

**ENHANCING CAPACITY BUILDING FOR ENVIRONMENT, TRADE AND
SUSTAINABLE DEVELOPMENT**

DRAFT WORKING PAPER

**Capacity Building Meeting on Environment, Trade and Sustainable Development
for the Latin American and Caribbean Region, Mexico City, MEXICO, 27th-28th
March 2003**

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1. Introduction

Capacity building on the relationships between environment, trade and sustainable development has been consistently recognized as an important priority by the international community (See Box 1). Recent events – including the launch of new trade and environment negotiations at the World Trade Organization, as well as ongoing and future regional and bilateral negotiations – emphasize the need to substantially enhance governments' capacity to design and implement policies which maximize the contribution of trade to sustainable development. The WSSD recognized trade as a central means of implementation for sustainable development, and emphasized the importance of capacity building in order for developing countries to benefit fully from trade liberalization, and to manage linkages between trade, environment and sustainable development.

This paper provides a basic overview of capacity building in the field of environment, trade and sustainable development. It draws on the experience of UNEP at the multilateral, regional and bilateral level in working with national officials and other regional and international organizations to strengthen capacity. Rather than detailing the specific institutions and programs responsible for capacity building, it seeks to provide policy-makers with a general overview of the main approaches, tools and processes for capacity building, and to assist policy-makers to identify elements that may be included in existing and future capacity building programs. The observations in this introductory paper are supplemented by the information contained on UNEP's website www.unep.ch/etu

The paper has four parts. Following this introduction, Section 2 explores the need to enhance capacity building on environment, trade and sustainable development in light of trade negotiations at the multilateral as well as the regional and bilateral levels, and in broader trade policy-making contexts. It discusses the *objectives* of capacity building, the *processes* for carrying capacity building out in a manner that is tailored to the needs of national policy-makers and negotiators, the various *approaches and strategies* available, as well as the different *substantive areas* on which capacity building may concentrate. Section 3 identifies the importance of ensuring that future capacity building efforts learn from past successes and failures and build on existing best practice. The paper concludes in Section 4 with some considerations for future capacity building efforts and a summary of some relevant current initiatives by UNEP and partner organizations.

2. Enhancing capacity building on environment, trade and sustainable development

The launch of new negotiations on trade and environment at the World Trade Organization's Doha Ministerial Conference in November 2001 has increased the importance for national policy-makers and negotiators to understand key linkages between international trade, the economy, society and the environment. Ongoing and future negotiations at the regional and bilateral level also raise significant challenges and opportunities for realizing the potential of trade as a means of implementing sustainable development.

Policy analysis, research and assessment applied at national and regional levels have emphasized the complexity and importance of these linkages in a range of trade policy contexts. Capacity

¹ This working paper was prepared by Matthew Stilwell for the March 2003 UNEP Capacity Building Meeting on Environment, Trade and Sustainable Development for the Latin American and Caribbean Region. While the paper draws significantly on materials prepared by UNEP, the views expressed are those of the author.

building is thus required – particularly in developing countries and those with economies in transition – to enable policy makers to integrate environmental and poverty alleviation goals into macro-economic policies, including trade policies.

Box 1 – The role and importance of capacity building

The importance of capacity building has been stressed in many international fora:

UNEP is mandated to “further strengthen the secretariat in order for it to assist countries, particularly developing countries and countries with economies in transition to enhance their capacities to develop and implement mutually supportive trade and environmental policies. Such assistance should be geared to reflect the socio-economic and development priorities, as well as the needs and capacities of individual countries” (UNEP Governing Council Decision 21/14)

Continue to enhance the mutual supportiveness of trade, environment and development with a view to achieving sustainable development through actions at all levels to ... Encourage efforts to promote cooperation on trade, environment and development, including in the field of providing technical assistance to developing countries, between the secretariats of WTO, UNCTAD, UNDP, UNEP and other relevant international environmental and development and regional organizations ... (WSSD Plan of Implementation, 2002)

The importance of technical assistance and capacity building in the field of trade and environment to developing countries, in particular the least-developed among them,” while encouraging “that expertise and experience be shared with Members wishing to perform environmental reviews at the national level.” (WTO Ministerial Declaration, Doha, 2001)

To benefit fully from trade, which in many cases is the single most important external source of development financing, the establishment or enhancement of appropriate institutions and policies in developing countries, as well as in countries with economies in transition, is needed. (Monterrey Consensus, 2002)

Governments, in cooperation ... with international organizations, should strengthen national institutional capability and capacity to integrate social, economic, developmental and environmental issues at all levels of development decision-making and implementation. Attention should be given to moving away from narrow sectoral approaches, progressing towards full cross-sectoral coordination and cooperation. (UNCED, Agenda 21, 1992)

Addressing current, emerging and long-term needs will require the international community to develop coordinated, long-term capacity building programs of a broader scope. Programs should be developed to enhance national institutional and human capacities for integrated assessment of economic policies, including trade policies; support development and implementation of market-based and regulatory policies to maximize the net sustainable development gains of trade; and promote the adaptation and use of environmentally sound technologies for sustainable development and market access opportunities.

In particular, UNEP believes that future capacity building efforts must go beyond promoting *trade facilitation* as a an end in itself, to assisting countries to examine the *quality* of trade, and to facilitate its use as a means of achieving the economic, social and environmental ends of sustainable development. Important steps along the way to designing such capacity building programs include gaining clarity about its objectives, the appropriate processes, and the different mechanisms available to deliver capacity building.

A. *The objectives of capacity building*

Capacity building has a range of objectives. Among these objectives are empowering national policy-makers and negotiators through strengthening their awareness and understanding of the linkages between trade, environment and development, and enabling them more effectively to:

- Assess the environmental, economic and social impacts of both past and proposed future trade, trade liberalization and trade rules;
- Assess the trade impacts of both past and proposed future environmental, economic and social policies;
- Develop and implement policy packages to promote integrated national trade, environment and sustainable development policies;
- Formulate and implement mutually supportive policies to meet national obligations under multilateral trade and environment agreements, while maximizing the net development gains of trade liberalization;
- Explore approaches to integrate trade-environment-development policies at the domestic level with national stakeholders, and at regional and global levels with international experts, practitioners and negotiators;
- Access information from, and build cooperation with, relevant organizations working in the trade, environment and development domain; and
- Engage in ongoing and future trade and environment negotiations in a manner that promotes an international policy framework supportive of national sustainable development priorities.

Capacity building, if well conducted, can also assist in achieving the objectives of:

- Empowering national, sub-regional and regional institutions to build capacity in their country/region during and after the life-cycle of capacity building projects;
- Enhancing cooperation with the secretariats of the multilateral environment agreements (MEAs);
- Engaging UN regional economic and social commissions, regional environmental organizations, regional economic integration arrangements, research and training institutes with core competence in trade and the environment;
- Forging partnerships among the full range of stakeholders in trade and sustainable development (governments, IGOs, private sector, NGOs) to make the most of existing capacity and create conditions for an *endogenous* process of capacity building in countries and regions; and
- Strengthening institutions to ensure they are more responsive, sufficiently resourced, and able to sustain capacity building over the longer-term. In many cases, inter-agency coordination mechanisms can assist in effectively designing and implementing cross-cutting sustainable development strategies and policies.

These points underline that successful capacity building efforts are as much about designing the processes of capacity building, as they are about focusing on end results (e.g. mutually supportive trade and environment policies for sustainable development). Processes that are collaborative, participatory and multidisciplinary can deliver cost-effectiveness, make best use of existing skills, create self-sustaining approaches, and deliver policy outputs with broad ownership. While there is no single best approach, a number of observations can be made about the processes of capacity building, and approaches to increase the likelihood of success.

B. The processes of capacity building – some key approaches

When developing capacity building programs it is necessary to consider how the various elements will be combined, who will be involved, and at which stage in the process of capacity building. The process of capacity building should also be demand-driven to support countries in their efforts to integrate environment, trade and development policies, so as to achieve sustainable development. UNEP has found that successful capacity building efforts are conducted in a way that includes some or all of the following elements:

- An initial needs assessment identifying the objectives of capacity building and the associated requirements of a country or region can help to ensure that projects are well targeted, meet the needs of their recipients, and contribute to a longer-term vision;
- Following a needs assessment, major stakeholders should be involved in designing a concrete “stream” of activities to realize the objectives identified in the needs assessment;
- Throughout the capacity building process, extensive multi-stakeholder participation and sound institutional arrangements will strengthen the process and enhance its legitimacy. Gaining participation is often assisted by the provision of some technical and financial resources, and the opportunity for stakeholders to be involved in follow up and future projects;
- Local experts and institutions should be involved to help develop methodologies and approaches that are adapted to a country’s needs and priorities, and promote a cooperative “learning-by-doing” approach to capacity building;
- Existing institutions with core competence in trade and related economic, social and environmental fields can be involved to build analytical capacities and political support;
- Attracting donor support for larger multi-year grants that are needed to sustain longer-term, integrated programs is essential. Donors have relevant experience and can often be engaged earlier in the process;
- A key goal of the process of capacity building is often to catalyze a network of institutions and national teams of experts from varied sectors and organizations to ensure that capacity building is broad-based, spans institutions and remains in place even as individuals involved in projects move to assume other functions;
- During and at the end of the stream of capacity building process, its effectiveness should be examined to make course corrections and learn lessons that can be applied to strengthen future activities.

Each of these elements is important. Particularly important, however, is establishing what issues should be covered, who should be involved, and where the gaps are in existing efforts through the use of careful needs assessments. Needs assessments can ensure individual capacity building efforts form part of an overarching process, undertaken in collaboration with other partners – including relevant regional and international organizations. And they can move capacity building beyond a “meeting-by-meeting” approach, to become part of a systematic, demand-driven effort to address the emerging needs and long-term requirements of a specific country or region.

C. The components of capacity building – main delivery mechanisms

Successful efforts to build capacity may draw on a range of delivery mechanisms. Approaches to capacity building – the various components of capacity building activities such as research, country projects and training that can be used to build skills, knowledge and relationships – may vary according to national needs and priorities, capabilities of the participants, and resources available. Nevertheless, there are a range of lessons that policy-makers may draw on when

designing capacity building programs for their specific national and regional settings. Some of the major delivery mechanisms that may be used in capacity building in the field of trade and sustainable development are:

- **Country projects** – country-based projects that are sector-specific, assess trade and other related policies, and incorporate participation from national stakeholders can foster a learning-by-doing approach to capacity development. Such projects can substantially enhance cooperation and coordination between relevant ministries, other experts and stakeholders.
- **Research** on major issues in the trade-environment-development interface and on practical approaches to address them, bearing in mind the development priorities of countries. Such research can be carried out through projects at the national, regional and/or multilateral levels.
- **Training** – led by local experts with input from foreign experts, training projects can enhance the appreciation of policy-makers and other stakeholders, as required, of the relationship and complementarities between trade, environment and development.
- **National workshops** – focused on key trade and environment issues (e.g. economically, socially and environmentally significant trade flows and/or policies) workshops can build understanding and collect experience towards the development of mutually supportive policies.
- **National policy dialogues** – drawing on a wider range of perspectives than workshops, policy dialogues can help raise awareness, and encourage the exchange of perspectives among experts, practitioners and negotiators. Policy dialogues are particularly valuable in the needs assessment phase of capacity building, and for sharing existing knowledge and skills when a capacity building programmes.
- **Regional and international policy dialogues** – sharing perspectives between countries and regions allows countries to learn from the successes and failures of others, share best practices and identify new partners for further capacity building and policy-making efforts.
- **Networking and information exchange** – networking and information exchange can be used to share experiences, provide technical and operational support, and to disseminate the results of capacity building activities. Often one of the most important outcomes of a capacity building effort is the relationships and partnerships it creates.

These approaches, and others, may be combined when developing or strengthening national or regional approaches to capacity building. When strengthening capacity it will be necessary to focus not only on identifying the appropriate modalities of capacity building – the various processes and delivery mechanisms described above – but also on identifying the substantive issues to be addressed.

D. The substantive focus of capacity building

To be effective, the process of capacity building should also focus on generating insights into substantive areas of policy-making, identified in light of national sustainable development priorities. The selection of substantive areas for examination during capacity building efforts will depend on a range of country- and region-specific factors. Countries may wish to emphasize the need for capacity building on those trade and environment issues contained in the WTO Doha Ministerial Declaration, including:

- The relationship between WTO rules and specific trade obligations in MEAs;

- Environmental goods and services;
- Fisheries subsidies;
- Agriculture and environment;
- Environmental standards and market access;
- Eco-labeling and process and production methods; and
- The relationship between trade-related intellectual property rights and the Convention on Biological Diversity.

They may also identify a range of other issues in the field of trade, environment and development, which warrant consideration as part of capacity building efforts. The issues that may warrant consideration are quite diverse, and will depend largely on national priorities. They can conceivably relate to trade policy making at national and regional as well as international levels. They and include, but are not limited to:

- Integrated and sector-specific assessment of the environmental, social and economic impacts of trade liberalization, trade rules, and other associated policies
- Integrated planning and the development of long-term plans that integrate trade, economic, social and environmental goals
- Natural resource valuation and accounting;
- Improving market access for exports and compliance with international health and environmental product standards;
- National systems for the management of traditional knowledge;
- Technology transfer, dissemination, absorption and cooperation;
- Adaptation and use of environmentally sound technologies to help capture market access opportunities for exports of environmentally preferable products;
- Relationships between poverty, trade and the environment;
- Foreign direct investment and sustainable development;
- Ways to enhance synergies between MEAs and the WTO in areas such as technology transfer, notification requirements and technical assistance;
- Trade-related intellectual property rights and the environment; and
- Escalating tariffs, tariff peaks and market access.

UNEP's experience on capacity building emphasizes the potential of working at the regional level. At this level, similarities in levels of economic development, climate and natural resource endowments, the environment more generally, sectors of economic importance, culture and language, all provide fertile ground for enhancing cooperation and integrating policies. Regional institutions (including those focusing on trade, economic development and environmental cooperation) provide both partners and foci for capacity building, and opportunities for assistance in subsequent policy design and implementation. The opportunities to develop capacity building processes at the regional level are significant – policy-makers may wish to explore both ways to develop them further, and ways to link them downwards and upwards to the national and international policy-making levels, respectively.

4. Building on existing experience

There are already a multitude of international, regional and bilateral arrangements for providing capacity building activities. What is the experience of country officials with these programs? How can they be tailored more closely to national needs? What are the prospects for more closely coordinating them to realize synergies and avoid duplication and redundancy?

A recent workshop on “Capacity Building on Environment, Trade and Development” organized in Geneva by UNEP in collaboration with the WTO provided an open forum for over 200 participants including representatives from 82 governments, 22 intergovernmental organizations, including four MEAs, and 27 non-governmental organizations. The meeting assessed emerging needs and reassessed current approaches to capacity building on environment, trade and development. (See report at www.unep.ch/etu/etp/events/Capacity_Building/19March_CB.htm). Discussion at the meeting centered on the various capacity building efforts undertaken by national development assistance agencies, and regional and international institutions. At the meeting, participants identified a range of opportunities to strengthen current approaches to capacity building, including:

- The need to tie capacity-building programs closely to national priorities, in many cases through a better process of needs assessments;
- The need to strengthen coordination and cooperation between institutions providing capacity building;
- Higher levels of participation (“learning-by-doing”), thereby increasing the effectiveness of capacity building efforts, and ownership of new policies and processes resulting from these activities;
- Closer consideration of the recipients of capacity building, and strengthened ability to absorb capacity building services; and
- More substantive follow-up and evaluation.

Participants also identified a range of needs, which included:

- Development of more coordinated, long-term capacity programmes, which are self-sustaining after individual projects come to an end;
- More involvement of national experts, institutions and local communities, including in design, implementation and follow-up of capacity building activities;
- Strengthened south-south cooperation, directly between national institutions, and by engaging regional and sub-regional institutions;
- Building of institutions and “centers of excellence” (at local, national and regional levels);
- Developing a stronger understanding of the linkages between poverty alleviation, trade and environment;
- Inclusion of a policy design and implementation phase, wherever possible, in capacity building activities; and
- Better coordination of activities between capacity building providers at the international level including UNEP, MEAs, WTO and UNCTAD.

5. Looking forward

Capacity building can take place in a range of different contexts, focus on a range of different policy integration challenges, and require different modalities to build and apply newly enhanced capacity to the design and implementation of policies which enhance the quality of trade and ensure it serves the objective of promoting sustainable development. UNEP, in close collaboration with other institutions including the WTO, UNCTAD and MEA secretariats, will undertake a range of activities that may be used by national officials to build capacity (See Annex 1 for some recent and ongoing UNEP activities).

Looking forward, UNEP believes that greater emphasis can be given to capacity building at the regional level – through networks of local, national, regional and international organizations. Capacity building should also be geared more closely to the needs of specific countries and regions. And there are opportunities to increase cooperation among the major providers of capacity building – including regional and international institutions. Particularly important in future efforts are the following:

- **Assessing needs.** A careful assessment of the needs of individual countries and groups should precede any effort to build capacity. Needs assessments should help to clearly identify the objectives of capacity building, map relevant issues and actors, identify relevant national development priorities, explore ways to ensure public participation, and look at how to coordinate capacity building efforts to achieve these goals. Done well, needs assessments arm governments with the tool they need to identify immediate and longer-term requirements and to improve the targeting of capacity building, leading to better policies and stronger gains from trade.
- **Improving manuals and materials.** Better training requires better manuals and materials. Already there are many excellent materials to support capacity building. More, however, can be done to develop materials such as reference manuals and materials – such as checklists and menus of options – that can be made country, issue, or sector specific. They can also focus on how to develop needs assessments. Or they can focus on specific issue areas – such as environmental goods and services, integrated assessment, or agriculture. Materials such as these can be used by trainers to help develop more systematic programs of capacity building that are adapted closely to national needs and requirements.
- **Training the trainers.** Scaling up efforts to build capacity will require building the number and capacity of trainers. Reference materials can also be developed to train the trainers, and provide them with the tools to pass on knowledge and skills to others. Materials that are tailored to the needs of trainers can help empower practitioners at the local and national levels, and catalyze the next generation of capacity builders.
- **Networking for the longer-term.** Building and sustaining capacity over the longer-term will require denser networks of partners at the local, national, regional and international levels. Many countries have an untapped wealth of local expertise, located in national ministries, research institutions, universities and non-governmental organizations. Identifying these people, bringing them together, and sustaining their relationships can strengthen national capabilities. Bringing experts together into networks can facilitate a movement from a workshop-based approach to training individual officials, to one of training institutions that can themselves deliver capacity building activities over the longer term.
- **Cooperating and coordinating on capacity building.** Already there is much cooperation among agencies to build capacity – but more can be done. How, for example, can the relevant international, regional and sub-regional institutions that provide capacity building services, including UNEP, UNCTAD, the WTO, UNDP and the World Bank, as well as the

UN Regional Economic Commissions, cooperate more closely to provide integrated and coherent efforts to build capacity, across a range of related issues, in response to a national needs assessment? What is the prospect for assisting regional organizations – including regional economic, trade and cooperation arrangements – to assess and identify ways to promote their contribution to sustainable development?

Annex 1

Recent and ongoing UNEP activities, undertaken in cooperation with partner organizations, include:

- ***Mexico and Seoul workshops/forums*** – An important conclusion of the UNEP capacity building workshop in March 2002 was the need to convene regional workshops, in collaboration with regional and sub-regional organizations, to enhance the design and implementation of capacity building activities. This meeting being held by UNEP in Mexico City in March 2003, as well as the High Level Forum in Seoul, to be held in May 2003, follows up this recommendation. These meetings will enable information exchange and deepening of partnerships between international, regional, sub-regional and national institutions, in the context of real and often pressing challenges for policy integration on the trade, environment and development policy interface. UNEP will carefully evaluate the results of these meetings to see how future capacity building efforts can be enhanced.
- ***UNEP-UNCTAD Capacity Building Task Force on Trade, Environment and Development (CBTF)***. The UNEP-UNCTAD CBTF was launched in 2000, and has since delivered a range of capacity building activities at national, regional and international levels. These include thematic research, country projects, policy dialogues, training workshops and networking and information exchange. A second phase of the CBTF was launched at the WSSD in September 2002 with a substantial increase in funding. In this second phase UNEP, UNCTAD and their other partners in the CBTF will be prioritizing activities on: integrated assessment of trade liberalization, trade and environment policies and poverty alleviation, trade in environmentally preferable products; environmentally sound technology, capacity building for enhancing synergies between MEAs and the WTO, and subsidy reform to enhance market access and reduce environmental damage. The CBTF is now regularly organizing back-to-back workshops with WTO Regional Seminars on Trade and Environment, enhancing cost-effectiveness and complementarity of capacity building activities undertaken by UNCTAD, the WTO and UNEP. UNCTAD, UNEP and the Secretariats of Multilateral Environmental Agreements (MEAs) also regularly participate in the WTO seminars, offering national participants the range of expertise and perspectives necessary to analyze trade, environment and development linkages and policies.
- ***Country projects*** – UNEP will continue to emphasize work at the national level, including in particular work integrated assessment of trade-related policies and national planning. Experience with such projects has underlined the value of working in a specific context, providing financial and technical resources to local researchers to develop their skills and assessment methodologies, and developing skills that remain in the country once the project ends. More engagement of the private sector, and relevant regional and sub-regional institutions in such projects, in addition to the relevant national ministries, could make country projects an even more powerful capacity building tool, and one that has beneficial effects at sub-regional and regional levels.
- ***WTO Regional Seminars and back-to-back CBTF meetings*** – Building on existing activities organized at the regional level, such as the WTO Regional Seminars on Trade and Environment, provides a cost effective capacity building option, and one that can also enhance the coordination and complementarity of those activities. The UNEP-UNCTAD Capacity Building Task Force on Trade, Environment and Development is now regularly organizing back-to-back workshops with these seminars. UNCTAD, UNEP and the Secretariats of Multilateral Environmental Agreements also regularly participate in the seminars.
- ***Geneva-based activities*** – While the enhancement of capacity on trade, environment and sustainable development at the national level is critical, applying that capacity effectively in regional and international negotiations requires some further steps. UNEP has found that for WTO-related issues, Geneva-based activities can help make capacity building more relevant to trade negotiations. The participation of capital-based policy makers in such activities gives them a chance to see how the WTO, UNEP and relevant MEAs work, and allows them to directly inform deliberations in these institutions of trade and sustainable development realities on the ground.