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

**NOTE FROM THE SECRETARIAT ON HOW THE ADVICE FROM OLA
CAN BE IMPLEMENTED TO ENSURE RESOURCES
FOR ELECTRONIC BUSINESS DEVELOPMENT**

Submitted by the secretariat

The present document is submitted to the 9th UN/CEFACT Plenary session for discussion.

Introduction

This note gives an overview of the situation regarding the need for extra-budgetary resources for electronic business development. It summarises the advice received from the United Nations Office of Legal Affairs (OLA), outlines the functions of the biannual Forums, discusses the resources needed for future e-business development and suggests ways in which the legal advice might be implemented.

1. Financing a Special Services Provider for UN/CEFACT

The United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT) focuses on facilitating international transactions, through the simplification and harmonisation of processes, procedures and information flows, and thus contribute to the growth of global commerce. The Centre is hosted within the United Nations Economic Commission for Europe (UNECE), which provides a broad range of administrative and support services.

However, owing to the resource-intensive nature of the eBusiness development work of UN/CEFACT, the UN/CEFACT Plenary in 2001 authorized the CEFACT Steering Group (CSG) to pursue extrabudgetary options for funding a professional support service provider (SSP) to make available additional services to those already provided by UNECE. This SSP would be expected to act as a *de facto* “business manager”, responsible for coordinating a variety of activities undertaken by the UN/CEFACT groups.

Clearly, any such contractual arrangement has to conform to UN rules and procedures in order to protect the legal and professional interests of the United Nations and its member States. UNECE, in consultation with the CSG, has discussed this matter in depth with OLA and OLA has now provided advice on this issue.

The OLA carefully studied all possible options and has identified a solution consistent with UN regulations. In their work an important clarification has been made on the status of the UN/CEFACT Forum and its participants. In the past the Forum meetings were considered as “informal” meetings. Now, however, OLA has explained that the work of the Forum is considered to be part of normal UN activities and the meeting should follow the UN rules and regulations. This greatly strengthens the status of the Forum and gives the participants a clearly defined status. Participants are considered as “experts on mission” and their status is governed by the Convention on the Privileges and Immunities of the UN while travelling to and from or working in groups’ meetings convened by the UNECE secretariat

The OLA has stated that to cover the costs of an SSP, a United Nations trust fund for support to UN/CEFACT could be established under the UN Financial Rules and Regulations, with UNECE as the implementing office, to receive voluntary contributions from governmental, inter-governmental, non-governmental, and private sources (including commercial companies and individuals). Contributions in kind such as of services, equipment, materials and software to support UN/CEFACT work would also be invited.

UNECE would call upon its member States to make voluntary contributions to the United Nations trust fund. In addition, large companies which contribute to the development of trade facilitation standards, such as ebXML, and which would be the primary users of these standards, would also be invited to make voluntary contributions, either in cash (to a United Nations Trust Fund), or in kind (hardware and/or software and/or operational services). In order to facilitate such contributions, they would be acknowledged by the United Nations in a manner cleared by the UN Office of Legal Affairs.

A United Nations body or another organization would be requested to provide these additional services, under a Management Services Agreement with the UNECE secretariat. All of the additional services would

be provided under the supervision of a UNECE Project Administrator, in consultation with the Forum Coordination Team. The OLA also spells out the respective roles of the UNECE secretariat and the Support Service Provider in relation to the administrative functions of UNECE and indicates how a contract for such services could be operationalised within the UN framework.

Further, OLA recognises the difficulty in raising funds to meet the more substantial costs of a data base or registry. Here the OLA envisages that the cost would be covered through contributions (from Governments or industry) to the trust fund or through contributions in kind from large companies.

In the view of the UNECE secretariat, the advice from OLA presents a clear and strong option for the continuation of the current work within UN/CEFACT under existing structures, operating through a UN administered Trust Fund and contributions in kind. This is a common and workable arrangement that fits within UN rules and with which there is a long and successful history within UNECE (e.g. the TIR transport project, the Energy Efficiency project, the Gas Centre, and various trade facilitation projects) and other UN organisations.

