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Centre for Trade Facilitation and Electronic Business

An integrated strategic framework for UN/CEFACT deliverables**Submitted by the UN/CEFACT Bureau****Document for intersessional approval***Summary*

Following the 19th UN/CEFACT Plenary, this revised version of “An integrated strategic framework for UN/CEFACT deliverables” is submitted for review and intersessional approval by Heads of Delegation. The Intersessional approval period runs from 22 July to 23 September 2013.

The strategic framework serves as a foundation for the biennial programme of work and is consistent with the “UN/CEFACT structure, mandate, terms of reference and procedures” (ECE/TRADE/C/CEFACT/2010/15/Rev.3). It is a revision of the document “Towards an integrated strategy for UN/CEFACT” (ECE/TRADE/CEFACT/2006/5) in support of the project-oriented management framework established at the Plenary’s eighteenth session in February 2012.

Preamble

UN/CEFACT's vision is "Simple, Transparent and Effective Processes for Global Commerce". Its mission¹ is "to improve the ability of business, trade and administrative organizations, from developed, developing and transition 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 thereby contribute to the growth of global commerce.

UN/CEFACT's mission supports UN Millennium Development Goal 8 to "develop further an open trading and financial system that is rule-based, predictable and non-discriminatory and includes a commitment to good governance, development and poverty reduction – both nationally and internationally"².

UN/CEFACT is mandated to develop international standards, recommendations and tools³ and undertake a programme of work of global relevance that meets current and future demands as required by its mission.

Definitions

Business: A series of processes, each having a clearly understood purpose, involving more than one organization, realized through the exchange of information and directed towards some mutually agreed upon goal, extending over a period of time. (Open-EDI Reference Model Standard – ISO/IEC 14662).

Electronic Business: A generic term covering digital information definition and data exchange within and between enterprises, including customers. (Memorandum of Understanding between IEC, ISO, ITU and UNECE concerning standardization in the field of Electronic Business).

Procedure: Instructions, practices and formalities involved in collecting, presenting, communicating and processing data required to fulfil a goal. (Facts about the Working Party on Facilitation of International Trade Procedures TRADE/WP.4/Inf.91).

Trade: The ability of business, trade and administrative organizations to exchange products and relevant services effectively. (Mandate, terms of Reference and Procedures for UN/CEFACT, ECE/TRADE/C/CEFACT/2010/15/Rev.3).

Trade procedures: the activities, practices and formalities involved in collecting, presenting, communicating and processing data required for the movement of goods in international trade. (Source: Facts about the Working Party on Facilitation of International Trade Procedures, TRADE/WP.4/INF.91; TD/B/FAL/INF.91).

Trade Facilitation: The simplification, standardization and harmonization of procedures and associated information flows required to move goods from seller to buyer and to make

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

² UN Millennium Development Goals <http://www.un.org/millenniumgoals/global.shtml>, October 2010.

³ Trade facilitation standards, recommendations and tools are often collectively referred to as trade facilitation instruments. The two phrases are used interchangeably throughout this document.

payments. (Trade Facilitation Strategy and Action plan for 2005-2007, TRADE/CEFACT/2005/6)

I. Introduction

1. The integrated framework brings together the two streams of activities of UN/CEFACT: trade facilitation and electronic business. It sets the stage for UN/CEFACT deliverables to be articulated in the biennial programme of work and its principles aim at:

- (a) facilitating national and international trade procedures;
- (b) developing meaningful and timely recommendations and standards that are unified in their overall “technology-neutral” objectives in support of trade facilitation around the world;
- (c) making use of globally relevant knowledge, experience and good practices in the field of electronic business.

2. The integrated framework is intended to be a management tool for developing and implementing the deliverables set out in the programme of work. It summarizes various aspects of the work of the Centre, its mission, activities, outputs, and organization.

