Ms. Diane Jacovella  
Vice-President  
Multilateral and Global Programs Branch  
Canadian International Development Agency  
200 Promenade du Portage  
Gatineau, Quebec, K1A 0G4  
Canada

Trust Fund Administration Arrangement between the Government of Canada, as represented by the Minister for International Cooperation acting through the Canadian International Development Agency (CIDA) and the International Bank for Reconstruction and Development and the International Development Association concerning the Multi-Donor Trust Fund for the Trade Facilitation Facility (TF071220)

Dear Ms. Jacovella,

1. We are pleased to acknowledge on behalf of the International Bank for Reconstruction and Development (“IBRD”) and the International Development Association (“IDA”) (collectively, the “Bank”) the intention of the Government of Canada as represented by the Minister for International Cooperation acting through the Canadian International Development Agency (CIDA) (the “Donor”) to make available as a grant the sum of five million Canadian dollars (CAN $5,000,000) (“Contribution”) for the Multi-donor Trust Fund for the Trade Facilitation Facility (the “TFF”) (the “Project” or the “Trust Fund”). Other donors are also expected to contribute to the Trust Fund on the terms and conditions specified in the Annexes to this Arrangement.

2. The Contribution will be used to finance the activities and the categories of expenditure set forth in the “Description of Activities and Expenditures under the Trust Fund for the TFF” (the Description of Activities and Expenditures”) attached hereto as Annex 1 and will be administered by the Bank on behalf of the Donor in accordance with the terms of this Arrangement including the “Standard Provisions Applicable to the TFF Trust Fund” (the “Standard Provisions”) attached hereto as Annex 2 and the governance of TFF set forth in the “Governance Terms applicable to TFF” (the “Governance”) attached hereto as Annex 3.
3. The Donor will deposit the Contribution into such bank account designated by the Bank in installments in accordance with the following schedule:

   (a) By March 31, 2011 and following countersignature of this Arrangement by the Donor and submission of a payment request by the Bank, CAD 4,200,000 (for the Donor’s fiscal year 2010/2011);

   (b) After April 1, 2012 and by March 31, 2013 and following submission of a payment request by the Bank, CAD 800,000 (for the Donor’s fiscal year 2012/2013).

4. When making such deposit, the Donor will instruct its bank to include in its payment details information (remittance advice) field of its SWIFT payment message, information indicating: the amount paid, that the payment is made by the Donor for TF071220 Multi-donor Trust Fund for the Trade Facilitation Facility, and the date of the deposit. In addition, the Donor will provide a copy of the Donor’s deposit instruction to the Bank’s Accounting Trust Funds Division by e-mail sent to tfremitadvice@worldbank.org or by fax sent to (202) 614-1315.

5. The Bank will convert the Contribution funds into the holding currency of the Trust Fund, namely United States dollars promptly upon receipt of the Contribution funds and the Deposit Instruction containing the information specified in paragraph 4 at the exchange rate obtained by the Bank on the date of the conversion. Where the Contribution proves to be insufficient to complete the activities as a result of an exchange rate fluctuation, neither the Bank nor the Donor will bear any responsibility for providing any additional financing.

6. Use of Funds

   (a) No member of the House of Commons of Canada will be admitted to any share or part of this Arrangement or to any benefit arising therefrom.

   (b) No current or former public office holder or public servant of the Government of Canada who is not in compliance with the Conflict of Interest and Post-Employment Code for Public Office Holders or the Values and Ethics Code for the Public Service will derive a direct benefit from this Arrangement.

   (c) Any payment to be made under this Arrangement is subject to there being an appropriation by the Parliament of Canada for the fiscal year in which the payment is to be made. If CIDA’s appropriation is changed by the Parliament of Canada, CIDA may reduce the Contribution, or terminate this Arrangement.

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1 *This installment schedule of payments may only be amended in writing between the Donor and the Bank.*
(d) No offer, gift or payment, consideration or benefit of any kind, which constitutes an illegal or corrupt practice, has or will be made to anyone, either directly or indirectly, as an inducement or reward for the award or execution of this Arrangement. Any such practice will be grounds for terminating this Arrangement or taking any other corrective action as required.

7. The offices responsible for coordination of all matters related to the implementation of this Arrangement are:

For the Bank:

Dominique Njinkeu  
Program Coordinator  
International Trade Department  
The World Bank  
1818 H Street, NW  
Washington, DC 20433  
U.S.A.

Tel: +1 202-473-2642  
Fax: +1 202-522-7551

For the Donor:

Tom Bui  
Director  
International Financial Institutions Division  
Multilateral and Global Program Branch  
Canadian International Development Agency  
200 Promenade du Portage  
Gatineau, Quebec  
K1A 0G4

Tel: +819-953-0386  
Fax: +819-953-5348

8. This Arrangement may be amended only by written agreement between the Bank and the Donor; provided, however, that Annex 1 (Description of Activities and Expenditures), Annex 2 (Standard Provisions), and Annex 3 (Governance) to this Arrangement may only be amended with the agreement of all Donors contributing to this trust fund.

9. In the event of termination or cancellation pursuant to paragraph 8 of Annex 2, the Bank will return any remaining balance of the Contributions on a pro rata basis based on the Donors’ paid Contributions or the Donor’s pro rata share of uncommitted Contributions, as applicable to the Donor’s Balance Account.
10. Please confirm your understanding with the foregoing, on behalf of the Donor, by signing and dating the two originals, retaining one original for your record and returning the other original to the Bank. Upon receipt by the Bank of the original Arrangement countersigned by you, this Arrangement will become effective as of the date of the countersignature. It is understood that this Arrangement is not an international treaty. It is an administrative Arrangement between the Donor and the Bank.

