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**UNITED NATIONS CENTRE FOR TRADE FACILITATION AND ELECTRONIC BUSINESS
(UN/CEFACT)**

**Consideration of UN/CEFACT Resource Requirements, Strategic Directions
and Organisation**

UN/CEFACT Chairman's Report

The present document contains the UN/CEFACT Chairman's Report on Support to the Forum. Its two annexes are submitted separately:

- TRADE/CEFACT/2003/MISC.5 contains Annex 1
- TRADE/CEFACT/2003/MISC. 11 contains Annex 2

1. Introduction

1. The purpose of this paper, commissioned by the Chairman of UN/CEFACT, is to summarize the results of a considerable amount of work that has been undertaken by the CEFACT Steering Group (CSG) since its February 2003 meeting and present to the Plenary a number of options for further consideration at its forthcoming session. It is expected that the Plenary will begin its discussion at this session, but will not come to a final decision until later in the year, probably at an extraordinary session.
2. At the core of these considerations are two issues:
 - I. How to acquire the significant extra resources and flexibility that are required to progress UN/CEFACT's work in developing eBusiness standards;
 - II. How to give the Trade Facilitation work of UN/CEFACT (and the UNECE) a much higher priority than it currently has so that it can effectively contribute to the growing policy significance of Trade Facilitation.
3. The CSG has been discussing these two issues, but in particular the resource issue, since 2001.
4. At its February 2003 meeting the CSG considered the possible outcomes of its discussions with the United Nations Office for Legal Affairs (OLA) regarding a) finding appropriate ways within the UN system to secure significant resources to support its eBusiness activities, and in particular to be able to appoint a Support Service Provider (SSP), and b) adopting an Intellectual Property Rights (IPR) policy suitable for today's standards development environment. It came to the conclusion that notwithstanding the continuing discussions with the OLA, it was prudent to begin exploring alternative scenarios for UN/CEFACT rather than deferring investigation of those strategies pending the conclusion of the OLA discussions.
5. Accordingly, the CSG established two study groups charged with evaluating the worst case "what if" scenarios:
 - I. What would UN/CEFACT look like without the presence of eBusiness standards development activity (Group A) and
 - II. What alternatives exist for transitioning UN/CEFACT's eBusiness standards activity to other development environments and organizations? (Group B).
6. The reports of the two study groups are attached as appendices A & B. They are summarized in the next section but each report is substantive and should be considered in full.
7. These reports and this paper have been drafted without having received the written advice of the OLA and it is clear that that advice may heavily influence a number of the detailed considerations. When the advice is available (and it is still expected to be received before the Plenary) it will need to be carefully considered, and subsequently the plenary will need to come to a final decision about the future direction and structure of UN/CEFACT.

8. In considering the options, it is also important to recognize the value that the United Nations provides to the work of UN/CEFACT, as a neutral and transparent environment for the development of standards required by the business community. Many of the individuals and the organisations that have contributed their work to UN/CEFACT over the past years have done so, at least in part, because they were contributing to the work of the UN. As we explore the options for the future of UN/CEFACT, it is important to preserve this good will, and to build even further upon it, in order to develop recommendations and standards that contribute to the economic well-being of all countries.
9. Notwithstanding the above, the reports raise some very fundamental policy questions for UN/CEFACT and the main points of each report are summarized below:

2. Main Conclusions of the CSG Study Groups

Group A

10. The report of Group A reviews the evolution of trade facilitation and eBusiness within the UNECE and then identifies the new environment in which trade facilitation activity is now taking place. In particular, over the past five years the importance of trade facilitation as an element of trade policy has grown rapidly and following the WTO Doha development round it has now become a key trade policy issue.
11. The report also recognizes the important linkages between trade facilitation and eBusiness standards developments as well as the significant benefits of placing trade facilitation in the context of the international trade and supply chain processes. The report emphasizes the considerable value of analyzing and modelling these processes using UN/CEFACT's modelling methodology, and the potential of these models to drive the rationalization of trade procedures.
12. However, although externally the horizons of trade facilitation have now expanded from international trade procedures to trade policy, and the modelling of international trade processes offers an exciting new approach to rationalization of trade procedures, the report points out that within UN/CEFACT's empowered groups, compared to eBusiness activities, trade facilitation has not yet been able to attract significant attention or resources. If this issue is to be resolved, it will require a greater focus within the UN/CEFACT plenary and its management structure on trade facilitation issues and also the establishment of a suitable organisational structure within the Centre in order to promote the work and attract both the calibre and range of experts required.
13. Consequently, even if the resource requirements of UN/CEFACT's eBusiness activities can be satisfied within the current organisation, the report questions whether this would do other than further marginalize the trade facilitation aspects of UN/CEFACT's work
14. The report therefore concludes that, with or without, a continuing eBusiness standards development programme, the Centre now requires a strategy which recognizes the fundamental importance of trade facilitation. This strategy would encompass trade facilitation policy, trade/business process analysis, procedural rationalization and the development of UN recommendations, and would have a much greater focus on promotion and implementation. However, the report does not suggest any particular organisational solution or identify clearly where the resources to support such a programme would come from.