3. Efforts to foster the application of electronic business to trade facilitation⁴ stem from the realization that goods cannot move faster than the processes and information that accompanies them. In modern business processes electronic information is faster and enables all parties involved in trade to operate in more efficient and effective ways. Businesses, trade operators, transport operators and (governmental) agencies generate this information as part of the processes associated with the movement of goods, transfer of services and related financial flows. In some cases, national regulatory authorities amend or add formalities which may have significant impacts on the overall trading system. This may easily lead to difficulties of interoperability as well as problems of incompatible or inefficient regulations, burdensome information requests and controls. In a global economy where more and more business and manufacturing processes rely on the timely delivery of goods, the result is higher costs to do business and, even more importantly, loss of trust that is an essential prerequisite for trade. In addition, the consequences often worsen congestion at airports, seaports and inland surface terminals resulting in an inefficient use of expensive infrastructure for both traders and authorities. These risks and associated costs discourage, in particular, newcomers to international trade and, most of all, small and medium-sized enterprises (SMEs) from providing their products to world markets.

4. To facilitate more effective trade, in its activities UN/CEFACT often targets specific microeconomic issues, which form the basis of international trade. Its instruments aim to simplify the movement of goods from the seller or producer to the buyer and/or user, as well as satisfying the related regulatory and financial requirements. Some better-known UN/CEFACT instruments include: the United Nations Layout Key for Trade Documents, which is the international standard for the layout and content of trade documents; UN/EDIFACT, the international standard for Electronic Data Interchange for Administration, Commerce and Transport; the Core Component Library and associated schema; numerous recommendations for the codification of trade information⁵ and a set of

⁴ Recommendation 4 – National Trade Facilitation Bodies and Recommendation 18 – Facilitation Measures related to International Trade.

⁵ All UN/CEFACT recommendations and standards are available for download free of charge on the website at: www.unece.org/cefact/recommendations/rec_index.html.

recommendations to support the use and implementation of Single Windows for export and import procedures.

5. New challenges are constantly emerging for companies operating in international trade. They include the requests for advance information imposed by security authorities, and the increasing complexity and geographic extension of international supply chains. Meeting these challenges requires taking advantage of information and communication technology. UN/CEFACT's focus on electronic business concerns trade facilitation instruments that can be used in the public and private sector. This involves close cooperation of experts in government, business and international standards organizations familiar with "technology-neutral" essentials of effective and efficient trade. This collaboration helps to encourage SMEs, transition and developing economies to engage in international trade. The benefits are of direct relevance for initiatives of governments in areas such as e- or transformational government and online taxation.