Sincerely,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

/s/ Bernard Hoekman
Director
International Trade Department

CONFIRMED AND AGREED:

GOVERNMENT OF CANADA
as represented by the
MINISTER FOR INTERNATIONAL COOPERATION
acting through the
CANADIAN INTERNATIONAL DEVELOPMENT AGENCY

By: /s/ Tieu Tom Bui Date: March 24, 2011
Acting Director General, MDI
Description of Activities and Expenditures under the Trust Fund for the TFF

I) INTRODUCTION

In order to assist developing countries to reduce poverty and achieve the Millennium Development Goals, the TFF will finance a program of activities that will make immediate, direct, and effective contributions toward concrete reforms and practical investments that facilitate national, regional and international trade. More specifically, the TFF will support activities aligned with countries’ national development priorities (e.g., PRSPs) that directly improve the provision of trade facilitation services, increase the capability of governments to make investments in trade-related infrastructure, and reform and modernize trade facilitation institutions, policies, and procedures. In support of the Accra Agenda for Action’s call for strengthening country ownership, building more effective and inclusive partnerships and delivering and accounting for development results, the TFF will finance both activities implemented by the Bank and IFC as well as those implemented by developing country governments and other Recipients of TFF funds.

II) DESCRIPTION OF ACTIVITIES

The trade facilitation agenda is broad and encompasses improvements to trade-related infrastructure, institutions, regulations, policies, procedures, and services that allow firms to conduct international trade transactions — involving trade in either goods or services — on time and at low cost. The TFF Program Description (presented by the Bank to the Donors on May 17, 2009 and attached as Schedule 1 to this Administration Arrangement for informational purposes only) lists thematic areas within this agenda that have been identified as initial priorities eligible for funding by the TFF. The TFF Steering Committee may revise the Program Description as necessary in response to new country demands that may emerge over time.

(i) Bank-Executed Activities:

Eligible Bank-executed activities under this Trust Fund include the following:

1. Advisory and analytical work to diagnose trade facilitation systems and define options for governments. This category includes, inter alia, diagnostic studies and provision of recommendations for immediate implementation, missions to advise governments on trade procedures, trade and transport facilitation audits, improvement of trade facilitation indicators, needs assessments (e.g., for standards institutions, or implementation of WTO trade facilitation commitments). A portion of staff costs needed to manage these activities may be charged to the Trust Fund.

2. Technical assistance and capacity building activities that enable national authorities to improve trade facilitation systems. The potential assistance that could be provided includes support to address problems in areas such as trade logistics, customs and
border management improvement, port reform, streamlining of procedures, institutional development of standards agencies, design and implementation of sanitary and phyto-sanitary management plans, or trucking and forwarding regulations. Eligible activities include, inter alia, courses and workshops; provision of technical assistance, pre-feasibility studies. A portion of costs required for staff to manage these activities may be charged to the Trust Fund.

3. Analysis, advice, and technical assistance that enhance the capability of regional organizations and national governments to design and implement regional trade facilitation initiatives. Indicative examples of eligible activities include assistance to regional organizations and governments in improving transit systems, harmonizing procedures and standards at the regional level, designing regional single windows for clearance of imports and exports, or establishing mechanisms for exchanging data on trade facilitation performance. A portion of staff costs required to manage these activities may be charged to the Trust Fund.

4. Supervision of Recipient-executed activities and projects. Bank rules require Recipient-executed activities and projects to undergo various financial management and procurement assessments by Bank staff and consultants as well as other task management duties.

5. Management and administration of the Trust Fund Program. The TFF task team leader will be responsible for approving proposals. Additionally, the TFF’s task team leader, together with support staff in the International Trade Department of the Bank, will be in charge of donor relations, monitoring and allocating funds, preparing reports, and marketing the TFF program. Annex 2 specifies the ceiling on program management and administration costs that may be charged to the Trust Fund. This amount was estimated following Bank guidelines established to implement “A Management Framework for Bank-Administered Trust Funds” (adopted by the Bank’s Board of Directors in 2007).

6. Monitoring and evaluation of the Trust Fund Program. A mid-term external evaluation of the TFF Program will be conducted based on terms of reference to be agreed by the TFF Steering Committee. The TFF’s TTL will make arrangements for external reviewers of proposals valued at one million United States dollars (US$1,000,000) or more.

**ii) Recipient-Executed Activities:**

The TFF Trust Fund will also support Recipient-executed activities that lead to investments in improved trade infrastructure—both physical infrastructure (e.g., roads, ports, laboratories) and institutional infrastructure (national or regional trade facilitation bodies, trade finance systems, monitoring institutions, etc.). These are likely to include support for pilot projects with demonstration effect, project

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2 The evaluator(s) will be hired by the Bank as a short-term consultant(s) or contractor (if the evaluation is conducted by a firm), paid from the TFF.

3 External reviewers of proposals will be recognized trade facilitation experts, hired by the Bank as short-term consultants. They will be paid from the TFF, and report to the TFF’s TTL.
preparation, government implementation of trade facilitation reforms, and technical assistance at the country level implemented by regional/international organizations, etc.

III) CATEGORIES OF EXPENDITURE

(i) For Bank-executed activities, the Contribution from the Trust Fund may be used to finance the following categories of expenditure: (a) staff costs (for implementation of Bank-executed activities, supervision of Recipient-executed activities, and program management and administration as described in Section II (i) above), (b) associated overheads, (c) temporary support staff, (d) extended term consultants, (e) contractual services, (f) short term consultants, (g) travel expenses, and (h) media and workshop costs.

(ii) For activities implemented by an entity other than the Bank (“Recipient-Executed Activities”), the funds from the Trust Fund may be used to finance (a) consultants’ services, (b) goods, and (c) training.
ANNEX 2

Standard Provisions Applicable to the Trust Fund for TFF

The following provisions (hereinafter referred to as the “Standard Provisions”) will be applicable to and form an integral part of all agreements/arrangements (collectively referred to as the “Administration Agreements/Arrangements”) entered into between the International Bank for Reconstruction and Development (“IBRD”) and the International Development Association (“IDA”) (collectively, the “Bank”) and donor countries and/or organizations (hereinafter collectively referred to as the “Donors” and each a “Donor”) that provide grants (collectively referred to as the “Contributions”) to be administered by the Bank for the Multi-Donor Trust Fund (the “Trust Fund”) for the Trade Facilitation Facility.

1. Administration of the Contributions

1.1 The Bank will be responsible only for performing those functions specifically set forth in this Arrangement and will not be subject to any other duties or responsibilities to the Donors, including, without limitation, any duties or obligations that might otherwise apply to a fiduciary or trustee under general principles of trust or fiduciary law. Nothing in this Arrangement will be considered a waiver of any privileges or immunities of the IBRD and IDA under their Articles of Agreement or any applicable law, all of which are expressly reserved.

