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¹ The difference between v. 03 and v. 02 is that v. 03 includes two sections titled C4. Trade routes and corridors and C5. Overall national trade and transport facilitation performance and an Annex (Annex 1) while V. 02 does not include these sections.

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Draft Outline of the Recommendation on TTFMM

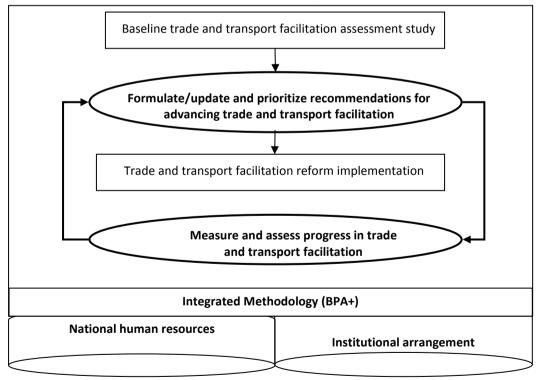
- I. Recommendation No. ##: Establishment of Trade and Transport Facilitation Monitoring Mechanism (TTFMM)
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II. Guidelines to Recommendation on Establishment of Trade and Transport Facilitation Monitoring Mechanism (TTFMM)

A. Introduction

TTFMM aims to support overall implementation of trade and transport facilitation reform and has two inter-related functions: (a) to formulate, update and prioritize recommendations for trade and transport facilitation; (b) to measure and assess progress in trade and transport facilitation. As shown in figure 1, once an initial set of recommendations has been formulated and prioritized for implementation, typically through a first (baseline) assessment study, progress in trade and transport facilitation is measured and assessed on a regular basis. The regular assessments provide the information needed to update or formulate new recommendations to ensure the trade facilitation reform remains relevant and is implemented as effectively as possible.

Figure 1. Key Functions and Components of TTFMM



B. Institutional arrangement

Institutionalizing TTFMM is a prerequisite to ensuring its sustainability. To this end, an executive body is required to be established. In principle, the executive body should comprise representatives of all stakeholders related to trade and transport facilitation. As such, the executive body should be the – or under the - National Trade and Transport Facilitation Committee (NTTFC) or similar institution, if already in place². In fact, operation of TTFMM should be a core function of such Committee because TTFMM will provide the information needed to make decisions and drive the trade facilitation reform. If such a national Committee or institution is not in place, an inter-agency trade facilitation performance assessment and monitoring Committee could be initiated by/under the trade facilitation lead agency – to be eventually upgraded and integrated into a National trade facilitation body.

C. Scope of monitoring

The scope of monitoring should be decided by the countries according to the specific situation of the countries. It is envisaged that two different countries may have different priorities for the monitoring. For instance, a landlocked country may be keen to monitor transit procedures while an island country is concerned about the performance of port and shipping.

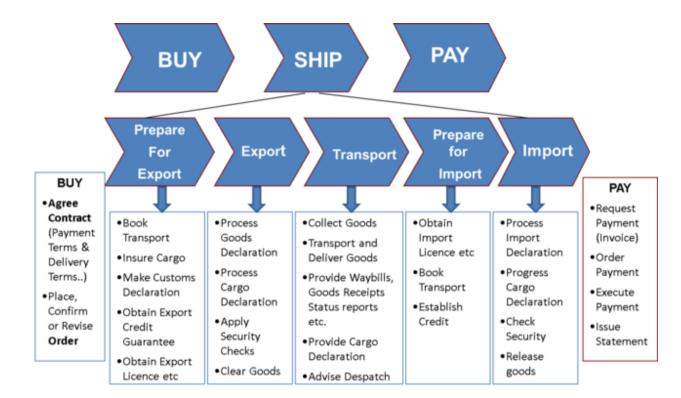
In deciding the scope of monitoring, countries may take the following factors into consideration.

C1. General Principle for monitoring

The countries, whenever appropriate, are encouraged to adopt a whole-of-supply-chain approach for the monitoring exercises to ensure that the solutions to enhancing trade and transport facilitation are encompassing and comprehensive. In this respect, the Buy-Ship-Pay model³, as shown in figure 2, should be considered by the countries in setting up the framework of monitoring.

² Such institution may include National Committee on Trade Facilitation as per requirement of Art. 23.2 of the WTO Trade Facilitation Agreement.