II. Facilitating national and international trade procedures

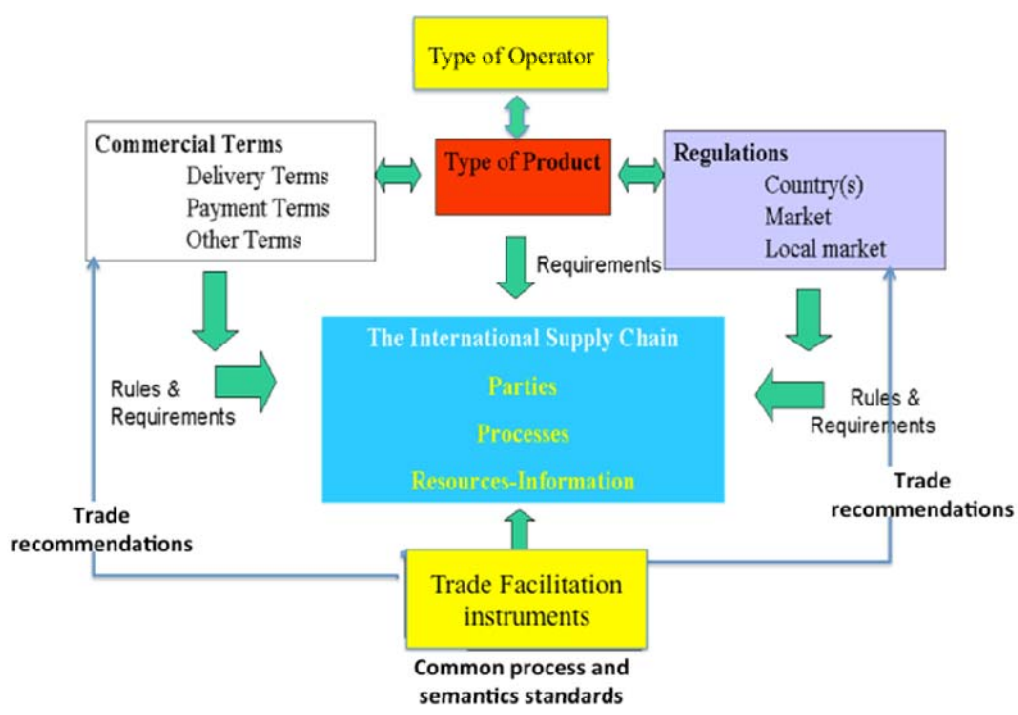
A. Trade facilitation

6. Among its many facets, trade facilitation aims at developing a transparent and predictable environment for the end-to-end international trade information chain. The major elements in the international trade environment are: the commercial terms of business, the product characteristics, and an individual country's regulations. These are further affected by security considerations during the physical movement of goods and the information exchange that supports all of these processes.

7. To address the goal of reducing transaction costs and complexity in international trade, the processes need to be made easier, more efficient and more cost effective. Trade facilitation measures:

- Simplify trade procedures (and where possible, eliminate unnecessary ones);
- Simplify, standardize and harmonize the core information used in many documents required for a trade transaction;
- Ease the flow of information by applying appropriate information and communication technology (ICT);
- Promote simplified payment systems to ensure that the seller (or the government in the case of tariffs or taxes) gets paid in an open, accountable and transparent manner;
- Enhance the ability to provide appropriate levels of trust through more effective and efficient exchanges of information.

Figure 1 Major elements influencing trade processes



B. Electronic Business

8. The evolution in the use of electronic communications affects the way we view enterprise boundaries and business processes. Traditionally, enterprises have tended to look in detail at their internal operations. They considered external relationships with their customers and suppliers as relatively difficult to alter. In recent years, companies are seeking to develop competitive advantage throughout the trade supply chain, across a wide range of locations. This is due to the wide use of ICT systems that not only enable better control but also better information on possible partners or new logistics opportunities. These developments foster a world economy that is more open to trade, and greater competitive pressure.

9. Enterprises place much emphasis on the effectiveness of the business processes they use in order to operate. By integrating their total information chain, companies can break down existing processes into smaller, more effective activity areas. This bringing together of business process integration and information technology offers a new way of facilitating trade.

C. Reference Model of the International Supply Chain

10. For a product to remain competitive on international markets, the cost of commercial transactions must be as low as possible. The concepts of Supply Chain Management, which attempt to deal with the entire series of processes involved in trading goods, are essential in this regard. In addition, these need to be complemented by effective regulatory processes, such as at national frontiers.

11. An international supply chain relies on the efficient execution of a series of processes extending from the seller to the buyer. These processes can be described as follows:

the customer recognizes the need for a product or service, gathers market intelligence on suppliers, establishes contracts with selected suppliers, places an order, the product is shipped according to the agreed terms of delivery, all the requirements of authorities are met and the customer pays the supplier according to the agreed terms of trade.

All of the above requires the exchange of information among all parties involved. However, not all parties in these supply chains are equally entitled to the complete set of information that generally “travels” with the goods. Part of the complexity of these processes is the need to ensure that the right information (either on paper or in digital form) reaches the right parties in a secure and trusted way.

12. This demonstrates the wide scope of trade facilitation. From an issue focusing on commercial documentation and Customs procedures, it extends to the activities between the seller and the buyer and even further from the producer until the end consumer as well as embracing financial and logistical intermediaries. To assist in analysing and understanding these processes, UN/CEFACT developed a Reference Model of the International Supply Chain.

(<http://www1.unece.org/cefact/platform/download/attachments/9666570/International+SupplyChainReference+Model2003.doc?version=1>)