2. The functioning of the UN/CEFACT Forum

In order to evaluate resource requirements needed for electronic business development it is important to clarify the role, functioning and deliverables of the UN/CEFACT Forum.

The resource requirements for UN/CEFACT reflect the long-standing issue¹ of the proper balance between UN/CEFACT's two equally important areas of work, trade facilitation and e-business. The issue was addressed in 1998 by UN/CEFACT in two documents, 'A visions and strategy for the new Millennium'² and 'The UN/CEFACT work programme and an introduction to the global trends influencing IT'³. The new approach was summarized by the Chairman of the CSG in a presentation to the Committee as follows: 'It is the convergence of the concept of facilitation of business processes and the opportunities offered by ICT which provides for a paradigm shift in electronic commerce'.

In 2000, UN/CEFACT addressed the 'Various strands of UN/CEFACT's work in Electronic Business in context with each other and with trends in Trade Facilitation and Information Technology'⁴. The document, approved by the Plenary, states that 'UN/CEFACT's strategy is to preserve the core investment in data definitions whilst ensuring that the use of alternative techniques and methodologies can be supported'. Key deliverables for UN/CEFACT's work are business processes – including data elements definitions (or core components) and codes - that were recognized as UN/CEFACT's core expertise in which no other organization worldwide can claim the same level of expertise.

In March 2001, UN/CEFACT approved the 'Realisation of the UN/CEFACT vision from an e-Business standards strategy'⁵. The strategy advocates that the software industry has converged around the use of the Unified Modelling Language (UML) as an important mechanism for describing business processes and capturing user requirements. UN/CEFACT's key deliverable for the next generation of e-business standards was defined as being business and information models using UML. Further, the document stressed that the acceptance of the strategy does not lessen the value of the existing UN/EDIFACT standards. 'To the

¹ WP.4, EDI and International Trade, UN/ECE, TRADE/WP.4/R.1025, 1994 and 'Trade Facilitation', contribution by the GE.2 Vice Chair to the CEFACT Reengineering, 1994.

² TRADE/CEFACT/1998/19

³ TRADE/CEFACT/1998/20

⁴ TRADE/CEFACT/2000/21 UN/CEFACT's strategy for electronic business

⁵ TRADE/CEFACT/2001/7/Rev.1

contrary, UN/EDIFACT is and will remain a viable business alternative for large sectors of the global business community in the foreseeable future.

The realisation of this strategy lead to the establishment of the UN/CEFACT Forum. Following this development process and the decisions of the UN/CEFACT plenary it is the understanding of the secretariat that the key deliverables of the Forum can be identified as:

- Business processes
- Data elements definitions (or core components)
- Codes
- Development and maintenance of the UN/EDIFACT standards.

Further, it was agreed that UN/CEFACT will protect the investment in data definitions and preserve these core investment whilst ensuring that the use of alternatives techniques and methodologies can be supported.

Concerning the resource requirements it was considered that the next generation of electronic business standards, ebXML, requires an e-business repository (⁶see note for explanation of repository and registry) to ensure the production and maintenance of the resulting directory core components, business process specifications and codes. It was considered by the EDIFACT Working Group at their 2001 meeting, that such a web-based repository may be unique or be a virtual repository of interoperable repositories and can be scalable in terms of supported functionality and required resources.

Further, the UN/CEFACT Forum needs logistical and administrative support, including the development and maintenance of a Website. Up until now logistical support has been provided by national or regional organisations (e.g DISA) participating in electronic business development that have organised Forums in the regions. The costs of the Forum have been covered by contributions from participants. In support of the EWG, a website was developed and maintained by EDIFRANCE. However this service is no longer available to the Forum.

Thus in support of Forum activities, a web-site with appropriate administrative support would be a great asset.

It has been envisaged that a professional support service provider (SSP) could be found to provide the above-mentioned support services, in addition to those already provided by UNECE, particularly to cover extra resources needed for the ebXML development.

