

## Harnessing the potential of trade facilitation and e-business for sustainable development



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## UN Centre for Trade Facilitation and Electronic Business (UN/CEFACT)

In our interconnected world, commercial transactions are commonplace. They can be extremely complex and regularly involve exchanges of information which accompany goods, services and payments, often across borders. Completing any cross-border transaction involves a series of independent processes, which require a substantial amount of time and resources due to their intricacy. Lack of harmonisation and coordination among these processes may ultimately lead to inefficiencies and impede the potential for wealth creation. A part of the UN system – UN/CEFACT – dedicates its work to simplifying and harmonising international trade and electronic business processes for the benefit of all.

Born from the decades-long experience of the United Nations Economic Commission for Europe (UNECE) in trade and trade facilitation matters – which dates back to 1957 – the United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT) was established as an intergovernmental body of UNECE in 1996. Its mission is to deliver greater benefits from global trade to all countries as part of the UN's mandate to create sustainable economic growth and a high standard of living for all. Its vision is to provide simple, transparent and effective processes for economically, socially and environmentally sustainable global commerce. To this end, it develops and supports activities dedicated to improving the ability of business, trade and administrative organizations from developed, developing and transition economies to exchange products and services more efficiently and effectively. UN/CEFACT works with experts from both the public and private sectors to simplify national and international transactions by harmonising processes, procedures and information flows in order to render them more efficient and streamlined.



### Box 1. UN/CEFACT recommendations on Single Window<sup>1</sup>

A Single Window is a facility that allows parties involved in trade and transport to lodge standardised information and documents with a single entry point to fulfil all import, export and transit-related regulatory requirements. Today, 73 economies around the world including ECE and non-ECE member States have established a national Single Window using UN/CEFACT recommendations. These recommendations are used for establishing the legal, institutional and managerial framework for Single Window implementation. Single Window reduces the time needed for trade transactions. For example, countries using Single Window systems take on average only 8 days for document preparation and 2 days for clearance for imports, compared to 14 and 4 days respectively for those not using them.

### Box 2. The example of Kyrgyzstan<sup>2</sup>

The Kyrgyz Single Window system (SWIS) has been operating as a pilot since 2010. The SWIS is structured according to UNECE Recommendation 33. While still being developed, it has already generated tangible benefits, reducing the total number of data elements required during the application process from around 1,000 to 129 in 2014. The SWIS is underpinned by comprehensive efforts to streamline and structure information requirements using UN/CEFACT recommendations. A case in point is the customs declaration, which has 54 data entry boxes and is aligned with the UN Layout Key as well as other international standards and codes recommended by UN/CEFACT such as INCOTERMS, codes for transport modes and UN/LOCODE.

These efforts take the form of trade facilitation recommendations, electronic business standards and technical specifications, and support projects. UN/CEFACT has produced over 30 trade facilitation recommendations and various standards, which are used throughout the world by both governments and the private sector. They reflect best practices in trade procedures and data and documentary requirements.

Although often specific and technical in nature, the work of UN/CEFACT has far-reaching impacts on our daily lives. Through its endeavours, UN/CEFACT not only contributes to the growth of global commerce, it also puts in place the conditions for sustainable and inclusive economic growth, ultimately improving the well-being of society as a whole. Therefore, UN/CEFACT will be an important actor for the implementation of the Sustainable Development Goals adopted in September 2015.

<sup>1</sup> World Bank, *Doing Business 2014 (2013), Understanding Regulations for Small and Medium-Size Enterprises*, World Bank Publications, Washington

<sup>2</sup> UNECE, *Regulatory and procedural barriers to trade in Kyrgyzstan: Needs Assessment (2015)*

## Towards sustainable development

Sustainable development is not a new concept. In 1987, the World Commission on Environment and Development (the so-called Brundtland Commission), which was established by the UN, released its report, *Our Common Future*, calling for international action “towards sustainable development”.<sup>3</sup> This report also provided the most authoritative definition of sustainable development to date: “Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs”. At this time already, it was recognised that development should be informed by inter-generational equity concerns and should also include economic, social and environmental concerns, which are closely interlinked.

