget support. Others were specific to ports. For example, the World Bank was working with the Mauritian authorities on improving some of the ports and air terminals in Mauritius. He said that the World Bank also carried out technical-assistance programmes to help improve customs and computer systems.

27. Regarding support to the trade facilitation negotiations, the World Bank had been working in this area since 2005 and was collaborating with the IMF, the WCO, the EC and the governments of the United Kingdom and Sweden. He mentioned that there were three components to this project. The first was putting together a negotiations support guide for capitals and Geneva-based negotiators. Second, the World Bank had organized national pilot workshops which helped countries improve the linkages between capitals and negotiators. Third, the World Bank had done a cost and implementation difficulty study which, based on six country studies, attempted to quantify the overall amounts of technical assistance that would be needed in order to enact some of the Doha accords. He said that the study had found that the expected cost of implementing a Doha trade facilitation agreement would be fairly minimal, with most of the additional costs going into implementing single window and one-stop border stations.

28. Regarding the logistics perception index developed by the World Bank, he said that this was a tool that examined seven parts of the import and export process to determine how clearance processes and infrastructure could be improved. It allowed countries to establish comparative benchmarks to

determine the strong and weak points in their export and import processes and establish at which points Aid for Trade would be more effective.

29. He added that the World Bank lending aspired to help countries leverage trade for growth. This was achieved through loans for trade facilitation, standards and exports. He said that after a brief hiatus around 2000, the World Bank's lending had accelerated dramatically. This was mainly in response to the Doha negotiations and due to a greater interest in Aid for Trade. He noted that trade facilitation was a major component of World Bank lending, constituting up to 45 per cent of its trade-related lending.

30. The Chairman then introduced the representative from the World Customs Organization (WCO).

31. The representative of the World Customs Organization said that the WCO's objective was to improve the effectiveness and efficiency of customs administrations. The WCO was established in 1952 and had its headquarters in Brussels. It comprised 171 members, covering 97 per cent of world trade. To achieve its goals the WCO had three tools: setting and maintaining rules and standards for customs procedures; promoting international cooperation to share information and best practices; and assistance and capacity building to help its members implement the standards.

32. He said that the functions of a customs agency had evolved over the years. The first function of customs was revenue collection of import taxes. This function had evolved into protection of economic interests, i.e. the domestic industry, which further evolved into the protection of society from health and safety hazards, including drug trafficking, counterfeit goods, environmentally hazardous goods, etc. More recently, however, customs played a role in economic development through a trade facilitation agenda to improve national competitiveness. He said that after the terrorist attacks in the US, Spain and the United Kingdom, security had become an important part of the role of customs. He said that there were many WCO instruments that contributed to trade facilitation including, the Harmonized Tariff System, the SAFE Framework of Standards and the Revised Kyoto Convention on the Simplification and Harmonization of Customs Procedures.

33. He said that the Kyoto Convention was originally adopted in 1973 at Kyoto, Japan. It was then revised in 1999 to include the use of information technologies and risk management. It was hoped that these measures would help increase the transparency and predictability of customs procedures. The convention was regarded as a blueprint for modern customs administrations and addressed most of the proposals by Members in the context of trade facilitation. He added that it had also been recognized in the trade facilitation negotiations that due account should be given to the WCO's standards, mainly the revised Kyoto Convention. All WCO and UN members were eligible to join the Kyoto Convention. So far, 52 countries had ratified the convention, 17 of them being developing countries or LDCs.

34. He explained that another important tool in relation to trade facilitation was the WCO's Time Release Guide. He said that the Time Release Guide was an instrument that allowed an analysis of the causes for delays in the customs clearance process. The Time Release Guide measured the time needed for each step taken by each government agency, from the arrival at the port to the actual release of the goods. It was an analytical tool that allowed measuring clearance time according to the type of goods, modes of transport and other government agency intervention. It also determined the reasons for the delay and the effect that adopting trade facilitation measures would have on the timeliness of the release of the goods. In this context, he said that the WTO's Negotiating Group on Trade Facilitation recommended the use of the Time Release Guide.