1.2 The Contributions will be administered in accordance with the applicable policies and procedures of the Bank, including its framework regarding anti-corruption, as the same may be amended from time to time.

2. Commingling, Exchange and Investment of the Contributions

2.1 The Contributions will be accounted for as a single trust fund and will be kept separate and apart from the funds of the Bank. The Contributions may be commingled with other trust fund assets maintained by the Bank.

2.2 The Contributions may be freely exchanged by the Bank into other currencies as may facilitate their disbursement.

2.3 The Bank will invest and reinvest the Contributions pending their disbursement in accordance with the Bank’s policies and procedures for the investment of trust funds administered by the Bank. The Bank will credit all income from such investment to the trust fund established under this Arrangement to be used for the same purposes as the Contributions.

3. Administrative Cost Recovery

In order to assist in the defrayment of the costs of administration and other expenses incurred by the Bank under this Arrangement, the Bank may, following deposit of the Contribution by the Donor, deduct from the Contributions and retain for the Bank’s own account an amount equal to one percent (1%) of the Contributions. In
addition, program management and supervision costs up to a maximum of three million, two hundred and ten thousand twenty six United States dollars (US$3,210,026) will be charged to the Trust Fund on an actual basis.

4. **Grants to Recipients**

4.1. The Bank will, as administrator on behalf of the Donors, enter into grant agreements (the “Grant Agreements”) with one or more entities (the “Recipients”) for the provision of funds from the Trust Fund for the purposes of this Arrangement and on the terms and conditions set forth in the Grant Agreements. Grant Agreements may be entered into for amounts up to the maximum Contribution funds that all Donors will make available in the Administration Agreements/Arrangements. The Bank will furnish a copy of the Grant Agreements to the Donors.

4.2. The Bank will be solely responsible for the supervision of TFF activities financed under the Grant Agreements.

5. **Employment of Consultants and Procurement of Goods**

The employment and supervision of consultants and the procurement of goods financed by the Contributions will be the responsibility solely of the Bank and will be carried out in accordance with its applicable policies and procedures. The Grant Agreements will provide that the Contributions will be used by the Recipients to finance expenditures for goods and services, as the case may be, in accordance with the Bank’s Guidelines on “Procurement under IBRD Loans and IDA Credits” and the Bank’s Guidelines on the “Selection and Employment of Consultants by Bank Borrowers,” as in effect at the date of the Grant Agreements.

6. **Accounting and Financial Reporting**

6.1. The Bank will maintain separate records and ledger accounts in respect of the Contributions deposited in the Trust Fund account and disbursements made therefrom.

6.2. The Bank will furnish to the Donor current financial information relating to receipts, disbursements and fund balance of the Trust Fund in United States dollars with respect to the Contributions, via the Bank’s Trust Funds Donor Center secure website. Within six (6) months after all commitments and liabilities under the Trust Fund have been satisfied and the trust fund has been closed, the final financial information relating to receipts, disbursements and fund balance of the Trust Fund in United States dollars with respect to the Contributions, will be made available to the Donors via the Bank’s Trust Funds Donor Center secure website.

6.3. The Bank will provide to the Donors, within six (6) months following the end of each Bank fiscal year, an annual single audit report, comprising (1) a management assertion together with an attestation from the Bank’s external auditors concerning the adequacy of internal control over cash-based financial reporting for all cash-based trust funds as a whole; and (2) a combined financial statement for all cash-based trust funds together with the Bank’s external auditor’s opinion thereon. The cost of the single audit will be borne by the Bank.
6.4 If a Donor wishes to request, on an exceptional basis, a financial statement audit by the Bank’s external auditors of the trust fund established under this Arrangement, the Donor and the Bank will first consult as to whether such an external audit is necessary. The Bank and the Donor will agree on the most appropriate scope and terms of reference of such audit. Following agreement on the scope and terms of reference, the Bank will arrange for such external audit. The costs of any such audit, including the internal costs of the Bank with respect to such audit, will be paid by the Donor.

6.5 Upon request by the Donor to review or evaluate activities financed by the Trust Fund, the Donor and the Bank will agree on the most appropriate scope and conduct of such review or evaluation; provided that any information provided by the Bank will be consistent with its policies and procedures. All associated costs will be borne by the Donor, unless otherwise agreed. It is understood that any such review or evaluation will not constitute a financial, compliance or other audit of the Trust Fund.

6.6 The Bank will provide the Donors with copies of all financial statements and auditors’ reports received by the Bank from the Recipients pursuant to the Grant Agreements.

7. Coordination and Trust Fund Reporting

7.1 The Bank will provide the Donors with an annual report on the progress of activities financed by the Contributions. Within six (6) months of the final disbursement date specified in paragraph 8.1, the Bank will furnish to the Donors a final report on the Trust Fund activities.

7.2 The Bank will promptly inform the Donors of any significant modification to the terms of the Grant Agreements and of any contractual remedy that is exercised by the Bank under the Grant Agreements. To the extent practicable, the Bank will afford the Donors the opportunity to exchange views before effecting any such modification or exercising any such remedy.

7.3 Subject to the consent of the Recipient(s), representatives of the Donors may be invited to participate in Bank missions related to the Trust Fund.

8. Disbursement Deadline; Cancellation; Refund

8.1 It is expected that the Contributions will be fully disbursed by the Bank in accordance with the provisions of this Arrangement by December 30, 2013. The Bank will only disburse Contributions for the purposes of this Arrangement after such date with the written approval of the Donors.

8.2 Any Donor or the Bank may, upon three (3) months’ prior written notice, cancel all or part of the Donor’s pro rata share of any remaining balance of the Contributions that is not committed pursuant to any agreements entered into between the Bank and any consultants and/or other third parties for the purposes of this Arrangement prior to the receipt of such notice, including the Grant Agreements.
8.3. Upon the final disbursement date specified in paragraph 8.1, the Bank will return any remaining balance of the Contributions to the Donors on a pro rata basis based on the Donors' paid Contributions. In the event of a cancellation of an individual Donor's pro rata share of uncommitted Contributions in accordance with paragraph 8.2, the Bank will return such cancelled balance to the Donor on the same pro rata basis.

9. Disclosure

The Bank may disclose this Arrangement and information on this Trust Fund in accordance with the Bank's policy on disclosure of information.
ANNEX 3

Governance Terms Applicable to the TFF

The following governance terms will apply to the TFF:

A. Bank Aid for Trade Partnership and Coordination Council

The TFF is established as one of the components of the partnership (the “Partnership”) convened through the Bank Aid for Trade Coordination Council (the “Council”). At its inception, the Partnership consists of two components, the TFF and the Multi-Donor Trust Fund for Trade and Development (TF070745), but may expand to include one or more additional trust funds established by the Bank in support of the Partnership (the “Partnership Trust Funds”).

The Partnership represents a collaborative effort on the part of the Bank and Donors to make the international trading system more supportive of economic development and help countries use trade to achieve economic growth and reduce poverty.

The Council comprises a representative from the Bank and each of the Donors who have entered into administration agreements/arrangements with the Bank for Contributions to the Partnership Trust Funds, which includes all members of the respective trust fund Steering Committees, where applicable. The Council is chaired by the Director of the Bank’s International Trade Department. The Council may invite representatives of other stakeholders, such as the Enhanced Integrated Framework for Trade, regional development banks, the World Customs Organization or other international organizations to its meetings to promote greater coordination.

The Council meets annually, as convened by the Bank, in conjunction with Steering Committee meetings of the Partnership Trust Funds. Any decisions are made by consensus. The Council has the following roles:

- To discuss the strategic directions of the Partnership and the programs supported by the Partnership Trust Funds (the “Partnership Programs”)
- To exchange knowledge, views, ideas and lessons learned about the Partnership Programs, as well as members’ respective aid for trade programs
- To discuss broader ways to collaborate on aid for trade issues among the Council members and with other stakeholders, such as international organizations, multilateral development banks, regional economic commissions, private sector organizations, and recipient governments

The Council does not make decisions regarding the Partnership Trust Funds, which are governed in accordance with the terms of their respective administration agreements/arrangements with the Bank. The Bank’s International Trade Department will provide administrative support to the Partnership and Council, including convening meetings, preparing minutes and keeping records.
B. TFF Steering Committee

The TFF Steering Committee comprises the Director of the International Trade Department, a Director from one of the Bank’s regional departments, a Director from the International Finance Corporation (“IFC”) and a representative from each donor who has entered into administration agreements/arrangements with the Bank for contributions to the TFF. The TFF Steering Committee is chaired by the Director of the Bank’s International Trade Department.

The TFF Steering Committee meets annually, as convened by the Bank, in conjunction with Council meetings. Any decisions are made by consensus, and no-objection processes are conducted by the Bank based on reasonable review periods. The TFF Steering Committee has the following roles:

- To make decisions regarding the strategic direction and operation of the TFF, including overall thematic priorities and its country and geographic focus
- To set the evaluation criteria for TFF proposals and the results monitoring framework for the TFF program
- To approve proposals of $1 million or more, including with reference to the respective external reviews, on a no-objection basis
- To monitor execution of TFF projects and the results they achieve through progress reports from the Program Management Team and external evaluations commissioned by the Bank based on agreed terms of reference

C. Program Management Team

The Bank’s International Trade Department houses the Program Management Team for the Partnership, including the TFF. The Program Management Team’s roles include the following:

- To provide administrative services for the TFF Steering Committee, including convening meetings, preparing minutes, managing no-objection processes and keeping records
- To coordinate work with external partners as well as within the Bank and with the IFC to develop the pipeline of TFF project proposals, including consulting with country staff on country demand and alignment with Country Assistance Strategies
- To review and approve TFF project proposals for less than one million United States dollars, based on established evaluation criteria as set out in the TFF Program Description (presented by the Bank to the Donors on May 17, 2009 and attached to this Administration Arrangement as Schedule 1, as amended from time to time), including confirming country requests
- To solicit external reviews for vetted proposals of one million United States dollars or more
- To manage Bank review processes, including through a designated review committee, regarding technical quality, feasibility, and strategic relevance of TFF project proposals
- To coordinate and provide overall support for implementation of approved TFF projects
• To follow up on results achieved by TFF projects and to coordinate preparation of annual progress reports by Bank staff responsible for TFF projects and then compile them for dissemination to the TFF Steering Committee
• To call funds from Donors and managing allocations of funds to Bank staff for implementation or grant disbursements
• To manage the TFF operational budget
• To maintain relationships with Donors, recipient governments, interested private sector entities and other stakeholders
• To provide external visibility to the Partnership Program, including TFF projects

**TFF Proposal Process**

TFF project proposals may be submitted on an ongoing basis to the task team leader for the TFF (the “TFF TTL”), who is a member of the Program Management Team, for consideration. Proposals must be aligned with countries’ national development strategies (embodied, for example, in PRSPs, WTO needs assessments, international trade agreements, or other documents) and supported by evidence of requests on the part of the beneficiaries, such as country governments and regional economic commissions. Evaluation criteria are set out in the TFF Program Description (presented by the Bank to the Donors on May 17, 2009 and attached to this Administration Arrangement as Schedule 1, as amended from time to time). The TFF TTL may move a proposal out of the review process at any time, including when he or she determines that evaluation criteria have not been met, beneficiary endorsement is not forthcoming, internal Bank or external reviews indicate that proposal is not satisfactory, or sufficient funds are not assured. Any member of the Steering Committee may object to a proposal of $1 million or more, although some consultation may take place before such an objection is formally submitted.
This note describes the Trade Facilitation Facility (TFF), a multi-donor trust fund that supports operational activities that help developing countries take better advantage of global trade opportunities by reducing trade costs. This facility enables the Bank Group to respond to increased demands from developing countries—in the framework of their national development strategies—to overcome trade bottlenecks imposed by weaknesses in trade logistics, customs, testing and certification, and other aspects of trade facilitation regimes. The TFF is an integral part of scaling up Bank and IFC services in the trade facilitation area by creating a “one-stop shop” for providing assistance: bringing together the different parts of the institution that provide trade facilitation-related assistance and establishing a dedicated facility that will allow the institution to deliver a coherent and expanded package of services, respond more effectively to the increasing demands for support in this area, and elicit more demand from countries with weak trade facilitation performance. The TFF is built upon the principles of strengthening country ownership, building more effective and inclusive partnerships, and delivering and accounting for development results as set out in the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action.

A. The Goal of the TFF and its Relationship to Other Trust Funds

1. TFF Objectives and Thematic Scope

The primary objective of the TFF is to help developing countries improve their competitiveness by reducing the costs of engaging in international trade, thus supporting their efforts to reduce poverty and achieve the Millennium Development Goals. The TFF will finance activities that make immediate, direct, and effective improvements in trade facilitation systems. “Trade facilitation” is defined here to refer broadly to the infrastructure, institutions, regulations, policies, procedures, and services that allow firms to conduct international trade transactions — involving trade in either goods or services — on time and at low cost.

The TFF will finance activities that help developing country governments make more cost-effective investments in trade-related infrastructure, that help modernize trade facilitation institutions, policies, and procedures, and that help them improve regulations governing the provision of trade facilitation services. The TFF will finance activities at country, regional, and global levels. These activities will thereby help developing countries eliminate constraints and bottlenecks in their trade supply chains.

The trade facilitation agenda facing developing countries is broad, and specific trade facilitation priorities vary across countries and over time. At its outset, the TFF will focus on the following aspects of the trade facilitation agenda:

- **increasing the efficiency and capacity of trade gateways**, such as ports and airports, and trade corridors, including multi-modal freight transport
- **modernizing and improving border management institutions, processes, and related supporting hardware** (e.g., information technology), including customs, standards compliance, transport security, trade in potentially environmentally damaging goods, etc.
streamlining other regulations and procedures that raise the cost of international trade, such as import/export licensing, registration requirements for importers and exporters, permits for the movement of natural persons delivering services related to trade facilitation, etc.

- improving the efficiency of markets for trade facilitation services, such as logistics, transport security, testing and certification of imports and exports, freight-forwarding, customs brokering, etc.  

- establishing regional trade facilitation systems, such as transit regimes for landlocked countries, regional SPS management, regional customs harmonization and standardization, etc.

The scope of international trade agreements is increasingly moving beyond traditional market access concerns, and agreements now routinely include provisions intended to reduce international trade costs. Developing countries’ participation in the ongoing negotiations for a WTO Trade Facilitation Agreement—as well as commitments countries have made in regional integration agreements—has increased the demand for Bank assistance on trade facilitation. These requests often are for assistance that goes beyond implementing the legal provisions of trade agreements, e.g., for institutional reforms needed for the country to derive economic benefits from the agreement. One objective of the TFF is therefore to help countries design policies, institutions, and investments needed to implement the WTO Trade Facilitation Agreement and others trade agreements while maximizing the economic benefits from these agreements.

2. The TFF’s Relationship to other Trade Facilitation Programs

The TFF will complement other trade assistance programs, both inside and outside the Bank.

Complementing the Integrated Framework

In least-developed countries (LDCs) with Enhanced Integrated Framework (EIF) programs, the TFF can provide additional resources to help governments implement their EIF/IF action matrices. Trade facilitation has been a priority in all IF action matrices, although this area has received little funding to date through the IF trust funds. The TFF expands the capacity of LDCs to address the full range of trade priorities. The TFF also complements the EIF by supporting activities that lie beyond the scope of the EIF but that benefit EIF countries, such as activities that address regional trade facilitation externalities (e.g., transit through gateway countries) or activities in non-LDCs that have demonstration or spillover effects for LDCs.

To enhance the TFF’s contribution to EIF implementation, those requesting TFF assistance in EIF countries will need to discuss the request with the national EIF focal point and demonstrate that the TFF request is additional to funds requested from the Enhanced IF trust fund.

A catalyst for lending

The TFF will act as a catalyst for mobilizing financial assistance from IDA/IBRD, regional development banks, and bilateral donors by filling a gap between upstream

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4The absence of well-functioning markets for transport logistics and other trade facilitation services is often a major contributor to high international trade costs faced by firms in developing countries. In some countries, for example, cartelization of markets for transport logistics services prevents exporters and importers from benefiting from reforms that streamline government procedures at the border—service provides capture greater rents, and lower costs are not passed along in the form of lower prices for services.
analytical work and project preparation. The TFF will provide support for detailed technical work and long-term assistance that can help governments develop proposals for investments and policy reforms that overcome trade facilitation obstacles identified through research, diagnostics, and other analysis. Funding is typically much more constrained for this intermediate stage of assistance than for project preparation or upstream analysis. In this way the TFF will assist countries to mobilize donor resources for meaningful trade facilitation reform projects and accelerate their preparation and implementation. It will also have the capacity to respond to requests that current instruments are not flexible enough to address, such as regional initiatives that address cross-country externalities.

The division of labor among Bank-managed trade trust funds

The TFF also complements other multi-donor trust funds managed by the Bank that support work on trade facilitation, such as the Bank-Netherlands Partnership Program (BNPP) Trade Window and the Multi-Donor Trust Fund for Trade and Development (MDTF-TD). Although these trust funds finance work on trade facilitation, their mandate is to support work on the broad range of trade issues, not solely trade facilitation. To date these have tended to support upstream work—providing analysis, training, and tools to fill knowledge gaps and help countries identify policy priorities. In contrast, the TFF will exclusively fund downstream work—designing policies and projects that can help reduce trade costs.

The TFF can be further distinguished from the BNPP. The BNPP exclusively funds work that is executed by the Bank and it can finance single-country activities only under special conditions. These characteristics reinforce the BNPP’s emphasis on upstream research and analysis.

To further ensure a clear division of labor between the TFF and existing trade-related trust funds, TFF resources will not support upstream analytical work. Requests for these activities will be referred to the relevant BNPP or Regional MDTF-TD focal point. Similarly, the MDTF-TD and BNPP Trade Window will not fund future activities that fall under the scope of the TFF, i.e., implementation-oriented work on trade facilitation. Such requests will be redirected to the TFF.

Although the TFF and other Bank-managed trust funds finance distinct segments of the operational agenda, there are clear synergies between their activities. The BNPP, MDTF-TD, DFID research trust funds, and the IF trust fund (through its co-financing of DTISs) have collectively financed a considerable amount of the research, collection of benchmarking data, and diagnostic analysis on the issue of trade costs. This body of knowledge has contributed significantly to the reshaping of the trade facilitation agenda in recent years, creating the impetus for establishing the TFF. Similarly, as TFF activities are implemented, they will provoke new research questions.

3. Aid for Trade Coordination Council

A new partnership known as the Aid for Trade Coordination Council will ensure coherence between trust funds managed by the International Trade Department. These

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5 The MDTF-TD was established in November 2007 to support a wide range of trade assistance activities. It is currently supported by the governments of Finland, Norway, Sweden, and the United Kingdom. These governments have pledge approximately $27 million (at current exchange rates) to the program. The BNPP has for many years financed knowledge and capacity building activities at global, regional, and cross-country levels. It is being revised in 2009 and in the future will support international trade in the context of the growth and equity focus area. (Other BNPP priorities are fragile states, equal rights and opportunities for women, and environment, water, climate, and renewable energy.)
currently include the MDTF-TD and TFF. As these two programs are supported by different sets of donors and have different operating procedures, they require separate trust fund administration agreements and steering committees. However, both programs are integral parts of the Bank’s effort to deliver aid for trade. Both are managed by the same Bank unit, the International Trade Department, thus reducing the risk of duplication or gaps across the two programs and ensuring clear lines of communication between the Bank and donors supporting these two programs. The Aid for Trade Coordination Council will reinforce the coherence of these programs.

The Coordination Council will be made up of members of the TFF and MDTF-TD steering committees and is chaired by the director of the International Trade Department. The Coordination Council is being created through provisions in the administration agreements of these trust funds programs, and its structure and responsibilities are defined in those documents. All donors contributing to one of the trust funds under the partnership are therefore members of the Council. The Council will meet annually to discuss the strategic directions of the partnership and its programs. Decisions affecting the operation of the trust funds are addressed by the respective steering committees of each program, in accordance with their trust fund administration agreements.

The Coordination Council may be expanded in the future to include donors to new aid for trade trust funds. New aid for trade issues may arise in the future that cannot be accommodated by the MDTF-TD or TFF, but require new funding mechanisms. In addition, some governments and foundations interested that contribute to Bank-managed trust funds are unable to contribute to multi-donor trust funds, but it may be desirable to incorporate these new trust funds into the Coordination Council’s scope.

The Coordination Council allows the Bank and donors to exchange knowledge, views, ideas and lessons learned from their aid for trade programs. In addition, members of the Council may discuss broader ways to collaborate on aid for trade issues among themselves and with other stakeholders, such as international organizations, multilateral development banks, regional economic commissions, private sector organizations, and recipient governments. For example, the Council might invite the executive director of the Integrated Framework Executive Secretariat or representatives of regional development banks to its meetings to promote greater coordination with these programs.

B. Types of Potential TFF Activities and Geographical Scope

4. Types of activities eligible for TFF support

The TFF will be particularly valuable in supporting work that fills the gap between identifying trade facilitation constraints and implementing programs that overcome those constraints. Existing resources within the Bank, whether its own operating budget or external trust funds, are usually sufficient to finance upstream analysis to diagnose deficiencies in countries’ trade facilitation systems. Once a government and the Bank agree on the design of a lending project, Bank task managers and their government counterparts can generally tap into funds to prepare, appraise, and execute the project. But funding is typically not available for task managers to dedicate staff time or hire consultants to assist governments in designing a project, building coalitions to support the project, and mobilizing resources to fund the project.

Coordination Council meetings will be scheduled to coincide with MDTF-TD and TFF steering committee meetings.
To fill this gap, the TFF will support several types of trade facilitation activities: pilot projects and work needed to design larger projects, advice on improvements of physical and institutional infrastructure, and arrangements for collecting and sharing operational data. The TFF trust fund administration agreement defines the types of work that may receive TFF funds. Categories and illustrative examples of activities to be funded are below.

Projects and Project Preparation

Pilot projects that respond to identified needs or trade bottlenecks and are likely to have immediate benefits as well as provide demonstration effects that directly inform the design of larger-scale projects or similar activities in other countries. Examples include:

- improvement of an existing information technology system or network to link border stations with headquarters and allow transit guarantees to be discharged immediately as goods leave a country
- implementation of a trade information portal to provide traders with all necessary information on import/export/transit rules, regulations, procedures and fees
- implementation of an e-learning facility to allow regional customs authorities to effectively utilize the World Customs Organization’s suite of e-learning courses

Pre-feasibility studies and other detailed technical work that helps governments or regional bodies to analyze options and design proposals for future IDA/IBRD or other donor financed projects. Examples include:

- provision of short/medium-term expert assistance to help a government assess the costs and benefits of various options for port redevelopment (or other new investments in trade-related infrastructure)
- experts to support government officials in preparing a proposal for donor funding of an integrated border management project (i.e., to establish the institutional framework for coordinating customs, standards, and other bodies’ clearance of imports)

Advice and Implementation Support

Provision of medium to long term advisors to provide regular expert support to governments and regional bodies, help them engage stakeholders, and support implementation of regulatory and policy reforms, trade-related infrastructure investments and/or new border management systems and procedures. Examples include:

- a long-term (1–2 years) technical expert to support the establishment and operation of an inter-agency/public/private standards coordination mechanism that helps rationalize national SPS regulations from a trade facilitation perspective
- a medium-term (3–12 months) legal specialist to assist in the drafting of a new legal and regulatory framework covering the licensing of customs brokers and freight forwarders
- advisors to a regional or corridor organization to assist in developing a transit regime

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Many expect that LDCs will seek funding for project preparation from the Enhanced IF trust fund. As noted above, those requesting TFF funds in IF countries will need to demonstrate that the proposed TFF activity is coordinated with and additional to activities receiving EIF support.
Provision of short-term advisory services (1–10 weeks) to assist governments or regional bodies to design and gain agreement on trade facilitation strategies/action plans. Examples include:

- a short-term advisor to assist countries in developing trade facilitation action plans that identify technical assistance needs and priorities associated with implementation of a WTO Trade Facilitation Agreement
- a short-term advisor to help establish a stakeholder forum that will identify ways to remove bottlenecks in the international trade supply chain
- a short-term advisor to facilitate discussion at regional fora designed to obtain regional agreement on a new transit regime or harmonized procedures for mutual recognition of conformity testing systems

Collection and Sharing of Information

Collection and analysis of operational trade facilitation data. Examples include:

- establishing measurement mechanisms to allow corridor/border station performance to be accurately monitored/measured over time and identify improvements
- conducting user surveys
- establishing mechanisms for performance data to be shared amongst stakeholders and across countries to ensure transparency (e.g., mechanisms modeled on the TTFSE website)

Conduct of regional knowledge/best practice information sharing activities.

Examples include:

- hosting of seminars and workshops where practical success stories can be shared to assist early implementation of proven reforms

Implementation Modalities

TFF activities can be either global, regional/multi-country, or national in scope. They can be implemented by governments, regional organizations, the Bank/IFC, or other international agencies. The trust fund will also defray a portion of staff costs needed to implement TFF activities or supervise recipient-executed activities. Annex I of the TFF trust fund administration agreement lists the types of expenditures that can be charged to the TFF, according to whether an activity is Bank- or recipient-implemented.

5. Geographical Scope and Country Focus of the TFF

All developing countries are potentially eligible for TFF assistance, in keeping with the WTO Hong Kong Ministerial Declaration that aid for trade should be provided to developing countries, particularly LDCs, to help them build trade-related infrastructure and supply-side trade capacity. Reflecting the widely-shared priority of reducing poverty, the TFF will have a preference for work in sub-Saharan Africa and in the poorest countries. LDCs, IDA

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8 All activities implemented by recipients (i.e., entities other than the World Bank Group) using trust fund resources are conducted according to formal grant agreements signed by the recipient and the World Bank under provisions stated in the trust fund administration agreement. World Bank task managers supervise recipient-implemented activities with the support of procurement and financial management specialists. World Bank policies define the preparation of IDA/IBRD projects as the recipient’s responsibility, so TFF support for IDA/IBRD project preparation activities will necessarily be implemented by governments. Depending on the nature of the activity, some international agencies may implement TFF activities as recipients, with funds disbursed according to the terms of a grant agreement, or alternatively as a vendor delivering services in support of a World Bank-implemented activity according to a consulting contract. World Bank procurement rules apply regardless of whether an activity is implemented by the World Bank or a recipient.
countries, and those with per capita incomes in the low-income country category used the Bank and the OECD-DAC will be considered to be the poorest countries.\textsuperscript{9} Although the TFF is a global trust fund to which all developing countries are eligible, the TFF will initially focus its work in the following countries.

- In sub-Saharan African countries—a majority of funds pledged by donors when the TFF becomes operational will be devoted to work in sub-Saharan Africa.
  - Work in upper-middle income countries in sub-Saharan Africa will be eligible only in the context of regional activities that directly benefit poorer countries.
- Outside of sub-Saharan Africa, work in the following countries will be eligible:
  - the poorest countries, i.e., LDCs, IDA, and LICs
  - lower-middle income countries (LMICs) that are not LDCs or IDA under one of the following conditions:
    - the activity addresses cross-country trade facilitation externalities among LMICs or is requested by a regional integration secretariat for work in LMICs that benefits the poorest countries, or
    - where the activity directly benefits a neighboring country that is an LDC, IDA or LIC (e.g., where an LMIC is the trade gateway for LICs or the work enhances regional collaboration to reduce trade costs affecting LICs), or
    - in limited circumstances, where the activity provides demonstration effects that will be transferred to the poorest countries.

As more resources become available, the Steering Committee may elect to expand the country focus of the TFF and make work in all LMICs eligible.

C. TFF Governance Structure and Operating Procedures\textsuperscript{10}

6. Management Structure of the TFF

The proposed TFF governance structure is designed to ensure the quality of its activities, the speed of its response to clients, and accountability to participating donors. The three elements of the governance structure are the Steering Committee, Program Committee, and Program Management Team. Below are brief descriptions of these entities.

**Steering Committee**

The TFF steering committee provides makes decisions regarding the strategic direction and the operation of the TFF.\textsuperscript{11} The trust fund administration agreements that each TFF donor

\textsuperscript{9} The World Bank's classifies countries according to per capita income, calculated using the World Bank Atlas method. Currently the income groups are the following: low income, $935 or less; lower middle income, $936–$3,705; upper middle income, $3,706–$11,455; and high income, $11,456 or more. More information, including the list of IDA countries, is available at \texttt{<http://go.worldbank.org/K2CKM78CC0>}. The OECD-DAC list uses the same per capita income thresholds and is at \texttt{<www.oecd.org/dac/stats/daclist>}. The UN classifies countries as LDCs based on income, human resource constraints, and economic vulnerability. The list of LDCs is at \texttt{<http://www.un.org/special-rep/ohrlls/ldc/list.htm>}.  

\textsuperscript{10} Many aspects of the TFF governance structure and operating procedures are defined will be defined in the trust fund administration agreements that TFF donors sign with the World Bank. This section of the note gives a general overview of the TFF’s structure and process.

\textsuperscript{11} As stated earlier, although the Coordination Council serves as a forum for discussing overall aid for trade strategies, including assistance for trade facilitation, all operational decisions about the TFF will be made by the TFF steering committee and not the Coordination Council.
signs with the Bank defines the steering committee’s roles and responsibilities. It will include one representative from each donor to the TFF, the Director of the International Trade Department, a Director from a Bank Regional Department, and a Director from the IFC. It serves as the forum for the Bank and TFF donors to discuss the program’s scope, size and areas of emphasis, as well as establish the basic parameters for the Bank’s implementation of the program.

**Program Committee**

Within the World Bank Group, a program committee comprised of managers and senior experts from the Regions, anchor units and IFC will advise the TFF program task team leader (TTL) on TFF activities. The program committee plays a vital role in the TFF’s proposal process by bringing together expertise spanning regions and sectors to evaluate proposals’ technical quality, feasibility, and alignment with the Bank strategy. The committee also provides a mechanism for promoting greater coherence in the World Bank Group’s trade facilitation assistance.

**Program Management Team**

The TFF program management team will consist of the program TTL, a program officer and an administrative assistant in the International Trade Department. This team manages the process of reviewing and approving TFF proposals. Its specific roles and responsibilities are defined in the trust fund administration agreement. It provides support to task managers in the Regions, IFC, and Network anchor units in their implementation of TFF projects. It monitors funds in the TFF portfolio and prepares calls of funds from donors. It gathers information necessary for the TFF program’s monitoring and evaluation framework. The team is also responsible for marketing the TFF program, both internally and externally.

The Bank’s current trust fund management framework requires that the Bank’s costs of administering trust fund program must be defrayed by funds from the trust fund. The TFF trust fund administration agreement will specify management costs that can be covered by TFF resources. Because of the TFF’s size and complexity, its trust fund administration cost recovery fee follows a two-part formula:

- A percentage of contributions received is allocated to the operating budgets of the central trust fund coordination units (e.g., units responsible for accounting, legal affairs, and partnerships).
- The managing unit charges to the trust fund actual costs (including staff costs) up to a predetermined dollar amount (specified in Annex 2 of the administration agreement) of administering and managing the TFF program as described above and in the administration agreement.

**7. TFF Proposal Approval Process**

The TFF proposal approval process is designed to respond quickly to client demand while ensuring that projects funded are closely aligned with countries’ development priorities and have the greatest potential for a lasting impact on their trade facilitation systems.

Client country governments or regional economic commissions request assistance from the TFF on a rolling basis. It is expected that most requests that emerge through the Bank and IFC’s ongoing policy dialogue at the country or regional level on trade facilitation issues, and that staff involved in this policy dialogue with the counterpart will typically be assigned the

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task management of the project. For other requests, such as those that countries make directly to the program management team, the team will work with the relevant country team or sectoral unit to identify an appropriate task manager. In either case, the task manager prepares a proposal for funding from the TFF.

TFF proposals will present a brief description and rationale of the activities to be funded, including information on specific deliverables, timeframe for delivery, implementation approach, cost, and how these activities support the objectives of the TFF. In addition, prospective task managers will include the following information in their proposals:

- who in the country/countries requested the activity and information demonstrating the client’s commitment to the proposed activity
- the activity’s alignment with the country’s or countries’ development priorities, as presented for example in their Poverty Reduction Strategy Papers (PRSPs) or other national strategies, international trade agreements, or internationally-standardized diagnostics (e.g., needs assessments conducted by the WTO, Integrated Framework action matrices, etc.)
- how the activity complements and is additional to ongoing work by the government, Bank, or other donors (notably the EIF)
- how the activity addresses cross-cutting development priorities, such as HIV/AIDS, gender equality, and environmental sustainability (including climate change), or addresses ecological or social risks stemming from potential infrastructure investments expected to result from the TFF activity.
- an indicative timetable of spending and deliverables
- specific goals, activities, outputs, and verifiable indicators that will be used to measure outcomes
- a description of quality-control procedures to be followed in conducting the activity

As the TFF’s ultimate goal is to contribute to reducing poverty, proposals for work in middle-income countries will additionally demonstrate how proposed activities will reduce trade costs faced by the poorest people (particularly in Africa). This must be achieved by showing how a regional project or project in a gateway country reduces trade costs faced by the region’s low-income countries. Pilot projects in LMICs with demonstration effects will be considered in limited circumstances, but proposals will explicitly show how these demonstration effects will be transferred to low-income countries.

The program management team reviews each proposal for completeness and circulates the proposal for vetting by the Bank Country Director/country team to ensure alignment with the country’s development priorities, as reflected in PRSPs or similar national strategies.

The program TTL circulates proposals to the program committee for review. Proposals will be evaluated according to the following criteria:

- A clear focus on trade facilitation and how well they address TFF priorities and their potential for reducing trade costs;
- Technical quality;
- Client ownership and demand;
- Additionality to existing Bank operations; and
- Alignment with country’s or countries development priorities and other development partner activities

And additionally in the case of LMICs

- The strength of spillover effects for LIC neighbors;
• The strength of the demonstration effect for LICs

This evaluation will look not only at the technical quality of the proposal (Does it address the most significant trade facilitation constraints? Are proposed reforms sequenced in ways that ensure reduction of trade costs? Does it propose a sound implementation strategy? Are resources sufficient?). In addition, the program TTL and program committee will assess the strength of beneficiary ownership in the proposed activity, its alignment with national/regional development priorities, and its integration into donor assistance programs.

For requests of $1 million or more, the program TTL also solicits comments on the proposal’s technical quality from internationally recognized trade facilitation experts serving as external reviewers. The program TTL also submits these proposals, along with conclusions of the internal and external reviews, to the steering committee for approval on a no-objection basis. Once a proposal is accepted, funds are transferred to the task manager for disbursement.

8. Reporting

In preparation for the annual report for the Donors on the progress of activities financed by their Contributions, the Program Management Team will submit an annual report on TFF activities to the Steering Committee within three months following the end of each Bank fiscal year. The annual report will include an account of how all TFF proposals were evaluated and approved, information on the status of activities under implementation, recent outcomes of completed projects, and overall progress in achieving TFF program objectives in the results monitoring framework. After reviewing the report, the Steering Committee may elect to make changes to the program’s strategic direction and operation, the approval process and value of projects approved by the Steering Committee and Programme Committee respectively, evaluation criteria, and results monitoring framework in line with the responsibilities of the Steering Committee described in Annex 3 of the Administration Agreement.

9. TFF Monitoring and Evaluation

Monitoring and evaluation is an integral component of the TFF and an important responsibility of the program management team and individual task managers. The Bank will commission an evaluation of the TFF program to be conducted by a consultant during the program’s third year, with terms of reference to be agreed by the TFF steering committee. A decision to extend the TFF beyond the initial four years will be made on the basis of this evaluation. As noted in Annex I of the Administration Agreement, the cost of conducting this evaluation will be charged to the TFF.

D. Funding Needs and Next Steps

The Trade Department estimates that the TFF will require around $40 million over a four-year period. The interim evaluation conducted during the program’s third year will provide

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13 It is expected that most external reviewers will be consultants (hired by the World Bank and paid from TFF resources). In some cases reviewers may be government officials or staff of international agencies, who (except in special circumstances) are restricted from being hired as consultants by World Bank procurement rules.
information for deciding whether the program should be continued past this period and future funding needs.
The TFF program proposal has received internal clearances and the TFF was formally presented in April 2009 at the North-South Corridor Conference in Lusaka, Zambia. The Trade Department is currently discussing the TFF with a core group of donors. After the TFF becomes operational and generates initial results, the Trade Department will seek to expand the trust fund to a wider set of donors.