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CAPACITY-BUILDING

Report on Aid for Trade in Trade-Related Standards

Note by the secretariat

Summary

The Programme of Work of the Working Party, which was adopted at its 2006 session mandates the secretariat to “review transnational cooperation in technical regulations” on a regular basis.

This report was prepared by the UNECE Secretariat as a contribution to the interagency publication *Aid for Trade: Global and Regional Perspectives*, which was officially launched at the United Nations Conference for Trade and Development (UNCTAD) XII in Accra, Ghana in April 2008.

It was summarized and streamlined for the purposes of the Working Party annual session and it is presented for information.

I. AID FOR TRADE: SUPPORTING THE USE OF STANDARDS

1. With traditional barriers to trade, such as tariffs and quotas, being progressively eliminated, the ability to comply with technical regulations and use international standards emerges as a key factor of success on national and international markets. The paper argues for increasing resources for assistance in trade-related standardization matters, and for resources being used to envision and implement tailor-made, coherent and integrated strategies that will enable developing countries and countries with economies in transition to participate as full players in the standards-development process.

2. Participating as full players means identifying and defending national priorities with a full understanding of the terms of the debate, both within the relevant standard-setting institutions, and in the work underway in the World Trade Organization (WTO). Effective participation requires expertise developed at a local level. Effective coordination among stakeholders is also important to ensure that expertise developed nationally translates into informed and effective participation at a regional and international or multilateral level.

3. Currently, the thrust of assistance in the area of trade-related standards is aimed at increasing compliance by upgrading the relevant infrastructure, such as metrology and conformity assessment laboratories, and human resource development. While this is valid, it should also be recognized that compliance with regulations, standards' use and participation in international standards-setting activities and WTO work are intrinsically linked, and projects in all these related areas should be developed as part of a coherent whole. As the Aid for Trade Initiative unfolds, countries have identified trade-related standards an area of priority. All the regional reviews have reaffirmed at a high and coordinated level their concern about increasingly stringent SPS and TBT measures in view of their weak capacities to meet international standards and assess conformity through testing, certification and accreditation, and have attracted attention to the need for increased assistance.¹

4. It is important therefore, to identify the key issues. This paper argues for:

(a) Strengthening the participation of developing countries and countries with economies in transition in the standards-related work underway in this area in the WTO as well as in the specialized technical institutions and identify novel ways to promote regulatory cooperation;

(b) Assisting firms and institutions as they respond to growing pressure to comply with safety, quality and technical regulations of increasing complexity;

(c) Promoting the use of standards as a means of making firms more productive and helping them move up the value chain in their own markets.

5. The first area of priority engages institutions as the key players, while the other two are more specifically directed to the business community. At the same time, the involvement of all

¹ See: WTO-IDB (2007), WTO-ADB (2007) and WTO, AfDB and UNECA (2007).

the stakeholders is a key factor of success because (i) the input of business is needed to identify a country's priorities in international standards negotiations; and (ii) business cannot successfully compete in heavily regulated markets without high-quality public infrastructure. Assistance is also needed in the overall coordination of work in standardization matters at a national and regional level.

A. Effective participation in the World Trade Organization Committees on Sanitary and Phytosanitary Measures and on Technical Barriers to Trade

6. The Technical Barrier on Trade (TBT) and the Sanitary and Phytosanitary Measures (SPS) committees of the WTO are mandated to work to avoid unnecessary obstacles to trade from standardization-related activities and sanitary and phytosanitary measures. The participation of developing countries and countries with economies in transition in these committees is essential to ensure that the agreements are implemented effectively and bring tangible benefits to the business community.

7. Establishing enquiry points and national notification authorities are important because these provide information about domestic regulatory developments to the WTO membership and also relay to national stakeholders information pertaining to new regulations introduced by trading partners. Together the enquiry points and national notification authorities can be thought of as an entry point that will enable a country to participate in the work of the committees, at first "passively", by attending meetings and notifying relevant national measures, and progressively in a more active way, by putting forward expressions of concern and initiating dispute resolution procedures.

8. Yet, as of January 2008, and 13 years after the entry into force of the agreement, 18 countries had yet to establish a TBT enquiry point². As regards SPS, 20 countries have yet to establish a national notification authority³ and 12 an enquiry point⁴.

9. Nevertheless, in the space of just a few years, participation by developing and least developed countries in the work of the committees has greatly increased, albeit from a low basis⁵. To further increase participation and make it more effective a number of concerns need to be addressed.

10. First, as attending the meetings of the TBT and SPS Committees severely stretches the budgets of national Governments, financially supporting the attendance of delegates from developing countries and countries with economies in transition should remain a priority. However, assistance for this purpose, which falls under the aid-for-trade category of "trade policy and regulations" (TPR), accounts for the smallest share of aid-for-trade flows, at merely 3

² Of these, 10 countries are in Sub-Saharan Africa, 4 in Latin America and 4 in Asia.

³ Of these, 15 countries are in Sub-Saharan Africa, 1 in the Middle East and North Africa and 4 in Asia.

⁴ 11 in Sub-Saharan Africa and 1 in Asia.

⁵ In 2003, high-income countries accounted for 19 per cent of WTO membership, but for 23 per cent of notification authorities, 21 per cent of enquiry points, 60 per cent of SPS notifications, 30 per cent of meeting participants, 55 per cent of the trade concerns raised, and 84 per cent of all SPS disputes. See Walkenhorst (2003).

per cent. It even decreased 20 per cent during the period from 2002 to 2005 and only marginally increased thereafter.⁶

11. Second, the large volume of notifications poses considerable challenges for the enquiry points and national notification authorities of developing countries and countries with economies in transition. For instance, 947 notifications were submitted in the period from 1 January to 28 September 2007, bringing the total number of SPS notifications submitted since the entry into force of the Agreement to 8,313 by October 2007⁷. To ease the strain that this implies for countries, the WTO secretariat has recently established the “SPS Information Management System”, which allows users to track and obtain information about SPS measures in all member countries⁸.

12. An interesting initiative has simultaneously been developed at a regional level by the Brazilian National Institute of Metrology, Standardization and Industrial Quality (INMETRO). INMETRO operates two online information services for exporters: Using the “Solicitação de Informações” information service, exporters can obtain information about technical requirements their products have to comply with in foreign markets. And by subscribing to the *Alerta Exportador* e-mail notifications, they will receive early warning of notifications of new draft technical regulations and conformity-assessment procedures issued by WTO Member countries. More than a million Brazilian exporters currently use this service, which INMETRO provides free of charge to exporters in all four MERCOSUR countries. With sufficient funding, this Brazilian initiative could be replicated in other regions⁹.