Should a SSP not be found that covers all the desired functions it would be worthwhile to look at the functions that might be covered through a trust fund and those that might be covered through contributions in kind or outsourced to industry. The following section examines the resource requirements for ebXML development.

⁶ **Note:**

Repository. A repository is a database of items that support electronic business transactions such as XML schemas of business documents or trading partner agreements.

Registry. The registry provides access to the items in a registry to create, update and retrieve information from the repository. Trading partners use ebXML *Registry* services to share business information.

3. Resources needed for ebXML development

UN/CEFACT and OASIS (Organization for the Advancement of Structured Information Standards) joined forces in 1999 to initiate a worldwide project to develop a technical framework that will enable XML to be used in a consistent manner for exchanging electronic business data. The ebXML (electronic business XML) project has developed an architecture, but in the future ebXML messages, business process specifications and core components will also need to be developed in order to enable the specifications for structured transfer of data.

The ebXML project, however, is more than just technical specifications. To make the specifications available to users, you need a repository. As well as giving standards and specifications (core components and business process specifications), the registries and repositories can be seen as a business development tool or search engine for business opportunities, as they contain contact details of users, i.e. business partners, or agreements on how to establish and conduct business (Trading Partner Agreements – TPA).

For the secretariat to evaluate the need for a registry, the exact role of such a registry needs to be examined more closely:

- Should the function of the registry be to serve as an enabler for business transactions, we have to consider whether this is the function of the United Nations or whether it should not best be handled by private business.

It is unclear when a large-scale implementation of ebXML can be envisaged. However, in the near future, in addition to ebXML, new Internet technologies like “Web Services” are also being made available. Web Services are a technology to provide data and services to applications using the Internet and standard protocols and data formats such as SOAP and XML. Web Services enjoy increasing support through software vendors and implementers. Web Services could be an alternative or complementary technology to integrate B2B systems in flexible, loosely coupled manner. For SMEs and transition economies it could provide new business opportunities in offering automated value added services on the Internet.

In the light of the above the establishment of a registry and the associated need for resources should be evaluated. Should the registry be developed and maintained by private business the resource requirements are substantially lowered. What remains to be resourced is effectively the servicing of the UNCEFACT Forum.

Resource plan

In conclusion, the secretariat suggests that before any decision are taken regarding outsourcing and resource requirements, a detailed resource plan should be developed. Such a plan should provide justification for the resources needed and detailed specifications.

Currently no adequate project specification for the required software support systems for UN/CEFACT is available. Any decision on developing and financing such systems requires at least a high-level project document. This document should describe the user base of the systems to be deployed, the functions provided by the system and the development, maintenance and operation costs. The project document should also evaluate less resource-intensive alternatives for the UN/CEFACT repository. Specifically, it should evaluate whether UN/CEFACT can use available Open Source implementations of ebXML repositories instead of developing its own system.

The secretariat recommends basing the structure of the project document on the recently developed standard for United Nations IT project management. This standard is based on approved methodologies and encompasses the complete management of a project life cycle. It would improve the reliability of systems development and ensure the integration of United Nations systems and data.

4. Conclusions

General framework

The United Nations provides a neutral, transparent and, above all, unbiased environment for the development of standards. It also makes these standards freely available on an open, no-charge basis to all users. Thousands of individuals contribute to the development of UN/CEFACT trade facilitation and e-business recommendations and standards. Many of these individuals and the organizations, both public and private, that sponsor them, have made these contributions, at least in part, because they were contributing to the work of the UN. Further, UN/CEFACT provides a natural and unique forum for the cooperation between the business sector and Governments on trade facilitation and electronic business that does not exist elsewhere.

As we explore the options for the future of UN/CEFACT, it is important to preserve this goodwill, and to build even further upon it, in order to develop recommendations and standards that contribute to the economic well-being of all countries.