Group B

15. Group B was tasked with evaluating development environments for UN/CEFACT's eBusiness standards programme *if* no satisfactory solution to the resource issue (specifically the acquisition of a support service provider) and no satisfactory means to adopt a relevant and practical IPR policy could be found within the UNECE. After a detailed review of the background to the current situation, the Group identified 7 potential alternatives. These are:
1. Establish an independent United Nations centre;
 2. Augment current resources through cooperation with the International Telecommunication Union (ITU) Secretariat;
 3. Transition to ITU;
 4. Transition to ISO;
 5. Join an International User Group;
 6. Establish a new Standards Organisation;
 7. Sponsor the formation of a Forum "Club" or Limited Liability Corporation.
16. The report of the Group provides an evaluation of these alternatives against 9 major objectives considered to be critical to any decision to transition the eBusiness standards to another environment.

The objectives are:

1. Confirm clear recognition that international eBusiness standards development falls within the potential organisation's mandate.
2. Realize an operating environment that provides resources adequate for supporting desired operating levels.
3. Achieve a global, open, transparent environment for participation and standards development activities.
4. Realize an environment that supports a comprehensive, rapid and technologically adept standards development process.
5. Ensure an environment that fosters a close working relationship with UN/CEFACT, including its overall objectives for improved international trade facilitation.
6. Achieve international recognition, credibility and relevance as the leading standards development organization for eBusiness.
7. Foster a perspective for harmonization of the work programme with other internationally recognized standards groups.
8. Ensure the IPR policy of any potential organisation encourages maximum user participation and offers no restrictions on the further use of any standards or specifications.
9. Ensure that a fast, easy and non-disruptive transformation process is obtainable.

17. The Group used a scorecard approach to assess each alternative against the objectives in order to provide a relative quantitative measurement of the Group's assessment.
18. The report concludes by pointing out that in an ideal situation the group would strongly favour retaining UN/CEFACT under the current relationship with the UNECE. However, should the only viable option be to transition UN/CEFACT's eBusiness standards to another organization, the report's recommendation is to expeditiously adopt and pursue the implementation of Alternative 3 - Transition to the ITU¹.

3.Resources and possible contribution models

19. Both Group A and Group B identify the significance of resource issues, but neither of the reports conclusions indicates how those resources are to be obtained. For example, transitioning to the ITU, as Group B recommends, does not guarantee the acquisition of resources, although it may make it easier to achieve.
20. Within the UN there two main contribution models: one is through a trust fund and the other is through a contribution-in-kind, either from a single organisation or corporate, or from a group of organisations or corporates cooperating together to meet the objective. This is not an either/or situation and it is possible to have a mixed scenario with some contributions being handled through a trust fund and others through contribution in kind. The decision from the OLA will have to be examined in detail to ensure that the proposal allows both forms of contributions in a manner that still meets UN/CEFACT requirements.
21. It is clear that the UN 's preferred alternative for large donations is through a trust fund, but in the case of the development of eBusiness standards this may not produce any significant contributions.

This is because:

- a) It is unlikely that member states would wish to contribute directly to such a fund as they would probably judge that the ultimate beneficiaries of eBusiness standards are commercial organisations and, therefore, it is they how should make the contribution.
 - b) The types of commercial organisation most likely to contribute resources to an eBusiness trust fund are global corporates operating in the ICT sector. These companies are very unlikely to wish to donate to a trust fund, a significant part of which is to cover the purchase of ICT hardware and software, unless they have some say in the choice of such hardware or software. For example, if corporate X manufactures hardware it is unlikely to wish to contribute to a fund which might choose hardware from its competitor corporate Y, and vice versa.
22. Therefore, the most likely contribution model for eBusiness is through a contribution-in-kind. However, the acquisition of significant long-term resources through a contribution-in-kind must be done in an open and transparent manner and the advice of the OLA has been sought on the best way that this might be achieved.