13. A key area of concern for enquiry points is the lack of sufficient scientific and technological capacity to evaluate the potential impact of new measures for their domestic stakeholders. For example, enquiry points may have insufficient understanding about new hazards for which scientific expertise is predominantly based in developed countries. Or they may lack surveillance, toxicological and epidemiological data based on their own particular circumstances to challenge notifications of new SPS measures. Training and capacity-building are then essential for reinforcing participation by developing countries and countries with economies in transition. Making sure that enquiry points have sufficient time to respond to notifications – and that the notifications are translated into their working languages – are also important priorities.¹⁰

14. Countries that are acceding to the WTO also benefit from assistance in implementing the requirements of the SPS and TBT agreements. An interesting extension of the projects underway would be to establish a body similar to an enquiry point in accession countries. This entity would

⁶ See OECD-WTO (2007), page 23.

⁷ See: WTO (2007)

⁸ <http://spsims.wto.org/>

⁹ For more details please see: <http://www.inmetro.gov.br/> This is but one example of the “South-South” cooperation projects implemented by Brazil, and more in general by emerging economies. These projects, which are again discussed in Section 4.3, bring the benefit of the expertise of relatively advanced developing countries to other developing and least developed countries, in the area of trade related standards as well as others.

¹⁰ See: Henson S.J. et al (2000).

be responsible for relaying information about regulatory changes in main export markets to national exporters.

B. Standards-setting institutions: representation of the interests of developing countries and countries with economies in transition

15. The work of the TBT and SPS committees hinges on standards that are developed in relevant regional and international standards-setting institutions including the Food and Agriculture Organization (FAO), the Codex Alimentarius Commission, the United Nations Economic Commission for Europe (UNECE), the World Customs Organization, the International Telecommunication Union (ITU), the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC). Of course, standards developed in these institutions have a significance that goes well beyond the WTO and trade-related aspects, and permeates all aspects of production and consumption of goods and services.

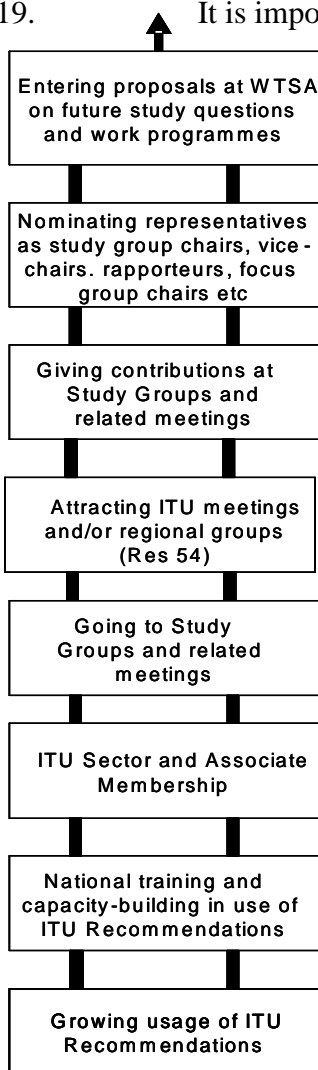
16. These standards strike a delicate balance between very different appreciations of what is necessary to guarantee quality and safety. A wide scope of stakeholders needs to be active in the standards-setting processes at the international level so that no one group makes its interest consistently prevail. By participating effectively in these negotiations, representatives can expose the economic and technical capacity of developing country Members with respect to proposed standards and tilt the debate in their favour. Or, if a satisfactory compromise cannot be found, then representatives can plead for appropriate conditionalities to ensure a smooth transition. Understanding early on how the debate is evolving in one area also allows more time to devise and establish appropriate implementing strategies.

17. For these reasons, Aid for Trade should include as one of its elements the development of a coherent package that would include (a) funding travel to international meetings of specialized standards-setting institutions; (b) awareness-raising of the importance of trade-related standards; (c) training for a core group of highly skilled professionals; and (d) promoting increased coordination among national stakeholders to define national interests and needs.

18. The Food and Agriculture Organization, the World Health Organization and the International Plant Protection Convention have established trust funds built around these priorities. ISO has established a technical assistance programme that includes training programmes and direct sponsorship for participation in meetings as well as the production of publications to guide experts joining technical committees¹¹. More recently, ISO has also developed technical assistance and training activities that support all stakeholders in a balanced manner, including experts from developed countries, particularly in the framework of standardization activities for social responsibility, through a special trust fund established for this purpose.

¹¹ As another example, the Robert Oteng Fellowship is used to sponsor the studies of individuals from developing country national standards bodies. Projects undertaken under the auspices of the Fellowship support the development of human capacity in the field of standardization.

19. It is important to define “increased participation in standards-setting activities” as accurately as possible. ITU, for example, uses the “ladder” reproduced here to the left to represent how countries can – in practical terms – take increased responsibility in the development of standards in their organization.



20. The first steps of the ladder are a growing usage of the existing recommendations and the organization of national training workshops. This is followed by membership in ITU sectors and associate membership, as well as increased participation in meetings of regional study groups. One step up the ladder is to attract regulatory meetings to the country itself, allowing the local industry and regulators – not normally travel to attend these meetings – to obtain a more direct understanding of the standards-setting process as well as to make personal contacts with the secretariat and the working groups. These resources may be precious for local stakeholders to continue being updated on the negotiation process, even if they subsequently cannot attend on a regular basis.

21. In addition, if a national representation continues attending, it will be able to count on more informed inputs from the national stakeholders, even if they have only been able to attend only one session. The final steps are: giving contributions to study groups and related meetings, nominating representatives as chairs, vice-chairs and rapporteurs, and entering proposals at the World Telecommunication Standardization Assemblies on future study questions.¹²

22. Similarly to ITU, ISO has elaborated on opportunities for exerting influence on its standards-development process. Again, a country will start by becoming more involved in the work of the Organization – including by exploiting opportunities for twinning with more advanced partners and working with the policy development committees – then providing working party convenors, chairs and project leaders. Since no country can be expected to participate actively in all ISO committees on all subjects, it is imperative for every national member to select those projects in which it wishes to participate, on the basis of its national interests, and to develop a “bottom up”, coordinated approach aiming to increase its representation in the project work.¹³

23. UNECE is another body that develops international trade-related standards and best practice, with the active involvement of business:

¹² See Kelly, T. (2007)

¹³ See: ISO (2007) p. 27.

