

SUMMARY REPORT OF THE POLICY COMMITTEE MEETING

18 December 2006

FAO Headquarters, Rome

OPENING STATEMENT BY POLICY COMMITTEE CHAIRMAN

1. Welcoming participants, Mr Alexander Mueller, Assistant Director-General of UN Food and Agriculture Organization (FAO) noted that a great deal was achieved since the Facility was established in 2002. He made reference to the independent evaluation of the STDF completed in December 2005 which recognized the work done, but which had identified a number of areas where improvements were needed. He recalled that a Task Force had been established in June 2006 to address these issues and recommend corrective actions. The Task Force report had been circulated in September and discussed in detail – including at the last STDF Working Group meeting.

2. On behalf of FAO, Mr Mueller reconfirmed his organization's commitment to build capacity among developing countries to contribute to the formulation and implementation of SPS related standards and to collaborate closely with relevant organizations and stakeholders, donors and recipient countries to ensure maximum impact. He stressed that FAO's capacity building programme in the areas related to SPS had expanded rapidly over the last decade in response to increased demand from developing countries for assistance in the implementation of international SPS standards and to access international markets. More recently, the Avian Influenza pandemic had mobilized considerable extra-budgetary resources for emergency assistance and capacity building in favor of affected countries. He confirmed that FAO was ready to contribute to the implementation of the Medium Term Strategy and Operating Plan and to give full support to the development of the STDF in line with the direction set by the Policy Committee. He underlined that funding to reach the objectives as defined in the Strategy and the Operating Plan seemed to be the main constraint to be addressed at this stage.

ADOPTION OF THE AGENDA

3. The agenda was adopted without amendment. (A list of participants is provided in Annex I.)

OTHER OPENING STATEMENTS

4. Mrs Suzanne Weber-Mosdorf, Assistant Director-General of the WHO, thanked FAO for hosting the meeting and expressed her support for the Medium Term Strategy. She highlighted the importance of directing a large part of STDF funds to SPS capacity building in least developed countries (LDCs).

5. Ms Gretchen Stanton, Senior Counsellor at the WTO, thanked FAO for hosting the meeting and restated WTO's commitment to the STDF. She also thanked Mr Tim Leyland from the UK for chairing the Task Force and delivering the report in such a timely manner. She stated that the report was very important for WTO - in particular in the way that it addressed two key constraints: project management and staffing. She welcomed the recommendation that partner organizations and other third parties should become more closely involved in the implementation of projects and noted that discussions on framework agreements with FAO and the World Bank were ongoing. She also welcomed the clear recognition that the existing staff of the STDF Secretariat was insufficient but stated that growth of the Secretariat would have to be incremental and result-driven. The increased focus on the STDF acting as a vehicle to mobilize funds and on researching the effectiveness of technical co-operation was highlighted. Recalling the statement of Mr Pascal Lamy, Director-General of WTO, at the previous Policy Committee meeting, she noted that the Task Force recommendations

constituted an acceptable compromise with respect to WTO's role and the involvement of other agencies in the STDF.

OVERVIEW OF CURRENT OPERATIONS - REPORT BY THE STDF SECRETARY

6. The STDF Secretary, Mr Michael Roberts, briefly described the development of the Medium Term Strategy and related documents. He explained that much of the Secretariat's workload in 2006 had been dedicated to preparing these documents - in addition to its regular work on projects and project preparation grants (PPGs). At present, a total of 23 projects and 22 PPGs had been approved for funding by the Working Group. Ten PPGs had been completed, of which seven had resulted in projects funded through the STDF. Eight PPGs were currently under implementation and another four were awaiting contracting. Seven projects had been completed and another five were scheduled to finish in 2007. Eight projects were under implementation and another nine were awaiting contracting. Several of these projects covered by the framework agreements currently being negotiated with FAO and the World Bank.

