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ENGLISH ONLY

UNITED NATIONS CENTRE FOR TRADE FACILITATION AND ELECTRONIC BUSINESS (UN/CEFACT)
BUILDING A FOUNDATION FOR UN/CEFACT
LETTER OF UNDERSTANDING WITH OTHER ORGANIZATIONS IN SUPPORT OF
CAPACITY-BUILDING AND IMPLEMENTATION OF UN/CEFACT RECOMMENDATIONS AND STANDARDS

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Submitted by the Bureau

This document is for information and is presented under agenda item 7 of the agenda.

TRADE/CEFACT/2005/MISC.1

Introduction

1. As defined in the UNECE's UN/CEFACT Trade Facilitation strategy (TRADE/CEFACT/2005/6), there has been a large increase in the number of countries seeking advice and assistance in implementing trade facilitation. Their needs range from the very basic to the complex and include such items as approaches to identifying overall trade facilitation needs and strategies, identifying bottlenecks, and implementing electronic trade document solutions and Single Windows.
2. To address these needs, UNECE initiated and funded, through the United Nations Development Account a number of capacity-building programmes to promote the implementation of existing UN/CEFACT standards and recommendations (TRADE/2005/15). In the context of these programmes, UNECE was approached a number of times by private sector companies interested in supporting or contributing to these programmes and to the implementation of UN/CEFACT recommendations and standards. These organizations were seeking to develop and agree on a cooperation mechanism that would be the foundation for their cooperation with UNECE.
3. Since 2001, a number of exchanges were initiated with the UN Office on Legal Affairs (OLA) on defining ways and means to develop such a cooperation mechanism in line with the UN Rules and Regulations. In early 2005, the secretariat developed a new framework of cooperation – named Letter of Understanding (LoU) in support of capacity-building and implementation of existing UN/CEFACT standards and recommendations.

Overview

4. The UNECE distinguishes clearly the support and funding for the development of UN/CEFACT standards and recommendations, as documented in TRADE/CEFACT/2005/9, from the capacity-building and implementation of existing UN/CEFACT instruments.
5. Based on the experience gained in the implementation of capacity-building programmes funded by the UN Development Account, it is the view of the UNECE secretariat that the promotion of UN/CEFACT instruments should be complemented by Capacity-building activities. These activities aim at explaining to governments and the private sector how the strategic implementation of UN/CEFACT standards and recommendations can best support their trade facilitation policies and economic development. This Capacity-building activity is seen as an upstream activity of technical assistance programmes.
6. Currently, the UNECE Trade Division has no mechanism to cooperate with private sector companies in support of the promotion and implementation of existing UN/CEFACT instruments. The only mechanism is through the development of a project document with an external party and supported by a UN trust fund. Private sector companies normally seek to sign a cooperation document in some form before entering into the specifics of the cooperation. The proposed framework LoU is intended to define the overall cooperation framework.
7. Concerning extra budgetary funded activities to support the promotion and implementation of UN/CEFACT instruments, they are undertaken currently through the United Nation Development Account projects and monitored accordingly. To provide for a mechanism of cooperation with the private sector, it is proposed to use the framework of cooperation (LoU) in Annex I. The LoU has been cleared by the Legal Office in Geneva. It was considered by the Geneva Office that, as it is

intended to be a general letter of cooperation between the Parties, with no legal implications with regard to IPR, it does not require the review of the New York Office.

8. Finally, the name of the document – Letter of Understanding – is proposed by the secretariat to indicate that it is a framework and to distinguish it from MoUs and ‘Cooperation agreements’ that might be too formal respectively too specific.
9. As indicated, the LoU is intended for organizations wishing to promote existing UN/CEFACT instruments and capacity-building activities. As these activities can vary depending on the needs of the countries or companies, the LoU is a flexible mechanism that opens to the participation of all interested private sector companies, including smaller organizations. This is especially relevant for organizations involved in capacity-building programmes for e-business in SMEs as demonstrated by the E-Med Business project.
10. The planned objectives of cooperation with private sector companies are based on the themes developed by the WSIS meeting in January 2005 on the ‘Economic and social implications of ICT – namely:

Thematic component

- ☐ *Development of entrepreneurship through e-competence and transfer of knowledge*
- ☐ *Integrating SMEs into supply chains*
- ☐ *Design of business models and innovation support systems*
- ☐ *Transparency, simplification of procedures*

Country/capacity-building component:

- ☐ *A healthy business environment -assist business and governments to better align information technology and business processes*
- ☐ *Integration of ICT in national and multilateral trade policies*
- ☐ *Understand and measure the economic value of ICT investments*

11. More specifically, for the thematic component, the UNECE envisages the promotion of UN/CEFACT Recommendation 1 on Aligned Trade Documents and the UNeDocs project, UN/CEFACT implementation of web services for International Code sets; while on the Country component it was envisaged to build on the E-Med Business project to enhance capacity for governments and small and medium-sized enterprises in the CIS countries to join the paperless international supply chain.