³ The model is also included in the UNCEFACT Recommendation 18



Monitoring should adopt the SMART principle, i.e., Specific, Measureable, Achievable, Relevant and Time-bound.

Specific: the areas for monitoring need to be clear and unambiguous

Measureable: concrete criteria need to be set for measuring progress toward the attainment of the goal

Achievable: a country must review its resources and capacity for the monitoring exercise. If the monitoring exercise is carried out for the first time in the country, the country may be focused on a small number of strategically important products and trade routes for the monitoring exercises. Over time, with the enhanced national capacity and experiences, more products and trade routes can be included for monitoring.

Relevant: the area for monitoring must be strategically important for a country

Time-bound: the time-frame and target dates for the monitoring exercises need to be clear to all stakeholders.

C.2 Identifying Criteria

The BPAs shall always be conducted keeping in mind it should ultimately "serve as a base line for implementing trade facilitation measures"4 (Business Process Reengineering (i.e. changing the

⁴ UN, BPA Guide to simplify trade procedures

processes of an organization), Business Requirements for further automation (i.e. set up a PCS or a TSW), legal actions (changing the law or enacting decrees) or a contract review (i.e. amending a concession agreement with a terminal operator)).

The international supply chain has a close number of use cases, actions, stakeholders' categories, triggers and expected results. Thus analysts shall first work on the definition of the variables prior working on the model. As a landscape architect will first work on the sunshine, the temperature, the humidity, the earth and the passageway prior designing a garden, a TTF analyst will first work on the product, the stakeholders, etc. prior designing use case and activity diagrams.

Analysts shall consider the supply chain as a limited number of use cases which may or may not exist depending on the triggers. Activities under the use cases are more or less complex, long and costly depending on the level of simplification and harmonization. Number of use cases and activities could be compared between countries or regions.

Here below a methodology per steps for BPA as to have an effective impact on further TTF actions:

C2.1. Products

Selecting products for a BPA requires a horizontal systemic approach. The first difficulty analysts will find is on the denomination of the products: from one organization to another, the name of the products will not cover the same product or the same category of products ("seats", may denominate car seats, dentist chair, wheel chair, chair-lifts, etc.). Yet products are triggers of any use case scenario. If the products are not clearly limited, then the described activities may either be irrelevant, either inappropriate. Therefore harmonization of product denomination shall be a prerequisite for any BPA.

This exercise shall be considered as being an integral part of a BPA on TTF also because in practice stakeholders suffer the negative effects of the situation. The lack of harmonization is surely something stakeholders want to avoid:

- one to one negotiations on the nature of a product and its consequences (subject to a tax, a permit, sampling, special handling, escorts etc.)
- vagueness and indecision with respect to GAs taking ownership of a file
- communication issues, misunderstandings between Gas and other organizations

Therefore, we would recommend the analyst to conduct workshop with stakeholders on rationalizing of the denomination of products. Due to the extent of the catalogue and its mandatory use, it is advisable to agree with GAs and other organizations to base their product classification (and then the scope of product they are covering) on the tariff nomenclature of customs. The complexity of the task should not be underestimated.

In selecting the products for monitoring, the following factors should be taken into consideration whenever possible.

- The products should be strategically important for the country or the areas.
 - The products should be relevant and important for farmers and SMEs.
 - The products should have great contribution to employment
 - The product should have high frequency of shipments
 - The trade process of the product should include common (or many) bottlenecks/high number of agencies/inefficient procedures

	Product	Process
Pro	 Accessible methodology to 	- Mapthe entire supply chain mechanism
	perform surveys	of a country
	- Politicalexposure	- Clear KPIs that can be compare from a
	 Quicksectorial adjustments 	country to another for TTF monitoring
	- Evaluation of the supply chain of a	- Structural adjustments on the whole
	sector over time	supply chain
Against	- Partial vision of the supply chain	- Quite demanding in terms of resources
	 Oneproduct is not representative of 	- Limitedimmediate political exposure
	the entire flow	 Heavy preparation work
	- Sectorial reforms may have negative	
	impacts on the rest of the chain. ("fast	
	track" lane necessarily impact the rest of	
	the flow negatively.)	

The two approaches are complementary.