7. Attention was drawn to the evolution of STDF funded projects. Whereas the first batch of completed projects were mostly focused on basic training activities, projects to be completed in 2007 focused increasingly on more "traditional" capacity building efforts. Finally, Mr Roberts presented an overview of the current funding situation. Funds committed in 2007 amounted to approximately half the funding target of US\$ 5 million per year agreed by the Policy Committee and written in the Medium Term Strategy.

8. In response to a question from Mr Uri Dadush, Mr Roberts stated that the Medium Term Strategy constituted the underlying plan on which funding contributions to meet the US\$ 5 million per year target would be sought. In order for the STDF to be put on to a more stable footing, the Strategy also emphasized the need for multi-annual contributions instead of the current practice of many donors making single year contributions. The European Community also highlighted the importance of predictable funding for the years to come. Mr Roberts indicated that at present no funds had been committed for 2008 and beyond. Mr Mueller stated that it was important to develop a comprehensive funding strategy for the STDF – a view echoed by all participants.

9. The United States requested clarification on the STDF Database. Mr Roberts explained the problems related to underreporting of SPS related technical cooperation and the planned efforts of the STDF to further strengthen the WTO/OECD Trade Capacity Building Database in this respect. Finally, he recalled the change in focus of the STDF as a vehicle for the mobilization of funds and preparation of projects which could subsequently be picked up by other donor programmes.

REPORT BY THE CHAIRMAN - STDF WORKING GROUP

10. The Chairman of the STDF Working Group, Mr Jorgen Schlundt, hoped that funding for the STDF might further increase once the Medium Term Strategy would be adopted. He welcomed the proposed re-direction of the STDF and highlighted that the Facility did not overlap with existing trust funds, such as the Codex Trust Fund. He mentioned that the Strategy had been discussed and commented at length in the Working Group. He emphasized that the Strategy clearly illustrated that the STDF was not a closed unit of partner organizations but instead a mechanism that recognized the role of donors and recipients. In his WHO capacity, he added that there was still an outstanding issue in relation to the overhead split between the organization implementing or supervising STDF projects and WTO as administrator. He explained that WHO preferred the usual intra-UN 12% - 1% split in this regard. He also stated that at some point in time WHO would like to see an evaluation of the extent to which public health was addressed within the framework of the STDF.

REPORT BY THE CHAIRMAN – STDF TASK FORCE

11. The Chairman of the STDF Task Force, Mr Tim Leyland, briefly introduced Task Force report. He considered that the Medium Term Strategy emphasized a re-orientation of the functions of the STDF and a much greater focus on the STDF as a coordination mechanism in the delivery and receipt of SPS-related technical cooperation. To carry out these functions, the Task Force had decided to strengthen the STDF Secretariat rather than establish a separate programme management unit outside WTO. In particular, he stressed the importance of having sufficient staff available in the STDF Secretariat with experience in SPS and development issues.

12. As to coordination, Mr Leyland stressed that the work of the STDF would contain a quantitative component in strengthening the WTO/OECD Trade Capacity Building Database to address existing gaps in reporting, and a quantitative component in assessing the effectiveness of technical cooperation and drawing lessons from past experiences. He highlighted that this coordination function would fit well with WTO. Coordination would be further strengthened by an increased use of PPGs and through establishing more synergies with existing initiatives such as the Integrated Framework and Aid for Trade. A further recommendation was made to increase the ceiling for funding for PPGs to US\$ 30,000 and to use PPGs for mobilizing funds from the wider donor community. To allow the STDF Secretariat to take up this coordination role, he stressed the need to strengthen the Secretariat to a core team of six persons as soon as possible.

13. Mr Leyland highlighted that project funding opportunities remained unchanged but that the Operational Rules had tightened funding criteria. Other new or modified items in the Operational Rules he highlighted related to the role of partners and third parties in the implementation and supervision of STDF projects, the functions of the STDF Secretariat, the mechanism for selecting developing country representatives and observer status.