¹ The ITU is a member of the UN system with a global remit, a de jure standards organisation in its own right, and along with the ISO, IEC and the UNECE a signatory to the MoU on electronic business.

4. Conclusions and Options for Plenary Consideration

23. There is a strong desire from both those working in trade facilitation and those working in eBusiness to stay within the UN and the Plenary must do its utmost to achieve that. Therefore, the discussion on how to acquire resources to support both the eBusiness and trade facilitation activities of UN/CEFACT is critical to its future and, for the eBusiness activities, must be resolved this year. This is a common goal to which all parties are working towards and a decision in this regard is expected from OLA imminently.
24. The Plenary has a responsibility towards its eBusiness experts and users both in private sector and in government, and if adequate resources cannot be secured this will very severely affect the future development of electronic business standards as well as threaten the maintenance of UN/EDIFACT.
25. Therefore if it becomes clear that within the UN, the current eBusiness work cannot acquire the resources that it needs, the recommendation made by Group B to transition to the ITU, must be pursued vigorously and expeditiously.
26. Once the decision from OLA is received, the CSG will undertake an immediate analysis of the decision to determine if it provides a workable scenario to cover the resource requirements for future development of UN/CEFACT work. In this regard, the CSG will develop a full analysis of the actual resource requirements.
27. However, it must be said there is no guarantee that this move will deliver the required resources and such a decision will require the support of a substantive majority of the delegations, a formal expression of willingness from both organisations, and to ensure a smooth transfer, the commitment of the senior management of both organisations.
28. Nevertheless, such a move, would free the existing UN/CEFACT organisation to focus on a wider trade facilitation remit covering trade facilitation policy, trade/business process analysis, procedural rationalization and, potentially, if the resources are forthcoming, would allow it to have a much greater focus on promotion and implementation of trade facilitation Recommendations.
29. But, splitting the trade facilitation and eBusiness activities of UN/CEFACT into two separate organisations, one in UNECE and the other in ITU, is clearly *not* the desired outcome! It would be extremely disruptive and may not solve the underlying issue, which are resources. Therefore, it is in interest of all to avoid this split and to do everything to resolve the resource issue
30. However, even if the eBusiness resource issue is resolved this year, and therefore the split avoided, there will still be the need for change. In particular, a strategy, supported by delivery mechanisms, needs to be adopted by the Plenary that will enable the work on trade facilitation to progress rapidly. This will require an organisational adjustment to give the trade facilitation activity a much higher profile, and will probably also require different management mechanisms.
31. On the assumption that the resource issue can be resolved within the current structure, a number of options that might meet the requirements of trade facilitation are set out below for plenary consideration:

1. Given the growing linkage between the process-centric approach now being adopted within the trade facilitation activities and the core work being carried out by a number of the empowered groups at the Forum, one option is to build upon that and to elevate trade facilitation activities in the Forum to the level of an empowered group.
2. However, there is less obvious linkage between trade facilitation policy and, say, XML naming and design rules, and creating a trade facilitation empowered group within the Forum, may not resolve the trade facilitation policy concerns. Another option might be to set up an informal advisory group from the International Forum on Trade Facilitation to provide guidance on policy issues.
3. To further elevate the profile of trade facilitation, and to coordinate the trade facilitation activities between those being carried out at the UN/CEFACT Forum and those being carried out at the international forum, another option could be the appointment of a CTIED Trade Facilitation Rapporteur.
4. Finally, the most far-reaching option would be to create a new body under the CTIED to focus exclusively on Trade facilitation and allow the existing UN/CEFACT organisation to become an exclusive eBusiness activity. Although this option would not assist the growing process-centric linkages between trade facilitation and eBusiness, and would require effective coordination by the CTIED, by recognizing the general external perception of the differences between eBusiness and trade facilitation, it could make it easier for contribution in kind to be received from a corporate for the eBusiness work, and thus resolve the major resource issue.

Finally, in these discussions on these resource issues and the possible options, it is essential to remember that very few of our users are looking for more organisational change but wish strongly for the work to proceed in a stable environment where the focus is high quality results. Taking this and all of the above points into account and the advice of the OLA when it is received, the Plenary needs to come to its final view within 6 months, probably at an extraordinary plenary.