35. Regarding capacity building, he said that the WCO had adopted a capacity-building strategy in 2003. The capacity-building strategy reflected six lessons that had been learned from previous

capacity-building exercises. These concerned the need for an accurate diagnosis to develop country-specific programmes, a sustained high-level political will, enhanced cooperation and coherence among donors, greater ownership and participation of customs personnel, realistic government and donor expectations and adequate human and financial resources.

36. He explained that in order to improve capacity building, the WCO had developed a diagnostic framework. This framework covered the following clusters: strategic management, human and budgetary resources, legal framework, customs systems and procedures, information technology, external cooperation, communication and partnership and good governance with emphasis on anti-corruption measures. The value of these clusters was shared by many intergovernmental organizations.

37. He said that on the basis of the diagnostic framework, the WCO had started the Columbus Programme which was a comprehensive customs capacity-building initiative. The aim of the programme was to achieve comprehensive customs modernization, full implementation of the WCO SAFE Framework of Standards and to prepare for the WTO's trade facilitation agenda. The WCO had developed a team of qualified diagnosticians to analyze the country situation and make reports and recommendations. These diagnosticians were also used for the WTO's needs assessment. There were three phases in the Columbus Programme. The first phase was the needs assessment or diagnosis, the second focused on implementation, including action planning, project management and training, and the third on monitoring of the modernization programme. He explained that in over a hundred diagnosis missions carried out under the Columbus Programme, the WCO had observed that customs functions were wider than just revenue collection and that a 100 per cent inspection rate did not necessarily increase revenue collection. The diagnostics found that in regard to information technology, an optimal use of the existing technologies was necessary, as was better border integration management. The latter could be achieved through enhancing cooperation with other border agencies. Finally, in implementing the second phase of the Columbus Programme, the WCO representative said that his organization would like to establish pilot projects with support from the Aid for Trade initiative.

38. He concluded by saying that the WCO had already developed international standards and had a dedicated capacity-building programme on trade facilitation. He said, therefore, that the WCO and WTO should not duplicate efforts or act in isolation. Rather, the challenges posed by a trade facilitation agenda called for cooperation between the WCO and WTO to achieve higher synergies.

39. The Chairman introduced the representative from the Organisation for Economic Co-operation and Development (OECD).

40. The representative of the OECD said that her presentation would focus on the actions taken by the OECD to support trade facilitation. She said that the OECD did not have lending operations and did not put in place country-specific projects. The OECD's specialization was to provide economic, policy and development assistance analysis for its members and, increasingly, for non-OECD members, and to communicate this analysis through outreach activities in cooperation with the Secretariats of other IGOs, including the WTO.

41. In the area of economic analysis, the OECD had tried to understand the costs and benefits of trade facilitation for governments and the private sector, particularly in developing countries. The OECD countries had already undertaken trade facilitation measures for some time. Therefore, the objective of the OECD was for developing countries to close the gap, in the trade facilitation agenda, between them and the best performers.

42. She said that against this analytical framework, the OECD had tried to look through modelling and empirical data at the economic effects of implementing trade facilitation. She said that

the OECD was not trying to predict the impact of a possible trade facilitation agreement on world trade and income. This depended on the elements that would be negotiated and how they would be implemented. Rather, the OECD had drawn on available information and estimates concerning critical characteristics of the border process to achieve a better understanding of the distribution of the costs and benefits. She said that the OECD wanted to understand who and under what circumstances would benefit from trade facilitation. She said that before the trade facilitation negotiations started, a series of estimates showed that the welfare benefits from trade facilitation could range from 1 per cent to 15 per cent of world trade. However, these estimates assumed that all countries would move at the same speed in trade facilitation. She believed it was more likely that countries would move at different speeds, with the OECD countries leading the way towards trade facilitation and the rest of the countries gradually closing the gap. Different analyses done by the OECD showed that the benefits of trade facilitation would accrue primarily to those countries that actively engaged in it.

43. The OECD had analysed the cost of trade facilitation measures and found that these measures were generally undertaken as part of larger projects to modernize customs. This meant that usually there was no specific budget for trade facilitation and that costs were absorbed through normal operating budgets. It was also found that infrastructure was more costly to introduce but that the critical element in the long run was the human capital, since without proper capacity building the results were not sustainable. She said that other findings with respect to cost analysis were that there was a virtuous circle between modernization and trade facilitation. Costs were generally offset by staff savings and revenue collection improvements.