The concept of sustainable development has since flourished, gaining wide recognition and taking its place at the centre of the international policy agenda. From the Earth Summit in Rio in 1992, to the World Summit on Sustainable Development in 2002, to the Rio+20 Summit in 2012, to the 2030 Agenda for Sustainable Development, world leaders have repeatedly, and with growing concern, asserted their commitment to making sustainable development a priority. While substantial progress has been made along the way, notably as a result of the efforts deployed for reaching the *Millennium Development Goals (MDGs)*, significant hurdles still need to be overcome. According to UN Secretary General Ban Ki-moon, sustainable development constitutes the central challenge of our times.<sup>4</sup>

## The Sustainable Development Goals

At the Rio+20 Conference in 2012, UN Member States agreed to launch a process to develop a set of Sustainable Development Goals to succeed the MDGs and constitute the cornerstone of the 2030 Agenda for Sustainable Development. Faithful to the concept of sustainable development, the goals and targets integrate economic, social and environmental aspects, and recognise the interlinkages required for achieving sustainable development in all its dimensions. One goal also focusses on the key means of implementation, which constitute important cross-cutting enabling factors for the achievement of all the SDGs – such as finance, technology, capacity-building and trade. Below is the list of SDGs adopted in September 2015.

### The Sustainable Development Goals (A/RES/70/1)

<b>1</b> NO POVERTY 	End poverty in all its forms everywhere	<b>2</b> ZERO HUNGER 	End hunger, achieve food security and improved nutrition and promote sustainable agriculture
<b>3</b> GOOD HEALTH AND WELL-BEING 	Ensure healthy lives and promote well-being for all at all ages	<b>4</b> QUALITY EDUCATION 	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
<b>5</b> GENDER EQUALITY 	Achieve gender equality and empower all women and girls	<b>6</b> CLEAN WATER AND SANITATION 	Ensure availability and sustainable management of water and sanitation for all
<b>7</b> AFFORDABLE AND CLEAN ENERGY 	Ensure access to affordable, reliable, sustainable and modern energy for all	<b>8</b> DECENT WORK AND ECONOMIC GROWTH 	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
<b>9</b> INDUSTRY, INNOVATION AND INFRASTRUCTURE 	Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	<b>10</b> REDUCED INEQUALITIES 	Reduce inequality within and among countries
<b>11</b> SUSTAINABLE CITIES AND COMMUNITIES 	Make cities and human settlements inclusive, safe, resilient and sustainable	<b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION 	Ensure sustainable consumption and production patterns
<b>13</b> CLIMATE ACTION 	Take urgent action to combat climate change and its impacts	<b>14</b> LIFE BELOW WATER 	Conserve and sustainably use the oceans, seas and marine resources for sustainable development
<b>15</b> LIFE ON LAND 	Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss	<b>16</b> PEACE, JUSTICE AND STRONG INSTITUTIONS 	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
<b>17</b> PARTNERSHIPS FOR THE GOALS 	Strengthen the means of implementation and revitalize the global partnership for sustainable development		

<sup>3</sup> The World Commission on Environment and Development (WCED)(1987), *Our Common Future*, Oxford University Press, Oxford

<sup>4</sup> Ban Ki Moon, “Foreword”, in Jeffrey Sachs (2015), *The age of sustainable development*, Columbia University Press, New York

## UN/CEFACT's contribution to the SDGs

The activities carried out by UN/CEFACT have very significant effects on the world we live in. They not only have specific impacts related to trade and e-business cutting across a broad range of domains, they also play a significant role in efforts to achieve even the most overarching goals such as poverty eradication (Goal 1) and the reduction of inequality within and between countries (Goal 10). Moreover, UN/CEFACT's work also contributes to the achievement of goals related to environmental sustainability. Therefore, it can be expected that UN/CEFACT will be a very important actor in the upcoming implementation of the SDGs.