(a) The United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT) develops methods to facilitate national and international transactions, through simplifying and harmonizing processes, procedures and information flows;

(b) The Working Party on Regulatory Cooperation and Standardization Policies (WP.6) is leading the concept of the use of standards as the basis for technical regulation and is developing recommendations on a variety of policy matters relating to technical regulations, standardization, conformity assessment, accreditation, market surveillance, quality/environmental management systems and metrology;

(c) The Working Party on Agricultural Quality Standards (WP.7) develops, interprets and promotes the practical application of international commercial quality standards for agricultural produce.¹⁴

24. Even though UNECE technical assistance activities focus on Central and Eastern Europe, the Caucasus and Central Asia, the standards and best practice developed at the UNECE are of a global nature. As one example of the significance of these standards, 36 of the UNECE commercial agricultural quality standards form the basis of European Union directives. They cover around 90 per cent of the market volume of fresh fruits and vegetable products traded throughout Europe. In practice, for purposes of quality, the EU accepts produce coming from non-EU countries if it is marked and controlled according to UNECE standards. UNECE needs to find more resources to support increased participation by developing countries in its standardization activities and ensure better stakeholder balance. In doing so, it may build on the best practice developed within WTO, ITU and ISO described above, as well as experiences in other agencies.

25. Effective participation in standards-setting activities requires extensive experience in using the standards and in complying with the technical regulations applied in export markets in order to build awareness of the different options available, their implications and costs. More resources need to be drawn into standards implementation, on the one hand as a means to promote informed participation, and on the other to ensure smooth trade relations and avoid disruptions that are costly for both buyers and suppliers.

26. Border detentions represent one important dimension of this issue. These occur whenever testing by the importing country reveals that a product is not in conformity with the regulations in place; for example, because there is evidence of contamination from a toxic substance above the levels permitted.

27. Over the last few years, the number of detentions and rejections at border points have increased tremendously. Under the EU Rapid Alert System for Food and Feed (RASFF), the number of notifications rose almost tenfold from 698 in 1999 to 6,840 in 2006. In the United States, import refusals by the Food and Drug Administration (FDA) rose from 23,687 in 2002 to

¹⁴ See: <http://www.unece.org/trade/wp6>, www.unece.org/cefact and <http://www.unece.org/trade/agr/>

77,260 in 2006¹⁵. Neither RASFF nor the FDA, however, records the value or the volume of the detained trade goods. One estimate of the value of agro-food trade affected by official product rejections for the year 2000/2001 was as high as \$3.8 billion or 0.84 per cent of world exports¹⁶.

28. The actual costs of import detentions are likely to be much higher than this estimate suggests. In fact, many of the costs incurred by the exporter cannot be recouped, over and above the value of the lost consignment. Furthermore, under the RASSF system, when one member country detains a single consignment for failure to comply with an SPS standard, the exporter will be included in a “rapid alert” list. Increased controls will be set in place in all EU Member States until a certain number of consignments have been cleared by the EU Member who initially imposed the alert. Furthermore, although other consignments may eventually not be detained, they will be significantly delayed and large costs will be incurred for import clearance. The combined effect of numerous import detentions – or of an import ban – can in some cases affect an entire export sector, as the example in the box shows.

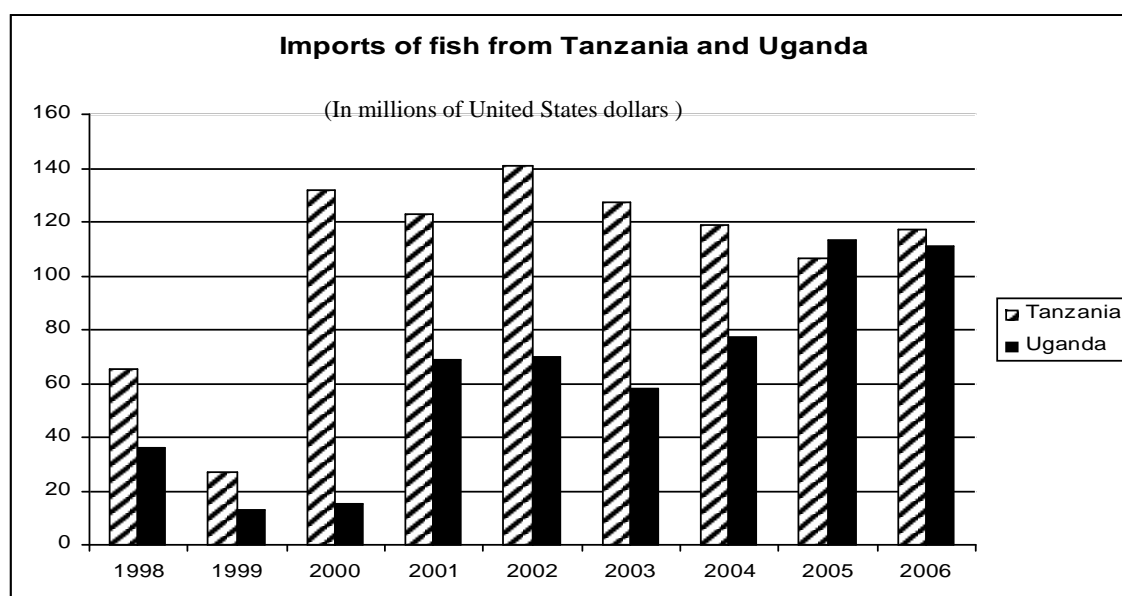
Exports of fish from Lake Victoria

Starting in 1999, due to several cases of suspected fish poisoning and evidence of inadequate quality standards, the European Union imports of Nile perch fish from the region of Lake Victoria were banned. Uganda and Tanzania, the main exporters of Nile perch from the lake, suffered a tremendous loss, with fish exports dropping by more than 50 per cent as compared to the previous year (see chart 1 below). A number of fish factories closed or operated under capacity, resulting in redundancy and unemployment. The United Nations Industrial Development Organization (UNIDO) then set up a large technical cooperation project with a total budget of USD 4.6 million with financing from several bilateral donors: Austria, Denmark, Germany, Italy, Japan and the United Kingdom, as well as the United Nations Development Programme. The project established a solid foundation for fish safety so that in 2000, the EU ban could be lifted and new markets opened up, in particular in the United States.¹⁷

¹⁵ For the European Union, data are available at http://ec.europa.eu/food/food/rapidalert/index_en.htm, while for the United States at <http://www.fda.gov/ora>. RASFF is a network involving the European Commission, the European Food Safety Authority (EFSA), as well as the Member States of the EU and of the European Economic Area (EEA)

¹⁶ See Jaffee, S. and S. Henson, (2004).

¹⁷ See UNIDO “Trade Capacity-building: Case Studies: Lake Victoria” Available at www.unido.org



Source: Eurostat

29. Investing in compliance is a costly exercise. To provide an idea of the investments needed to restore and develop trade relations, table 1 presents some summary information from case studies undertaken within a World Bank study programme that focused on key commodities for which standards present a significant challenge to market access and competitiveness.