44. She explained that the OECD had studied the implementation of some of the measures that were being proposed in the trade facilitation negotiations. Some of these measures could be taken immediately, while others would require time, but no external help. There were also some measures that required resources in the form of knowledge sharing and financial support, for which donor assistance would be very important. Other types of measures would require significant time, even after donor assistance had been secured, because they involved a culture change.

45. Regarding policy analysis, she said that many OECD countries had put in place trade facilitation measures. Sharing their national experiences could help other countries identify the factors of success and failure. A process of peer reviewing and experience sharing could help countries learn from the difficulties encountered by others.

46. She said that the OECD had come up with OECD guiding principles for regulatory quality and performance. She added that the experience of countries that had used these principles could be valuable in informing the debate in the WTO. These principles, which had already been mentioned in some of the proposals by Members, included: institutional and regulatory coordination mechanisms, systematic impact assessments and reviews of regulations, timely and transparent stakeholder involvement and regulatory restrictions proportionate to underlying public interest.

47. On the issue of development assistance, she said that the OECD had focused on how to improve aid efficiency. She said that in the period 2001 to 2004, technical assistance in the area of trade facilitation had tripled. Most of the support went to lower middle-income countries. She explained that one of the reasons for this imbalance could be that low-income countries had not identified trade facilitation as a national priority or had not incorporated it in their national development and poverty-reduction strategies. This was also a consequence of respecting the principle of having partner-led assistance.

48. The Chairman introduced a representative of the WTO Secretariat.

49. The representative of the Secretariat said that trade facilitation was an excellent example of links that could be made between two parts of the WTO work programme, on the one hand, the

DDA-negotiations on trade facilitation and, on the other, the Hong Kong Ministerial work programme on Aid for Trade. He said that support for technical assistance for capacity building, and in certain circumstances for infrastructure, were all contained in the modalities for trade facilitation that were agreed in the July 2004 General Council Decision. Thus, the trade facilitation mandate preceded the Aid for Trade initiative but needed the Aid for Trade initiative in order to be successfully implemented. He noted that in December 2006 the Negotiating Group on Trade Facilitation launched a programme involving Aid for Trade with the aim of helping the negotiations to move forward as well as helping developing countries and LDCs prepare for the eventual implementation of a trade facilitation agreement.

50. He said that, together with other multilateral organizations, the WTO had put in place a programme to help developing countries and LDCs identify their needs and priorities in the area of trade facilitation, using the proposals already on the table in the negotiations as a blueprint to assess those needs. The WTO had received generous donor financing for this programme and as many as 53 requests from developing countries and LDCs to participate in the programme. The WTO would then be providing the workshops over the next 12 to 18 months to allow Members which required this assistance to benefit from it. This would also allow Members to be well placed to participate in the finalization of the negotiations on trade facilitation and to implement the results of the negotiations.

51. He proposed that the Committee include this issue in its report to the General Council as a good example of how Aid for Trade could assist the WTO and how it could complement the negotiations under the DDA.

52. The Chairman opened the floor for comments and questions from delegations.

53. The representative of India said that the presentation by the representative of the World Bank contained interesting data on the present impediments to trade and how trade facilitation could enhance trade and improve assistance absorption. He asked the representative of the WCO about the regional spread of the diagnostic missions, as well as their outcomes and findings.

54. The representative of Nigeria said that he was of the view that a modernized and repositioned customs service could not achieve much if the process of cargo delivery was still handled inefficiently. He also believed that revenue collection was not an adequate measurement of the performance of customs administrations. He asked the presenters to clarify how the operations of customs could be enhanced in those developing countries that were facing infrastructure problems.

55. The representative of Benin agreed that Aid for Trade and trade facilitations were two issues that were linked, and highlighted the importance of infrastructure development and capacity building. He also believed that infrastructure and the handling of foodstuffs were also linked. Therefore, it was important to work on improving the supply capacity of developing countries.

56. The representative of Kenya said that in the example cited by the representative of the World Bank concerning the amount of time it took for a product from Ouagadougou to reach the sea, it would also be interesting to know how much time it took for the same product to reach its final destination. He said that a lot of products were kept in ports of the US and the EC before being certified that they met certain health and safety standards, rules of origin requirements and other conditions. He believed these issues had a negative impact on trade facilitation.