C.2.2 Authorizations

Listing mandatory authorization to undertake trading activity for any product, O&D, etc. is also fundamental prior carrying out a BPA. The list shall embrace authorization to its broadest sense. To cover the entire BSP model analyst shall extend the list not only to LCPO obtained during the regulatory procedures as defined by the WCO⁵ but also for the commercial (i.e. confirmation of the credit letter), transport (i.e. BL issuance, EIR, Release/delivery orders, CTN) and financial procedures (i.e. xxxx).

• For the purpose of the BPA, authorizations shall be defined as any mandatory event given by the public or the private sector for a shipment to move up to its final destination. These events can be related to the status of the stakeholder (i.e. AEO), the product (i.e. Phytosanitary Certificate) or the means of transport (i.e. berthing authorization).

C.2.3 Customs regime and B/MTA

 At this stage it is necessary to introduce the customs procedures and the B/MTA as other components of the parameters to take into account prior starting the actual mapping of the use case scenario and activity diagrams.

Indeed customs procedures impact the authorization to be provided for the same product.
 For instance, it may not be required to provide a phytosanitary certificate for a shipment in transit in the country of transit but it may be necessary to have a guaranty. This should apply to the 8 different customs procedures.

 B/MTA are also triggering deferent processes. Impacting mainly whether or not CoO are needed, it could also impact the question of quota, etc...

• C2.4 Stakeholders

⁵ WCO data model

 Stakeholders of a given territory shall also be listed. The level of granularity is important for several reasons. First different department within the same organization may produce different authorizations (use case diagram level). Second, from TTF measures perspective, changes need to be operated at a micro level within organizations, consequently if several steps within an organization (i.e. reception/control/validation/signature) are needed to produce an authorization, then analysts should go down to this level of granularity (activity diagram level).

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• At this step, we would recommend to list all organization and departments in charge of providing authorization. At a later stage, during the elaboration of the activity diagrams, to refine the granularity up to individual if necessary.

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• C.3 Hierarchizing the priority processes

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• Once the above frame is set up, choice is to be made on which process to start with. They are two things to take into account when starting a BPA: the volume and the stakeholders involved.

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• The selection of a product shall be based on the volume of expeditions (BL of the main means of transport – CMR or RWBL for landlocked countries): the more, the better because the impact on TTF for the overall flow will be higher than with "marginal" flows. This information can be obtained by customs. Alternatively, analyst can choose the volume of tonnage, but should avoid B&BB shipment as the ratio authorizations/volume will be small and have less impact on the overall.

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 Then analyst shall prioritize analyzes of use cases involving B2G or G2G relationships. In facts, B2B relationships are rarely cumbersome; businesses have the same interests and therefore are more inclined to have simple, harmonized and cost effective processes. On the BSP model, focus shall therefore be on transport and regulatory procedures and then on commercial and financial procedures.

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C4. Trade routes and corridors

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Trade routes and corridors under assessment should be primarily decided by the products selected for assessments. In case that the products are transported along different routes, priority should be given to the routes which are most frequently used.

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C5. Overall national trade and transport facilitation performance

International cross-country trade and transport facilitation indicators should be selected for assessing the overall national trade and transport facilitation performance. Such indicators should be related to, but not limited to, ESCAP-World Bank Trade Cost database, World Bank Logistics Performance Index, World Bank Doing Business / Trading Across Borders Indicators, UNCTAD Liner Shipping Connectivity Index, OECD Trade Facilitation database, United Nations Regional Commissions Trade Facilitation and Paperless Trade Implementation Survey database and World Economic Forum's Global Competitiveness Index.⁶

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⁶ An overview of different indicators is shown in Annex 1.

D. Data collection and indicators

Data collection, including among others, the types of data and data collection methods, should be decided by the scope of monitoring. Countries, whenever appropriate, may take the following factors into consideration.

The recommendation to collect data primarily consists of collecting data ad-hoc directly from countries by use of electronic questionnaires, which are more convenient than paper questionnaires. This source of information should use the advantages of using mobile technologies for data collection and statistical production.

The statistical national bodies should apply harmonized and standardized parameters useful for comparable and predictive statistics and models to identical variables in a database.

The methods for data collection, calculation and aggregation must be facilitated and should be aligned, harmonize and/or converge to facilitate national and international comparisons. The integration of the productive and trade system and the harmonization of fiscal and budget policies and programmes should all be part of a convergence effort, which will be subject to regular checks with harmonized statistics. Local and regional circumstances into account for collecting data should be detailed (such as, volatility, data disruptions,...).