Table 1

Case	Reference	Costs of compliance (millions of United States dollars)	Exports (millions of United States dollars)	Costs as percentage of one year's exports
Senegalese fisheries sector	P.N. Niang (2005)	32.6 (cumulative total 1990-1999)	387.7 (average 1996 - 2001)	0.8
Bangladesh shrimp Sector	Cato and Lima dos Santos (2000)	18.1 (upgrade) 2.43 (annual maintenance)	225 (average 1996-1998)	1.1 (maintenance/annual exports)
Indian spice industry	S. Jaffee (2005)	14.5 (mid-1990s to 2003)	434 (2004-5)	3

Source: World Bank project on "Challenges and Opportunities Associated with International Agro-Food Standards"¹⁸

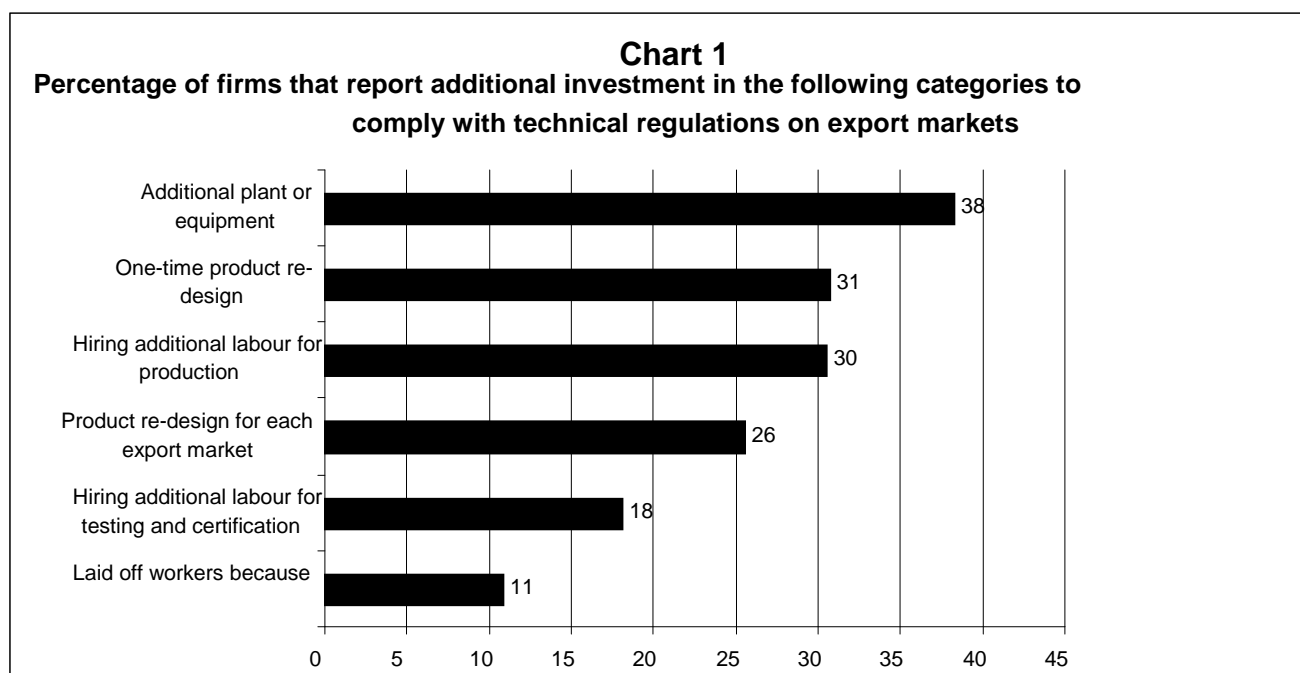
30. Expenditures incurred to restore trade relations when they have been disrupted typically amount to several million dollars, as the table shows. However, it is apparent that when the right strategy is in place, costs are recouped very rapidly, as also happened in the Lake Victoria case.

¹⁸ Permanent URL: <http://go.worldbank.org/GHIT6173E0>

The projects then become self-sustainable thanks to increasing export revenues from existing and new markets. It should be noted that the table shows cumulative, including a large proportion of non-recurrent, expenses made over the course of several years by a number of different actors, with substantial assistance from international agencies and bilateral donors. Obviously, without international assistance such a large amount of resources cannot be generated and sustained by developing countries and countries with economies in transition.

31. If we examine how the funds were allocated, we can make a broad distinction between costs that are incurred at the level of an industrial sector or a country, and those that are borne by single companies. In the first category, although there are wide variations from sector to sector, the main investments are directed at:

- (a) Establishing or revamping laboratory facilities;
- (b) Hiring and retaining specialized personnel to carry out tests;
- (c) Investing in equipment to ensure cleaning/hygiene;
- (d) Establishing or upgrading the institutional mechanisms or competent authorities;
- (e) Revising the legal and regulatory framework and regulations;
- (f) Upgrading the transport and storage facilities.



Source: Author calculations on World Bank Technical Barriers to Trade database

32. Traditionally, technical assistance projects place emphasis on the role of the Government and Government agencies in projects that aim at increasing compliance with trade-related standards. However, the business sector has a fundamentally important role in compliance, especially in developing and transition economies. For example, many companies or industry associations establish their own testing laboratories because the public administration cannot afford to equip and maintain them. Therefore, funds directed at public administrations should be complemented by assistance to the business sector.

33. For any single company, complying with international standards and mandatory technical regulations is a costly business. The World Bank has compiled a comprehensive dataset through a 2002 survey administered to 689 firms in 17 developing countries. The data are freely accessible through the web at a high level of desegregation and detail. The firms were, for instance, asked to assess the investments that they had made to meet the technical regulations in export markets. These investments were then grouped into six different categories as shown in Chart 1 above. Almost 40 per cent of the firms had to make additional investment in plants or equipment, and 30 per cent had to hire additional labour.¹⁹

34. An important item missing from the database are the expenses incurred for training staff in the implementation of the standards. Nevertheless the analyses reveal a high level of awareness and understanding of the potential effects of international standards. As documented also in the case studies reviewed above, private firms have shown commitment to working with their foreign partner to resolve the problems as they arise, and have also demonstrated their ability to join forces with their competitors at a national level to establish common facilities and exert pressure on local authorities and to remove bottlenecks.

35. Projects that aim at increasing standards use and compliance should be developed on the basis of surveys that document the needs of producers so that an informed choice, by the national authorities in consultation with all the stakeholders, can be made regarding the chosen standard or standards and the implementation strategies.