57. The representative of Zimbabwe said that small firms suffered more from the costs of exporting. She said that it was more important to address supply-side capacity issues than trade facilitation because if there were no products to export, then there would be no need for trade to be facilitated.

58. The representative of Pakistan said that for landlocked countries such as Kazakhstan, it was more important to address international trade facilitation than internal trade facilitation.

59. The representative of Burkina Faso expressed surprise that it would take so long for a product from Ouagadougou to reach the sea. He believed this was mainly due to the fact that Burkina Faso was a landlocked country. Many efforts had been made by his government to reduce the clearance time at customs.

60. The representative of Sri Lanka believed that trade facilitation entailed costs but that the benefits outweighed these costs. He said that Sri Lanka had been a beneficiary of many of the trade facilitation support projects implemented since the launch of negotiations at the WTO. These programmes had increased the participation of Sri Lanka in the negotiations and had led to improved links between the missions in Geneva and capital experts. However, it was very important to have customs experts present at the negotiations. He urged donors to help developing countries finance their attendance at the meetings of the Negotiating Group on Trade Facilitation.

61. The representative of Rwanda wished to know in which countries the Columbus Programme had been applied and what the procedures were to have access to this programme.

62. The representative of the WCO agreed that the participation of customs officials in the trade facilitation negotiations was essential. He would convey this message to the WCO's annual Council Session. Regarding the comment made by the representative of Nigeria, he said that there was increased coordination among the donor agencies on what benchmarks to use to measure success in trade facilitation programmes. In reply to the representative of Rwanda, he said that if a member wanted to participate in the Columbus Programme, it just had to make the request to the WCO and a team of diagnosticians would be sent to make a diagnosis. In reply to the representative of India, he said that the WCO encouraged countries to share their diagnosis with other ministries and authorities in order to obtain support for the customs modernization programme. The WCO also encouraged sharing the diagnostic with the WTO to achieve synergies in the trade facilitation negotiations and to have clarity on what each customs administration was expected to do.

63. The representative of the World Bank, in reply to the comment made by the representative of Sri Lanka, said that he believed that some donors, for example Norway, were prepared to consider assisting developing countries to ensure the participation of customs experts in the WTO negotiations. In reply to the requests for further details on the data contained in the presentation, he encouraged delegations to contact him by e-mail with any such requests. He agreed that it was important to focus on speed and efficiency of customs rather than on revenue collection to measure the effectiveness of trade facilitation. It was also important to focus on the link between trade policy and trade facilitation. For example, if a country had multiple tariff bands and multiple tariff schedules resulting from different regional trade agreements, it was very burdensome for the customs officers to do their work. However, if the multilateral process were successful and there was a single, flat tariff, it would be much easier for customs officials to do their work. He recalled that the representatives of Nigeria and Benin had underscored the importance of infrastructure for trade, and he agreed that such infrastructure was a key issue for exports. In reply to the comment made by the representative of Kenya, he agreed that the exports of developing countries faced difficulties in developed country markets. He added that security arrangements were now also adding additional burdens on exporters. He agreed with the representative of Zimbabwe that small firms suffered more from high export costs, either due to complex regulations or due to higher per unit costs of transport when there were not enough export volumes. Therefore, he believed it was important to try to bring the export costs down and to streamline both the exporting and the importing processes. He also agreed with the comments by Burkina Faso and Pakistan on the difficulties faced by landlocked countries. He explained that this was the reason why there was a double benefit from the neighbouring transit countries undertaking trade facilitation programmes, since it benefited trade coming from the transit country, as well as its

landlocked neighbour. He hoped that the World Bank would be able to assist Sri Lanka in having customs officials participate in the negotiations on trade facilitation.

64. The representative of the OECD noted that with respect to agro-food products it was very important to have good cooperation between all the authorities in the process, since food products involved sanitary and phytosanitary authorities as well as customs authorities. Also, trade facilitation in the case of agro-food products should include the certification agencies. Regarding small- and medium-sized enterprises (SMEs), she said that capacity building should be directed not only at large enterprises but also at SMEs. Otherwise, SMEs would not be in a position to export, especially when facing export side border procedures.