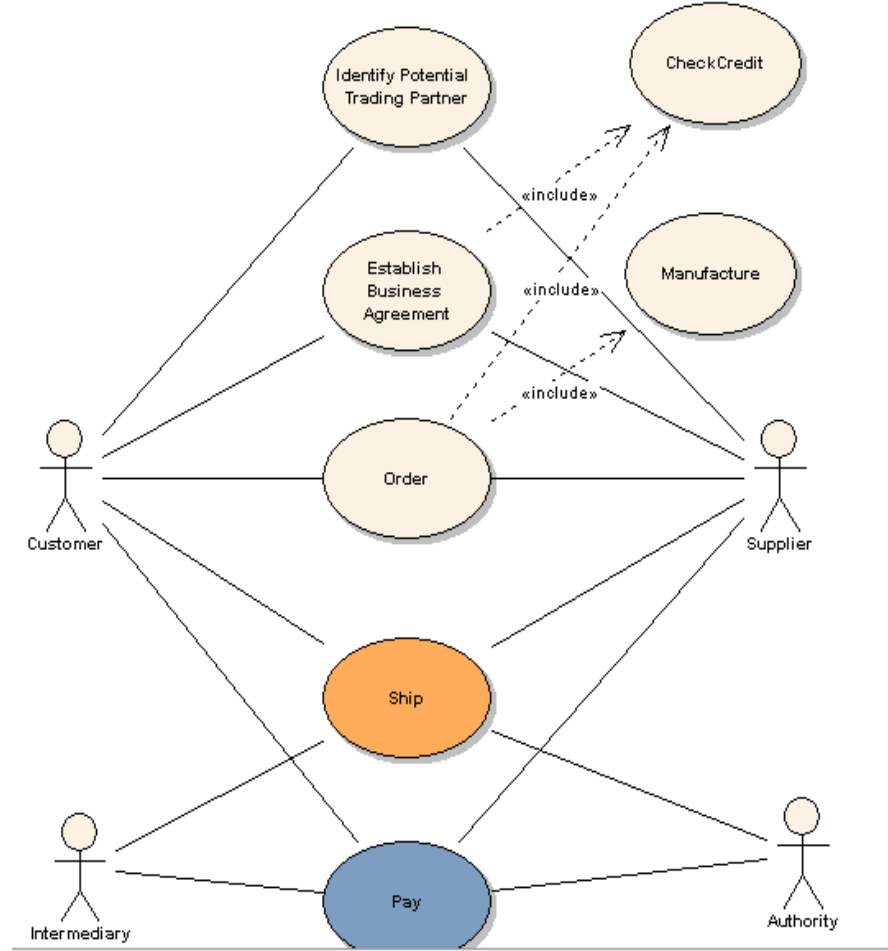
13. The procedures in the International Supply Chain Reference Model are subdivided into five common processes:

- Identifying potential trading partners
- Establishing business agreements
- Ordering the goods or services
- Shipping the goods
- Making the financial arrangements.

14. Using the Model in international trade processes encompasses both border-crossing procedures and other government, commercial, transport and logistics processes.

15. Understanding the Model assists in achieving an integrated set of efficient and effective business processes, as well as optimizing the level of government control and oversight.

Figure 2. Reference Model of the International Supply Chain



III. Integrated electronic business framework

16. To simplify trade and business processes, the UN/CEFACT integrated electronic business framework recommends applying the following three fundamental principles:

- Cross-sectoral business process analysis (which promotes interoperability, reuse of common data elements and functional/domain data models);
- Describe business process and information models which capture user requirements independent of any specific technology;
- Mapping these models to new technologies as required.

17. A vast amount of business knowledge can be captured in models of commonly used international trade processes together with their information requirements. These should be independent of the technology used for exchanging information. This technology-neutral approach deals efficiently with variations in both business practices and information technology.

18. The above principles can also be applied by governments in their regulatory and procedural relationships with business, thus increasing their effectiveness and efficiency

while strengthening the competitiveness of their economies and reducing the burden on taxpayers.

IV. Programme and organization of work

19. The UN/CEFACT biennial programme of work focuses on the following two key work areas:

(a) Facilitating national and international trade and business procedures and working towards the elimination of constraints by improving the ability of business, trade and administrative organizations to exchange products and relevant services effectively.

(b) Engaging in open dialogue with all parties facilitating global trade and electronic business;

20. The programme of work is discussed and approved by the UN/CEFACT Plenary and serves as a guideline for more concrete projects. UN/CEFACT projects are conducted using an Open Development Process⁶. This ensures an open, transparent and timely approach to creating instruments that meet the needs of the participating user communities and governments as represented in Plenary delegations.