Data collection must be done on regular basis able to analyze data with a timely periodicity of monthly, quarterly and yearly.

The data collected must be fulfil some requirements for data transmission, such as, the commodities that are covered, valuation method (CIF, FOB,...), quantity measured, currency used, partner country, currency, mode of transport.

D1. Relevant data in the automated system should be utilized to a maximum level possible

Relevant data in the automated system such as ASYCUDA should be utilized to a maximum level possible if such data are already available in the system. This will avoid duplication of efforts for collecting the same data for multiple times.

In designing automation system, data related to trade and transport facilitation monitoring should be included whenever possible.

Data transmission must be done in a consistent data structure and format through database files commonly or universally accepted easily to integrate with national and international databases.

D2. Business Process Analysis as a potential method for data collection

Whenever appropriate, country may consider utilize *Business Process Analysis of trade procedures*⁷ for the purpose of data collection and analysis, as well as construction of trade and transport monitoring indicators.

Other trade and transport facilitation monitoring methods such as, but not limited to, Time-Cost-Distance (TCD)⁸, Corridor Performance Measurement and Monitoring (CPMM)⁹ and WCO Time Release Studies (TRS) can also be utilized to supplement BPA (the so-called BPA plus).

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⁷ http://unnext.unescap.org/pub/tipub2558new.asp

⁸ More information is available at http://www.unescap.org/resources/timecost-distance-methodology

Depending on each country's specific need and context, other trade facilitation assessment and monitoring methods such as those introduced in the World Bank Trade and Transport Corridor Management Toolkit may also be integrated into TTFMM.

D3. International cross-country indicators

Data on international cross-country trade and transport facilitation indicators should be included for assessment. Such data include, but not limited to, ESCAP-World Bank Trade Cost database, World Bank Logistics Performance Index, World Bank Doing Business / Trading Across Borders Indicators, UNCTAD Liner Shipping Connectivity Index, OECD Trade Facilitation Indicators, United Nations Regional Commissions Trade Facilitation and Paperless Trade Implementation Survey database.

D4. Construction and updating of national database

The executive body of TTFMM, such as NTFC, should develop, maintain and update a national TTFMM database. It should have the authority to decide which types of data can be publicized publicly and what data should be kept confidential or limited to government agencies only.

The database should at least include the following data.

- International cross-border indicators whenever appropriate
- Description, activity diagram and related rules/regulations for each trade & transport procedure for selected products along selected corridors
- Time, Cost, and Number of documents for each process/procedure

E. Data analysis and recommendations

E1. Presentation of data and key results

Data should be presented in a very user-friendly manner whenever possible. For this purpose, data may be grouped into different tiers. The top tier data should be a small number of indicators which are targeted for policy makers or general republic. The lower tier of data should be as detailed as possible for any possible analysis.

To harmonize standards and methods of statistics production requires to strength collaboration between institutions and establish an effective coordination mechanisms (ports, corridors,...), that should include the design of a handbook that includes the description of good practices in compilation of distribute trade and transport facilitation indices.

E2. Analytical report (including, among others, key policy recommendations)

The study team leaders together with the Executive Committee of TTFMM should work together to ensure that a consistent set of recommendations emerges from the analysis of the data collected through BPA, TRS and TCD.

While the conduct of BPA itself involves a significant amount of consultations with a wide array of stakeholders, it is strongly recommended that national consultation(s) be also held to validate the results of BPA+, with a focus on endorsing prioritizing recommendations put forward by the Executive Committee.

Recommendations emerging from BPA+ should be linked to on-going and planned trade facilitation reform and projects to increase the likelihood that they will be implemented in a timely

⁹ More information is available at ADB, 2014, Central Asia Regional Economic Cooperation Corridor Performance Measurement and Monitoring: A Forward-Looking Retrospective, Manila.

manner. While the Executive Committee of TTFMM should have a good and comprehensive understanding of the various trade facilitation reforms taking place in the country, specific consultations with trade and transport facilitation project managers and organizations supporting them (including bilateral donors and international financial institutions) may be particularly useful at that stage.

F. Policy formulation and action plans

F1. Communicate the results and recommendations

Once the study is finalized, the Executive Committee of TTFMM (e.g., the NTTFC) needs to communicate relevant results and recommendations to target audiences and stakeholders. In line with the general principle of transparency, as much of the study results as possible should be made publicly available. At the same time, the Executive Committee, in consultation with the relevant study teams and working groups (e.g., TRS working group) may decide to only release part of the results and performance data - or to release them in a more aggregated form.