65. The Chairman thanked the speakers for their presentations.

E. BUILDING CAPACITY TO MEET SANITARY AND PHYTOSANITARY STANDARDS – THE STANDARDS AND TRADE DEVELOPMENT FACILITY (STDF)

66. The Chairman introduced a representative from the WTO Secretariat.

67. The representative of the Secretariat said that compliance with sanitary and phytosanitary (SPS) measures was an issue that affected exporters in developed and developing countries. However, it was recognized that exporters in developing countries had more difficulties in complying with SPS standards. He said that the Standards and Trade Development Facility was a global programme in capacity building and technical cooperation established by the Food and Agriculture Organization of the United Nations (FAO), the World Bank, the World Organization for Animal Health (OIE), the World Health Organization (WHO) and the WTO. He said that the STDF had the strategic aim of enhancing expertise and capacity of developing countries to analyze and implement SPS standards. He said that the STDF would serve as a vehicle for coordinating SPS-related technical cooperation. The STDF complemented other initiatives such as the Codex Trust Fund, the International Plant Protection Convention (IPPC) Trust funds, and the OIE Global Fund which were trying to address the issue of developing country participation in the standard-setting bodies.

68. He said that one of the main activities in the STDF was that of coordinating aid flows in the area of SPS. This included tracking supply of technical cooperation funds through the WTO/OECD Trade Capacity Building Database. He explained that research on SPS assistance would be fed into the Aid for Trade regional reviews that were planned for 2007. He said that the Secretariat had compared entries regarding SPS-related technical assistance in the WTO/OECD Trade Capacity Building Database with information submitted by Members to the SPS Committee on their own technical assistance programmes. He noted that significant discordances were found between the two sources in the number of activities reported. The same was also true for the value of SPS entries reported. However, he said that the data was not complete and that there were some problems in reporting the value of the activities. Therefore, he believed that the reported \$284 million spent in SPS-related technical assistance in 2005 was a gross underestimation of the real value spent on SPS activities. He thought that this could be due to some methodological difficulties as it was not certain whether it was a problem of under-reporting or whether activities that could be classified as SPS related were being reported in other categories of technical assistance. In any case, he believed the figures showed a steady upward trend in the provision of SPS-related assistance and this was likely to continue. He noted that in January 2006 there was a donor pledging conference for the fight against Avian Influenza where US\$1.9 billion was pledged. He cited various other on-going initiatives, including the EC's food and feed programme. He said that the question was how to enable developing countries to access this financing. The STDF had a role to play in answering this question and could help developing countries turn good ideas into projects. In this context, the STDF used project preparation grants (PPG). He said that there was some synergy with the Enhanced Integrated Framework (EIF) and that 14 out of the 23 PPGs funded to date were in IF countries.

69. Regarding STDF project funding, he said that the value added of projects funded through the STDF was that a project had to be innovative, preventative and replicable. The objective of the PPGs was also to prepare projects that could be later picked up through existing donor programmes. He cited two projects as examples, one in Burundi which was subsequently funded by the EC, and another in Mozambique which was funded by the United Kingdom's Department for International Development. Finally, he informed Members that the Secretariat had prepared a paper providing an overview of the STDF which had been circulated as document WT/COMTD/AFT/W/4.

70. The Chairman introduced the representative from the Food and Agriculture Organization (FAO).

71. The representative of the FAO said that the main theme of his presentation was not just Aid for Trade but also aid for *safer* trade. He noted that trade in agricultural products could be an important factor in improving livelihoods, and in meeting development objectives. However, there were concerns since the movement of plant and animal products could spread pests and diseases, with devastating consequences. He said that there was evidence to support the fact that trade had been a factor in spreading some diseases even in some staple crops. These diseases had been spread sometimes by the product itself and sometimes by planting material, such as seeds and roots. As examples he cited the cassava mosaic virus and the banana bacterial wilt, which had had devastating effects in Africa. He said that diseases also affected globally-traded commodities such as the citrus tristeza virus which had spread from South America to the Caribbean and from the Caribbean to Europe. He also noted that some diseases had spread through wooden packaging materials, such as the Asian long-horned beetle that had spread from Asia to the US. The construction of new roads could also result in vectoring diseases to areas where they had not been prevalent before, as in the case of brontispa or coconut leaf beetle which had spread across the Asia/Pacific region. He mentioned that field conditions and agricultural practices differed from country-to-country and had a bearing on product quality. He believed that both diseases and agricultural practices had to be managed at the multilateral level so that they were consistent internationally.

72. He explained that the International Plant Protection Convention set international standards, including those on plant quarantine and inspection, to ensure that import risk analysis was science-based. It also managed the creation of pest-free areas. He said that it was the individual countries which implemented the measures and that the SPS Agreement helped to ensure that these measures were appropriate and justified.

73. He said that, as an example of its work, the FAO together with UNDP had recently been working in India and had provided funding to increase the laboratory capabilities of the Regional Plant Quarantine Station in Chennai. This laboratory was now able to carry out import inspections, undertake import risk analysis and issue export phytosanitary certificates. He said that recently the station had written some publications on its work such as an article titled "Interception of *Embellisia allii* and a virus in Garlic bulbs imported from China" which had appeared in the Indian Phytopathology journal. He noted that this virus which had been successfully intercepted had had the potential of wiping out the entire Indian garlic crop. He said that since the Chennai laboratory had been in operation there had been considerable growth in the issuance of export certificates for Indian exports.

74. He explained that there were other plant and health issues that affected trade and that gave rise to SPS notifications. Among these were the use of pesticides, since pesticide residues could affect food and animal feed, soil contamination from heavy metals, bacterial contamination from the unavailability of clean water and the use of genetically modified varieties.

75. He also explained how the FAO assisted countries to trade in plant products. He said that in providing this support, the FAO had a phytosanitary capacity evaluation tool to help countries assess

SPS issues, and set priorities. This evaluation tool could be used in the creation of regional networks to share information. He said that the FAO also supported countries to improve plant quarantine and pesticide quality control. The FAO also provided support in the use of integrated pest management to reduce unnecessary pesticide consumption and improve agronomic practices. He added that the FAO also provided technical support on risk analysis.

76. He said that there were a number of issues to consider under Aid for Trade that were key from a plant and plant product perspective. Some of these issues were: capacity to undertake pest risk analysis, the need to have adequate laboratory and diagnostic facilities, the organization of plant health services, the creation of pest surveillance networks, information sharing on pest control options and the eventual impact of electronic certification.

77. The Chairman introduced the representative from the World Organisation For Animal Health (OIE).

78. The representative from the OIE said that the OIE was an international and intergovernmental organization created in 1924 and had 169 members. Its main missions were animal disease information, control of animal diseases, and the facilitation and safe trade of livestock and livestock products. Other missions of the OIE included animal welfare and food safety. He said that the OIE had participated in the STDF as a partner agency since its creation. The OIE had managed several STDF projects so far, including the development of the performance vision and strategy (PVS) tool – a train the trainer's programme - and a programme to enhance capacity in meeting SPS standards.

79. He said that the OIE was a standards-setting agency recognized by the WTO. The OIE was charged with setting standards in the international trade of animals and animal products, as well as animal diseases including zoonoses. The OIE aimed to facilitate trade while minimizing risks of pathogens since animal diseases had a very negative impact on trade and market access. He said that the OIE helped countries in their exports by setting standards and by declaring disease-free zones within countries that experience a disease, allowing them to export from those zones.

80. He explained that the OIE standards were based on science, were transparent and were voted on at the General Assembly of the OIE. These standards were contained in the OIE's codes and manuals, and included the Terrestrial Animal Health Code, the Aquatic Animal Health Code, the Manual of Diagnostic Tests and Vaccines for Terrestrial Animals and the Manual of Diagnostic Tests for Aquatic Animals.

81. He said that the aim of the OIE codes was to assure the sanitary safety of the international trade in terrestrial animals (mammals, birds and bees) and aquatic animals (fish, molluscs and crustaceans) and their products. The aim of the Diagnostic Manuals was to provide standards for diagnostic tests and vaccines for the diseases listed in the codes.