### Means of implementation: trade, finance and beyond...

The role of trade as a powerful engine for development is well-recognised and has been reflected in the proposed SDGs by the inclusion of trade as one of the key means of implementation listed under Goal 17, encompassing 3 specific targets. The various projects conducted by UN/CEFACT in the area of trade facilitation contribute directly to these targets, which include the promotion of a universal, rules-based, open, non-discriminatory and equitable multilateral trading system (Target 17.10), as well as the increase of developing countries' exports (Target 17.11).

#### Box 3. The UNECE Trade Facilitation Implementation Guide (TFIG)<sup>5</sup>

TFIG ([tfig.unece.org](http://tfig.unece.org)) is a web-based, interactive knowledge management tool for simplifying cross-border trade. It provides a single source bringing together essential trade facilitation information, including all the major instruments from all key international organizations. TFIG helps policymakers and implementing managers identify, examine and select available solutions and possible paths for their trade facilitation reform efforts. It can be used in the analysis, planning and implementing stages of trade facilitation. In 2014, this online tool received more than 4 million hits. It was visited by more than 100,000 unique visitors with more than 675,000 page views during the same period.

UN/CEFACT's work promotes trade. As reflected in its *Buy-Ship-Pay model*, UN/CEFACT takes a comprehensive approach to international transactions and addresses all aspects of trade, considering every step of the supply chain from purchase to payment. As far as recommendations are concerned, current topics being addressed include National Trade Facilitation Bodies,

Public-Private Partnerships in the area of trade facilitation and Single Window Interoperability. On the support side, an important recent initiative is the development of the Trade Facilitation Implementation Guide (TFIG), a web-based interactive tool providing information on practices and instruments for simplifying cross-border trade and implementing trade facilitation reforms as well as a Guide to drafting a National Trade Facilitation Roadmap.



<sup>5</sup> TFIG website: [tfig.unece.org](http://tfig.unece.org)

Activities aimed at facilitating trade are essential for sustainable development and present many opportunities. It has been estimated, for example, that trade facilitation measures could reduce trade costs for developing countries by 14 per cent on average, boost their exports significantly and increase the number of products they export.<sup>6</sup> UN/CEFACT continuously strives to maximise these positive impacts. Further, in addition to bolstering the capacity of countries to trade effectively, UN/CEFACT's projects fit perfectly into the international trade agenda by providing governments with useful instruments to implement important global initiatives such as the WTO Trade Facilitation Agreement (TFA).

#### **Box 4. The Single Window in Mozambique<sup>7</sup>**

Mozambique's Single Window was launched in 2011, providing a centralised platform to streamline and simplify the operation of customs and other government agencies involved in border control. Implementation was not easy. Mozambique had to overcome infrastructure weaknesses at land borders in remote areas and resistance from certain stakeholders. Today, the system is able to handle up to 400,000 customs declarations per year, or about 1,500 per day, bringing many benefits to both clients and participating agencies. In particular, the clearance process has become more predictable and much faster (from 3 days to a few hours), while customs revenues have increased substantially.

Another central means of implementation of Goal 17 – and maybe the most important one – is finance. The very first target calls for the strengthening of domestic resource mobilisation, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection. Here again, UN/CEFACT has a crucial role to play. Efficient and well-functioning trade and customs processes are essential to collecting revenue from international transactions, especially in developing countries where such revenue often constitutes a substantial part of the national budget. This positive potential is well-illustrated by the cases of Mozambique and Senegal, where the implementation of a Single Window has led to a substantive increase in government revenue. From a more specific point of view, it should also be mentioned that UN/CEFACT has a project on integrating trade finance and supply chain finance into trade facilitation.