21. To achieve its mission, the Plenary revised UN/CEFACT's organizational structure at its eighteenth session in 2012 in "UN/CEFACT structure, mandate, terms of reference and procedures" (ECE/TRADE/C/CEFACT/2010/15/Rev.3). The new organizational structure has been simplified to ensure the overall project orientation of the organization.

22. This also ensures that in a global economy where speed and cooperation are essential, UN/CEFACT focuses on its mandate and works with other organizations to reduce overlap and the duplication of work of other organizations and communities of experts.

23. Within this structure, experts from various business, trade, and government sectors develop and maintain UN/CEFACT instruments.

24. The following are the two key work areas of UN/CEFACT:

Key work area I: Facilitating effective national and international trade and business procedures

Activity 1.1: Identify trade facilitation needs and priorities working towards the elimination of constraints

Description:

Identify the trade facilitation needs and priorities of governments and business and then identify suitable instruments to address them. Assessment of these needs will be done on a regular basis through contacts with both governments and business organizations.

Deliverables:

- Requirements for integrated business and governmental processes and procedures

⁶ Revised at 18th Plenary in February 2012:
http://www.unece.org/fileadmin/DAM/cefact/cf_plenary/plenary12/ECE_TRADE_C_CEFACT_2010_24_Rev2E_UpdatedOpenDevelopmentProcess.pdf

- Identification of constraints to more effective legal processes and procedures
- Practical proposals for the removal of such constraints
- UN/CEFACT recommendations, implementation guidelines and other relevant instruments for trade facilitation including best practices

Activity 1.2: Analyse and document key elements of international trade and business procedures

Description:

For each identified business process, capture and document common business rules and information requirements in a technology-neutral format where they can be analysed, generalised, preserved, communicated and transmitted either on paper or as electronic business documents.

Deliverables:

- Definitions of common business and governmental procedures
- Common semantic reference models defining business processes, rules, information requirements and code lists that can be adopted by communities of use and serve as the building blocks for the development of standards for implementation in required formats or technologies
- Guides to the use of UN/CEFACT semantic reference models

Activity 1.3: Monitor technological and methodological developments

Description:

Research and evaluate information and communication technologies and techniques, and identify a technical framework to assist UN/CEFACT to fulfil its mission that is simple, pragmatic, capable of adaption to different communities' requirements and coordinated with the work of other standards bodies.

Deliverables:

- A business process modelling methodology
- A document assembly methodology
- A semantic modelling methodology

Activity 1.4: Ensure the technical quality of recommendations, standards and technical specifications

Description:

Ensure the highest technical quality, integrity and effectiveness of UN/CEFACT instruments by undertaking systematic reviews and performing maintenance of UN/CEFACT instruments.

Deliverable:

Procedures for ensuring the quality, integrity and effectiveness of UN/CEFACT instruments.

Key work area II: Engaging in open dialogue with all parties facilitating global trade and electronic business

Activity 2.1: Work closely with the UNECE Executive Committee and other parts of the UNECE and the UN

Description:

To identify areas and work under the United Nations that could be used to reinforce trade facilitation, such as regulatory convergence and the analysis of regional trade agreements and technical barriers to trade.

Deliverable:

Cooperation needs to be further developed with the other regional commissions of the United Nations, the United Nations Commission on International Trade Law (UNCITRAL) and the United Nations Conference on Trade and Development (UNCTAD) for the promotion of UN/CEFACT's work and the organization of capacity and technical assistance in countries where they work.

Activity 2.2: Liaise / cooperate with other organizations

Description:

For the promotion of its work, cooperate with national and international organizations active in trade facilitation, standards development organizations and consortia, and sectoral, regional and subregional country groupings.

Deliverable:

Ensure UN/CEFACT is inclusive in its outreach in order to be made aware of requirements and developments emerging in other organisations around the world to:

- avoid duplication of effort
- achieve a common understanding of different deliverables in the context of different organizational roles and responsibilities
- find ways to benefit public-private stakeholders

by providing a neutral platform in which to take due note of relevant initiatives in the field of trade facilitation and electronic business.

Activity 2.3: Awareness-building

Description: Reach out to countries with transition, developing and least-developed economies to foster understanding of trade facilitation activities.

Deliverable:

Raise awareness, respond to requirements, and make available relevant trade facilitation and electronic business instruments.