36. Standards may often be seen as a means of complying with technical regulations and hence preserving or developing access to markets. Nonetheless, since they are developed by international experts and incorporate the latest research and know-how, they are also an important means to improve quality and reliability of goods and to climb the value chain to different and more lucrative niches.

37. For example, the family of standards known as “ISO 9000” requires “continual improvement of a firm’s performance in the pursuit of excellence” in applying relevant regulatory requirements, producing in conformity to the customer’s quality requirements, and enhancing customer satisfaction. Certification of a product with “ISO 9001: 2000” requires not only that an external audit assess an extensive sample of the firm’s sites, functions, products, services and processes, but also that the firm’s staff are trained for continuing a process of

¹⁹ See: World Bank Technical Barriers to Trade database: <http://go.worldbank.org/18YE2SZTJ0> (permanent URL).

“continual review and assessment, to verify that the system is working as it's supposed to, find out where it can improve and to correct or prevent problems identified”²⁰.

38. Certification with ISO 9001: 2000 has an intrinsic value. It promotes an organizational culture based on the critical assessment of the firm's performance by its own staff on a continuing basis. While this is particularly true of the 9000 family of standards (and similarly ISO 14001), it is true in general that bringing standards developed by internationally recognized technical experts to the firm production floor will bring about change and challenge established production methods.

39. The ability of firms to use product and process standards is also one important element in the choices the transnational corporations (TNCs) make regarding their first and second tier suppliers. These agreements typically involve not only regular and recurrent orders, at pre-agreed prices, but also on-site training and transfer of technological and organizational know-how. On the other hand, those producers that have a mixed record of compliance with international standards will often have no choice but to sell their produce on more volatile international markets, where the TNCs and other smaller clients conclude “on-spot” transactions to fill needs for peak-season orders or unexpected surges in demand.²¹

40. Finally, standards' use may contribute to creating valuable strategic partnerships with research institutions. This is an especially important point because achieving a “regulatory objective” may require different production processes depending on the technological or climatic conditions of the firm or the farm. For example, if the objective is to achieve a minimum contamination level on consignments of fruit, different production methods may be required depending on where the fruit is grown. The same is true, although it may seem less intuitive, for technical standards as well, because the technology that is used for a given purpose in more technologically advanced economies may not be readily adaptable or may be too costly to integrate. Therefore, more research activities are needed towards devising practical and cost-effective ways to meet regulatory objectives that take into account the concerns of developing countries and countries with economies in transition.

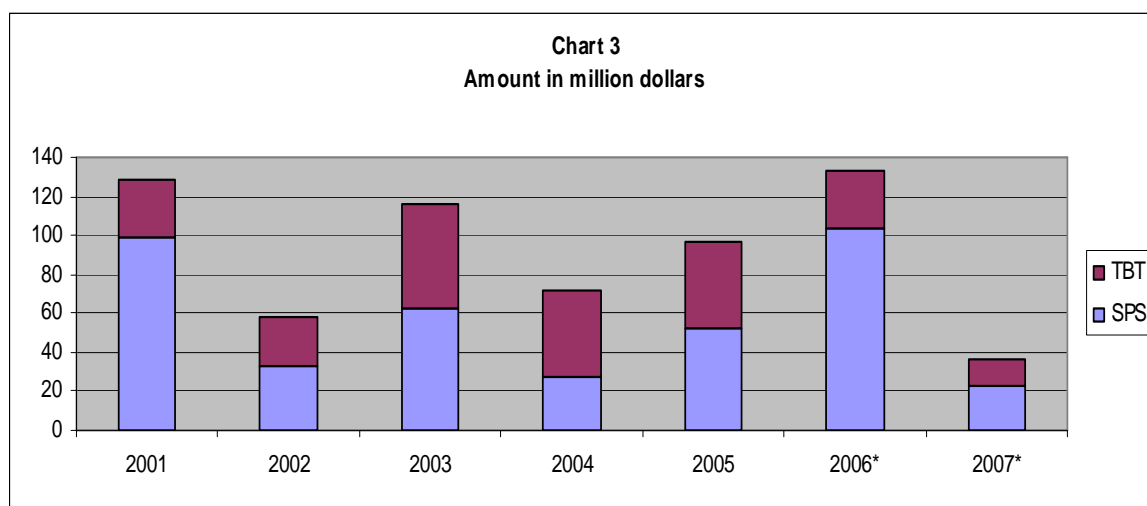
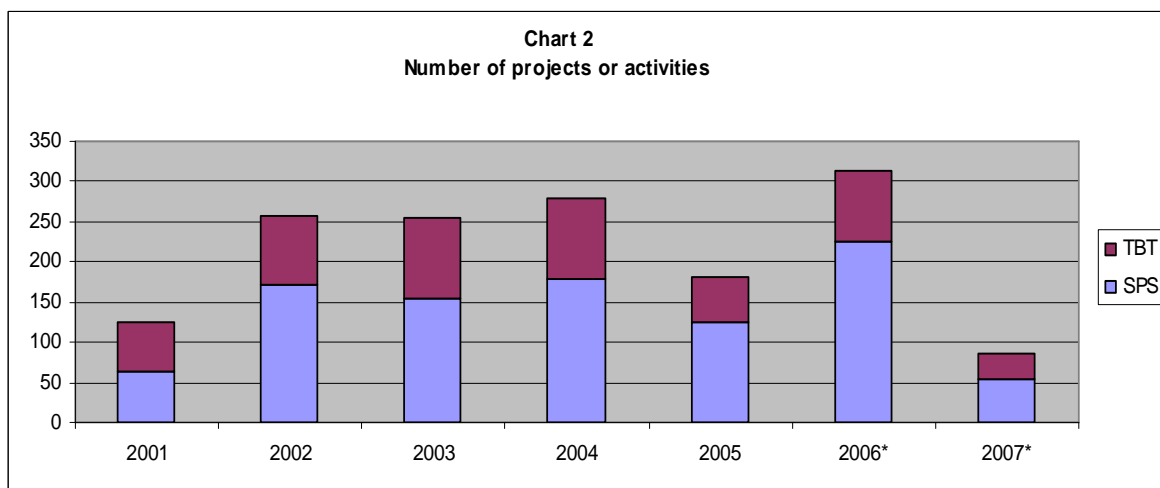
41. This section reviews technical assistance and capacity-building undertaken to date within the area of trade-related standards, as well as the various attempts that have been made at identifying unmet needs and setting the priorities for action.

42. The analysis is based on the WTO/OECD Trade Capacity Building Database, which provides a large volume of data on trade capacity-building assistance. It captures the monetary value of support provided and also includes a short description of the project goals and expected outcomes. A few qualifications are needed to appreciate the reliability of the analyses that are developed below.