The contribution of UN/CEFACT with regard to the means of implementation is not limited to trade and finance. UN/CEFACT also carries out activities that contribute to: developing and disseminating knowledge and technology (Targets 17.6 and 17.7) as well as increasing policy coherence (Targets 17.13-17.15) as a result of the harmonising effect created by the implementation of its recommendations and standards; promoting public-private partnerships (Targets 17.16-17.17),

for example through its upcoming recommendation on Public-Private Partnerships in Trade Facilitation; developing better tools for data collection and exchange (Targets 17.18-17.19) through various projects such as the United Nations rules for Electronic Data Interchange for Administration, Commerce and Transport (UN/EDIFACT), Extensible Markup Language (XML) and Core Components Library (UN/CCL); and building capacity in the areas of trade facilitation and e-business (Target 17.9), for example through the various important guides it has developed.

#### **Sustained, inclusive and sustainable economic growth**

By developing, maintaining and supporting global instruments for supporting and implementing trade facilitation and e-business, UN/CEFACT also contributes directly to Goal 8, which calls for the promotion of sustained, inclusive and sustainable economic growth. Through its work, UN/CEFACT provides businesses, trade and administrative organizations around the world with tools allowing them to implement more efficient trade and e-business processes, ultimately helping to put in place the right conditions for economies to thrive.

Today, non-tariff barriers constitute the most important obstacles to trade. Unpredictable, cumbersome and inefficient trade procedures can cause significant delays, cost a lot of money and ultimately impede value creation and economic growth in a significant manner. As a result, the potential gains that could be harvested from trade facilitation are tremendous. It has been estimated, for example, that a reduction of trade costs equivalent to 1 per cent of the value of world trade would generate welfare gains of about USD 40 billion worldwide, with most of the gains accruing to developing countries.<sup>8</sup> Through its activities in the area of trade facilitation, UN/CEFACT promotes the removal of these barriers and inefficiencies, which in turn stimulates the mobilisation of untapped growth potential.

#### **Box 5. The establishment of THAINSW in Thailand<sup>9</sup>**

The Thai National Single Window system (THAINSW) was launched in 2008. It has enabled the secure exchange of trade and transport e-documents among government agencies and businesses, as well as fully automated customs clearance and release at 660 customs stations nationwide. In November 2011, it had about 8,000 subscribers serving approximately 100,000 traders and 36 government authorities. All government agencies and traders can participate in the Single Window environment at no cost. Efforts deployed in simplifying procedural and documentary requirements, as well as automating all import/export-related processes have yielded remarkable outcomes, including an annual cost-saving of about USD 2 billion. Moreover, time to export has decreased by 10 days and time to import has decreased by 9 days.

<sup>6</sup> Bernard Hoekman and Ben Shepherd (2013), "Who Profits From Trade Facilitation Initiatives?", European University Institute, Robert Schuman Centre for Advanced Studies, EUI Working Paper RSCAS 49

<sup>7</sup> TFIG website, Case stories, "Single Window Implementation in Mozambique"

<sup>8</sup> Evdokia Moïse and Florian Le Bris (2013), «Trade Costs: What have we learned? A Synthesis Report», OECD Trade Policy Paper N°150, OECD, Paris

<sup>9</sup> TFIG website, Case stories, "Interagency Collaboration for SW Implementation: Thailand's Experience"; World Bank, Doing Business Indicators

Regarding e-business, the potential is also considerable. In our world, ICT-enabled business processes are almost everywhere and their level of pervasiveness is only likely to increase further in the years and decades to come. Therefore, in the age of the digital economy, the potential impact of UN/CEFACT's work is colossal, and it will grow even more in the future. By promoting the simplification and harmonisation of e-business processes, and thus making them both more efficient and easier to handle, UN/CEFACT can play a pivotal role in ensuring that all stakeholders, including those with more limited resources, can fully benefit from the global and digitalised market. A case in point is the United Nations rules for Electronic Data Interchange for Administration, Commerce and Transport (UN/EDIFACT) standard, which is probably the most widely used structured business and government message standard in the world.

UN/CEFACT's activities can thus boost growth while ensuring that it is as inclusive as possible. This constitutes a key contribution to the SDGs and to Goal 8 in particular.



## Poverty eradication and reduction of inequality

By stimulating economic development and inclusive and sustainable growth, UN/CEFACT in turn makes a substantial contribution to several other SDGs, including the most central and crucial one: Goal 1 ("End poverty in all its forms everywhere"). The activities conducted by UN/CEFACT benefit in particular the poor and small and medium-sized enterprises, for whom complex and burdensome procedures can constitute insurmountable obstacles. As processes are simplified, it becomes easier for everyone to join international markets effectively and benefit from them.

### Box 6. Senegal's transition to paperless trade<sup>10</sup>

The Senegalese Single Window (ORBUS) was created and is operated by a local company, GAINDE 2000, established under a public-private partnership. Through its paperless trade project initiated in 2009, GAINDE 2000 further enhanced electronic interconnectivity among stakeholders in the international supply chain both within and across borders. ORBUS has streamlined trade transactions in Senegal with striking results, including:

- Time for preclearance formalities reduced by 70 per cent;
- Time for custom clearance reduced by 50 per cent; and
- Revenue collection increased from USD 625 million to USD 1 billion in 3 years.

This outstanding contribution was internationally recognised when GAINDE 2000 was awarded a 2012 United Nations Public Service Award.

### Box 7. Business Process Analysis in Cambodia<sup>11</sup>

A business process analysis (BPA) was conducted in Cambodia in 2010. Its objective was to evaluate procedures, times and related costs associated with the export and import of products of strategic importance. The BPA uncovered procedural bottlenecks and practices unfriendly to trade. The results were instrumental in raising awareness and building political will for ongoing trade facilitation reform in Cambodia. A visual presentation of the rice export procedure, in particular, provided direct feedback for senior policy makers to effect trade facilitation reform. Reforms in the rice export sector, in turn, decreased the costs of rice exports, and thus had a great impact on Cambodia's external trade. As a result, the rice sector is thriving; from 15,000 MT in 2010, it was expected to surpass 250,000 MT in 2012.

<sup>10</sup> TFIG website, Case stories, "A Road Toward Paperless Trade: Senegal's Experience"

<sup>11</sup> TFIG website, Case stories, "Business Process Analysis in Cambodia"



Besides this general contribution to Goal 1, some of its precise targets are also addressed more specifically. Target 1.3, for example, calls for the implementation of nationally appropriate social protection systems and measures for all and for the achievement by 2030 of substantial coverage of the poor and the vulnerable. By supporting governments' capacity to collect revenue from business and trade transactions, UN/CEFACT's activities help to ensure that they will have the required budget to implement these important programmes. In Senegal, for example, more efficient processes brought about by the introduction of a Single Window system have increased customs' revenue collection from USD 625 million in 2005 to more than USD 1 billion in 2008. Additional resources can thus be considerable, which significantly strengthen a country's ability to put in place appropriate public policies and social protection measures.

Goal 1 is also linked to Goal 10, which calls for the reduction of inequality within and among countries. It should be underlined that UN/CEFACT's work is particularly relevant for developing countries. Facing more important constraints in terms of resources, developing countries experience bigger challenges resulting from complex and inefficient procedures, and thus tend to benefit more from their simplification. The elimination of trade-related inefficiencies is many times more beneficial to industries in these countries than the reduction of tariff barriers. In addition, all

UN/CEFACT recommendations, standards and guidelines are available free of charge, thus making them highly accessible for developing countries.

UN/CEFACT's work also benefits landlocked countries and countries distant from major markets, which also encounter many additional costs in bringing goods to market. The gains from UN/CEFACT's work are also considerable for micro, small and medium-sized enterprises, for which the costs of compliance with various trade-related procedures are proportionately higher. This is particularly true in the case of low-value shipments, where the cost of administrative procedures represents a large proportion of total cost.

### **Environmental sustainability**

While the positive impacts of UN/CEFACT's activities on economic growth and social well-being are the most obvious, its work also makes an essential contribution to environmental sustainability. The promotion of paperless trade is a case in point, and maybe the first example that comes to mind. However, UN/CEFACT's relevance for the environment is not limited to this. Through its activities related to trade facilitation and e-business, UN/CEFACT promotes trade and business processes that are more resource-efficient and ultimately have a smaller ecological footprint. It thus also contributes to Goal 12, which calls for sustainable consumption and production patterns, and its targets, as well as to other specific targets such as 9.4, which calls for increased resource use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes. Reduction of greenhouse gas (GHG) emissions resulting from these streamlined processes also constitute a significant contribution of UN/CEFACT to the achievement of Goal 13, which urges action to combat climate change and its impacts.



By promoting trade, UN/CEFACT also contributes to these environmental goals in a more indirect way. Indeed, as trade constitutes a major channel for technology transfer, its facilitation allows access to environmentally sound goods and services at lower costs. As a consequence, it becomes both easier and cheaper to put in place environmentally sustainable solutions in every sector of the economy. To the extent that production and consumption activities linked to traded products do not cause harm to the natural environment, trade makes an important contribution to environmental sustainability by facilitating the diffusion of environmentally beneficial technologies and environmentally preferable products. Moreover, efficient and transparent trade procedures coupled with electronic systems using UN/CEFACT standards also allow for better control of the trade in environmentally sensitive goods, such as wild fauna and flora as well as waste and dangerous goods. This contribution is particularly important for Goals 14 and 15, which call for the protection of marine and terrestrial ecosystems.

#### Box 8. The CITES Declaration

The Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) has developed an electronic version of its trade declaration using the Core Component Library of UN/CEFACT and generating an XML message according to the specifications of UN/CEFACT. CITES is an international agreement between governments. Its aim is to ensure that international trade in specimens of wild animals and plants does not threaten their survival. The CITES declaration is used in customs clearance procedures in all countries around the globe. It allows countries to control the trade in certain environmentally sensitive commodities and endangered species, and to combat illegal trade.



Some specific activities are also of particular interest for other SDGs directly related to the environment. UN/CEFACT is currently conducting a project on electronic interchange of fisheries catch data. Enhancing transparency and facilitating the exchange of this data is crucial in fisheries trade, where illegal, unreported and unregulated fishing activities are deemed to be a major cause of depletion of world fish resources. Such a project fits very well in the framework of Goal 14, which calls for the conservation and sustainable use of the oceans, seas and marine resources and, in particular, its fourth target on the regulation of harvesting. UN/CEFACT also has a project on small-scale lodging, which aims at developing tools for documenting the business scenarios and business transactions involved in small-scale lodging, which is often used to support eco-tourism. This has direct relevance to Goal 15, which deals with the protection and sustainable management of terrestrial ecosystem, including forests.



## Beyond existing activities: a process

UN/CEFACT has a significant role to play in the efforts that will be deployed to meet the SDGs in their economic, social and environmental dimensions. As explained in the previous sections, UN/CEFACT's current activities will help to advance the SDGs. Its potential can also go much further. In addition to the positive contribution of already existing projects and work streams, UN/CEFACT can also be considered as a key actor in the implementation of specific aspects of the SDGs and their targets.

In view of the global character of its work on trade facilitation and electronic business, UN/CEFACT is open to representatives of all UN Member States and all organizations recognised by the United Nations Economic and Social Council (ECOSOC). The participation of developing countries and countries in transition in its standards development processes is strongly encouraged. The technical work to develop UN/CEFACT standards and recommendations is done by over 200 volunteer experts from around the world nominated by Heads of Delegation. The experts come from both the public and the private sectors, forming a public-private partnership in support of trade facilitation and electronic business. Due to its practical nature and its global relevance, UN/CEFACT provides a mechanism to tackle concretely the practical issues linked to the implementation of the SDGs. This opportunity should be seized by countries and others in order to launch new projects to support the implementation of the SDGs.