Purpose

12. The scope and the objectives of the Letter of Understanding (LoU) are to specify the framework of cooperation between the United Nations Economic Commission for Europe (UNECE) and private sector companies or organizations, interested in supporting the promotion and implementation of UN/CEFACT instruments through UNECE extra budgetary funded activities complementing and supporting the existing promotion and capacity-building activities.
13. The UNECE, through such a framework approach, is seeking two objectives:
 - A thematic approach to help private sector organizations and companies to integrate international standards into business processes and Information Technology solutions – such as the integration of UN/CEFACT standard codes sets into software solutions or the support of the UN Layout Key documents through Internet solutions;

- A country approach to establish a framework for the migration from paper to paperless trade in order to foster efficiency and security of international supply chains, especially through capacity-building workshops at national level.

Method

14. The Thematic approach would focus on tools for the implementation of trade facilitation and electronic business while the Country approach would be done through capacity-building seminars. The details and outputs of the cooperation would be defined in a project document, on a case-by-case basis, to be endorsed by the UN/CEFACT Bureau.
15. The contributions would be made through the establishment of a UN Trust Fund, named: "The UN/CEFACT Capacity-building Fund". It will be governed by United Nations rules and regulations, including those for auditing, and managed by the UNECE. An annual report on the project implementation will be made to the UN/CEFACT Plenary.

Action Plan

16. The UN/CEFACT Plenary is asked to adopt the principles for cooperation with the private sector as outlined in this document and the attached Letter of Understanding.
17. Together with the UNECE secretariat, the Bureau will approach organizations that have shown interest in participating in such a scheme.

Annex I – Draft Letter of Understanding (LoU)

Letter of Understanding
Between
United Nations Economic Commission for Europe
And
[Party]

**Concerning the promotion and implementation of UNECE standards
for paperless trade in international supply chains**

The scope and the objectives of this Letter of Understanding are to specify the framework of cooperation between the United Nations Economic Commission for Europe (UNECE) and [Party], hereafter referred to collectively as “the Parties”, in support of the promotion and implementation of UNECE global standards for paperless trade in international supply chains.

UNECE supports activities dedicated to improving the ability of business, trade and administrative organizations, from developed, developing and transitional economies, to exchange products and relevant services effectively.

Its principal focus is on facilitating national and international transactions, through the simplification and harmonization of processes, procedures and information flows, and so contribute to the growth of global commerce¹. This is achieved, among other activities, by promoting both the use of the standards, and associated best practices, through channels such as government, industry and service associations.

This mission supports the international development goals included in the UN Millennium Declaration for an open trading and financial system that is rule-based, predictable and non-discriminatory and that includes a commitment to good governance, development and

¹ Mandate, Terms of Reference and Procedures for UN/CEFACT, TRADE/R.650/Rev.3, 18 August 2004.

poverty reduction – both nationally and internationally, and the implementation of the Principles of the World Summit on the Information Society (WSIS)².

The [Party] has supported UNECE's e-business and trade facilitation programme during many years. Now, desiring to pursue jointly opportunities to support the promotion and implementation of UNECE instruments and standards in order to make paperless trade in international supply chains a reality, thereby supporting the United Nations Millennium Development Goal related to trade and the implementation of the Geneva Principles of the World Summit on the Information Society:

The Parties have reached the following understanding:

I. Purpose

In 2001, UNECE recognized that tools to support trade facilitation will be increasingly dependent on technological developments. These significant future improvements in trade facilitation will result from the adoption by software makers of e-business and trade facilitation standards and best practices. This requires the implementation and use of UNECE instruments in 'plug-and-play' business software solutions, developed by the private sector, and made available to Governments and the private sector.³ This cooperation will be undertaken respecting principles of transparency, non-exclusivity of the actors involved and open access to the benefits derived from this cooperation.

The Parties will seek to use their reasonable endeavours to cooperate on a **Thematic** approach to help organizations and companies to integrate international standards into business processes and Information Technology solutions thus increasing the value of the solution for the users and on a **Country** approach to establish a framework for the migration from paper to paperless trade in order to foster efficiency and security of international supply chains. The Parties will provide capacity-building and jointly developed tools for the implementation of trade facilitation and electronic business with the intellectual property owned by UNECE and freely made available to all UN Member States. UNECE, in leveraging its unique role in the development of global standards for trade, will cooperate with the organizations of the UN system, Governments and non-governmental organizations in jointly promoting the developed tools, providing capacity building for relevant standards and facilitating the implementation.

II. Agreement

² WSIS, Declaration of Principles WSIS-03/GENEVA/DOC/4-E, December 2003.

³ Realization of the UN/CEFACT vision from an E-business standards strategy, March 2001.

The Parties will give effect to the objectives of the cooperation as set out in this Letter of Understanding (details subject to specific agreements, which will duly take into account relevant internal rules and regulations of the United Nations).

It is understood that nothing in this Letter of Understanding may prevent UNECE from entering into similar arrangements with other interested companies.

The [Party] agrees that any external communication about its joint cooperation with the UNECE shall not be issued without prior consultation with the UNECE.

IN WITNESS WHEREOF, the duly authorized representatives of the United Nations and [Party] have affixed their signatures below.

For UNECE:

For [Party]:

Name: Brigita Schmögnerová

Name:

Title: Executive Secretary and
Under-Secretary-General

Title:

Date: YY-MM-DD

Date: YY-MM-DD

Signature:

Signature:
