

**UNDP PROJECT PROPOSAL FOR COOPERATION WITH
SWEDISH INTERNATIONAL DEVELOPMENT
COOPERATION AGENCY (SIDA)**



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Resilient nations.*

**STRENGTHENING ARAB ECONOMIC INTEGRATION FOR
SUSTAINABLE DEVELOPMENT**

Submitted by: UNDP Bureau for Arab States- Regional Hub

Project Title:	ARAB ECONOMIC INTEGRATION PAFTA PLUS
Objective	To provide support to League of Arab States (LAS) and its member states for PAFTA Upgrading as well as preparation process for the Arab Customs Union. Enhancement of economic partnership in the region through better Arab connectivity.
Expected Project Related Outcome	<ul style="list-style-type: none">• Outcome 1: LAS capacity strengthened to manage regional economic integration related processes• Outcome 2: Members States are capacitated and technically prepared for regional economic integration• Outcome 3: Engagement of key development actors ensured through inclusive and transparent processes for regional economic integration

Expected Outputs:	<ul style="list-style-type: none"> • OUTPUT 1: Structured and targeted technical support to LAS Secretariat and Arab negotiators on trade policy formulation and reform under PAFTA (Outcome 1). • OUTPUT 2: Provision of support for the organizational capacity of LAS Secretariat to facilitate the regional economic integration agenda (Outcome 1) • OUTPUT 3: Provision of country-based technical assistance to policymakers for their activities related to trade policy reform and coherence (Outcome 2) • OUTPUT 4: Provision of country-based technical assistance to policy makers for the modernization of the supply/value chain in preparations for the Arab Customs Union (Outcome 2) • OUTPUT 5: Improvement of related regulatory frameworks for integrity, aiming for good governance for trade development measures (Outcome 3) • OUTPUT 6: Supporting gender responsive mechanisms to ensure systematic integration of gender sensitivities in trade policy-making and negotiations (Outcome 3)
Implementing Partner	UNDP
Key Beneficiary and Stakeholders	League of Arab States and its special organs as well as regional organizations, governments of Member States, private sector, women, youth, and academia.

Total budget of the project:	USD 6,707,466 (SEK <u>54,800,000</u>)
Total funding required from Sida:	USD 6,707,466 (SEK <u>54,800,000</u>)
At the exchange rate of August 13 th 2017 of USD into SEK: 8.17	
Start date:	September 1 st , 2017
End Date:	June 31 st , 2020

Brief Description

The regional project on “Strengthening Arab Regional Economic Integration for Sustainable Development” is premised upon the decisions taken by the Arab Leaders at their Socio Economic Summits on the completion of PAFTA, leading to a new stage of deepened economic integration towards establishment of the Arab Customs Union.

Economic Sector of the League of Arab States (LAS), acting in the capacity of the PAFTA Technical Secretariat, will play an important role of coordinator of activities of economic cooperation in collaboration with its specialized organs and organizations. In this process, key stakeholders such as the private sector, youth, academia and women take a driver seat in making sure that no one is left behind in this important exercise. As such, the project envisages promoting a regional economic partnership to contribute substantially to regional dialogue and collaboration in various areas of trade and development, around which to also foster multi-stakeholder and citizen engagement. Such exchange around trade and development would substantiate strategies aimed at creating business and job opportunities, enabling the disadvantaged and poor to more actively participate into a more globalized economy. This has been recognized by several development donors, among them the Swedish International Development Agency (Sida) as expressed in its strategy of regional development cooperation 2016 – 2020 for Middle East and North Africa.

As we are informed by global experiences, a successful implementation of Arab economic integration should take into account modernization of trade and economic policies with a view to minimize unnecessary barriers to trade, improvement of efficiency and productivity, and optimization of operational and transaction costs for businesses and industries. Guided by such a perspective, efforts have been undertaken by the LAS Member States in recent years

Through the activities of the project, it is expected that linkage between trade and trade-related works and economic and social development would be further strengthened to support inclusive growth in a more integrated and interconnected economic environment. These activities are designed to support efforts towards modernization of trade and economic policies with a view to minimize unnecessary barriers to trade, improve efficiency and productivity, and optimize operational and transaction costs for businesses and industries. These are important to bring about enhanced competitiveness of goods and services and improve production potentials, which would eventually help produce more jobs- an essential factor towards achieving the Sustainable Development Goals (SDGs) in the region.

In effect, trade and trade related works that are linked with and economic and social development prospect may help countries address their and needs around Sustainable Development Goals (SDGs), namely, **SDGs 1** (End Poverty), **5** (Achieve Gender Equality and Empower Women), **8** (Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all), **16** (Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions) and **17** (Strengthen the means of implementation and revitalize the global partnership for sustainable development).

The regional project principally aims to raise the level of Arab economic integration to a new height, through a concretely designed and activated new technical framework for the PAFTA Upgrading¹ as well as for the preparations for the Arab Customs Union (ACU)². Support would be provided to policy makers of Member States and officials of the League of Arab States through provision of technical and capacity assistance. Activities will also target to raise awareness on the benefits of the PAFTA/PAFTA Upgrading, and prepare conditions for the ACU, as part of an integrated economic environment that offers a substantial role for the private sector.

As such, the project aims at supporting efforts towards deepening regional economic integration, connectivity, and competitiveness, based on a rule based system around an agreed framework of accountability that is inclusive of businesses and industries. Gender equality and the concept of opportunities for all with focus on economic empowerment for women will be also addressed in activities of the project.

The delivery modality will be comprised of policy design, research, pilots, technical assistance and capacity support for the officials of Member States and LAS. The project will support exchanges, consultations, and South-South collaboration among key stakeholders based on international best practices in pursuit of strategic commitments for PAFTA Upgrading and its timely realization towards to Arab Customs Union.

The project targets achieving the following result-oriented activities:

1. *Development of the technical framework and required instruments for the PAFTA Upgrading- as an upgrade from the existing PAFTA, and for the ACU preparations, to deepen Arab economic integration.*

The activity constitutes the primary focus of the project with attention to specific areas/interventions of concern. The project will seek to foster better coordination and to facilitate consultation among Member States towards a more synchronized and coherent policy atmosphere in economic, trade and trade-related matters, while taking into consideration the expressed and legitimate interests of businesses and industries. The envisaged work includes provision of support for the development of key legal instruments in moving towards the ACU on the basis of international standards and practices. The related activities will be carried out in close collaboration and consultation with the policy makers of Member States and officials of the League of Arab States (LAS).

2. *Reinforcement of mechanisms of policy design, measures of implementation and systems of documenting the progress of implementation to secure smooth acceleration of realization of regional commitments.*

Related activities will be designed and introduced in partnership with authorities of Arab countries and LAS. Primary efforts will be exerted in activities aimed at facilitation of trade, transport, investment and trade-related areas (i.e., trade/transport corridors, promotion of quality

¹ For the purpose of the document, the terms of PAFTA Upgrading means, the technical upgrade of key components of the existent PAFTA

² For the purpose of the document, preparations for the ACU refers to the technical work required for measures to address the prioritized requirements of Arab countries towards the Arab Customs Union.

infrastructure, competition, among others). They may also include assistance to modernization of mechanisms of coordination among responsible bodies at national and regional level.

3. *Building the technical capability and capacity of policy makers of Arab countries to support accelerated implementation of the PAFTA Upgrading and preparations for the ACU.*

The intervention will be delivered through provision of specialized trainings on technical features of a Customs Union and trade analysis, trade negotiations in the pursuit of better trade policy coherence and regionalization in the concerned areas. The assistance may include supporting national consultations with LAS Member States on the draft architecture of the ACU and provision of related capacity building targeting LAS Member States to support their preparatory works towards the ACU. Special consideration will be given to the Least Developed Countries (LDCs) in the Arab region with regard to supporting their capacity building and trade policy reform through alignment of their trade regimes with the implementation of the PAFTA Upgrading and corresponding international instruments and good practices.

4. *Introduction of institutional arrangements that are necessary for the LAS to respond to the requirements of implementation of the PAFTA Upgrading, and consequently of designing and establishing the ACU.*

This entails assisting LAS with the necessary capacities and skills required to perform its functions in contribution to implementation of PAFTA Upgrading and monitoring the related processes. It will also include assisting LAS for their preparation of the technical architecture of ACU with specialized knowledge and skills on its various components. At the same time, this intervention would aim enable LAS Secretariat and Member States to enact policies, operational measures and to perform functions related to modernization of trade and trade-related policies for the ACU. Moreover, it may include provision of technical support to define areas of priorities in the design of the ACU and for its progressive activation.

5. *Delivery of awareness raising activities and provision of technical guidance on good governance and integrity approaches.*

Activities in this component aim to assist customs authorities and concerned border management agencies with technical support for adopting and implementing concrete transparency and accountability measures.

6. *Promotion of regulatory transparency, open dialogues and consultations with related stakeholders, targeting all social groups but particularly women in participating to cross border operations and related economic activities, among others.*

Design of the continuing phase of technical assistance towards the establishment of ACU forms part of the continuous agenda of deepening Arab economic integration in coming years while factoring into policy design national priorities and requirements as expressed by Arab countries. In order to secure proper implementation, tools of monitoring and of management of risks will be designed and applied consistently throughout the lifetime of the project.

Agreed by UNDP:



I. BACKGROUND

The Arab region is experiencing crucial moments in terms of efforts of making trade and regional economic integration an instrument for reducing poverty through better connectivity among Arab economies and more integration into the global economy and supply chain. Such efforts resonate well with the call of citizens, men and women, especially the youth, across the region for more and better opportunities; economic, social, and political.

The challenges facing the Arab countries lie at the crossroads of governance and development—and so do the opportunities. Moving toward more inclusive political systems and more widely shared economic growth are essential for meeting the aspirations and addressing the most critical and timely challenge in absorbing the unemployed and new entrants to the labor force (70 million of new workers are expected to enter the labor market over the next decade), which would require an estimated annual GDP growth higher than 7.5%, approximately 3% points higher than the average achieved in the past decade. Unfortunately, the region is going through a modest growth cycle for international trade in terms of being able to support growth; it remained at 2 percent in 2016 and likely to be no more than 3 percent in 2017.³ A number of factors may explain it, among them, the drop in commodity prices particularly in oil, and weaker demand.

Furthermore, on average, three out of four women in the region are outside the labor force, and they constitute the vast majority of the inactive population. Although women's participation in the labor force in the region increased in the past few decades; that increase has been slow. At the current rate, and given the low starting point, it would take 150 years for the countries in the region to reach the current world average for the labor force participation of women (World Bank 2013).⁴

Besides these, the region has been exposed to instability and conflicts that force millions of people out of their homes. They migrate to neighboring countries and continue their fight for survival in foreign lands. For them, business opportunities and jobs and getting any economic benefit from the Pan Arab economic cooperation framework are essential in rebuilding their lives and communities.

The new Sustainable Development Agenda has re-affirmed one essential entry point for economic growth and inclusion, consisting of support to demand-driven reforms of trade related policies as well as removing supply side constraints related to productive capacities, economic infrastructure and trade related adjustment to enable the creation of productive employment. Adoption of the Sustainable Development Goals (SDGs) in September 2015 by the General Assembly of the United Nations points to the close linkage between better economic conditions and development dimensions, in which, trade has high potential of sustainable contribution. The SDGs **1** (End Poverty), **5** (Achieve Gender

³ OECD, June 2016, Paper for G20 Finance Ministers, Developments in Trade and Policy Challenges

⁴ Jobs for shared prosperity, World Bank 2013

Equality and Empower Women), **8** (Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all), **16** (Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions) and **17** (Strengthen the means of implementation and revitalize the global partnership for sustainable development) constitute the overall framework to understand and track the progress of work to achieve these SDGs with support provided from Arab economic integration and growth at both national and regional level.

It is widely recognized that trade in general, and international trade in particular, is a powerful device to wealth creation and poverty reduction and in so doing, to human development and creativity. The value of world trade has more than quintupled, from \$8.7 trillion in 1990, to more than \$46 trillion in 2014. The relative importance of trade has increased too, from 39 percent of world GDP in 1990, to 60 percent in 2014.⁵ These figures point to the significant potential of trade for inclusive economic growth and resilience; the same could well be a reality for the Arab countries 2016 onwards.

However, all trade actors/parties are not in an equal position in the picture. Women, particularly in Arab countries, can find themselves less able to make use of the opportunities that trade brings due to inequalities in economic, political and legal rights and their access to banking and credit facilities. And experience has shown that impacts of trade policy, and even trade agreements can have a differential impact on men and on women given their positioning in the economy. These impacts need to be better understood by trade policymakers, to unlock women's trade potential. It is important to highlight, women are already actively engaged in trade for global, regional and national markets as well as in sustaining household livelihood through their activities in cross border trade.⁶

As such, the post-2015 Agenda re-emphasizes the need to ensure a universal, rules-based, open, non-discriminatory and equitable multilateral trading system under the World Trade Organization, including through the conclusion of negotiations under the Doha Development Agenda. This approach has been based on empirical evidence of regional economic integration/cooperation and trade being an active engine of participatory and equitable growth in several countries and regions in the world.

This renewed commitment by the highest level policy makers of Arab countries and leaders, and the changing nature of international business, with an expansion in global and regional value chains, provides new opportunities for the Arab countries to strengthen the links between trade, investment and sustainable development through access to networks, global markets, capital, knowledge and technology. In addition to that, collective efforts by Arab countries will generate more momentum of sustaining better competitiveness of

⁵ World Bank, *Global Economic Prospects*, January 2016

⁶ *The Gender Dimension of Aid for Trade*, International Trade Center, 2010

their economic activities and more diversification in making them more resilient in the fast moving economic environment.

Although economic integration is neither a panacea nor an end in itself, pursuing efforts to deepen regional trade by completing the implementation of existing agreements would be essential to achieve a more sustainable regional economic growth, by optimizing the opportunities that trade liberalization offers. From experiences in the past and good practices of programmes of economic integration in other parts of the world, it is essential that a successful implementation of Arab economic integration should take into account modernization of trade and economic policies with a view to minimize unnecessary barriers to trade, improvement of efficiency and productivity, and optimization of operational and transaction costs for businesses and industries.

To pursue this goal, the Arab Leaders have re-affirmed their commitment at the 2015 Arab Economic Summit (March 2015) to accelerate the Arab economic integration by completing the PAFTA requirements and by establishing an Arab Customs Union with the view to increase the volume of inter-Arab trade, improve cross border facilitation and promote more investment. This project responds to the demand arisen from these commitments, aiming to support the institutional capacities to design, prepare for, and implement the PAFTA Upgrading – an intermediate stage towards the Arab Customs Union in a gender sensitive way. It is also expected that its intervention contribute to reform undertaken by Arab countries in recent years, particularly oil exporting countries, in balancing national budgets and diversification of economic activities.

Toward the strategic vision of putting in place the Arab Customs Union (herein after ACU), it is necessary to work in laying down major foundations and in setting up necessary institutional arrangements with adequate mandates and authority. That requires upgrading existent components under the PAFTA/GAFTA (using the stage-in approach) as part of a structured migration from Free Trade Area (FTA) arrangements to a more integrated platform of economic union, operated on agreed framework and mechanisms. In other words, a transformational progress from the PAFTA to ACU will take place on the basis of completed preparations while giving sufficient attention to readiness of operating conditions in the region.

This shift would also have to be based on the priorities of socio-economic development programmes of Arab countries, and focus on support to trade and investment facilitation for better competitiveness of exports and logistics services nationally and regionally. Specifically, levels of economic development and linkages among Arab countries within the value and the supply chain vary; as such, in order to achieve sustainable results and gain more ownership of major transformation (i.e..., adoption of international standards and instruments), this process demands a more development-oriented approach and more integrated liberalization of the trade policy framework while building technical capability of Member States. For that, upgrading of the current PAFTA is considered a logical intermediary stage in preparing institutional arrangement, human resource, for a more

ambitious ACU. Such upgrading of PAFTA will allow the trade policy makers of the region to introduce a comprehensive and integrated framework of economic/trade reform, with better policy coherence, bringing them one step closer towards the establishment of the ACU.

The project aims to address specific challenges and complexities that Arab countries (and League of Arab States) face to enhance regional economic integration, more specifically in the transition from an FTA-based framework towards making the customs union a reality.

These challenges and complexities include:

Incomplete implementation of the PAFTA/GAFTA: Up to the second half of 2016, operationalization of the PAFTA and its Executive Program has resulted in important progress against the FTA benchmarks. However, there are still several commitments remaining to be adopted formally, such as in areas of Rules of Origin and Dispute Settlement, or to be enacted operationally in Member States. Trade facilitation and integration of the international/regional supply chain has been documented as one of keys of realization of concrete benefits from regional economic integration as they complement efforts of trade liberalization at national level; more importantly, in several instances, they help in promoting economic efficiency, better allocation of resources through adoption of international practices and improvement of governance arrangements. In principle, these should go hand in hand; seemingly, the existing framework may not give adequate attention to it in a structured manner; consequently, it affects the effectiveness of the PAFTA in realizing political mandates by Arab Leaders.

Heterogeneity in the region's economies: Arab economies are characterized by a high degree of heterogeneity in term of population size, GDP growth, development level and progress, structure of trade, levels of dependence on government spending and diversity of their sources of revenues. Some of Member States of LAS are still in the group of Least Developed Countries; furthermore, composition of their economies also differs from each other with those being heavily dependent on oil, i.e., countries of the Gulf Cooperation Council while others have substantial activities in manufacturing and agriculture. Therefore, economic interests and their approach, historically, to Arab economic cooperation vary substantially from one country to another; thus, working collectively at the level of regional grouping needs to be further strengthened so as to leave no one behind.

Trade barriers negatively affecting value chains: Several analysis by international organizations such as UNCTAD, OECD, World Bank, among others, pointed to the needs of Arab countries of removing unnecessary barriers to trade and value chains, and of aligning economic and trade policies of individual Arab countries to a broader agenda of economic development, particularly trade, transport and investment facilitation. Logistics performance and slow introduction of international good practices as well as limited engagement of the private sector into the policy design continue to be major challenges.

According to various studies by international organizations, trade costs and logistics costs remain substantially higher compared to those in other parts of the world. These dimensions will be taken into account in the design of the PAFTA Upgrading and its implementation toward the vision of establishing the ACU in close collaboration with Arab countries and continuous consultations with all the concerned stakeholders.

Inexperience in the application of the integrated economic integration model in the region: This is partly related to the weakness in regional connections of one Arab country to another due to outdated practices of border management, weak physical infrastructure and lack of qualified human resources; these factors effectively restrain attempts of adoption of modernized procedures and practices to serve businesses, industries and Arab citizens. Although several countries are contracting parties to a number of international instruments, the implementation of these commitments continues to be slow and incomplete. Behind-the-border measures have not come into practice, nor have been introduced into national regulations in a timely manner. In other words, implementation remains weak, resulting in economies of local communities benefitting little of the globalization and regionalization. The private sector observes that much needs to be accomplished for concretization of modernized policies into business opportunities and job creation. Delay in making it happened would further undermine confidence of the market, the public and the private sector to benefits of having a Pan Arab economic sphere under any format.

Such inexperience of working within a multilayer coordination environment of economic and commercial transactions with participation of various sectors requires that the project be designed in incorporating adequate measures of mitigation of risks of slow progress. The latter is essential to secure the ultimate success of the project with pertinent solutions that address practices of policy making, reinforce institutional arrangements, design implementation mechanisms responsive to needs of countries and more importantly to build new capacity of policy design and analysis for Arab policy makers.

Deficiencies in the legal and regulatory framework: The existing legal framework of the Arab economic integration has proven inadequate in addressing the necessity of more synchronization and coherence of economic and trade policies to support freer movement of goods, services, of means of transport and factors of production, and ensuring equal opportunities and access to men and women. Furthermore, the scope of these instruments is limited to trade in goods while some of its key elements for preferential treatment (i.e. rules of origin) are still incomplete. Important sectors of promising benefits such as trade in services, investment have only achieved modest progress. Some of key legal instruments do not define operational measures or protocols, as consequence, its implementation

The Arab-EU Business Facilitation Network (2015) also pointed to low quality of institution, comprised of lack of transparency, complicated business regulations and low quality of public and private sector governance as negative factor that explains low level of regional

integration.⁷ They also specified high costs of logistics and transportation as impediments to foster intra-region trade.

Outdated policies and procedures: From available information, several operational procedures and policies concerning Arab economic cooperation have not been regularly updated; private sector and trading community encounters difficulty to access to regulatory information. In addition, a significant challenge in deepening Arab economic cooperation relates to timely implementation of policies that are to be translated into operational procedures. Even at the level of the current PAFTA, the progress is not promising as the outdated procedures and practices hinder realization of strategic policies as well as hindering Arab stakeholders, consumers, producers and the like to benefit from its positive impacts. This points to the necessity of modernization of practices of design of economic and trade policies and their operationalization during implementation of the PAFTA Upgrading. The latter constitutes the operational preamble in the transition to the ACU as the adopted vision by the Arab Leaders.

Furthermore, this transformational stage, for the countries, to the ACU through the PAFTA Upgrading requires important preparations, including equipping regulators and end users (i.e..., consumers, manufacturers among others) with the knowledge and culture of regional compliance with laws and regulations and timeliness of the implementation. It is necessary to upgrade consultations of policies and procedural measures with concerned stakeholders prior to the enactment in order to reduce costs of compliance and secure concrete progress in putting into place legal, institutional, managerial and technological foundations. In this regard, active engagement of all stakeholders, included civic societies, constitutes a pre-requisite for a successful integration.

Partnership with business associations, entrepreneurs, particularly women and youth due to their increasing role in economic development, is one of the fundamental pillar of deepened Arab economic cooperation. Transparency in rules and regulations design will contribute to effective implementation of the PAFTA Upgrading towards a Customs Union requirements and make sure that related stakeholders own and promote the process.

Existing risks of corruption: Customs authorities and other agencies in charge of managing and monitoring cross border operations, such as immigration, security or other regulatory bodies, are particularly vulnerable to risks of corruption, which seriously hinders the flow of international business and trade expansion and undermines rules-based operations. Gaps in good governance and integrity measures accentuates these risks, thus eroding the confidence of the public and the business community in state institutions, and possibly resulting in disastrous consequences on national security and public finance. Officials in these authorities generally work, with poor pay and in difficult working conditions, in

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<http://di.dk/SiteCollectionDocuments/DIBD/AENetwork/Working%20Group%20Meetings%202015/Network%20Meeting%20in%20Cairo/5.0%20AE%20Newsletter%20results.pdf>

environments where close supervision is practically impossible, while enjoying extensive discretionary powers vis-a-vis traders who have strong incentives to influence their decisions.⁸

Coupled with the overall situation of governance structures in the Arab region, where the 2014 Corruption Perception Index shows a regional average of 35/100 points, falling well below the global average of 43.2/100, it becomes critical to consider how the ACU, and the PAFTA Upgrading at the initial stage, may be supported to integrate related risk mitigation measures that can help to safeguard integrity in customs, preferably as a part and parcel of wider governance reforms. Against this backdrop, implementation of the PAFTA Upgrading for the Arab Customs Union provides an historic opportunity to integrate approaches that allow related corruption risks to be addressed in a more structured manner through preventive approaches, with the overall aim of improving the performance of public authorities at the borders and transforming the regional commitments into concrete benefits.

High costs of conducting international trade in the region: Last but not least, it is critical to factor in potential benefits of removal of unnecessary barriers to trade as well as the necessity of giving priority to reduce costs of conduct of international trade and doing business in the region in general. Trade and logistics costs as well as quality of services are essential for sustainable competitiveness of Arab economies.

The World Trade Organization (2015) estimated that the entry into force of the WTO Trade Facilitation Agreement would contribute to reduce trade costs by 14.5% for low income countries, and more than 13% for middle income countries. According to studies by OECD, trade facilitation measures have the potential to reduce trade costs by around 10%. For lower-middle income countries, harmonization and simplification of documents alone could reduce costs by 2.7%; streamlining of procedures would bring in another 2.8% reduction; and application of risk management will add in another 2.4% reduction. With trade accounting for about 60 percent of GDP (World Bank 2016), the potential of trade contribution to economic integration and prosperity of Arab countries, to poverty reduction remains substantial for many years to come.

Specifically, the World Economic Forum also highlighted that reduction of barriers to supply chains had larger effects than tariff reduction. Along this line, activation of the ACU goes well beyond a mere removal or reduction of tariff barriers; instead, it means, Arab economies will operate on a common economic platform with harmonized regulations and rules in heading toward a common market with more facilitation and efficiency. The very first platform in the pursuit of the above would be the PAFTA Upgrading environment in which important efforts would be invested into removal of NTMs, into setting regional

⁸ *“There are few public agencies in which the classic pre-conditions for institutional corruption are so conveniently presented as in a Customs administration. The potent mixture of administrative monopoly coupled with the exercise of wide discretion, particularly in a work environment that may lack proper systems of control and accountability, can easily lead to corruption”* J.W Shaver, Secretary General of the WCO, 1994-98.

rules and standards to be adhered to and collective implementation of adopted decisions and commitments.

According to 2016 *Doing Business* by the World Bank, imports and exports among Members in the same customs union tend to reduce time to trade. Experiences of the EU illustrated that exports among Members of the Customs Union take 0.8 hours for documentary compliance, 3.5 hours for border compliance. Meanwhile exports from these Members to non-EU Members cost 2 hours for documentary compliance, 19.9 hours for border compliance.⁹ It is strongly expected that same advantageous effects would be once LAS Members achieve the ACU. To that end, the first stage would be the PAFTA Upgrading, through which trade policy coherence, supported by the modernization of operational procedures within a more integrated environment would be in place in efforts of producing concrete benefits to stakeholders, particularly consumers, businesses and industries.

The project also seeks to leverage on positive features and benefits of a more integrated environment to realize gains for Arab countries and Arab citizens through targeted interventions in areas of major value-added such as trade in services, promotion of competition, protection of consumers, encouragement of IPRs protection in function of the to-be knowledge-based Arab economies, as well as reduction of unnecessary barriers to trade. These efforts go accompanied by pertinent measures of strengthening institutions at regional and national level aimed at timely introduction of decisions, agreements into practice for the benefits and in collaboration with the private sector. Good governance in regional economic and trade policy is a key to sustain growth and development; in this regard, promotion of shared responsibility, then shared prosperity constitutes the main targets of the project.

II. RATIONALE AND THEORY OF CHANGE FOR DEVELOPMENT

Arab Leaders expressed their commitment to improve regional economic integration through their vision of establishing the Arab Customs Union (ACU). This vision envisages boosting trade to promote Arab economic integration with a view to contribute to inclusive growth and sustainable development. This also means providing better incomes and improvements in the welfare of households and individuals in the region.

The realization of this vision would only be possible with more structured and inclusive governance models to guide trade and investment that generates tangible opportunities for the citizens, including for women and youth. In the process, modernization of existing mechanisms of policy making and strengthening institutions with more technical competence and clearer mandates constitutes the main task for several years to come at the service of deepening linkages in trade and production network among Arab countries. Such inclusive models to push for increased entry points for Arab citizens would eventually

⁹ World Bank, *Doing Business 2016*, Box 9.2 Does customs union membership affect the time and cost for trading?

strengthen accountability to the public, and nurture the culture of collective responsibility of securing successful activation of regional commitments- as promised. Timely implementation of decisions is critical for public confidence in newly modernized regional institutions.

To introduce modernized practices aimed at transformational changes, the following could be seen as the basis of design, adoption and implementation of innovative measures for the integrated economic space of Arab economies:

- a) Encouragement of policy dialogues and consultations among policy makers, execution agencies and those responsible for implementation and compliance – businesses and industries and related stakeholders. All aims at more coordinated policies, higher level of trade/economic policy coherence and consistency in which regional dimensions should be part of national agenda and socio-economic development plans. Upgrading PAFTA and undertaking preparations for the Arab Customs Union are major strategies with a view to realize the political mandates of Arab Leaders.
- b) Priority attention being given to implementation of economic agenda of substantial value-added to national and regional economies, i.e., promotion of sectors in trade in service of primary interest to Arab economies, activation of measures of trade, transport, and investment facilitation. In this regard, trade facilitation and development of efficient supply chain and integrated value chain will be of significant benefit to all Arab countries in their economy diversification and enhancement of competitiveness of exports of goods and services as well as better efficiency in managing inflows of goods and services.¹⁰
- c) Prioritized improvement of governance structure in response to needs of Arab economic integration and reinforcement of current regional institutions. That serves to breed a new culture of shared regional responsibility and joint accountability in making trade and economy an instrument of inclusive growth and development. Empowerment of women in economic and political environment and efforts in anti-corruption are important platforms to sustain strategies of transforming regional economies into knowledge-based economy.
- d) Prioritized activation of measures being designed for implementation of policies, decisions and resolutions by Arab Leaders and Ministers to drive the Arab integration agenda as part of their globalization in the international markets. Putting into practice these instruments in a timely manner contributes to realization of economic benefits to Arab citizens, businesses and industries, and consequently gains more momentum and political support to continuous deepening of economic relationships at regional, sub-regional, pluri-lateral and national level.
- e) Utmost attention being given to building technical and managerial capability of policy makers in the design and effecting regional agenda into national plans. It works to secure a more uniform understanding of the regionality dimension and national

¹⁰ It may also comprise facilitation to movement of means of transport and capital as production assets of the manufacturing networks.

development plans, needed for policy coherence, and coordinated implementation of policy decisions. To that end, extensive programmes of review and adoption of international practices would be provided to assist the officials to be acquainted with new techniques and updated knowledge on contemporaneous arrangements of regional trade.

As the transition to the ACU means a radical migration for Arab countries to a more regionally compact environment of economic relationships, it would be essential that an intermediate stage of PAFTA Upgrading be established with specific timetable. This enables detailed preparations and adoption of concerned policies and operational measures. In effect, it may comprise of upgrading the legal and regulatory framework, building implementation capability, enhancing the physical infrastructure for a closer linkage of Arab economies – pre-requisites for the future ACU and re-design and/or streamlining of working mechanisms of realization of regionally adopted commitments. The PAFTA Upgrading, as a process, could be characterized by a more structured facilitation of development of the supply chain to enable freer movement of goods, services, productive assets in promotion of complementarity among industrial and economic sectors of one country to another.

Bearing in minds challenges as explained in the Background Part, the project needs to apply corresponding methods and designs measures that contribute to achievement of realistic goals for Arab integration and at the same time, provides support to the countries to be better prepared for a more active role in the integration. These constitute major premises for a successful program of support to make Pan Arab market a reality through structured phases and determined stages.

With this overall objective in mind, the project's rationale is premised upon international experiences of operating a Customs Union and potential benefits it may generate in fostering regional economic integration. Indeed, participating countries enjoy strategic gains from a customs union by pooling their assets and economies together. That enable them to leverage on production capacity and potential for better complementarity among these economies; at the same time, it gives them collective power and influence to global economic sphere vis-à-vis other types of economic groupings.

Moreover, tasks may include detailed examination of experiences of undertaking of preparatory works aimed at migrating to the customs union environment, particularly the required coherence of economic, trade policies in pursuing new value. Moreover, these works will contribute to timely realization of benefits, expected from such high level of economic integration in nurturing further confidence of the private sectors, related stakeholders and beneficiaries in willingness and determination of reinforcing the regional process. In this aspect, efforts in trade facilitation promise immediate gains for all

stakeholders along both the supply and value chains.¹¹ Modernization of trade and economic policies should be accompanied by measures that deliver outputs to the community, which in turn initiates more momentum for the reform as being documented in regional agenda of integration in Latin America, Asia Pacific as well as other parts of the world.

As such, by acting together, these countries could reach more complementarity and synchronization in their industrial, investment and agriculture activities while building on the economic strengths and advantages of each of the members in the union. This is a continuous process and demands consistent efforts and strong political will that can be translated into adoption of bold measures in economic matters, and makes integration part of the national agenda of Arab countries.

Strategically, the new arrangements of customs union will reduce unnecessary barriers and costs of doing business through more harmonization and simplification of regulations, and consistent application of rules and procedures not only at the national level but also at the regional one. The experiences of the EU point to the fact that imports and exports among members in the same customs union tend to cost less time for trade, compared to those being conducted between the members and the non-members. More importantly, it benefits of collective works of reduction of unnecessary barriers to trade and limiting undesirable impacts of SPS and TBT measures with adoption of common policies like mutual recognition and accreditation.

It is well acknowledged that with deepening regional integration, effects and impacts to national economy and benefits for consumers go beyond trade effects; all sectors of economies will enjoy more opportunities and efficiency either directly or indirectly. Market expansion, better competitiveness, productivity, fair competition and protection of consumers sustain the Arab economic regionalization; towards which, preparations in the regulatory framework, operational mechanisms and professional skills and enhancement of human resources must take place during an intermediary stage.

Based on international experiences, the transformational move into the ACU constitutes always a progressive upgrade with substantial modernization of policies, regulatory framework. In fact, such move requires continuous efforts of keeping focus on reform and continuous integration of trade and economic policies and particularly, gradual introduction of these holistic commitments into national regulations. Against the records, the region already has a previous experience through the GCC Customs Union, albeit a narrower one, that could inform the bigger efforts region-wide. In new circumstances of 2016 and years to come, this being-designed economic entity will feature

¹¹ Djankov and others (2010) found that each additional day a product is delayed prior to being shipped reduces trade by more than 1 per cent and that delays are worse for exports of time-sensitive goods such as perishable agricultural products.

contemporaneous developments and adjustments being undertaken by countries to respond to challenges like drops in commodities prices and slower growth.

By pooling economic assets and resources together, Arab countries can exert more influence in the international economic environment in terms of negotiating powers, and achieve stronger voice in shaping global economic linkages on a collective basis. With the ACU in place after having implemented the PAFTA Upgrading, the countries will have more compatible rules, regulations and synchronized legal framework, which contribute to reduce costs of doing businesses, to optimize the complementarity of its economic sectors for better competitiveness and to allocate economic resources more efficiently in leveraging on their comparative and competitive advantage.

With these rationale in mind, the following sections presents modalities, work methods being used during the project implementation and target deliverables to be achieved at the end of the project. It serves to design of technical measures that help to improve efficiency, reduce trade costs and achieve higher productivity in the countries.

III. STRATEGY OF DELIVERY AND ENGAGEMENT WITH AGENTS OF CHANGE

The strategy of delivery for the project entails designing activities based on a conceptual thinking around interlinked processes, guided by international experience and instruments, to support regional economic integration and working to support capacities both at the regional and national level that envisages engagement with government as well as non-government actors, including the private sector. A working mechanism will be established with the League of Arab States (LAS) through its existing bodies and structures, especially with its Economic Sector, and with the Member State based working committees. Varying modalities will be explored with the partners, mainly focusing on institutional and individual capacity support and technical assistance to facilitate the work of the stakeholders that places ownership in the region at the core of project's approach. During the early stage of the project implementation, the project will establish the Inception Report that will address management activities (i.e., staff recruitment, establishment of the corresponding work plans, among others) and describe in detail, modalities by the project in the area of conflict sensitivity (please see [Part VII – Project Conflict Sensitivity](#)), good governance/anti-corruption and gender. In addition to having a dedicated focus with a specific output within the Result and Resources Framework (please see [Annex A](#)), gender considerations will be mainstreamed across project activities and contextualized in concrete operational environment. Given the fact that this proposal builds on an earlier phase with Sida support, the current approach largely benefits from this past experience and lessons learned.

The following sub-sections describe main elements of such a strategy.

a) A stage-in design for the conceptual framework for the work

The project's primary work is intended to focus on PAFTA upgrading, with a view to support longer term efforts towards an Arab Customs Union, with complementary work both at the regional and national level for regional economic integration.

- *Two interlinked processes of PAFTA upgrading and preparations for Arab Customs Union:* In the pursuit of improving regional economic integration, this project targets two interlinked processes: upgrading the current PAFTA arrangements with activation of specific measures for strengthening the supply and value chains; and preparations for Arab Customs Union. While these processes interact within an integrated platform and support each other for the common objective of improving regional economic integration, each of these processes entails its specific requirements and processes of engagement for the related reforms. In recent years, several Arab countries attach significant importance to trade, transport facilitation and enhancement of productivity as major foundations for enhancement of competitiveness of their economies. Facilitation of cross border operations constitutes a concrete realization of commitments of trade liberalization and facilitation at bilateral, sub-regional, regional and multilateral level. These aspects have not been sufficiently clear in the current provisions of the PAFTA Executive Program; or at least, they are not very clear in terms of defining what need to be achieved.
- *Focus on PAFTA upgrading:* Works related to PAFTA upgrading may comprise of enhancement of the legal and regulatory framework, building implementation capability, enhancing the physical infrastructure inter-country connectivity, and particularly activation of instruments made available in written documents such as resolutions and pertinent decisions by Member States. The 2016 and the ensuing years are important for the full implementation of the current PAFTA as well as for initiating work to expand these provisions in aligning them to international conventions and good practices (so called PAFTA upgrading). Although it is important to highlight important achievements of PAFTA/Executive Program, it becomes necessary to progress with upgrading provisions and commitments of PAFTA in the light of new trade and economic development. As illustration, new preferential trade arrangements come to light in recent years give more priority to not only tariff reductions but also solutions in the removal of unnecessary barriers to trade. Facilitation of the secured supply chain and making Arab economies an integral part to the value chain are essential components of these new arrangements. For now, this has not been adequately addressed in the present framework of economic cooperation in the region. In this process, LAS and Member States have an opportunity to assess the past achievements and decide on the future directions for their regional integration agenda. There are opportunities to adjust specific targets to achieve the developmental goals of the PAFTA/GAFTA upgrading towards this direction. Member States can and should make a robust assessment of what has worked, what has not, and to agree on what needs to be

done with support of qualified assistance by UNDP and specialized organizations. Besides the assistance to the PAFTA implementation, it is also expected that modernization of the framework of PAFTA contributes to improvement of relevance of PAFTA for the countries in globalization of international trade and economic relationships.

Theoretically, working for enhancements under the PAFTA would help putting into place major pillars for the more comprehensive framework of economic and trade policy arrangements towards a longer term objective of introducing customs union. For that, efforts should be exercised at national and regional level. In building the regional and collective policy platform for such high level of economic integration, the project aims to support Arab countries in their preliminary preparations to secure their ownership of the process of introducing the necessary upgrading, and more importantly, commitment to the implementation of the changes that would be introduced under PAFTA upgrading.

At the country level, fulfilling the requirements of the PAFTA Upgrading is expected to assist the countries to be more prepared in embarking in larger and strategic programs of integration in the future. The gradual approach of upgrading of PAFTA as such, would provide opportunities to countries to test and apply practical solutions through integrated approaches in the relevant economic sectors (i.e., trade in goods, trade in services, dispute settlement, coordination and coherence of trade, transport, investment policies). More importantly, going through this process of gradual improvement would also allow the broader set of stakeholders such as the public, consumers, businesses and industries to get accustomed to the improved rule-based system and be given adequate opportunity to contribute to the policy making process as the improvements are tested before embarking on development of a full scale Customs Union.

Consequently, the project intends to facilitate related works by the LAS and the Member States by concentrating on the following priority areas to address certain outstanding issues of the PAFTA implementation:

- (i) Promotion of trade, investment and transport facilitation;
- (ii) Support to implementation of the tariffs elimination schemes;
- (iii) Assistance to finalize adoption of Arab rules of origin under the PAFTA;
- (iv) Harmonization of competition laws and policies;
- (v) Finalizing the trade remedies regulation;
- (vi) Activation of Dispute Settlement Mechanisms;
- (vii) Elimination of non-tariff barriers; and
- (viii) Contribution to policy design in liberalization of trade in services.

In addressing these, the project will be guided by the higher level interconnected aspects of trade and development. The linkages have been explained in the background as well as in the rationale sections. These aspects require leveraging regional economic integration on diverse national sustainable growth agenda to promote complementarity of production

and manufacturing and trade, in the absence of which intra-regional trade is doomed to stay low. It is well documented that lack of complementarity of production and manufacturing activities, combined with heterogeneous economic interests of the countries to access main markets outside the region, not inside, such as China, European Union, and the US, may explain in part a low ratio of intra-regional trade and investment. Design and adoption of more holistic strategies in making regional economic integration a factor of sustainable growth is essential through more encouragement of production networks, sound fiscal policy and adoption of regional agenda for more active participation in the global markets.

b) Guidance by the international instruments

As the entry into operation of the WTO Trade Facilitation Agreement is only a question of time,¹² the current PAFTA should be upgraded with introduction of new legal framework for trade and commercial transactions and adoption of concerned international instruments. Being left outside of the global scope is not an option and Arab countries embrace economic liberalization in unprecedented speed in catching up with new technology and developments to sustain growth and reduce poverty. Essentially, the new framework should be compatible and interoperable with international trade rules as set forth by multilateral platforms such as the WTO. This alignment, in the long term, helps the integration of Arab economies into the international supply and value chain in building more resilience and readiness for bolder economic programs that tackle challenges Arab citizens face: poverty and lack of business opportunity, and jobs.

In this process, rationalization of TBT, SPS measures should be seriously considered without undermining application of legitimate control by a country. Building more momentum of reform, already initiated in a number of projects funded by international development partners, the project seeks to design of concrete initiatives in putting agreed schemes of cooperation in SPS and TBT into actions. Moving towards adoption facilitating schemes such as Authorized Economic Operators, Mutual recognition of conformance documents and of control results by regulatory agencies in the new Arab economic cooperation will be beneficial to all stakeholders and involved countries at multiple levels.

Factoring into consideration new elements of economic and trade globalization, it is important to understand the intra-regional trade in its broad perspectives, instead of talking exclusively about trade in goods. Such region-wide trade does not only include final goods but also, more importantly, intermediate goods and unassembled components that are manufactured in different locations in the region. For that, integration of production facilities requires a sophisticated and efficient supply chain that will bring about more productivity and efficiency of economic and trade activities.

¹² According to the WTO, by the end of August 2016, 92 countries have ratified the WTO Trade Facilitation Agreement.

The above should be further strengthened with more focus on competition¹³ and activation of dispute settlement. These will assist normal functioning of market transactions and contribute to make business environment more viable for all investors. In addition to that and as explained earlier, the regional economic integration should be accompanied by strengthening economic activities at the national level and promotion of innovation and job creation. For that, it is required more attention to protection of intellectual property rights of Arab creativity and efficiency through adoption of corresponding policies and enforcement activities.

In several Arab countries, these areas are still young and require further assistance, particularly in building the capacity of policy design, technical design and implementation capacity. In reaching this, comprehensive measures and collective efforts by all participating economies in the region are necessary to effectively leverage on economies of scale and extra efficiency. Besides a good design of activities, a rigorous enforcement and timely implementation of these measures would reinforce more confidence of the public and businesses to the integration. At the same time, the interactions among economies demand adoption of more productive and efficient production processes and innovation towards the knowledge-based economy.

c) Leveraging the linkage between trade and development in the design

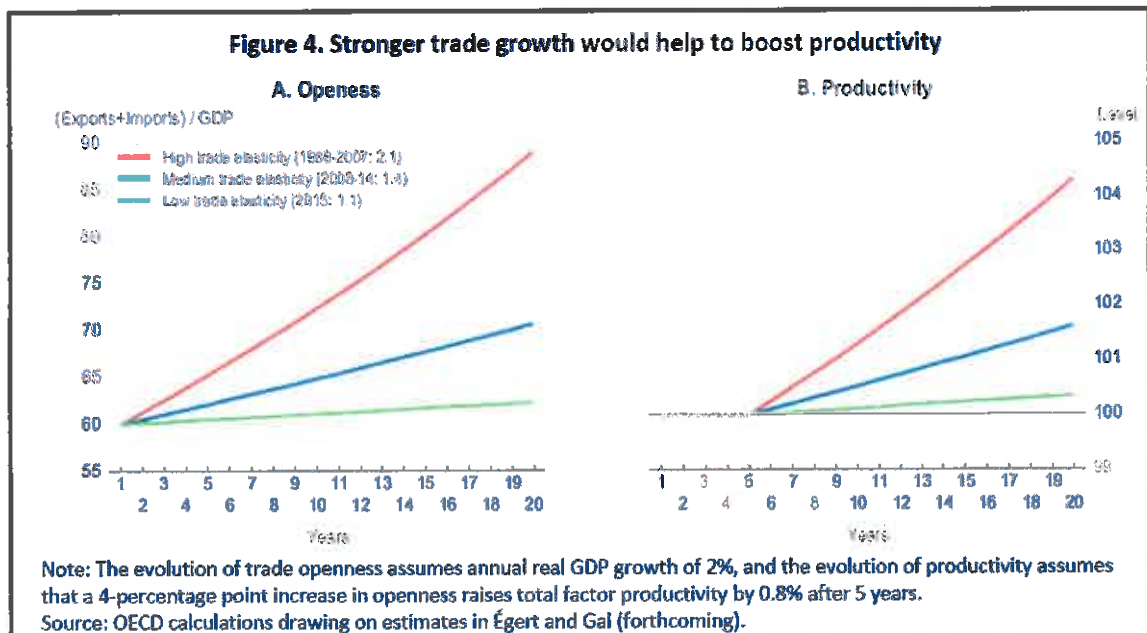
Design of measures in the project is also based on the commonly accepted knowledge that trade constitutes an important channel to promote growth, innovation and modernized techniques of management and sustain human development. In this regard, enhancement of productivity in Arab countries will be given adequate attention and priority.

According to OECD (2016)¹⁴, trade growth contributes to boost productivity at global level; and very interestingly a certain level of correlation is observed between Openness the countries have adopted and their productivity. Trade in services growth stays at better level compared to trade in goods, which has been subject to substantial variations in commodity price, particularly oil.

Several studies also document reasons for trade to play a significant role in rising productivity that may comprise, among others, technology spillovers and dissemination of new knowledge and push for higher productivity along the global supply chain. For international trade and regional trade arrangements,

¹³ Works on competition have gained more and more attention by Arab policy makers in 2015. A technical working group has been established and Arab countries are finalizing the first Guidelines on Competition on the basis of contribution of Egypt and Tunisia.

¹⁴ OECD (June 2016), *Developments in Trade and Policy Challenges*.



d) Coordinated working mechanisms at the regional and national levels

In broad terms, the new project supports implementation of decisions and political mandates of Arab Leaders towards an integrated regional market in various stages, starting with the design, preparations for the ACU establishment and underlying operational mechanisms.

At the regional level, League of Arab States (LAS) plays a particular role, hence, a particular attention will be placed on how various units within LAS are supported to better perform their mandated functions, roles, and responsibilities in a coordinated fashion across the organization and vis a vis the member states. The project will target the policy making architecture of the LAS such as the relevant Ministerial Councils and their working groups to inform key decisions in relation not regional economic integration. The working arrangements will follow the existing mechanisms and structures of LAS as described in Annex B. **Annex B.**

As such, the new phase of the project will be implemented under the overall coordination of the LAS Economic Sector, and its functional departments. Detailed interventions will be delivered in collaboration with national authorities and around their regional engagement mechanisms, in full synchronization with national socio-economic development agenda.

The project team will identify appropriate mechanisms of cooperation and coordinate with the LAS as the regional institution to ensure a timely exchange of views, consultations and speedy decision making with relevant Arab countries. Perspectives and feedbacks on outputs produced by the project would be incorporated into adjustments to be adopted by the project.

The team will also work with focal points at the national level and with UNDP Countries offices (COs) in the delivery of project activities. The project team will be responsible for the coordination and cooperation with national authorities to secure the full responsiveness of project activities to priorities of national socio-economic development plans of the countries as support to democratic institutions in the region.

The project will also seek collaboration with international organizations, UN Agencies and regional commissions, such as ESCWA, UNCTAD, and World Customs Organization, among others, for the successful implementation of PAFTA upgrading as well as conduct of preparatory works for the ACU. Such collaboration aims to pool together the international expertise and experiences to secure adequate preparations required for related measures to be put in place.

e) Supporting country level preparations to complement the regional efforts

The project intends to assist formulation of national policies in support the design of regional policies and detailed measures of implementation of these policies and new legal/regulatory framework. With such measure, more attention could be invested into effective activation and operationalization of agreed measures and policies. Through these policy interventions, it is expected that the Arab economic environment would be supportive to initiatives and programmes undertaken by national governments as well as securing the complementarity and coherence of policy frameworks of participating Arab countries.¹⁵

Accordingly, earlier experience and the ongoing consultations and the assessment conducted during the design phase indicate the importance of complementary work to help countries implement requirements for WTO agreement in support for the envisaged Arab Customs Union. The country preparations will include trade, transport, and investment facilitation, including modernization of customs practices, procedures and streamlining of the related procedures and formalities for value chains. This would be facilitated by supporting the design and enactment of mechanisms of policy consultation, policy making and for introducing the necessary governance structures for the related institutional arrangements to undertake the PAFTA Upgrading. The same institutions would eventually serve to required preparation of establishment of the ACU as identified within a timeframe. Primary attention will be paid to the objective of ownership by Arab countries with the overall coordination by the League of Arab States under resolutions made by Arab Leaders in their related Summits, including the one in late March 2015. The role that the Economic Sector of LAS will have to play remain important for the overall coordination between regional and country level work to be carried out by the project.

¹⁵ It is important to take note of important efforts by Arab countries in their economic diversification, strengthening their fiscality in the light of adverse challenges such as drops in oil prices and lack of resources to fund development projects in countries like Egypt, Jordan among others.

The positive feedback received from the Arab countries to works accomplished reaffirm that dedicated technical and capacity support to enhance Arab connectivity through facilitating trade/transport corridors and developing national single windows respond to needs of countries of achieving better competitiveness and more facilitated linkages. In effect, this facilitating platform is in high demand in most of Arab countries as they try to improve economic and trade competitiveness and diversify their economies away from the traditional sectors such as oil. With the imminent activation of measures under the WTO Trade Facilitation Agreement and the related instruments, establishment of integrated platforms for information processing on logistics services prove to be important tools for realization of commitments to reform, and for provision of more efficient services to the public and trading community.

Furthermore, Arab states express a key interest in modernizing customs practices and adopting trade facilitation to reduce trade costs and streamlining regulatory management - in line with the recommendations and provisions of the WTO Trade Facilitation Agreement. To that end, the project aims to assist in implementing target pilots of cross border operations as concrete materialization of trade facilitation commitments in Arab countries and facilitating exchange of information for control purposes among border management agencies at bilateral and multilateral level.

Among many other possibilities, specific examples of possible country support may include providing assistance to countries with measures to mitigate possible impacts of lower customs revenues or indirect taxes with new measures related to PAFTA upgrading and the eventual ACU. This would be analyzed from the perspectives of the integrated environment of public finance and fiscal situation, so as to prepare the countries to come up with corresponding policy measures.

The project could also help identify specific needs of development in terms of infrastructure necessary to strengthen the productive capacity as part of national plans to participate in the PAFTA upgrading process. Leveraging on newly available technology and working towards a more knowledge-based economy, the project could facilitate new approaches in this line to catch up with global innovations. To support countries with the required soft and hard infrastructure, coming up with mechanisms and instruments for mobilization of financial resources will also be necessary as these help reinforce impacts of policy reform to be carried out at the national level. These would enable the operationalization of required policies and regulations in a timely manner.

Moreover, an important part of the reform in trade and economic policy of the PAFTA upgrading comprises modernization of the national quality system to safeguard legitimate interests of manufacturers and citizens with regard to conformity assessments. This forms part of the main agenda of promotion of the supply chain, starting with trade/transport corridor in the Arab countries, and establishment of adequate control over flows of goods and commodities. Within the scope of the project, activities could target the trade-related aspects of the national quality systems and leverage on works being carried out by the

specialized regional organizations. Mutual recognition of conformance documents, or results of concerned inspection would contribute to trade in the region. As such, adequate attention to the area should be given at the macro and operational levels for the PAFTA Upgrading.

As widely recognized by Arab countries, PAFTA upgrading also requires adoption of development dimensions in promoting the participation of small and medium enterprises (SMEs) – job creators in the region, and active engagement of women entrepreneurs, whose talents, qualifications and commitments to improvement of livelihood of communities are assets for the regional economic integration. These are necessary to sustain a functioning rule-based system and address challenges related to the mobilization of all human and financial resources needed for the PAFTA upgrading. All these demands require extraordinary efforts from Arab countries in not only design, but also effective implementation within a regional structure, tested through PAFTA upgrading.

Translating these into practice requires substantial support from development partners in terms of expertise, knowledge and resources, such as the Swedish International Development Agency (Sida), and increased partnership with the LAS and Member States. In 2014 and 2015, the support by Sida enabled targeted interventions to facilitate policy transformation that will eventually lead to more accountability and regulatory transparency in the economic cooperation in Arab countries.

f) Inclusive engagement with key stakeholders to facilitate partnerships and ownership in project delivery

The core work with League of Arab States will be supplemented by partnerships to be established with policy makers of Arab countries at regional, sub-regional and national level to ensure success in the delivery of the project. Solid working relationships have already been established during the initial phase of the support program during 2014-2016, including a large number of national authorities responsible for trade policy, facilitation and administration of cross border transactions, transportation, standards and metrology organizations, among others.

Detail consultations with national authorities will be held when the project starts within the umbrella of coordination by the LAS, to be pursued by new partnerships where appropriate.

The main stakeholders at the national level are:

- 1) Government and governmental organizations
 - a. *Line ministries:* Ministry of Trade, Ministry of Industry, Ministry of Economy/Finance, Ministry of Education, Ministry of Labour, Ministry of Agriculture, Ministry of Tourism, Ministry of Foreign Affairs, Ministry of Gender Equality/Gender Affairs;
 - b. *Specialized agencies:* Customs Agency, Export Credit Agencies, Investment

Promotion Agencies, National Statistical Office, National Standards Bodies, National Food Safety Authorities, Central Bank, National and Regional Development Banks and Authorities, Antitrust Authority, Technical Vocational Education and Training institutions, Higher Education Institutions;

c. *Special committees*: Trade Facilitation Committee, Aid for Trade Committee, Skills Committee etc.

2) Business and employer organizations and trade unions

a. *Business and employers*: national trade promotion organization, sectoral business associations, small and medium enterprises business associations, associations of artisans and traders, chambers of commerce, export associations, representatives of entrepreneurs, business women associations ;

b. *Trade unions*: confederation of trade unions, main trade unions, women workers association, association/cooperatives of workers;

3) Civil society: Non-Governmental Organizations (NGOs), including environmental NGOs, associations of NGOs, women and sub-population groups' associations, independent think-tanks, national and local media.

g) Observing the link with good governance

In delivering its activities and supporting the partners, a particular interest for the project will be to reduce corruption risks and address integrity challenges that undermine Arab economic integration through promotion of good governance in customs and other border control authorities, by way of introducing measures to increase transparency and accountability. This requires working with broad ranges of development stakeholders, government and non-government, including private sector and academia.

h) Adopting gender as a cross-cutting theme

Throughout the project, gender will be a key cross-cutting theme which will receive particular attention, since trade development has a strong potential for addressing these fields. There are many mechanisms how trade can directly and indirectly contribute to gender equality; most of them are based on the fact that women in the Arab States are often highly educated. Growing exports, for example, will require more skilled staff for enterprise management and more skilled labour for the production of goods and services meeting the requirements of international markets, in both cases improving the match between the skills required in growth areas of the economy and the level of education of women. Working in enterprises active in foreign markets may also have the additional benefit of exposing women to international practices and thus further raising their ability to improve their status in the economy. Apart from a range of analyses dedicated to gender-related impacts of policies and further regional integration, the promotion of women's empowerment and gender equality will be considered at the level of activities within each component of the project, for example, by actively supporting high participation rates of women in training and other capacity building measures.

The fact that the project has a dedicated output on gender will make sure that the focus on the related issues are systematically pursued. This would include facilitating design and conduct of gender auditing of related policies, measures, and their implementation with the overall view to promote Arab economic integration. Given the intended effects and results on businesses and employment, engaging with youth both as beneficiary and as partners is also necessary. The project will therefore seek way in which both women and youth could remain continuously engaged in project's delivery. A series of trainings may also be carried out in equipping women with knowledge to leverage on positive changes programs of economic integration bring about.

i) Applying multiple methods and principles of delivery with emphasis on stakeholder ownership in the region

On the overall, the project fully subscribes to the principles of the Paris Declaration on Aid Effectiveness¹⁶. The described modality is designed to foster: (a) regional and country ownership, (b) participation of stakeholders, (c) capacity development of beneficiary institutions and stakeholders.

The main principle of implementation will be based on the recognition of collective responsibility, accountability, and ownership by the beneficiaries, UNDP being in the position of supporting and assisting them to achieve their mandates and objectives. Besides introducing the main elements of reform, the project would continuously assist the critical institutions in terms of strengthening the capability and managerial capacity of officials and of concerned authorities in their functions and roles vis-a-vis PAFTA upgrading as they become promoters of the related transformational changes at national and regional levels.

The main delivery method of the project will entail provision of technical assistance and capacity development support on key areas of interest both at the policy and implementation levels to the League of Arab States, its specialized organs, and its Member States in line with the demands of the Arab Leaders at the regional and national level to deepen economic integration. Such assistance and support will be provided through facilitating the LAS and Member States' role for the enhancement/upgrading of PAFTA. The project will therefore closely work with the League of Arab States, its specialized organs, and Member States in order to lay down the major foundations as preparations for the ultimate step – heading to the ACU.

Introduction of transformative changes into the policy making and formalization at the national level will follow structured stages in close consultation with Arab decision makers. The process will be assisted through provision of technical inputs, briefings to be presented to them, individually or collectively as circumstances required; additionally, to address any gap in the knowledge of regional economic cooperation, regional trainings, seminars would

¹⁶ http://www.oecd.org/document/18/0,2340,en_2649_3236398_35401554_1_1_1_1,00.html.

be organized in the pursuit of policy reform measures. Beneficiaries of the project will take the lead in aligning technical interventions with new policies or regulations aimed at trade liberalization, trade and transport facilitation and investment, among others.

Applying these multiple methods and principles, interventions and defined activities of the project will primarily focus on the following:

- I. Provision of assistance to prepare and facilitate implementation of the technical and policy framework for PAFTA upgrading, including supporting acceleration in the completion of requirements under the current PAFTA with focus on areas such as trade in services, competition, dispute settlement, and trade policy reform;
- II. Provision of capacity support to League of Arab States to facilitate their role in PAFTA upgrading; with focus on the Arab Economic Integration Department (AEID) to increase their technical and managerial capabilities;
- III. Provision of capacity support to Member States of League of Arab States to prepare them for the requirements of PAFTA upgrading, including through support in specific areas required for the design and implementation of the required plans and measures at country levels;
- IV. Provision of technical assistance to facilitate selected trade and transport corridors through targeted pilots; including supporting national single windows and modernization and harmonization of trade/economic policy and regulations for trade, transport and investment facilitation along these corridors;
- V. Promotion of good governance in trade policies and measures with a focus on transparency and accountability in customs and other border management authorities at the policy, institutional, and individual levels. This will include developing and piloting specific tools to provide guidance to policy-makers on how to identify and respond to corruption risks and integrity challenges, which are most likely to undermine Arab economic integration; and
- VI. Facilitation of gender responsive trade policy and mechanisms to introduce gender sensitivity in efforts to upgrade PAFTA at national, sub-regional and regional levels.

j) Building on past work and a participatory design process for the project

Project activities will build on work undertaken by UNDP, supported with resources from Sida, in years of 2014 and 2015. Up to early 2016, important results have been achieved: support by UNDP brought about new momentum in the reform of policies dealt with

movement of goods (within joint pilots among related countries), and adoption of policies of development of national single windows in Egypt, Jordan at different stages of sophistication. The continuous engagement with LAS enhanced the capabilities and capacities for the organization to better perform its mandates, functions, roles and responsibilities vis-à-vis regional trade policies that support regional economic integration.

This experience highlights the critical importance of engaging all the stakeholders in the processes of design and implementation as these should be owned and initiated by them. The project targets provision of support to the Arab region at regional, sub-regional and national level in adhering to structured plans of assistance. At this initial stage, interventions have brought about sustainable momentum of reform partnership among Arab countries for more regional economic integration, as validated in the related ECOSOC meetings and reflected in the momentum of change at the country levels, including in Egypt, Jordan, Kingdom of Saudi Arabia, Djibouti, Iraq, and Morocco, among others.

Project interventions under the new phase were designed on the basis of outputs from detailed assessment of conditions on the grounds, requirements and strategic perspectives of project's beneficiaries and stakeholders. This includes a "needs assessment" conducted together with LAS during the design process. The project's strategy of delivery therefore builds on these actual demands and requests, expressed through the functional committees by the LAS and its member states, in a bid to respond to them with a combination of interventions related to policy design support, technical assistance and capacity support to manage related processes, and facilitation of dialogue among key partners. In effect, these combinations of interventions would serve to mobilize their public support and official commitments for the PAFTA upgrading, bringing countries one stage closer to the ACU. UNDP's strategy of delivery along the lines above are based on its continuous consultations with the concerned officials, related stakeholders on the upgrading of PAFTA, guided by requirements of the eventual ACU, including through recent dialogues during several regional workshops in Arab capitals.

The subsequent part describes in detail major outputs and results to be achieved through conduct of defined activities/interventions.

IV. DESCRIPTION OF RESULTS CHAIN

Along the strategy as described above, and against the background and rationale provided in the previous sections, the project proposes to focus on the following key outputs, along with possible performance indicators to measure their degree of success. The main reference for all the outputs, especially Outputs 1, 2, 3, and 4 will be the decisions of Arab Leaders at their various Summits, including the 2015 Arab Economic and Social Development Summit (Sharm El Sheikh, March 2015). Beyond trade specific work, other important development dimensions of gender and good governance will also be captured in a structured manner in project activities, both in the form of having dedicated outputs and mainstreaming across activities.

The project has as target three major Outcomes towards deepened economic integration and enhanced competitiveness as below:

- **Outcome 1:** LAS capacity strengthened to manage regional economic integration related processes.
- **Outcome 2:** Members states are capacitated and technically prepared for regional economic integration.
- **Outcome 3:** Engagement of key development actors ensured through inclusive and transparent processes for regional economic integration.

Toward these goals and in applying the delivery strategy as described above, the project proposes to focus on the following six key outputs. Level of success would be determined on the basis of performance indicators that are developed accordingly. Certainly, being conscious of challenges and risks being explained to a certain extent in the background and rationale provided in the previous sections, the project team may consider design of appropriate tools of mitigating possible negative impacts to the project implementation. All of them together form part of the overall strategy of project management by the UNDP team.

Outputs of the project to achieve three main Outcomes include:

OUTPUT 1: Structured and targeted technical support to LAS secretariat and Arab negotiators on trade policy formulation and reform under PAFTA.

OUTPUT 2: Provision of support for the organizational capacity of LAS secretariat to facilitate the regional economic integration agenda.

OUTPUT 3: Provision of country-based technical assistance to policymakers for their activities related to trade policy reform and coherence.

OUTPUT 4: Provision of country-based technical assistance to policy makers for the modernization of the supply/value chain in preparations process for the Arab Customs Union.

OUTPUT 5: Improvement of related regulatory frameworks for integrity, aiming for good governance for trade development measures.

OUTPUT 6: Supporting gender responsive mechanisms to ensure systematic integration of gender sensitivities in trade policy-making and negotiations.

The below text further describes the activities proposed under each of the six outputs.

OUTCOME 1: LAS CAPACITY STRENGTHENED TO SUPPORT AND MANAGE REGIONAL INTEGRATION

OUTPUT 1: Structured and targeted technical support to LAS Secretariat and Arab negotiators on trade policy formulation and reform under PAFTA

The activities under this output will pursue a two-pronged approach to provide technical assistance in terms of PAFTA upgrading as well as preparations towards the envisaged Arab Customs Union (ACU); at the same time, they work in strengthening the role that LAS Secretariat as well as the member-state based technical committees in regional economic integration. The work related to PAFTA upgrading also entails support to be provided to the LAS secretariat and member states for the completion of commitments under the current PAFTA. The Economic Sector of LAS plays an essential role in this regard, and the project will be facilitating this role, both in terms of technical and organizational capacity. All these require assistance to the League of Arab States, its special bodies, as well as the relevant committees, to develop technical contents, governance frameworks, and sector based implementation plans to guide policy work at the regional as well as national levels.

The following describes activities that are necessary to undertake for such support:

Activities:

1.1 Provide technical assistance at the regional level for PAFTA upgrading as well as preparations towards the envisaged Arab Customs Union, with a focus of support to LAS Secretariat and its technical committees in:

- 1.1.1. Conducting an assessment of current conditions of PAFTA to identify a way forward for its upgrading and related technical assistance needs
- 1.1.2. Developing the necessary technical models and conducting resources to guide both processes in consistency with the WTO-based rules and best international as well as regional practices.
- 1.1.3. Developing the governance framework/scheme and an indicative work program/roadmap for the implementation, which identifies the priorities and thematic areas as well as the needed process of engagement with key stakeholders.
- 1.1.4. Drafting regulations and legal instruments in thematic areas identified by concerned stakeholders, including trade policy, facilitation, and mutual recognition, aimed at guiding the necessary policy coherence and ownership.

1.2 Assist LAS in organizing regional consultations with Arab countries on the improvement of the regional economic integration and related governance of economic development, with focus on the PAFTA upgrading as well as preparations for the ACU, and the related alternative technical models to make them realistic and responsive to their needs and requirements.

1.3 Collaborate with UN agencies, regional commissions, international organizations and regional organizations, including the GCC CU Secretariat, in mobilizing international expertise to support the LAS Secretariat in the works of deepened Arab economic integration in order to assist Member States at the national and regional level.

1.4 Facilitate exchange of experiences between the LAS Secretariat and the EU and other regional organizations on deepening regional economic integration and implementation of their Customs Unions.

Output 2: Provision of support for the organizational capacity of LAS Secretariat to facilitate the regional economic integration agenda

The activities under this output will support the League of Arab States, targeting the departments participating in the activities of regional economic integration within the Economic Sector of the LAS. These aim to improve the management and technical capacity of the relevant departments, with a focus on the Arab Economic Integration Department, of the League of Arab States in support of their role in trade policy reform, PAFTA upgrading, and preparations for the Arab Customs Union (ACU). The activities will include provision of technical advice, establishing coordination mechanisms among the relevant departments, and supporting the senior management and concerned officials on technical, institutional and organizational matters needed to secure effective and timely enactment and implementation of the PAFTA upgrading as well as preparations towards the envisaged ACU. Furthermore, these have as target, to increase capacities to perform related functions effectively in terms of the technical framework, implementation schemes, operational mechanisms, and governance and management structure that will be developed as part of Output 1, described above. The following describes activities necessary under this output:

2.1 Assist the senior management of the LAS in supporting policy consultations and dialogues with policy makers of Member States on major elements of PAFTA upgrading and ACU preparations.

2.2 Provide the senior management of the LAS with necessary management tools.

2.3 Train experts of the LAS on techniques of economic and trade analysis in equipping them with required knowledge and skills for their subsequent advice to national authorities on the PAFTA upgrading and ACU preparations.

2.4 Provide assistance to the negotiators and policy makers of Member States at LAS technical committees that are in charge of the design and negotiations related to the PAFTA on technical features of the PAFTA upgrading.

2.5 Provide technical assistance to LAS, its departments, and the technical committees, for the design of the necessary evaluation and monitoring tools to document progress of PAFTA upgrading and ACU preparations and highlight matters to be addressed by the Member States to secure full operation.

OUTCOME 2: MEMBERS STATES ARE CAPACITATED AND TECHNICALLY PREPARED FOR REGIONAL ECONOMIC INTEGRATION

OUTPUT 3: Provision of country-based technical assistance to policymakers for their activities related to trade policy reform and coherence

Enhanced regional economic integration through PAFTA upgrading and conduct of preparations for the Arab Customs Union (ACU) also requires acquainting Member States with envisaged impacts and opportunities. Countries need to introduce responsive measures to the needs and requirements of their economies emanating from the regional economic integration and facilitate the speedy implementation of these measures that also entails activating their expected commitments through adoption of pertinent national regulations. Such proactive engagement with countries would assist in leveraging on positive impacts of Arab economic integration for national development in a timely manner and assist in reinforcing confidence among the public on positive impacts of regional linkages. The proposed project could also facilitate exchange of useful experiences worldwide to benefit the national policy makers in determining the best approaches in going forward.

The following describes activities necessary under this Output:

3.1 Examine trade policy coherence and operating mechanisms in terms of compatibility of different trade agreements at the national level in selected countries.

3.2 Provide technical advice and expertise to Arab countries in building national capacity in preparation of proposals for the PAFTA upgrading and ACU preparations. This activity also includes initial support to national teams of the countries in related works.

3.3 Provide dedicated support to Member States that are categorized as Least Developed Countries (LDCs) for their alignment and upgrading of the legal and regulatory framework necessary for the PAFTA Upgrading.

3.4 Provide support to Arab countries, within a coordinated scheme through the LAS, in strengthening their monitoring mechanisms and design procedures and operations to deal

with the disputes related to PAFTA implementation and those that may come out of PAFTA upgrading.

OUTPUT 4: Provision of country-based technical assistance to policy makers for the modernization of the supply/value chain in preparations process for the Arab Customs Union

One of essential areas that Arab policy makers have given most attention to is how to make trade facilitation and connectivity an instrument of economic development in achieving better competitiveness and trade diversification. Competitiveness may be achieved not only through prices but also on timeliness and reliability of commercial transactions. An important element of this is about increasing efficiencies in the supply/value chain and better connect the production and trading systems of Arab countries in line with international agreements and best practices.

The main focus under this output will be placed in introduction of modernized techniques of coordinated border management, taking into consideration the operational characteristics of Arab countries. A number of essential components in tightening regional linkages consist of promotion of mutual recognition at national and regional level of measures of control, activation of the trade facilitating schemes such as Authorized Economic Operators and mutual recognition of conformance documents/certificate.

An important program under this output relates to development of National Single Windows (NSWs) – platforms of information processing aimed at faster clearance, real time control and prevention of frauds and smuggling. From experiences in Latin America, Africa and Asia Pacific, the NSWs are effective to promote linkages of value chains and supply chains among concerned countries without compromising regulatory control.

The activities under this output will include, among others:

4.1 Support key stakeholders, comprised of regulatory authorities and end users, in their efforts to introduce new measures and technical cooperation models at the national levels to modernize cross-border operations and custom practices to facilitate trade. The support will be guided by the WTO Trade Facilitation Agreement and other relevant international agreements to reduce trade costs and remove trade barriers in the supply and value chains in practical terms.

4.2 Support country-level efforts to introduce national single window systems and other related data exchange systems and models to complement the efforts for trade facilitation, including for modernization of cross-border operations.

4.3 Design operational models in promoting mutual recognition and acceptance in the area of documents in facilitating trade, transport and investment at the national level in support of regional schemes and programmes.

4.4 Facilitate adoption of international best practices required for improved trade and transport facilitation in Arab countries, in cooperation with the LAS. This would require providing technical assistance on adopting of common documentation, joint technical models, and standards of data sharing and regional harmonization as agreed by the countries.

4.5 Conduct pilot schemes for integration of supply and value chains, taking account of experiences of initiatives of cross border operations in consultation with concerned stakeholders.

4.6 Improve the level of readiness of Arab countries for implementation the WTO Trade Facilitation Agreement and other related international agreements and conventions.

4.7 Support Arab countries in the adoption of ICT solutions as an enabler of the trade/transport corridors in the region.

OUTCOME 3: ENGAGEMENT OF KEY DEVELOPMENT ACTORS ENSURED THROUGH INCLUSIVE AND TRANSPARENT PROCESSES FOR REGIONAL ECONOMIC INTEGRATION

OUTPUT 5: Improvement of related regulatory frameworks for integrity, aiming for good governance for trade development measures

Substantial transformation of the Arab economic integration requires a new governance model, owned and implemented by the concerned stakeholders, premised upon the tenants of transparency and accountability. This entails, among other things, a better understanding of related corruption risks and integrity challenges and possible mitigations rule-based and value-based measures. This is only possible with multi-stakeholder cooperation and the support from policy makers to make the Arab economic integration operational and to maximize the positive impact and sustainability of its results.

The activities under this output include the following:

5.1 Foster regional participatory policy dialogues, including the private sector, on the adoption of good governance principles, with a focus on transparency and accountability, in the implementation of the PAFTA upgrading.

5.2 Train key stakeholders to promote the transparent and accountable implementation of trade policies and measures, drawing on international standards and comparative experiences, including the UN Convention against Corruption and other relevant treaties and principles such as the Revised Arusha Declaration on good governance and integrity in customs.

5.3 Produce and disseminate knowledge products on corruption risks and integrity challenges that undermine Arab economic integration with a focus on customs and cross border management.

5.4 Support the development and the piloting of practical tools that could be used to guide policy makers in Arab countries on how to identify and respond to corruption risks and integrity challenges in trade policies and measures in the context of their respective countries.

OUTPUT 6: Supporting gender responsive mechanisms to ensure systematic integration of gender sensitivities in trade policy-making and negotiations

Trade liberalization and regional economic integration have different outcomes for men and women. These outcomes are affected by the different roles played by women and men in the society. Women and men have different access to ownership and control of productive resources (land, credit and their own labor) as well as different shares in decision-making. Gender based inequalities (especially in education, health and training) hinder women's abilities to take advantage of new opportunities created by trade liberalization such as skilled employment and entrepreneurial opportunities.

Gender inequalities in access to productive assets such as land and credit, or storage and transport facilities, tend to constrain women's benefits from trade policies. This output will try to tackle key policy and legal changes to improve entry points that could enhance the gender mainstreaming in trade policies. The reference international texts and documents to guide such work on legal and regulatory frameworks include International Labor Organization (ILO) core conventions; gender agreements (the Convention on the Elimination of All Forms of Discrimination against Women – CEDAW, etc); and Sustainable Development Goals (SDGs), among others.

The indicative activities under this output will include the following:

6.1 Conduct a regional study on systematic Sustainable Impact Assessment (SIAs) and Gender Trade Impact Assessment (GTIAs) to evaluate the effects of trade agreements and policies on women. These could include gendered value chain analysis as well as the collection, analysis and dissemination of sex-disaggregated data on wages and employment, with special attention to the effects on the informal sector.

6.2 Organize regional multi-stakeholder consultations on key issues in gender and trade (e.g. impacts of trade policies on the informal sector, employment, domestic labor laws, fiscal revenue and taxation).

6.3 Design and conduct a capacity development program targeting women to strengthen capacities to enable women producers and workers to turn positive changes in trade policy to their advantage.

Please refer to the Result Resource Framework for more details in [Annex A](#).

It is also essential to highlight the underlying structure of these three Outcomes and its six Outputs. It relates to the synchronization and complementarity of activities undertaken in any of the six Outputs. As an example, a new regulation dealt with collection of revenues should incorporate standard practices of governance of public assets and protection of state revenues with a view to prevent abuses or bad management.

Transparency and public accountability must figure in all policy interventions and at all levels. Moreover, enhancement of roles of women in the policy making process and in assuming higher responsibility in the bureaucracy shall also be considered within any new policy and respective measures of its implementation.

The Chief Technical Advisor (CTA), the project team and its members are responsible to address these important dimensions into their deliverables to promote better performance of regional institutions to serve Arab countries, strengthen technical capability and capacity of officials of governments and regional institutions, and to foster dynamics by the private sector to drive the Arab regional agenda to a higher level of integration. Activities being delivered in one Output may cause cross-Output impacts, meaning it contributes to realization of interventions listed under another Output. This approach forms part of efforts of optimizing effects and influence of deliverables for beneficiaries in supporting them with more holistic reform and transformative changes.

V. ASSUMPTIONS AND RISKS

Potential risks and countermeasures are described in the table below. A Risk Log will be regularly updated by reviewing the external and internal environment that may affect project implementation. Once identified, systematic countermeasures would be designed and applied to effectively mitigate these risks in accordance with standard practices and procedures of UNDP.

The project team partners with beneficiaries and stakeholders in closely monitoring the project implementation and the possible changes in context and setting under which the activities are delivered in order to timely identify challenges as early as possible. These inputs would be reviewed and consulted with related parties and stakeholders while taking into account mechanisms of decision making in use by the beneficiaries.

The project team will set baselines and regularly assess progress to identify and address the risks associated with implementation. The Result Resource Framework or RRF (Annex A of the present) contains a number of target indicators and information of baselines, which may need to be adjusted periodically in order to reflect the real level of risks or challenges.

UNDP has accumulated important experiences to deal with risks during the 2014-2016 implementation of the assistance programme. Effective countermeasures were designed

and serve to secure the continuity of works and keep interests into reform and modernization of regional economic agenda of Arab countries.

DESCRIPTION	TYPE	CONSEQUENCE (C) AND LIKELIHOOD (L)	COUNTERMEASURE/ MANAGEMENT RESPONSE
Political instability/conflict	Organizational Strategic	C=4 (relevant country) L= 0 (e.g. Qatar) - 4 (e.g. Yemen)	<ul style="list-style-type: none"> • Continuous monitoring of the political situation (e.g. Arab unrest index of EIU). • Limit of in-country activities in case of security threats
Lack of commitments of resources from development partners or unresponsiveness by donors to finance projects of infrastructure development.	Financial	C=3 L=2 No follow up on identified needs	<ul style="list-style-type: none"> • Early involvement of key partners. • Resource mobilization from within and outside the region. • Preparation of projects and technical proposals of high value added. • Good communication / consensus building
Insufficient political commitment from beneficiary countries to adopt reform measures and legal instruments for the PAFTA Upgrading and its Implementation for the Arab Customs Union.	Political	C= 3 L= 2 Recommendations identified are not implemented nor operationalized by responsible government institutions.	<ul style="list-style-type: none"> • Early involvement of key beneficiary countries into the design and planning of activities. • Consensus and capacity building activities. • Bottom up / participatory approach. • Regular consultations and reviews of feedbacks received from countries and beneficiaries.
Unfavorable operational circumstances or climate	Organizational Strategic	C=3 L=2	<ul style="list-style-type: none"> • Introduction of more support to institutional arrangements and policy making decisions. • Strengthening the consultations with beneficiary countries.
Availability of competent national consultants or specialized experts.	Operational	C= 2 L= 2 Additional expenditures	<ul style="list-style-type: none"> • Collaboration with academic institutions and networks of human resources of UN Agencies.

		due to the need to hire international consultants.	<ul style="list-style-type: none"> Coaching and reinforcing the technical capacity of local experts.
Duplication with other initiatives	Operational	C= 1	<ul style="list-style-type: none"> Care will be taken to provide support and cooperation with domestic and international initiatives. Strengthened collaboration with UN agencies and international organizations in specific interventions for more synchronization and complementarity

Within three months from the start of project activities, the detailed risk log would be defined by the project team for consultations with the Project Board with a view to identify countermeasures required to deal with them. It will be updated so as to reflect the dynamics taking place during the implementation. Taking into account particular volatility of the operating environment in the region, the project will establish a specific mechanism to monitor the implementation and impacts of risks to the project (The regional Hub of UNDP has such a mechanism of experts to inform the projects).

The CTA will be responsible for timely consultations with members of the Project Board on required adjustments and any measure to be undertaken to address risk of failures.

VI. PROJECT MANAGEMENT AND MONITORING ARRANGEMENTS

The proposed management arrangements are based on the experience gained during long-term successful cooperation between UNDP and multilateral and bilateral donors, including Sida, in the support of regional projects where UNDP provides overall management for delivery of technical assistance and acts as the main implementing partner. Active engagement of representatives of the beneficiaries will be ensured for a successful delivery of assistance. The project will have staff based in Cairo to support the League of Arab States. The project team has compiled relevant information concerning mechanisms of decision making of the League of Arab States as **Annex B** that will guide this engagement.

The project will be implemented by UNDP within the Delegated Direct Implementation (DIM) authority, in line with UNDP Programme and Operations Policies and Procedures (POPP). UNDP's network of country offices, with a field presence in 18 Arab states, will support the implementation of activities at the national level.

The responsibility and accountability of UNDP as the implementing partner is to:

- Implement the activities agreed upon in the project document and adopted work plans, with the highest care and level of quality, to efficiently ensure the production of the expected results at the level of outputs and outcomes;
- Report, fairly and accurately, on project progress against agreed work plans in accordance with the reporting schedule and formats included in the project agreement;
- Maintain documentation and evidence that describes the proper and prudent use of project resources in conformity to the project agreement and in accordance with applicable regulations and procedures. This documentation will be available on request to project monitors (project assurance role) and designated auditors.

Specific activities under the project may be conducted in coordination and collaboration with internal and external partners, or outsourced to independent experts, non-governmental organizations (NGOs) or other partner organizations following the implementing agency contracting rules and regulations.

The UNDP Project Management structure consists of roles and responsibilities that bring together the various interests and skills involved in, and required by, the project. The project management structure consists of the following:

The Project Board (or Steering Committee)

The *Project Board* will:

- Be responsible to provide strategic guidance with a view to secure successful implementation of project activities and/or to support the delivery as necessary.

- Be responsible for making strategic decisions, including the approval of project revisions (i.e. changes in the project document);
- Approve work plans and quarterly reports and adjustments on the basis of recommendations by the Chief Technical Advisor;
- Meet periodically to review management risks and most relevant issues (meetings can be held virtually, e.g. teleconference, videoconference, and through email communications);
- Be consulted by the Chief Technical Advisor/Project Manager for decisions when management tolerance thresholds (in terms of time and budget as per work plan) have been exceeded (the Project Board defines tolerance thresholds).

The Project Board is comprised of representatives of UNDP, Swedish International Development Agency and the League of Arab States. The Board is the group responsible for making management decisions for the project for a successful completion of delivery of support. In order to ensure UNDP's ultimate accountability, the Project Board decisions should be made in accordance with standards and protocols that shall ensure management for development results, best value money, fairness, integrity, transparency and effective international competition.

Project Assurance

Project Assurance is the responsibility of every member of the Project Board with possible delegation to a specialist body if it is required. The team in charge of project assurance should support the Project Board by carrying out objective and independent project oversight and monitoring functions. This role ensures appropriate project management milestones are managed and completed and full compliance to defined procedures and regulations of UNDP.

Project Implementation

A Chief Technical Advisor (CTA), appointed by UNDP, has the authority to run the project on a day-to-day basis within the authorities being defined by the Project Board. Primary responsibility of the CTA consists of ensuring that the project produces the results (outputs) specified in the project document, to the required standard of quality and within the specified scope of time and costs.

The CTA cooperates with representatives/officials of the beneficiaries at national and regional level in function of requirements of activities of the project and its outcomes. This partnership would be established taking account of relevant working mechanisms and those of the decision making in use by the beneficiaries.

Under the leadership and guidance of the Project Board and direct supervision of UNDP/RBAS Regional Programme, the CTA is responsible for all technical aspects related to the management and implementation of the project. This includes project operations, staff, budget, preparation and consolidation of work plans, implementation of project activities and achievement of stated results, preparation of periodic reports, mid-term

review and evaluation at the end of the project, and for meeting any specific requirements of the donors constituting the partnership behind the project.

Specific responsibilities of the CTA (being defined by terms and conditions in his TOR) include:

- Manage the realization of project outputs through activities;
- Facilitate coordination with the project responsible parties and sub-contractors to support realization of regional agenda of economic integration;
- Be responsible to provide technical and managerial support to the Project Board.
- Liaise with the Project Board or its appointed Project Assurance officers to assure the overall direction and integrity of the project;
- Identify and obtain support and advice required for the management, planning and control of the project;
- Communicate with the public in order to gain support in building consensus in function of promotion of reform and modernization at regional and national level;
- Assume responsibility for project administration, including oversight of management of financial resources and mobilization of additional resources to fund trade and trade-related physical infrastructure.

The CTA will lead the implementation team that will be composed by experts, including a Trade Policy Advisor, and specialists in trade and trade-related policies¹⁷. Key areas of expertise comprise:

- formulation and reform of trade policies;
- mainstreaming trade and related areas for inclusive and sustainable development,
- trade, transport and investment facilitation, including design and development of integrated information processing such as National Single Window and application of digital technology for higher competitiveness and productivity;
- trade in services and trade liberalization for tightened economic relationship among Arab countries;
- modernization of coordinated border management and practices of revenue collection authorities (i.e..., the Customs and Internal Revenue/taxation) with a view to strengthen national fiscality and mobilize resources for development;¹⁸
- specialized expertise in the review, design and drafting of regulatory and legal frameworks in promoting regional economic integration, included those related e-commerce, digital environment and accession to the membership of the WTO;¹⁹
- anti-corruption and promotion of accountability in the public sector
- gender equality and empowerment of women in economic activities.

¹⁷ The terms of trade being used here should be interpreted in broader scope as it involves several areas of economic and trade cooperation for Arab regional integration. For convenience, the project document keeps using this terms for easy understanding by the audience.

¹⁸ Please see Addis Ababa Action Agenda.

¹⁹ Arab countries being Observers of the WTO are: [Algeria](#), [Iraq](#), [Lebanese Republic](#), [Libya](#), [Sudan](#), [Syrian Arab Republic](#) (https://www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm)

Their tasks, responsibilities are defined by respective Terms of Reference, and the experts work under direct supervision and guidance of the CTA in technical and related works. Their participation and contractual arrangements will be determined in accordance with rules and regulations of the implementing agency.

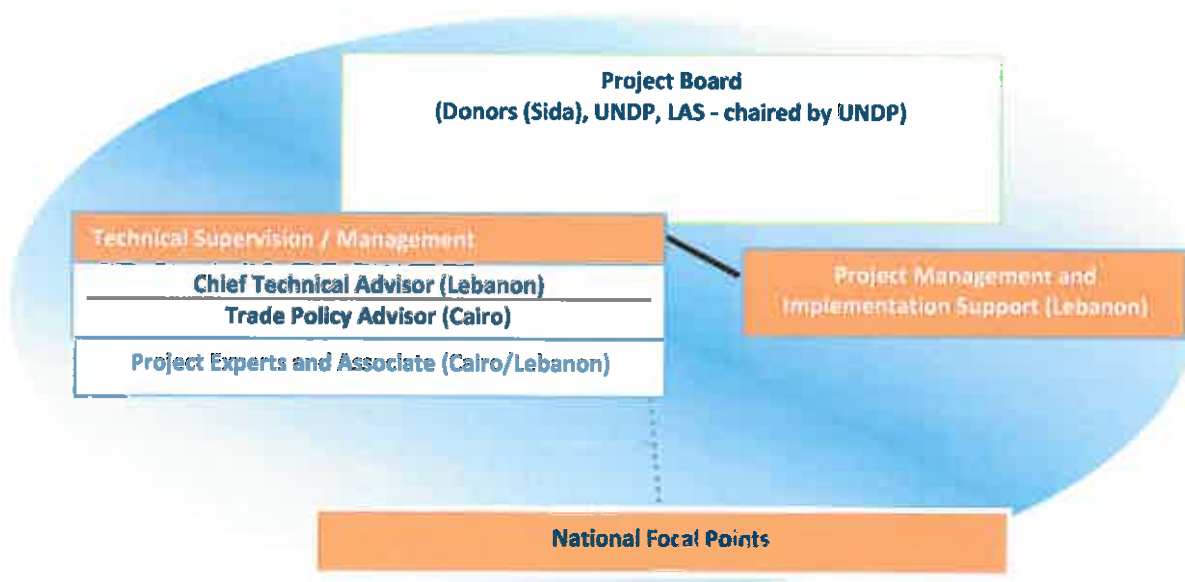
Experts could include long- and short-term experts whose functions will be specified by their job descriptions which are to be prepared based on standard protocols and procedures of the implementing agency. As the CTA is responsible for implementation of specific activities, he will define the needs of expertise, areas of expertise and related aspects for achievement of project outcomes at the end of the project.

The work distribution among these experts would be established in accordance with requirements of the approved Work Plans (on annual basis). For the interest of the project, reporting mechanisms and those of quality assurance of deliverables must be streamlined and based on international practices. When the need arises, appointment or designation of team leaders in certain fields of expertise could be considered.

Support to the management of the project

The project team and the CTA would benefit of support to be provided by the Management Unit under the Regional Program of Regional Bureau for Arab States in terms of making logistics arrangements and administration works, included procurement and completion of contractual arrangements of recruitment of experts working for the project. They are also responsible for the compliance of administrative, financial works to rules and regulations by UNDP.

The organizational structure of the project is presented below.



In accordance with the programming policies and procedures outlined in the UNDP User Guide, the project will be monitored through the following:

Within the annual cycle

- On a quarterly basis, a quality assessment shall record progress towards the completion of key results, based on quality criteria and methods captured in the Quality Management table.
- Based on the initial risk analysis submitted, a risk log shall be regularly updated by reviewing the external environment that may affect the project implementation.
- A Project Progress Reports (PPR) shall be regularly submitted by the CTA/Project Manager to the Project Board.
- A Monitoring Schedule Plan shall be activated updated to track key management actions/events.

The objective of the monitoring framework is to promote dialogue and encourage all key stakeholders and actors to honor commitments, improve effectiveness and reinforce mutual accountability.

The value of this monitoring framework lies in creating incentives through enhanced transparency, scrutiny and dialogue so as to foster synergies between trade and other economic policy areas.

VII. PROJECT CONFLICT SENSITIVITY

The project is implemented in Arab countries with significant diversity of beneficiaries and stakeholders whose interests may vary from one group to another within a dynamic environment, exposed to conflicts and discordance. In the pursuit of making it conflict sensitive, the project team will undertake the following:

- (i) Obtain detailed understanding of the operational environment and circumstances where the project will operate during its lifetime;
- (ii) Analyze operational modalities and possible interactions that the project will enter into with respect to this context and environment; and
- (iii) Equip the project with capacities for adjustment aimed at optimizing its interventions, at the same time, refraining from any negative effects that might result from interactions between the project and external environment.

This section presents essential elements of making this project conflict sensitive on the basis of the institutional arrangements by UNDP/Regional Bureau for Arab States (RBAS) while leveraging on standard practices as in the Sida Manual of Conflict Analysis. A detailed analysis of conflicts, as related to the project and its sensitivity, would form part of the inception report. A conflict sensitive implementation implies that the defined activities of the project will be implemented in a way that does not unintentionally cause, or exacerbate tensions, and it will leverage on positive opportunities and constructive behaviour for policy dialogues on modernization and reform of trade and trade-related policies among Arab policy makers and constituents.

The project is part of the broader institutional mechanisms that regularly utilizes analytical tools to be informed of conflict risks. The project is part of the Regional Programme for Arab States, which is housed at the Regional Hub that is comprised of teams of experts that support and guide programme and projects. These teams conduct regular analyses to study the development context in the region. One such analytical product that informs programming is “regional conflict analysis”, which includes an overview of the background and the history of the region, identification of key stakeholders, and interacting mechanisms among them. The analysis provides a detailed understanding of root causes that may lead to conflict and supports the analysis with the views and perspectives of concerned parties, offering positive options/alternatives to address the problems. This analysis is regularly reviewed by the teams and provided guidance to the project team during all stages of design- and will continue doing so during the execution of this project of strengthening Arab Economic Integration for development.

The regional programme for Arab States also houses multiple projects that continuously generate data, information, and knowledge that analyses various types of risks, political, economic, and social, affecting the development context in the region. All such information is available at <http://rbas-knowledgeplatform.org>. For example, Arab Development Portal hosts analyses that also cover economic and trade related issues.

Such analyses are regularly updated and feeds into this project- both for its design and implementation.

One particular knowledge product that has been produced by the regional programme is “social cohesion index” under one of the regional projects. Produced in a highly consultative manner, this tool allows the organization to generate a multi-dimensional analysis of all the risk factors affecting a particular context. UNDP is in the process of implementing this index that will collect data and produce analysis on risks. The project will be guided by the findings of this tool on a continuous basis during project’s implementation.

Furthermore, UNDP/ RBAS Regional Hub/Regional Programme is subject to specific institutional mechanisms that are aimed at monitoring conflict risks and mitigating any conflict-affected activities at various levels of functions and responsibilities. The first level is with the project itself; in this regard, the Project Board plays a significant role. Members of the Board monitor regularly the progress of implementation, observing any factor that may impact delivery of project activities or scrutinizes any activity that may lead to conflict. The UNDP’s representation at project boards is institutional- which includes a representative beyond the project that is regularly informed by the flow of information monitoring risks in the region. Such flow of information is facilitated by UNDP’s regional security advisors as well as country level security specialists in 18 UNDP country offices that alert senior management for any action that may be necessary. The senior management then ensures that project implementation is informed to take the necessary actions. Depending on the severity and/or scope of conflict situations, the senior management of RBAS may guide actions towards specific solutions to conflicts.

By nature, the project has activities to be implemented at the regional level while many others are to be implemented at the national level. These mean, the project team would develop customized frameworks of activities to secure that these are conflict sensitive and adequate measures are in place to prevent negative effects. One of areas that demand significant attention during the implementation relates to the introduction into project activities or interventions pertinent measures and policies aimed at “Leave No One behind”. Distributional effects are also considered an integral part of making Arab economic integration sustainable, inclusive and pro-poor.

As such, addressing the conflict sensitivity should be undertaken within specific contexts of development works – specifically the Arab economic integration as it gears up to strengthen connectivity and linkages among these. Through interactions with stakeholders, regular monitoring of situations on the ground and being updated by UNDP COs in the region, the project will be capacitated to be ahead of time in identifying possible problems and adopting pertinent measures to dilute the conflicts as far as related to project activities. Diverse conflict analysis undertaken by specific UNDP COs is regularly shared and disseminated and this contributes to timely equip this project with adequate information and preparations to face any challenge.

Specifically, the project will identify the “connectors”, linked to the development, among related stakeholders with a view to build consensus and common perspectives to concretely benefit of project activities that aim at transformation at the level of local community. Finding the appropriate approach to work with the “dividers” is also necessary so preventive measures could be designed and properly enforced. All has as target successful implementation of this important development project, and more important contributes to promote the accountability and good governance of state, governmental institutions at the national and regional level.

Addressing potential conflicts since the early stage of design helps to structure interventions and activities in making these conflict sensitive. Moreover, this also enables the project team to undertake counter measures to restrain any negative effects and to amplify positive impacts. In this regard, the project will also focus in cultivating the positive behaviour and attitudes of the partners and counterparts to shoulder responsibility in the process as part of institutional strengthening and capacity building.

Annex A - Results and Resources Framework

Project Objective: Growth is inclusive and sustainable, incorporating productive capacities that create employment and livelihoods for the poor and excluded (UNDP Strategic Plan Outcome #1)

Project Related Outcomes:

- **Outcome 1:** LAS capacity strengthened to manage regional economic integration related processes
- **Outcome 2:** Members states are capacitated and technically prepared for regional economic integration
- **Outcome 3:** Engagement of key development actors ensured through inclusive and transparent processes for regional economic integration

Expected Outputs:

- **Output 1:** Structured and targeted technical support to LAS secretariat and Arab negotiators on trade policy formulation and reform under PAFTA
- **Output 2:** Provision of support for the organizational capacity of LAS secretariat to facilitate the regional economic integration agenda
- **Output 3:** Provision of country-based technical assistance to policymakers for their activities related to trade policy reform and coherence
- **Output 4:** Provision of country-based technical assistance to policy makers for the modernization of the supply/value chain in preparatory process for the Arab Customs Union
- **Output 5:** Improvement of related regulatory frameworks for integrity, aiming for good governance for trade development measures
- **Output 6:** Supporting gender responsive mechanisms to ensure systematic integration of gender sensitivities in trade policy-making and negotiations

Output indicators:

- I. The degree of success in introducing a technical and regulatory framework for upgrading the current PAFTA towards the Arab Customs Union, in line with priorities and interests of the Arab Member States in partnership with the LAS and its technical secretariats and committees.
- II. The degree of enhancement in the technical and managerial capacity of Arab Economic Integration Department of the LAS in terms of its functions and roles in the design and implementation of PAFTA upgrading.
- III. The level of quality of LAS support to the technical works by the relevant working groups and committees (LAS working groups and technical committees in charge of the portfolios in defined stages).
- IV. Adoption by LAS and its member states through the relevant technical committees of organizational foundations and institutional arrangements necessary for the PAFTA upgrading and preparations for the Arab Customs Union.
- V. The level of increase in trade flows through border posts where the project has interventions.
- VI. The number of additional jobs to local communities, resulting from supply of services, among others, to operations of cross border operations.
- VII. The degree of success in modernizing relevant national regulations for Arab economic integration in countries of project interventions.
- VIII. The number and quality of regulatory documents developed to support PAFTA upgrading and preparations for Arab Customs Union (i.e., Customs Law, Competition, Dispute Settlement, etc.).
- IX. Availability of dedicated trade policy dialogue platform(s) among Arab Member States aimed at increased intra-trade in the Arab region through better logistics operations aligned to the legal framework of the WTO Trade Facilitation Agreement.
- X. The availability and degree of quality of practices for monitoring the progress of Arab economic integration, particularly for the implementation of the PAFTA upgrading and progress towards Arab Customs Union.
- XI. The level of improvement in the regulatory transparency and level of compliance at the border posts where the project has interventions.
- XII. Level of capacity to promote transparency and accountability in trade policies and measures, with a focus on the customs and other border management authorities.
- XIII. The level of increased participation of women into the processes related to regional economic integration, particularly during the PAFTA upgrading and its implementation towards the ACU establishment.

Outcome 1: LAS capacity strengthened to manage regional economic integration related processes

Budget: US\$ 2,011, 320 (for Outputs 1 and 2)

Output 1: Structured and targeted technical support to LAS Secretariat and Arab trade negotiators on trade policy formulation and reform				Budget (USD): US\$ 1,496,280
Baselines	Output Targets and Indicators	Indicative Activity/ies	Responsible parties	Inputs (2017-2019)
<p><u>Baseline 1.1.1</u>: low level of implementation undermines the confidence of the public on regional economic integration. Slow realization of benefits for businesses and industries.</p>		<p>1.1 Provide technical assistance at the regional level for PAFTA upgrading as well as preparations towards the envisaged Arab Customs Union, with a focus on supporting LAS Secretariat and its technical committees in:</p>	<p>UNDP</p>	<p><u>Inputs for Output 1.1</u>:</p> <ul style="list-style-type: none"> ▪ Project staff and direct costs ▪ Consultancy and experts ▪ Meeting and consultations with LAS ▪ Missions
<p><u>Baseline 1.1.1</u>: Status-quo of the PAFTA, requiring to be examined and assessed to identify the required areas to be inserted into the agreement.</p>	<p><u>Indicator 1.1.1.1</u>: detailed need assessments, studying the PAFTA status-quo and its current conditions. <u>Target Output 1.1.1</u>: need assessment conducted and outcomes are presented.</p>	<p>1.1.1 Conduct an assessment of current conditions of PAFTA to identify a way forward for its upgrading and related technical assistance needs</p>		<p><u>Budget for Output 1.1</u> (Sum of Outputs 1.1.1; 1.1.2; 1.1.3; 1.1.4) US\$ 1,135,530</p>
				<p><u>Budget for Output 1.1.1</u></p>

					US\$ 656,010
<u>Baseline 1.1.2:</u> Based on the needs assessment exercise outcomes and results, a technical model would be developed for PAFTA upgrading.	<p><u>Indicator 1.1.2:</u> Design technical new models for PAFTA upgrading and ACU preparations in the light of the WTO rules and best practices, to be presented to the LAS and Member States for discussions and adoption.</p> <p><u>Target Output 1.1.2:</u> Technical models for PAFTA upgrading and ACU preparation are finalized and technical areas are identified in terms of process.</p>	1.1.2 Develop the necessary technical models to guide both processes in consistency with the WTO-based rules and best international as well as regional practices.	UNDP		<p><u>Budget for Output 1.1.2</u></p> <p>US\$ 257,520</p>
<u>Baseline 1.1.3:</u> Lack of work programs for PAFTA upgrading and ACU preparations	<p><u>Indicator 1.1.3:</u> Availability of a comprehensive work programs of implementation for PAFTA upgrading and ACU preparations.</p> <p><u>Target Output 1.1.3:</u> Work program developed, discussed and adopted. Designed the governance framework/scheme for consideration by Member States.</p>	1.1.3 Developing the governance framework/scheme and an indicative work program/ roadmap for the implementation, which identifies the priorities and thematic areas as well as the needed process of engagement with key stakeholders.	UNDP		<p><u>Budget for Output 1.1.3</u></p> <p>US\$ 61,050</p>
<u>Baseline 1.1.4:</u> Regulations/mandates for PAFTA upgrading and ACU related measures do not exist. Models of governance	<p><u>Indicator 1.1.4:</u> Ability of the concerned stakeholders to identify the needed regulations and legal instruments. Availability of technical models of governance for PAFTA upgrading and ACU</p>	1.1.4 Drafting regulations and legal instruments in thematic areas identified by concerned stakeholders, including trade policy, facilitation, and mutual recognition,	UNDP		<p><u>Budget for Output 1.1.4</u></p> <p>US\$ 160,950</p>

<p>not existent. No clear direction for mechanisms of consultations for policy coherence.</p>	<p>preparations and defined mechanisms of consultation with stakeholders.</p> <p><u>Target Output 1.1.4:</u> Draft regulations prepared and presented to the LAS and Member States for policy making purposes, to be discussed and to be ready for implementation. 2 alternative governance models considered and 1 adopted, to follow the implementation of the indicative technical framework.</p>	<p>aimed at guiding the necessary policy coherence and ownership.</p>		
<p><u>Baseline 1.2:</u> Consultation modality among Member States on how to improve existing programmes of regional economic development no existent.</p>	<p><u>Indicator 1.2:</u> Availability of a mechanism for consultations among Member States to gather information on their concerns and interests on a deepened Arab economic integration framework. Identify priority areas for intervention and follow ups.</p> <p><u>Target Output 1.2:</u> Detailed understanding of matters of interest to four to five Member States on PAFTA upgrading and ACU preparations through dedicated consultations.</p> <p>Consultation mechanism is established.</p>	<p>1.2 Assist LAS in organizing regional consultations with Arab countries on the improvement of the regional economic integration and related governance of economic developing, with focus on the PAFTA upgrading as well as preparations for the ACU, and the related alternative technical models to make them realistic and responsive to their needs and requirements.</p>	<p>UNDP</p>	<p><u>Budget for Output 1.2</u></p> <p>US\$ 227,550</p>
<p><u>Baseline 1.3:</u> Limited availability and low level of use of international expertise on Arab economic integration.</p>	<p><u>Indicator 1.3:</u> number of expertise mobilized through the UN System and other international organizations on need basis</p> <p><u>Target Output 1.3:</u> Mobilized expertise for at least three activities with key UN</p>	<p>1.3 Collaborate with UN agencies, regional commissions, international organizations and regional organizations, including the GCC CU Secretariat, in mobilizing international expertise to support the LAS Secretariat in the works of deepened Arab economic integration in order to assist</p>	<p>UNDP</p>	<p><u>Budget for Output 1.3</u></p> <p>US\$ 44,400</p>

	agencies in support to LAS and Arab countries.	Member states at the national and regional level.		
<u>Baseline 1.4:</u> Limited availability and low level of use of regional expertise on Arab economic integration. Limited information on major trader partners.	<u>Indicator 1.4:</u> Technical discussion/dialogues and meetings with the EU and other regional organizations. <u>Target Output 1.4:</u> Meetings conducted, expertise invited, technical information are exchanged	1.4 Facilitate exchange of experiences between the LAS Secretariat and the EU and other regional organizations on deepening regional economic integration and implementation of their Customs Unions.	UNDP	<u>Budget for Output 1.4</u> US\$ 88,800
<u>Output 2: Provision of support for the organizational capacity of LAS Secretariat to facilitate the regional economic integration agenda</u>				
Baselines	Output Targets and Indicators	Indicative Activity/ies	Responsible parties	Inputs
<u>Baseline 2.1:</u> Lack of dedicated support LAS senior management for PAFTA upgrading and ACU preparatory processes	<u>Indicator 2.1:</u> Frequency of senior level consultations undertaken at official and informal level of matters of PAFTA upgrading <u>Target Output 2.1:</u> Number of political notes and strategy concepts developed for the senior management for consultations on policies of PAFTA Upgrading towards ACU.	2.1 Assist the senior management of the LAS in supporting policy consultations and dialogues with policy makers of Arab countries on major elements of PAFTA upgrading and ACU preparations.	UNDP	<ul style="list-style-type: none"> ▪ Project staff and direct costs ▪ Consultancy and experts ▪ Meeting and consultations with LAS ▪ Missions
				<u>Budget for Output 2.1</u>

<p>Baseline 2.2: Lack of tools and facilities for effective management and technical analysis in the Economic Sector.</p>	<p>Indicator 2.2: LAS seniors provided with the management tools. Target Output 2.2: Management tools are provided on the ground, such as website establishment, economic sector related departments are upgraded.</p>	<p>2.2 Provide the senior management of the LAS with necessary management tools.</p>	<p>UNDP</p>	<p>US\$ 142,080</p>
<p>Baseline 2.3: Inadequate knowledge and skills linked to the PAFTA Upgrading and ACU preparations and their implementation to sustain modernization efforts.</p>	<p>Indicator 2.3: The level of increase in the knowledge and skills of technical staff. Target Output 2.3: approximately 80 officials of Member States and of LAS being trained.</p>	<p>2.3 Train experts of the LAS on techniques of economic and trade analysis to equip them with required knowledge and skills for their subsequent advice to national authorities on the PAFTA/PAFTA upgrading and ACU preparations and their implementation.</p>	<p>UNDP</p>	<p>Budget for Output 2.3 US\$ 66,600</p>
<p>Baseline 2.4: lack of technical advice and expertise to Member States for PAFTA upgrading and ACU preparations in a systematic manner.</p>	<p>Indicator 2.4: Number of trade policy makers in selected Member States and themes benefiting from the assistance. Target Output 2.4: At least four Member States would benefit from the support.</p>	<p>2.4 Provide assistance to the negotiators and policy makers of Member States at LAS technical committees that are in charge of the design and negotiations related to the technical features of the PAFTA upgrading.</p>	<p>UNDP</p>	<p>Budget for Output 2.4 US\$ 164,280</p>
<p>Baseline 2.5: lack of technical advice and expertise to LAS Economic Sector and its related Department, representatives of Member States at</p>	<p>Indicator 2.5: Economic Sector and its related Departments, and committees' representatives benefiting from the assistance. Target Output 2.5: Technical committees representatives are equipped with technical</p>	<p>2.5 Provide technical assistance to LAS, its departments, and the technical committees, for the design of the necessary evaluation and monitoring tools to document progress of PAFTA upgrading and ACU preparations and highlight matters to</p>	<p>UNDP</p>	<p>Budget for Output 2.5 US\$ 119,880</p>

<p>technical committees for PAFTA upgrading and ACU preparations</p>	<p>knowledge, and provided with new proposals in term of their mandates and responsibilities, trade related departments in the economic sector are countries would benefit from the support.</p>	<p>be addressed by the countries to secure full operation.</p>	
<p>Outcome 2: Members states are capacitated and technically prepared for regional economic integration Budget: US\$ 3,197,688 (for Outputs 3 and 4)</p>			
<p>Output 3: Provision of country-based technical assistance to policymakers for their activities related to trade policy reform and coherence</p>			
<p>Baseline 3.1: Absence of trade policy coherence mechanism at the national level. Increased of trade arrangements and the</p>	<p>Indicator 3.1: Conduct an assessment on the status quo of policy coherence mechanism and the relation between trade agreements signed, in selected Member States (4 -5 countries)</p>	<p>3.1 Examine trade policy coherence mechanisms in terms of compatibility of different trade agreements at the national level in selected Member States.</p>	<p>Budget: US\$ 280,608</p> <p><u>Inputs for Output 3</u></p> <ul style="list-style-type: none"> ▪ Project staff and direct costs ▪ Consultancy and experts ▪ Meeting and consultations with LAS ▪ Missions
<p>Baseline 3.1: Absence of trade policy coherence mechanism at the national level. Increased of trade arrangements and the</p>	<p>Indicator 3.1: Conduct an assessment on the status quo of policy coherence mechanism and the relation between trade agreements signed, in selected Member States (4 -5 countries)</p>	<p>3.1 Examine trade policy coherence mechanisms in terms of compatibility of different trade agreements at the national level in selected Member States.</p>	<p>Budget for Output 3.1 US\$ 57,720</p>

<p>number of FTAs in the region.</p>	<p><u>Target Output 3.1:</u> A mechanism for coherence of trade policy is established; policy makers achieve better understanding in trade issues and how to secure the compatibility of requirements of trade policy in various trade agreements.</p>			
<p><u>Baseline 3.2:</u> Lack of dedicated support to national teams of Member States with respect of making them more prepared PAFTA upgrading and ACU requirements</p>	<p><u>Indicator 3.2:</u> Number of countries and themes benefiting from the support. <u>Target Output 3.2:</u> At least four countries would benefit from the support.</p>	<p>3.2 Provide technical advice and expertise to Arab countries in building national capacity in preparation of proposals for the PAFTA upgrading and ACU preparations. This activity also includes initial support to national teams of the countries in related works.</p>	<p>UNDP</p>	<p><u>Budget for Output 3.2</u> US\$ 119,880</p>
<p><u>Baseline 3.3:</u> Lack of dedicated support for Arab LDCs to enhance their capacity and knowledge on how to align their trade policy to the regional preferential trade arrangements.</p>	<p><u>Indicator 3.3:</u> Level of readiness and preparedness of Arab LDCs to participate in PAFTA Upgrading. <u>Target Output 3.3:</u> Key legal instruments of at least two LDCs Arab countries aligned to the PAFTA/GAFTA Upgrading.</p>	<p>3.3. Provide dedicated support to Member States that are categorized as Least Developed Countries (LDCs) for their alignment and upgrading of the legal and regulatory framework necessary for the PAFTA upgrading.</p>	<p>UNDP</p>	<p><u>Budget for Output 3.3</u> US\$ 66,600</p> <ul style="list-style-type: none"> ▪ Project staff and direct costs ▪ Consultancy and experts ▪ Meeting and consultations with IAS Missions

					<p>Budget for Output 3.4</p> <p>US\$ 36,408</p>
		<p>3.4 Provide support to Arab countries, within a coordinated scheme through the LAS, in strengthening their monitoring mechanisms and design procedures and operations to deal with the disputes coming out of PAFTA and GAFTA upgrading.</p>			<p>Budget (USD): US\$ 2,917,080</p>
<p>Output 4: Provision of country-based technical assistance to policy makers for the modernization of the supply/value chain in preparations process for the Arab Customs Union</p>					
<p>Baselines</p>	<p>Output Targets and Indicators</p>	<p>Indicative Activity/ies</p>	<p>Responsible parties</p>	<p>Inputs (2017-2019)</p>	<p>Inputs for output 4</p> <ul style="list-style-type: none"> ▪ Project staff and direct costs ▪ Consultancy and experts

<p><u>Baseline 4.1:</u> Arab countries/ Member States still maintain a low level of commitments to provisions under the WTO Trade Facilitation Agreement and limited formalization of related international conventions dealt with trade and transport facilitation into national regulations and legislations.</p>	<p><u>Indicator 4.1:</u> Introduction of international standards, and good practices, procedures related to trade, transport facilitation, into national legislations. Member States achieve a higher level of preparedness for commitments to the WTO Trade Facilitation and international agreements/ conventions. <u>Target Output 4.1:</u> two countries adopted new legislations of trade, transport, investment facilitation during the PAFTA Upgrading implementation.</p>	<p>4.1 Support key stakeholders, comprised of regulatory authorities and end users, in their efforts to introduce new measures and technical cooperation models at the national levels to modernize cross-border operations and custom practices to facilitate trade. The support will be guided by the WTO Trade Facilitation Agreement and other relevant international agreements to reduce trade costs and remove trade barriers in the supply and value chains.</p>	<p>UNDP</p>	<ul style="list-style-type: none"> ▪ Meeting and consultations with LAS ▪ Equipment Missions
<p><u>Baseline 4.2:</u> Member States are adopting National Single Window aimed at enhancement of efficiency, competitiveness and better control of</p>	<p><u>Indicator 4.2:</u> Enhanced strategic planning and conduct of preparatory activities for the design of national single windows (NSWs) of Member States, such as capacity building and acquisition of operational experiences from countries having activated NSWs</p>	<p>4.2 Support country level efforts to introduce national single window systems and other related data exchange systems and models to complement the efforts for trade facilitation, including for modernization of cross-border operations.</p>	<p><u>Budget for Output 4.1</u> US\$ 477,744</p>	<p><u>Budget for Output 4.2</u> US\$ 697,968</p>

<p>international trade and movement of means of transport.</p>	<p><u>Target Output 4.2.1:</u> at least one National Single Window of a Member State will have the Roadmap of establishment. Conducted the analysis of gaps in the legal and regulatory framework.</p> <p><u>Target Output 4.2.2:</u> Assistance to Member States either on sub-regional, regional or individual basis in adoption of automated systems of information processing for control purposes. Promoted sharing of information through dialogues among automated systems, included design of regional platforms or programmes for better exchange of information and data among countries. Promotion of adoption of technical support such as data set of logistics of Member States for the regional exchange in coordination with the LAS.</p> <p>Organization of specialized platforms and discussions with regional and international organizations on NSWs design and development.</p>		
<p><u>Baseline 4.3:</u> Works on mutual recognition at the regional level has started. It is unclear how effective is the recognition program for trade</p>	<p><u>Indicator 4.3:</u> Development of operational models to activate mutual recognition and acceptance practices, particularly for cross border operations and trade facilitation.</p> <p><u>Target Output 4.3:</u> Designed operational models in partnership with Member States and LAS. Trained technical experts of</p>	<p>4.3 Design operational models in promoting mutual recognition and acceptance in the area of conformance documents in facilitating trade, transport and investment at the national level in support of regional schemes and programmes.</p>	<p><u>Budget for Output 4.3</u></p> <p>US\$ 143,190</p>

<p>facilitation and better management.</p> <p><u>Baseline 4.4:</u> 02 pilots have been initiated with limited functional scopes.</p>	<p>Member States (at least two to three Member States).</p> <p><u>Indicator 4.4:</u> Adoption of more facilitation in the clearance of cross border operations with introduction of changes to trade and/or trade-related policy or regulation as possible.</p> <p><u>Target Output 4.4:</u> two new border posts/pilot schemes among Member States to be initiated.</p>	<p>4.4 Conduct pilot schemes for integration of facilitation operations of the supply and value chains, taking account of experiences of initiatives of cross border operations in consultation with concerned stakeholders, including provision of applications of electronic application of National Single Window and data exchange at the regional level as suitable.</p>	<p><u>Budget for Output 4.4</u></p> <p>US\$ 1,026,084</p>
<p><u>Baseline 4.5:</u> international best practices have been partially introduced into national legislations of Member States</p>	<p><u>Indicator 4.5:</u> Introduction of international best practices into new legal and regulatory framework of Member States</p> <p><u>Target Output 4.5:</u> Adoption of at least three international best practices on the basis of provisions of the WTO Trade Facilitation Agreement and concerned international conventions and agreements.</p>	<p>4.5 Facilitate adoption of international best practices required for improved trade and transport facilitation in Member States, in cooperation with the LAS. This would require providing technical assistance on adopting of common documentation, joint technical models, and standards of data sharing and regional harmonization as agreed by the countries.</p>	<p><u>Budget for Output 4.5</u></p> <p>US\$ 197,470</p>
<p><u>Baseline 4.6:</u> Arab countries have a low level of commitments to the implementation of the WTO Trade Facilitation Agreement as per findings of the 2015 Survey by UN Regional Commissions.</p>	<p><u>Indicator 4.6:</u> Higher level of awareness and preparedness of Member States to undertake strategic commitments in the implementation of the WTO Trade Facilitation Agreement. Adoption and alignment of national regulations to this Agreement and concerned international conventions and agreements.</p>	<p>4.6 Improve the level of readiness of Arab countries for implementation the WTO Trade Facilitation Agreement and other related international agreements and conventions.</p>	<p><u>Budget for Output 4.6</u></p> <p>US\$ 174,936</p>

	<p><u>Target Output 4.6:</u> Conduct a review of key provisions of national regulations to analyze level of its compatibility to commitments of the WTO Trade Facilitation Agreement and concerned international conventions and agreements related to trade, transport facilitation and regional economic integration.</p>			
<p><u>Baseline 4.7:</u> There exists ICT applications for customs operations in use in certain Member States. Lack of common protocols and procedures of information sharing.</p>	<p><u>Indicator 4.7:</u> Achieving higher level of compatibility and interoperability of ICT applications/solutions applicable to the management and operations of the trade/transport corridors (i.e... movement tracking).</p> <p><u>Target Output 4.7:</u> Design and development of technical platform in the promotion of coordinated control for Member States that participate to operations of trade/ transport corridors.</p>	<p>4.7 Support Arab countries in the adoption of ICT solutions as an enabler of the trade/transport corridors in the region.</p>	UNDP	<p><u>Budget for Output 4.7</u></p> <p>US\$ 200,688</p>
<p><u>Outcome 3: Engagement of key development actors ensured through inclusive and transparent processes for regional economic integration</u></p> <p>Budget: US\$ 890,198 (for Outputs 5 and 6)</p>				
<p><u>Output 5: Improvement of related regulatory frameworks for integrity, aiming for good governance for trade development measures</u></p>				
<p>Baselines</p>	<p>Output Targets and Indicators</p>	<p>Indicative Activity/ies</p>	<p>Inputs (2017-2019)</p>	
		<p>Budget (USD): US\$ 610,500</p>		

			Responsible parties	
<p>Baseline 5.1: No regional recommendations available to promote transparency and accountability in the implementation of programmes of the PAFTA Upgrading</p>	<p>Indicator 5.1: Degree of transparency and accountability in the implementation of programmes of the PAFTA Upgrading</p> <p>Target 5.1: Recommendations developed and adopted in the first year of the project and significant progress achieved in their implementation by the end of the project.</p>	<p>5.1. Foster regional participatory policy dialogues, including the private sector, on the adoption of good governance principles, with a focus on transparency and accountability, in the implementation of the PAFTA upgrading.</p>	<p>UNDP</p>	<p>Inputs for Output 5</p> <ul style="list-style-type: none"> - Project staff and direct costs - Technical expertise - One regional conference on customs integrity - Four regional working group meetings on customs integrity - 3 consultation meetings per country with the private sector and local communities - Conference facilities - Travel
				<p>Budget of 5.1:</p> <p>US\$ 166,500</p>

<p><u>Baseline 5.2:</u> No senior officials effectively engaged in trainings on transparency and accountability</p>	<p><u>Indicator 5.2:</u> Number/level of stakeholders effectively engaged in trainings. <u>Target 5.2:</u> 80 senior officials and representatives of business associations and local communities participate in related trainings.</p>	<p>5.2. Train key stakeholders to promote the transparent and accountable implementation of trade policies and measures, drawing on international standards and comparative experiences, including the UN Convention against Corruption and other relevant treaties and principles such as the Revised Arusha Declaration on good governance and integrity in customs.</p>	<p>UNDP</p>	<p><u>Budget of 5.2:</u> US\$ 222,000</p>
<p><u>Baseline 5.3:</u> No coherent body of information available on corruption risks and integrity challenges that undermine Arab economic integration</p>	<p><u>Indicator 5.3:</u> Publicly available information on corruption risks and integrity challenges that undermine Arab economic integration <u>Target 5.3:</u> Information available on www.arabacinet.org</p>	<p>5.3. Produce and disseminate knowledge products on corruption risks and integrity challenges that undermine Arab economic integration with a focus on customs and cross border management.</p>	<p>UNDP</p>	<p><u>Budget of 5.3:</u> US\$ 111,000</p>
<p><u>Baseline 5.4:</u> No regionally-adopted guidance tools produced towards identifying and reducing corruption risks and integrity challenges in the customs and other concerned border control authorities</p>	<p><u>Indicator 5.4:</u> Number of regionally-adopted guidance tools produced towards identifying and reducing corruption risks and integrity challenges in the customs and other concerned border control authorities <u>Target 5.4:</u> At least two regionally adopted guidance tools</p>	<p>5.4. Support the development and the piloting of practical tools that could be used to guide policy makers in Arab countries on how to identify and respond to corruption risks and integrity challenges in trade policies and measures in the context of their respective countries.</p>	<p>UNDP</p>	<p><u>Budget of 5.4:</u> US\$ 111,000</p>

concerned border control authorities					Budget (USD): 279,698
Output 6: Supporting gender responsive mechanisms to ensure systematic integration of gender sensitivities in trade policy-making and negotiations					
Baselines	Output Targets and Indicators	Indicative Activity/ies	Responsible parties	Inputs (2017-2019)	Inputs for Output 6: <ul style="list-style-type: none"> - Project staff and direct costs - Technical expertise - Workshops on the gender-related component of the governance structure and guiding methodologies of integration of gender-related matters for the PAFTA towards ACU establishment. - Conference facilities - Travel

<p><u>Baseline 6.1:</u> Low number of regional policy papers geared towards gender sensitive policies</p>	<p><u>Indicator 6.1:</u> level of usage and circulation of the study regionally.</p> <p><u>Target 6.1:</u> At least 2 policy papers developed to propose gender sensitive policies on wages and employment especially informal sector</p>	<p>6.1. Conduct a regional study on systematic Sustainable Impact Assessment (SIAs) and Gender Trade Impact Assessment (GTIAs) to evaluate the effects of trade agreements and policies on women. These could include gendered value chain analysis as well as the collection, analysis and dissemination of sex-disaggregated data on wages and employment, with special attention to the effects on the informal sector.</p>	<p>UNDP</p>	<p><u>Budget of 6.1:</u></p> <p>US\$ 67,000</p>
<p><u>Baseline 6.2:</u> lack of commitment and acknowledgement from senior stakeholders in lobbying for key issues in gender and trade</p>	<p><u>Indicator 6.2:</u> number/ level of stakeholders engaging in the consultations</p> <p><u>Target 6.2:</u> around 100 regional senior multi stakeholder engaging in consultations on key gender issues in trade.</p>	<p>6.2. Organize regional multi-stakeholder consultations on key issues in gender and trade (e.g. impacts of trade policies on the informal sector, employment, domestic labor laws, fiscal revenue and taxation).</p>	<p>UNDP</p>	<p><u>Budget of 6.2:</u></p> <p>US\$ 133,000</p>
<p><u>Baseline 6.3:</u> Low percentage of women in the Arab Region aware of the positive opportunities in trade policy</p>	<p><u>Indicator 6.3:</u> level of women capacity increased regarding the awareness of their rights and positive opportunities in trade policy</p> <p><u>Target 6.3:</u> Increase by 50% in the level of understanding and awareness raising</p>	<p>6.3. Design and conduct a capacity development program targeting women to strengthen capacities to enable women producers and workers to turn positive changes in trade policy to their advantage.</p>	<p>UNDP</p>	<p><u>Budget of 6.3:</u></p> <p>US\$ 80,000</p>
<p>MANAGEMENT OF RISKS OF THE PROJECT IMPLEMENTATION</p>				<p>US\$ 33,710</p>

PLATFORM FOR MONITORING AND EVALUATION		US\$ 77,000
	SUB-TOTAL	US\$ 6,210,617
	GMS (8%)	US\$ 496,850
	TOTAL	US\$ 6,707,466