Furthermore, tools to support trade facilitation would be increasingly dependent on technology developments and significant future improvements in trade facilitation should result from the adoption of e-business capabilities. The link between trade facilitation and e-business is therefore now more important than ever, especially with the increased emphasis on information flow within a trade security context. Effectively, the goods cannot move faster than the information.

However, while retaining an active and integrated link between trade facilitation and e-business (or the underlining technology and processes that facilitate trade) it has become clear that the UNECE cannot be part of all technical development work related to e-business standards. Development of programmable information models and standards for automation of the trade processes could be outsourced, whereas development of higher-level models of the trade processes themselves should remain an integral part of the work of UN/CEFACT.

Before any decisions are taken it is essential that a full and complete dialogue take place between the agencies concerned with standards development at the highest level and that an eventual proposal be evaluated in the framework of the Memorandum of Understanding between the International Organization for Standardization, the International Telecommunication Union, the International Electro-technical Commission and the UNECE.

Implementation of OLA recommendations

The current discussion on the need for extra-budgetary resources and possible outsourcing of some of UN/CEFACT's deliverables has created a volatile situation and is a cause of concern for many of UN/CEFACT's participants. In this paper we wish to propose a practical implementation of the OLA advice and thus ensure continuity and a way forward for participants.

The secretariat envisages that extrabudgetary support for the UN/CEFACT Forum and electronic business development could be implemented on three levels:

- Support for the organization of the UN/CEFACT Forum
- Logistic and administrative support for the UN/CEFACT Forum
- Resources needed to develop databases and software for electronic business development.

1. Support for the organisation of the UN/CEFACT Forum

The secretariat suggests that in line with the OLA recommendation a trust fund be established for support of the UN/CEFACT Forum. The trust fund would be used to provide funds for organising and running the various forums. Participants in the Forum would be invited to give voluntary contributions to the trust fund equalling what they pay for the current Forum events. In order to facilitate payments, a “subscription system” could be envisaged whereby participants pay once a year for the biannual forums. A UNECE project administrator would oversee the trust fund and through the UN procedures an event organiser would be appointed to run the logistics of the forum using the funds. To provide financial stability it would be helpful if the Forum Coordination Team were to develop a budget for the basic needs of the forum so that a figure could be worked out on what level the voluntary contributions should be made.

2. Logistics and administrative support for the UN/CEFACT Forum

It is clear that the forum would greatly benefit from logistical and administrative support in particular the development of a Website and the development and maintenance of list servers. In the past this has partly been carried out by national and or regional organisations as a contribution in kind. It is therefore suggested that a serious effort be made to solicit this support as a contribution in kind, targeting Governments, national organizations and industry. It is envisaged by OLA that these contributions could be acknowledged by the United Nations in a manner cleared by the OLA. In view of past experience and interest already shown from industry, the secretariat is optimistic that sufficient support for this service can be obtained.

3. Resources needed to develop databases and software for electronic business development

Future development and implementation of e-business standards needs comprehensive software support including databases. In order to make e-business specifications available to users (to disseminate the specifications), a repository/registry is needed from which users can download the standards and further, in order to facilitate the establishment of business contacts a repository/registry is envisaged, also comprising business information, the cost of which has tentatively estimated been to US\$1,5 million.

The exact function of a repository/registry has not yet been defined nor has a resource plan been worked out. The secretariat recommends that before any decision is taken on outsourcing part of the e-business activities and or possible organisational changes the respective roles of the repository/registry be clarified. It is essential to understand if they are part of standards development and dissemination or function as a tool to enable business contacts. For example, should the function of a registry go beyond standards development it could be argued that this is not a primary objective for the UN but should best be left to industry. The private sector also has an interest in providing tools for facilitating and enabling electronic commerce solutions. In addition, as a basis for any decisions the secretariat recommends that a detailed resource plan be drawn up, which would include time schedules, functions and cost estimates.

However, the UN does not have resources to cover this type of software development and should it be agreed to develop a registry it is recommended that this resource be solicited from the private sector.