²⁰ See www.iso.org and Wikipedia : ISO 9000.

²¹ See Giuliani, E.; C. Pietrobelli; and R. Rabellotti (2005), and UNCTAD (2007), page 23 onwards.

43. Standards-related technical assistance and capacity-building are mainly captured in the database under the TBT and SPS categories. However, capacity-building in standardization matters, as defined for the purposes of this paper, goes beyond SPS and TBT. Supply-side productive capacity-building often involves assistance in standards implementation, in particular for quality and management systems standards. And indeed, the database records a number of projects within other categories, such as “Business Support Services and Institutions”, “Trade Promotion Strategy Design and Implementation”, “Market Analysis and Development”, which provide assistance in standardization matters. For simplicity, it was decided to include in the analysis only those projects that are listed within the SPS and TBT categories.



*Data for 2006 and 2007 incomplete. Source: WTO Trade Capacity-building Database.

44. A second caveat is that the database is incomplete because not all donors and recipients fully disclose assistance projects. In particular, World Bank projects are not included in the database, although they play an important role in technical assistance in trade-related standardization matters.²²

45. The charts presented here also attest to the limitations of the database. It is for example difficult to explain the variations in total donations from year to year, which are substantial both as regards the number of projects and their monetary value. It seems plausible that with improved collection and capture of data we would get a more coherent picture. Donors, recipients and implementing organizations should therefore be encouraged to report in full, and in as much detail as possible, the development assistance that is being made available.

46. At a global level, there are between 200 and 250 projects on issues related to TBT and SPS in a typical year. The value of the assistance provided ranges between USD 60 million and 120 million. SPS accounts for the majority of both the value and the number of the projects.

A. Assistance in the area of technical barriers on trade

47. Projects under the TBT category aim at raising awareness and strengthening standards implementation capabilities, while standards development is supported mainly in terms of standards information capacity, including the creation of enquiry points. In monetary value terms, a large share goes for building conformity-assessment infrastructure either by providing equipment for metrology or establishing testing and calibration laboratories.

48. The total number of projects listed in the database concerning TBT is 490. Their average size is USD 530,000. The range among recorded projects is quite wide: 79 projects report very small grants (under USD 10,000), mostly to finance participation in training programmes. At the other end of the spectrum, 42 projects have a budget of between USD 1 million and 10 million, 3 have one of over 10 million dollars, the largest project being of 17 million.

49. The European Commission is financing and/or implementing almost all of the large projects. The share of projects implemented by international organizations is 18 per cent. The two agencies that are involved the most are UNIDO and ITC, followed by OECD, the regional commissions of the United Nations, ISO, UNDP, the World Customs Organization (WCO) and FAO. The rest are implemented directly by bilateral agencies, and in isolated cases, by the beneficiary.

B. Assistance in the area of sanitary and phytosanitary measures

50. The average size of the projects related to sanitary and phytosanitary measures (SPS) measures, as recorded in the database, is USD 455,000. Out of a total of the 890 projects listed as active or having been active, 236 small projects report grants of below USD 10,000. At the other

²² Most of the support provided by the World Bank in this area is through a sub-component of a broader programme, i.e. in export promotion and competitiveness, regulatory reforms, agricultural diversification, etc, making it difficult to extrapolate with precision the resources devoted to standards implementation.

end of the spectrum, 57 projects have a budget of between 1 and 10 million dollars, 6 projects one of over 10 million, with the largest being of 42 million.

51. Again, almost all of the very large projects are financed and/or implemented by the European Commission. Similar to what was noted above for projects in the area of TBT, only 14 per cent of the projects are implemented by intergovernmental organizations, mainly UNIDO and FAO, followed by ITC, the World Organization for Animal Health (OIE) and WHO.

52. Channelling more of the resources through intergovernmental organizations would ensure that these agencies' expertise could be relayed effectively. In particular, involving those agencies that are active in standards-setting in the standards implementation would allow for increased coordination among the stakeholders involved in the various stages of a standard's life. For example, unresolved issues that become apparent in the implementation of a standard could be brought to the attention of the experts when the standard is being revised. And agencies that are active in standards' implementation could usefully bring to projects' design the benefit of a perspective that includes the whole supply chain, therefore building up the policy coherence and credibility of the assistance programme²³.

C. Regional distribution of assistance

53. The regional distribution of assistance is set out in chart 4.²⁴ On the other hand, the relatively high share of projects allocated to the countries of South Eastern Europe and Eastern Europe and Central Asia is possibly related to the exceptional assistance received by some of the countries in the region, and in particular those that acceded to the European Union in 2004, since a prerequisite for accession was the adoption and implementation of the *acquis communautaire*.

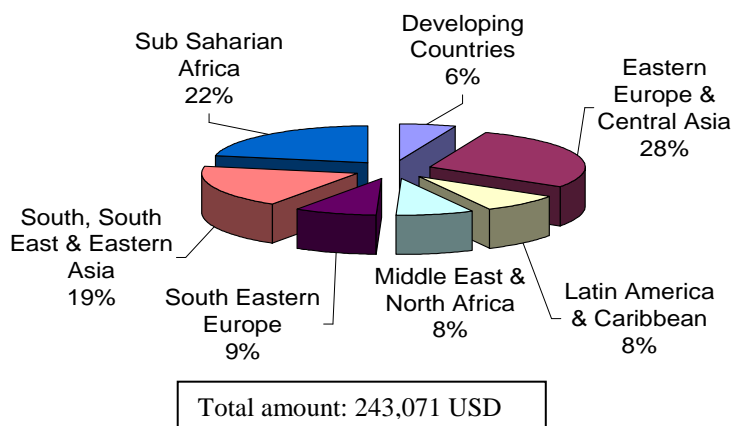
54. In addition, the countries with economies in transition clearly have special needs regarding trade-related standards, because they started their transition to a market economy with limited resources in this area. Some of the countries even had no national standards-related infrastructure in place, everything having been previously centralized in locations that – after the period between 1988 and 1992 – were no longer within their national borders.

²³ This paper cannot do justice to the UNIDO and the ITC technical assistance activities in this field. For more details about these two organizations programme of work, including their activities on trade-related standards please see, respectively: UNIDO (2007) and the UNIDO Trade Capacity-building website and ITC (2007) and the ITC website on "Aid for Trade".

²⁴ The category "Developing countries" in the WTO database refers to projects that have no pre-established geographic coverage.