DISCUSSION/ADOPTION OF THE MEDIUM TERM STRATEGY AND RELATED DOCUMENTS

14. On the issue of staffing, the European Commission expressed its support for a core team of five or six persons and highlighted that the STDF would be evaluated on its coordination work in two or three years time. In its view it would be important and crucial to start with a full team of experts as soon as possible. Other participants noted that expansion of the Secretariat also depended on further funding and had to take place gradually. They believed that the current proposal reflected the right balance for the STDF in its operations in 2007.

15. Mr Uri Dadush from the World Bank requested clarity on the annual staffing costs. He expressed concern that a fund whose objective was to help developing countries could be seen to be taking such a high charge to finance its operations – in particular when staffing costs were written directly into the Facility and a 13% overhead levied in addition. Other donors, notably the Netherlands, were also concerned by the fact that a 13% administrative overhead would still be charged - even though staffing costs would be met from the STDF budget directly. Ms Gretchen Stanton from WTO explained that the 13% administrative overhead was needed to meet other support staff costs and that overheads would be shared with agencies implementing and supervising project – something for which the WTO had neither the capacity nor the resources.

16. Other donors, notably the United Kingdom, highlighted the fact that staff would be used for the coordination work of the STDF and stressed that further coordination among partners, donors and recipients was not going to increase on its own but instead needed people to drive it. The STDF Secretary explained the coordination work to be undertaken over the period of the Medium Term Strategy and - more specifically - in 2007. This included consultations and research in "pilot regions" on the effectiveness of SPS-related technical cooperation. Increasing attention would also be paid to the mobilization of funds, *inter alia* through the use of PPGs, and to projects being picked up for funding by other donor programmes.

17. The Secretary explained changes appearing in track change mode to which the Policy Committee then gave their approval. New wording in paragraph 14 related to existing donor contributions and in paragraph 37 related to the gradual expansion of the STDF Secretariat were agreed. It was agreed that the Chairman of the Working Group would be consulted during the recruitment process to ensure that suitably qualified candidates were considered for the STDF positions. Further clarifications in paragraph 6 and a footnote to paragraph 27 were also accepted.

18. The Policy Committee formally adopted the Medium Term Strategy, as amended.

19. The STDF Secretary explained two changes in track change mode in the Operational Rules, which were approved by the Policy Committee. New text on the approval by the Working Group of staffing changes was also agreed. The Secretary recalled that the Medium Term Strategy relied on greater involvement of partner agencies (and third parties) in the implementation and supervision of projects. In the past, a cost-sharing arrangement of 8% (agency) and 5% for WTO as administrator was applied but given the greater role of partner agencies it was suggested to apply an overhead sharing arrangement of 10% - 3%. In response, WHO and FAO insisted on the common UN practice of 12% - 1% and highlighted also that staffing costs for the Facility were now directly written into the budget. A deadline of the next meeting of the Working Group at the end of February 2007 was set by which to reach agreement on this issue.

20. The Policy Committee formally adopted the Operational Rules, as amended.

21. The STDF Secretary presented a brief introduction to the Operating Plan for 2007. Upon request from the United Kingdom, it was agreed that the STDF would make use of regional consultants for the consultations and research in the "pilot regions" where possible. It was also noted that the order of footnotes 6 and 7 had to be changed.

22. The Policy Committee formally adopted the Operating Plan for 2007, as amended.

OTHER BUSINESS

23. The STDF Secretary agreed to set a date for the next Policy Committee as soon as possible. On the relationship between the SPS Committee and the STDF, Ms Stanton explained that the Chair of the SPS Committee had been given a role in the selection of developing country representatives as outlined in the Operational Rules. The SPS Committee was kept informed of the activities of the STDF, and WTO Members given the opportunity to pose questions or comments at each meeting of the SPS Committee.

24. The Chairman thanked participants for their attendance and commended them on the adoption of the Medium Term Strategy.

ANNEX I

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