82. He said that the PVS tool had been developed by the OIE and the Inter-American Institute for Cooperation on Agriculture (IICA) to evaluate veterinary services of developing and transition countries on a purely voluntary basis. This tool had become increasingly important since the avian influenza crisis and called attention for the need to improve the capabilities of veterinary services. He said that the basic PVS tool document could be accessed on the OIE's website at [www.oie.int](http://www.oie.int). The aim of the PVS tool was to assess compliance of veterinary services with OIE standards on quality of veterinary services. It also helped identify deficiencies in veterinary services and prioritize investments to be funded by national and or external resources. He said that working under the PVS tool were experts from all five regions who had been trained and certified by the OIE and had been endorsed by international donors. He mentioned that participation in the PVS tool was on a voluntary basis. In order to participate in the PVS tool, a member just needed to send a request to the OIE. The OIE had funds, from international donors, to carry out these assessments free of charge to the

members. He said that the report was confidential and would only be released with the consent of the evaluated country. Once a country had been evaluated, the OIE would assist it, upon request, to seek international aid for investment programmes. So far 42 countries had sent in their PVS-tool requests, 23 had been assessed, some had been peer-reviewed and at least one country had given its consent to publish its report.

83. The representative of Egypt noted that many of the programmes that were presented by the speakers were already in existence. He expressed concern that the funding for these programmes would now be counted as Aid for Trade and that this could negatively affect the additionality principle of Aid for Trade.

84. Regarding pledges to combat avian influenza, the representative of Nigeria asked about the prospects of accessing the funds after fulfilling the notification requirements. He also asked the presenter from the FAO to expand on his comments on genetically modified organisms (GMOs).

85. The Chairman said that regarding funding it was important to ensure that money kept flowing, not only to sustain existing programmes but also to expand them. It was also important to look at the scope of those existing programmes and try to increase the variety of instruments available, thus expanding the scope of the programme. He explained that in this way Aid for Trade would increase quantitatively.

86. The representative of Pakistan asked whether recent news regarding bees not producing enough honey could be related to an excessively stringent use of SPS measures. She asked whether studies were being carried out to ensure that SPS measures were friendly to beneficial fungi and bacteria.

87. The representative of the Secretariat, in response to the comment by the representative of Egypt, said that there were several existing programmes in the SPS area, with the STDF being just one of them. He said that one particular problem encountered was that of secure funding so that programmes being implemented could be allowed to mature and develop over time. In response to the comment by the representative of Nigeria, he said that the figures presented did not cover the pledging conference on avian influenza held in January 2006. He also noted that commitments and actual disbursements were not the same. He said that the FAO and the OIE should be able to provide more detail on how to access funds on avian influenza. Regarding the comment by Pakistan, he said that the DTIS for Uganda and Tanzania had shown that their exporters of honey faced problems with compliance of SPS measures. Therefore, one of the solutions to the problem mentioned by the representative of Pakistan would be to provide honey exporters with assistance to comply with the SPS measures.

88. The representative of the OIE, in reply to the question from the representative of Nigeria, said that the international scientific community was very concerned with the outbreak of avian influenza in Nigeria. He said that the FAO, the OIE and the World Bank had sent experts to Nigeria to evaluate how best to assist in this crisis. He noted that Nigeria had recently sent its request to the OIE to use the PVS to evaluate its veterinary services, with a view to strengthening it to better combat avian influenza. The results of the PVS would increase donor interest in assisting Nigeria in this crisis. Regarding the question posed by Pakistan, he said that bees were considered as terrestrial animals and that even though the OIE standards existed to cover bees, these standards were not yet very well developed.

89. The representative of the FAO said that there was great sensitivity in accepting genetically modified food imports because some countries believed there was a risk of cross-contamination. Such contaminations could jeopardize their ability to trade with other countries, especially those which took a hard line on GMOs. Regarding bees, he said that it could also be a problem of pesticide residue.

This was the reason why the FAO encouraged countries to consider taking a full agro-ecosystem approach where the impact of all of the various inputs for sustainable agriculture were taken into account to create a valid, sustainable, long-term model for rural development.

90. The representative of the WHO said that regarding GMOs the Codex had defined principles for risk analysis of genetically modified foods. Therefore, there was consensus on how to perform risk assessments for GMOs. However, there was still a problem of communication. To alleviate this problem, the WHO had published documents with the latest scientific findings on GMOs. These conveyed the message that genetically modified foods available on the market were safe and that a new risk assessment had to be performed every time a new genetically modified food was defined.

91. The Chairman thanked the speakers and all the Members for their thought provoking interventions.

F. OTHER BUSINESS

92. There were no items raised under Other Business.

93. The meeting was adjourned.

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