Chart 4

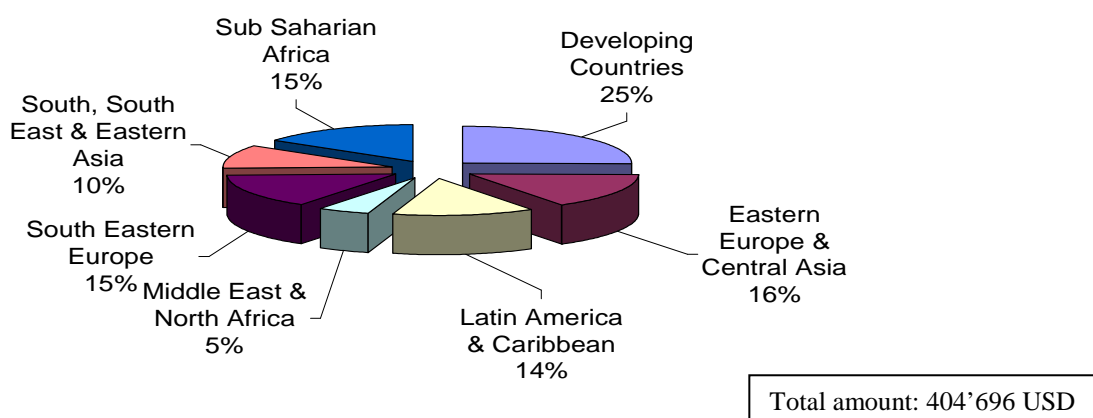
Percentage of total TBT donations by region (2001-2007)



55. Concerning the SPS donations, we see that the distribution is relatively more even, as each of the regions receiving more or less 15 per cent of the total amount, with the exception of South, South East and Eastern Asia that received 10 per cent and Middle East and North Africa that received 5 per cent. An explanation for this pattern may be that most developing countries export agri-food commodities and have articulated their needs more systematically in this area.

Chart 5

Percentage of total SPS donations by region



56. The regional dimension is of special importance as regards technical assistance in the area of standards. For example, because of the costs of the technical infrastructure needed to

assess compliance with certain technical regulations, it may not be economically viable to set up national laboratories, and a regional approach might offer a feasible alternative. Also, to further trade relations among regional partners, especially within South-South trade arrangements, increased regulatory cooperation in sectors of common interest brings a number of benefits, which are at the core of the work of the UNECE in this area.²⁵ The regional dimension of technical cooperation and capacity-building in the area of trade-related standards should therefore be maintained and strengthened.

57. In recent years, a number of efforts have been directed towards assessing and prioritizing needs in the area of standardization. At the institutional level, the WTO/TBT Secretariat conducted a survey upon the Second Triennial Review in 2002 that identified the following priorities, all of which remain relevant:

- (a) Financial and technical support to establish conformity-assessment bodies and the relevant systems;
- (b) Technical cooperation to strengthen and upgrade existing laboratories (e.g. through the provision of new equipment, training of staff and study visits);
- (c) Assistance to purchase relevant international standards;
- (d) Training in defining measurement uncertainty for calibration and test laboratories;
- (e) Training in inspection activities and product certification by means of marks of conformity;
- (f) Assistance to formulate a certification scheme that meets WTO requirements, and at the same time protects the interests of consumers and national industry.²⁶

58. More recently, the TBT Committee has also pointed to the need to facilitate the demand and supply of technical assistance and, in 2005, adopted a “Format for the Voluntary Notification of Specific Technical Assistance Needs and Responses”. It appears, however, that this voluntary system is not yet being used sufficiently, which may hint to a need for technical assistance activities of an awareness-raising, needs-assessment and training nature.²⁷

A. Coordination among executing agencies

59. Much of the development assistance provided over many years to build quality infrastructure has been fragmentary and has not been coherently organized. Countries were

²⁵ The UNECE Working Party on Technical Harmonization and Standardization Policies (Working Party 6) works to explore how national (mandatory) technical regulations could make wider use of international standards and to promote, where feasible, greater regulatory convergence in specific sectors, including telecommunications terminal equipment and earth-moving machinery.

²⁶ See: WTO (2003).

²⁷ See: WTO (2006).

receiving different and sometimes contradictory advice on how to set up their technical quality infrastructure effectively and efficiently.

60. As a result of increasing pressure to improve coherence in responding to developing countries' needs in this area, in 2002 FAO, the World Bank, WHO and WTO established the "Standards and Trade Development Facility" to share information and support capacity-building for developing countries and countries with economies in transition in implementing SPS standards. This Facility has seen a rapid increase in the resources at its disposal, starting from USD 1 million in 2002 to USD 5 million in 2005. It is becoming the major clearinghouse as well as an important funds-mobilization scheme.²⁸

61. In 2002, a first contribution towards increased coherence was made through the establishment of the Committee on Co-ordination of Assistance to Developing Countries in Metrology, Accreditation and Standardization (JCDCMAS). The members of JCDCMAS are the Bureau International des Poids et Mesures (BIPM), International Accreditation Forum (IAF), International Electrotechnical Commission (IEC), International Laboratory Accreditation Co-operation (ILAC), International Organization for Standardization (ISO), International Trade Centre – UNCTAD/WTO (ITC), Telecommunication Standardization Bureau of ITU (ITU-T), International Organization of Legal Metrology (OIML), and United Nations Industrial Development Organization (UNIDO).

62. The Committee members started by exchanging information and sharing experiences about the provision of technical assistance to developing countries.

63. It went on to develop a common approach for providing of technical assistance for building technical infrastructure and for helping developing countries deal with a number of related challenges. It now recognizes²⁹ the urgent need for the coherent development of standardization infrastructure. Since each element of the infrastructure is interdependent, a composite approach to standardization, conformity assessment and accreditation is called for. For this, the Committee recommends that the following be considered:

- (a) A thorough needs assessment of all parts of the economy;
- (b) An appreciation that there is no ready-made infrastructure model to be slotted into place; Each country must create its own tailor-made solution;
- (c) The technical infrastructure should be carefully developed and implemented to ensure sustainability, as there is no such thing as a "quick-fix";
- (d) A clear statement of the resources and finance required should be prepared;

²⁸ See: <http://www.standardsfacility.org>

²⁹ See: JCDCMAS.

(e) National development of technical infrastructures does not preclude, but may well include, regional approaches, subject to the recognition of historical, political and cultural sensibilities.

64. In the area of SPS, a recent WTO survey of national notification authorities and enquiry points identified the following priorities for technical assistance:

- (a) Raising awareness at the political level and among the public at large;
- (b) Increasing coordination among different Ministries;
- (c) Mobilizing the relevant private-sector representatives;
- (d) Encouraging regional and inter-governmental cooperation, including through mentoring and twinning;
- (e) Assisting the enquiry points and national notification authorities in managing the inflow of notifications.

65. For least-developed countries, one importance source of funding for trade-related technical assistance and capacity-building in recent years is the “Integrated Framework for Trade-Related Technical Assistance to Least-developed Countries”. This has, however, only marginally included standards and conformity-related issues. Projects mainly concentrated on raising awareness of the TBT and SPS agreements and supporting the establishment of enquiry points but failed. It failed to address at a more systematic level, the development of human resources and technical infrastructure in developing and transition economies so as to meet the challenges of potential barriers to trade and seize the opportunities of using standards as a vehicle to improve access to global markets.

66. While it is commendable to ensure coordination among executing agencies, care should be taken to avoid a proliferation of overlapping coordinating mechanisms. Coherence should be established among executing agencies not only at the operational level but also at the conceptual level, to ensure that a common message is consistently delivered, irrespectively of which agency is executing the project.

B. Strengthening country ownership

67. Along with coherence, the country ownership of projects developed in the area of SPS and TBT also needs to be strengthened. In a review of projects related to SPS measures, a World Bank report notes that “a large proportion of assistance in this field by bilateral donors is driven by the “self-interest” or domestic considerations of the donors, such as ensuring that food imports are safe and preventing the spread of (..) pests and animal diseases from their main partners in the developing world”³⁰.

³⁰ Jaffee, S. et al. (2005), p.115.

68. Similar considerations are true for the projects in the area of TBT, which often have as their main objective to provide officers in standards-setting bodies of the recipient country with information and training on the trade-related standards and practices of the donor country, with little or no consideration given to other approaches that may exist in other regions.

69. In sectors in which an agreed international standard has yet to be developed, assistance of this nature may, in some cases, be construed so as to influence international negotiations on trade-related standards in a way that is favourable to the donor country's interests. Additionally, if several donor countries act in a way that influences the development of standards in different regions in different ways, this may result in structural divergences in rule-making across regional blocs which will make an international agreement on a common standard much more difficult, if not impossible to achieve. Assistance in the area of trade-related standards has effects that are similar to those of regional and bilateral trade agreements that contain provisions relating to rule-making. From this perspective both the regional trade agreements and the kind of development assistance that focuses exclusively on the donor's own regulatory approach – disregarding other approaches that may exist in other regions – may have important systemic effects on the development of common rules at a multilateral level.³¹

70. Developing countries will benefit much more from projects that aim at assisting them in identifying their own regulatory needs and national priorities and guide them in choosing international standards that are adapted to their technological level.

71. For example, a project could fund a country team to engage in training and study tours of countries at a similar level of development, so as to choose among a variety of approaches those that are adapted to their specific conditions, and that can be more easily tailored to the requirements of different export markets. This would result in a level of ownership that will not be attained by simply adopting the regulations in use in the donor's country.

72. The above-mentioned World Bank report further states that projects related to SPS measures are typically “triggered by crises or imminent trade disruptions and involve reactive and remedial responses”. The project regarding the export of fish from Lake Victoria described above is one clear example.

73. Clearly, once a crisis is apparent or imminent, it can only be resolved through a technical assistance project and it is commendable that one is set in place. This should not, however, be the main source of technical assistance in this area. Crises are very costly for the exporting country, which will probably have suffered significant losses and damage to its reputation before the project is underway. Additionally, in facing a situation of crisis the donor may have to retain higher cost solutions to save time. In the long run, therefore, the emphasis should be on projects that prevent crises rather than aim at resolving them, including by promoting adherence by large importing countries to international standards.

³¹ These issues have been explored by recent works that examine the role of rule-making in regional trade agreements. See in particular: Isaac, G (2006).

74. As more of the scarce resources devoted to international development assistance are geared towards trade-related standards, this report is a contribution to defining the priorities for action. Three broad areas of action can be identified:

- (a) Reinforcing effective participation in standards-setting and in the relevant WTO institutions;
- (b) Increasing compliance with technical regulations;
- (c) Furthering the use of standards by business.

75. To reinforce participation, a policy priority should be promoting not only increased attendance but also active involvement. Countries will need to be assisted in identifying national priorities, in consultation with all stakeholders. The participation in standards-setting processes should be carefully defined and measured, including by defining “ladders” that document increased involvement, so as to give a visual and tangible dimension to progress made over time by national delegations.

76. In devising programmes directed at increasing compliance, particular attention should be given to involving the business sector, and its priorities and needs should be better documented and understood. The funds required to restore trade in the aftermath of a crisis are major, but are often recaptured in a relatively short span of time. Aid for trade should aim at preventing and not simply responding to crises situations.

77. Standards are not only a means of securing market access. They have a value in and of themselves because they are developed by international experts and embody the latest technology. They also raise output quality and provide indications to firms on how to better access markets and even to lower costs through the adoption of best practice. However, they also act as a selection device, assisting those producers who are able to adapt to them.

78. In reviewing the assistance that has been made available to date, it appears that the data are incomplete and do not allow a full appreciation of all the resources that have been invested in the area of assistance for trade-related standardization.

79. In particular, the lack of a trend and the variation in the amounts registered from one year to the next are difficult to account for. Too few of the projects seem to be implemented directly by international organizations, despite the fact that these are the main repository of expertise in standardization matters.

80. In recent years, attempts at coordinating the work of international organizations active in this area have multiplied and while this is doubtlessly beneficial, a proliferation of overlapping coordinating mechanisms may become counterproductive. Coherence needs to be maintained not just at the operational level but also at the conceptual level to ensure that a common message is consistently delivered, irrespectively of which one agency is executing the project.

81. Together with coherence among implementing agencies, country ownership of projects developed in the area of SPS and TBT needs to be strengthened. Too many of the projects seem to aim at facilitating the donor’s imports from the country that benefits from the technical-

assistance project. The assistance is not tailored to the needs and priorities of recipients. It also may have adverse systemic effects in those areas where a common regulatory approach has not been developed at a multilateral level, because it may result in a structural divergence in rule-making across regional blocs.

82. The real value added of aid for trade in the area of trade-related standards should be to empower recipient countries to make an informed choice regarding the instrument that best meets their development needs and the priorities of the national stakeholders.

83. In conclusion, comprehensive technical-assistance projects should be developed to assist developing countries and countries with economies in transition in establishing comprehensive national strategies in trade-related standardization matters. Such projects should aim at putting in place effective coordination mechanisms among all the relevant stakeholders, including at the regional level if appropriate; ensuring active participation in standards-setting institutions in areas that are of key national interest; matching unmet needs for compliance with the expertise available in governmental and non-governmental organizations and fostering the use of standards by business.

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