F2. Formulating policy or action plans

 Key recommendations and brief summary of study report should be presented to high-level policy and decision makers. The buy-in and political support from them is not only essential for sustainability of TTFMM but also to ensure that the recommendations generated by TTFMM can be translated into concrete actions and reforms

G. National capacity development

As part of ensuring the sustainability of TTFMM, national human capacity needs to be developed and maintained. National experts, rather than international experts, should be used to conduct the assessment and performance studies, with project resources available for establishment of TTFMM allocated essentially to building national capacity.

Instead of relying on individual experts, it may in fact be best to involve an existing national think-tank or research institution that already has a mandate for trade or economic development, and which could therefore support the trade facilitation performance studies under its existing – or a slightly expanded - mandate.

To further increase sustainability, a "training of trainer" mechanism may be established, whereby those receiving initial training (from international experts/consultants) to conduct the BPA+ study as project leaders or analysts, are asked to commit to sharing knowledge gained and training others. The ultimate goal is to create a pool of proficient local experts (or institutions) to conduct all the essential studies.

Priority for participation in capacity building activities should be carefully thought out and given to those most likely be involved directly in the implementation of the BPA+ studies and related activities, including, e.g., NTTFC members and Secretariat staff (or those of the Lead Agency), Customs officers, personnel from trucking associations, and staffs of trade-related research institutions.

H. Resources

In the long term, the operation of TTFMM is likely to be underpinned by national resources, as well as external assistance from development partners or donors. While an adequate and separate budget may be provided by the Government for operation of TTFMM given its broad social and economic benefit, innovative solutions towards system sustainability may be examined, such as key government agencies providing qualified staffs on a part-time or full-time basis to conduct the

studies. While this latter solution may raise issues regarding neutrality of the outputs of TTFMM, this approach could be useful in building capacity of officials that will continue to serve - or ultimately return to - their original agency.

A Public-Private Partnership (PPP) modality could also be envisaged: part of the resources of TTFMM may come from private sector organizations such as Chambers of Commerce or Industry Associations considering the benefits TTFMM can bring to the business community. The private sector contribution may come in the form of an in-kind contribution (e.g., staff or staff time to collect and/or analyze data). In that context, communicating with the general public on the benefits of TTFMM, presenting useful results on a regular basis and showcasing the achievements will be important to win continuous and broad-based support – including financial support - from a wide range of public and private stakeholders.

Once the usefulness of TTFMM is fully recognized by all relevant stakeholders (it is envisaged that this process takes two to three years), development partners/financing institutions/international donors are also likely to support the operation of TTFMM. This would be particularly useful for the least developed countries and landlocked developing countries with limited resources.

I. International support

 Some countries, especially least developed countries and landlocked developing countries, may face difficulties in putting TTFMM in place on their own and may need to be provided technical and financial assistance, at least in the first few years of establishment and operation. International organizations and development partners should extend such assistance whenever possible.

J. Collaboration with neighbouring countries

While TTFMM is of national scope, some countries, particularly landlocked developing countries, are very much dependent on other countries in facilitating trade (e.g., transit countries). In such cases, bilateral or sub-regional mechanisms will be needed to enable sharing of information and to conduct cross-border BPA+ studies for monitoring progress and identifying reforms needed along the trade route.

Annex 1. An overview of different cross-country indicators UNCTAD Liner Shipping Connectivity Index: UNCTAD's Liner Shipping Connectivity index (LSCI) serves as an indicator of countries' level of integration into global liner shipping networks. The degree of countries' access to world markets depends largely on their transport connectivity, especially as regards regular shipping services for the import and export of manufactured goods. The LSCI is therefore generated using data such as number of ships; total container-carrying capacity of those ships; maximum vessel size; number of services; and number of companies that deploy container ships on services from and to a country's ports. (Similarly, overview of any other indicators can be included in this Annex) ESCAP-World Bank Trade Cost database: World Bank Logistics Performance Index: World Bank Doing Business / Trading Across Borders Indicators: **OECD Trade Facilitation database:** United Nations Regional Commissions Trade Facilitation and Paperless Trade Implementation Survey database: World Economic Forum's Global Competitiveness Index: