

**MAXIMIZING THE CONTRIBUTION OF TRADE TO SUSTAINABLE  
DEVELOPMENT: THE ROLE OF INTEGRATED ASSESSMENTS**

**DRAFT WORKING PAPER**

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# MAXIMIZING THE CONTRIBUTION OF TRADE TO SUSTAINABLE DEVELOPMENT: THE ROLE OF INTEGRATED ASSESSMENTS<sup>1</sup>

## 1. Introduction

Integrated assessment – the systematic evaluation of the environmental, social and economic effects of past or proposed future policies – provides policy-makers with an essential tool to promote sustainable trade. By identifying key relationships between trade, the economy, society and the environment, integrated assessments provide policy-makers with the information they need to develop policies that enhance the positive effects, minimize or avoid the negative effects, and maximize the net contribution of trade to their national sustainable development priorities.

This paper provides an overview of the main approaches, tools and processes of integrated assessment. It draws on UNEP's experience at the national levels in working with national research institutions, governments, regional partners and other stakeholders. It builds on insights from two series of concrete, country-based projects involving 11 countries in Latin America, Africa, Asia, and Eastern and Central Europe that assessed the impacts of trade and trade-related policies on specific sectors. It also draws on a third and ongoing round of studies on the effect of trade liberalization in the rice sector in six countries – China, Colombia, Indonesia, Nigeria, Senegal and Vietnam – that focus on key sustainability issues including poverty, food security and biodiversity conservation.

Following the introduction, Section 2 provides an overview of integrated assessment and its development. Section 3 explores the *need for broader application* of integrated assessment in the field of trade in light of new trade negotiations at the multilateral as well as the regional and bilateral levels, and summarizes some of UNEP's experience in applying integrated assessments in a trade context. Section 4 identifies the *rationale* of integrated assessments and their value to policy-makers. An overview of the *factors to consider in the design* of an integrated assessment – including timing, participation, choice of indicators, and capacity building – is set out in Section 4. Section 5 considers a range of *approaches and techniques* that can be employed when undertaking an integrated assessment. The *various policy tools available* to governments when designing their response to an integrated assessment are identified in Section 6. The paper concludes in Section 7 by identifying lessons learned from UNEP country projects, and opportunities to further strengthen the use of integrated assessment at the national level. Some questions for discussion on capacity building are included in Annex 1.

## 2. What is an integrated assessment?

In recent years, there has been increasing recognition of the importance of integrated assessments that take account of economic, environmental and social considerations in decision-making for sustainable development at the policy, planning and programme level. Integrated assessments build on the emergence of a number of strategic assessment tools, which are now used separately to guide environmentally and socially sustainable development policies. While these approaches vary in name and terminology – e.g. strategic environmental assessment, strategic impact analysis, sustainability impact assessment and integrated assessment – they all attempt to achieve the objective of ensuring that sustainability considerations are fully considered.

Integrated assessment, as defined here, is an instrument for evaluating all three major aspects of sustainable development – economic, social and environmental. It can be applied at a

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<sup>1</sup> This working paper was prepared by Matthew Stilwell and Fatima Chaudhri 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, including the UNEP Reference Manual for the Integrated Assessment of Trade-Related Policies, the views expressed are those of the authors.

number of stages in the policy-making process. Undertaken after a policy change, *ex-post* assessments provide a retrospective examination of the environmental, social and economic impacts of a given event or policy, and can identify effects that can be mitigated or encouraged through the introduction of complementary policies. *Ex-post* assessments can often draw on a large data set, and can help to define the content of any future assessment exercises.

*Ex-ante* assessments, by contrast, are undertaken before an event or policy change and can provide policy-makers with forward-looking information, allowing them to develop a coherent and integrated set of policies. *Ex-ante* assessments can help governments to develop approaches that are fully integrated, and that respond systematically to a range of highly-interdependent factors. They can help to avoid negative impacts before they occur, rather than simply mitigating such impacts, or reducing remedial costs. They can also be used to help clarify policy goals, identify integrated policy responses, build support for those policies, and prepare the ground for future assessments.

Both *ex-post* and *ex-ante* assessments have an important role to play. Recently, however, there has been a shift in emphasis towards *ex-ante* approaches, in recognition that acting early allows policy-makers to respond more effectively to new challenges and to develop more integrated policies. For example, rather than simply responding to the effects of a change in trade policy with complimentary environmental or social measures, *ex-ante* assessments allow policy-makers to proactively design trade and other policies as part of a fully integrated approach. As such, *ex-ante* assessment and policymaking approaches extend beyond identifying and mitigating impacts, to assist policymakers to design integrated and coherent approaches to the economic, social and environmental aspects of sustainable development.

### **3. The importance of assessing trade and trade liberalization**

The launch of new negotiations at the World Trade Organization's Doha Ministerial Conference in November 2001, as well as ongoing and future negotiations at the regional and bilateral level, has increased the urgency for national policy-makers and negotiators to understand and evaluate interactions between international trade, the economy, society and the environment. The principal tool for gaining such an understanding is integrated assessment. The importance of assessing the effects of trade has been recognized in a number of important international meetings:

- The WTO Ministerial Declaration notes the “efforts by members to conduct national environmental assessments of trade policies on a voluntary basis” (paragraph 6) and “encourages expertise and experience to be shared with WTO Members wishing to perform environmental reviews and assessments at the national level” (paragraph 33).
- The Plan of Implementation agreed at the recent World Summit on Sustainable Development calls on governments to use impact assessment procedures as a mechanism to encourage “relevant authorities at all levels to take sustainable development considerations into account in decision-making” (paragraph 18). It also calls for efforts to “[c]ontinue to enhance the mutual supportiveness of trade, environment and development with a view to achieving sustainable development through actions at all levels to ... encourage the voluntary use of environmental impact assessments as an important national-level tool to better identify trade, environment and development interlinkages. Further encourage countries and international organizations with experience in this field to provide technical assistance to developing countries for these purposes” (paragraph 91(d) and chapeau).

These and other meetings have identified the use of assessments as a central element of efforts to enhance mutual supportiveness with a view to achieving sustainable development. Meeting this challenge at the national, regional and international levels will require further strengthening the capacities of countries to carry out integrated assessments.

Efforts to develop and use assessment methodologies have been undertaken by a wide range of institutions, including UNEP, the OECD, the World Bank and UNDP. In the field of trade, work on assessment has been carried out by a number of these institutions, as well as the European Commission, Manchester University the World Wide Fund for Nature (WWF) and certain governments in their own national contexts. This paper draws extensively on UNEP's experience with integrated assessments in the context of a range of demand-driven country studies that explore the contribution of trade to sustainable development.

During the past six years, UNEP has undertaken significant efforts to develop the capacity of countries to undertake integrated assessments. UNEP has conducted two rounds of detailed, demand-driven country studies in a diverse range of sectors and regions, and in collaboration with national policy-makers, research institutions and other partners. The first round of studies was conducted in Bangladesh (shrimp aquaculture), Chile (mining), India (automotive industry), Philippines (forest management), and Uganda (fisheries) and contributed to the further development of the assessment methodology.

Assessments conducted in the second round took place in Argentina (fisheries), China (cotton), Ecuador (bananas), Nigeria (cocoa and rubber), Senegal (fisheries) and Tanzania (forestry), and were conducted on a parallel track with the preparation of the UNEP reference manual on integrated assessment. These country studies identified a number of opportunities and challenges for broadening efforts to use integrated assessment to maximise benefits of trade liberalization and to reduce or offset the negative consequences. In the following sections of this note, we note the main elements of integrated assessment, and illustrate these with practical example and lessons from these UNEP-sponsored country projects.

### **3. The rationale for integrated assessment**

International trade can have both positive and negative economic, environmental and social effects. These may vary across individuals and households, regions and eco-systems, companies and industrial sectors. An integrated assessment provides a way to consider the full range of effects, direct and indirect, that changes in trade policy may have on the economy, the environment and on society. Generally speaking, integrated assessment can serve at least five main purposes:

- **Exploring the linkages between trade, the economy, society and the environment.** Over time, a better understanding of these relationships can encourage policy makers to develop sustainable development strategies and policies and build understanding and support among stakeholders for those measures.
- **Informing policy-makers across government.** Providing information to policy makers across government departments of the implications of proposed trade policies helps to coordinate actions between departments, to facilitate communication and integrated policy making, and to build consensus and administrative capacity.
- **Informing negotiators.** Providing information to negotiators to pursue trade-related policies in ways that promote sustainable development, by identifying the environmental and development effects of trade policies or agreements early in the process, thus enabling the modification of the trade-related policy or agreement if appropriate.
- **Developing policy packages.** Results from the assessment can help countries design integrated environmental, social and economic policies at the national level to accompany the trade-related policy/agreement. These policies can be designed to promote any beneficial impacts of the policy, or to mitigate any negative impacts.
- **Increasing transparency in decision-making** The involvement of NGOs, private sector, local communities, industry and other domestic interest groups can help to build consensus and to strengthen national capacities, as well as ensuring that a broad range of views are considered in the assessment.

Used at the national level, integrated assessment can assist policy-makers to examine both the positive and the negative impacts of trade liberalization, and to explore policy options to reduce negative and strengthen positive impacts. On one hand, trade theory suggests that liberalization can promote the efficient allocation of resources, allowing us to produce more with less and reduce the pressure on natural resources. Conducted well, trade liberalization can make people better off through the expansion of production, employment, and consumption opportunities, raising living standards and improving social welfare. Higher income levels can lead to higher demand for and investment in environmental management and protection.

At the same time, without appropriate policies and regulations, trade liberalisation can have significant negative effects – environmental, social and economic. A UNEP-sponsored study in Argentina indicates that trade expansion, combined with an absence of appropriate fisheries policies in the 1990s had a *net economic cost* of about US\$ 500 million for one fish species (hake). The *opportunity cost* of failing to put in place appropriate policies (including lost future production and exports) was estimated at about US\$ 5,600 million, taking into account productivity losses and assuming the target species will not recuperate. In other words, sound fisheries and trade policy during the 1990s could conceivably have reaped Argentina a gain of 5 billion US dollars over ten years, with associated benefits to employment, social welfare, and gross domestic product, compared to the net loss associated with depleting the natural resource of \$500 million during the same period. The UNEP-sponsored country study in Bangladesh, similarly, showed that the export revenues from shrimp aquaculture were reduced by 30% due to associated environmental degradation, natural resource depletion and social disruption.

Avoiding impacts such as these, and realizing the positive contributions of trade to sustainable development, should be a priority for all policy-makers – especially those directly responsible for trade. Integrated assessment enables these policy-makers and other interested stakeholders to explore and quantify these linkages. Given that the social impacts of trade liberalisation are entwined with the economic and environmental ones, a full assessment of the impact of trade policy on sustainable development must be extended to include social interdependence. It is this full range of relationships and impacts that an integrated assessment aims to investigate.

#### **4. Designing an integrated assessment**

A number of factors should be taken into consideration when designing an integrated assessment. Careful planning is necessary to ensure that an integrated assessment meets its objectives in a timely and cost-effective way. Questions of how, when and by whom it will be conducted must be answered before substantive work on the assessment begins. In making these decisions, a range of factors needs to be taken into account:

##### **A. Timing**

As noted above, integrated assessments may be conducted before, after or concurrently with changes in trade policy. Integrated assessments may also stretch over more than one of these time periods, or even be conducted as a continuous process. Importantly, assessments should not generally be viewed as a one-off process as constant monitoring and feedback is required to ensure that policies are achieving their goals.

The value of *ex ante* assessment of trade-related policies as a means to enhance policy integration was demonstrated by the recent UNEP-sponsored case study undertaken in China. The case study showed that an *ex ante* assessments can not only provide policy-makers with useful information about trade-related linkages, but also provide a vehicle for producing an integrated set of national policy responses to help avoid negative impacts before they occur, mitigate their incidence, or reduce remedial costs. As a result of the project, the Chinese government is currently engaging with UNEP to implement the policy recommendations yielded by the study.

## **B. Consultation and participation**

A key to successful integrated assessment is meaningful stakeholder consultation and participation. The involvement of a range of interested parties can provide data, insights and information that is not available to policy analysts working in isolation. Public participation offers the following advantages:

- **Cooperation** – participation provides opportunities for coordination within and between government and civil society, leading to the creation of longer-term collaborative relationships.
- **Expertise** – participation helps to introduce a broader range of ideas, experiences and expertise to the integrated assessment, enhancing the knowledge of policy-makers and promoting the development of a comprehensive range of policy options.
- **Ownership** – participation provides participants with a sense of ownership and empowerment, thereby reducing the potential for serious conflict and increasing the likelihood of lasting solutions.
- **Capacity Building** – participation ensures that the interests of groups that have traditionally played only a marginal role in policy development can be incorporated into the decision-making process, building capacity among those groups.
- **Trust** – participation builds confidence among the various stakeholders in the process, making it easier for governments to generate widespread public support for both trade and associated policies.
- **Transparency and good governance** – participation also ensures transparency, and helps to ensure institutional arrangements are open and accountable.
- **Improving implementation** – participation can also help to garner the support of stakeholders to support the implementation of policies, lowering costs and increasing the effectiveness of the policymaking process.

## **C. Indicators and data availability**

Integrated assessments should be based on sound indicators and data. One challenge in conducting an integrated assessment, however, lies in the lack of consensus on appropriate environmental and social indicators. Additionally, environmental and social data is often scarce, and some variables are difficult to quantify. These factors are particularly acute in forward-looking *ex ante* assessments and may hamper theoretical and empirical efforts to use environmental, social and economic indicators as part of a systematic model to evaluate all relevant effects.

Experience from UNEP-sponsored country studies suggest that the data requirements of even the most well known methodologies (such as those discussed in the following section) prove demanding. The necessary data sets are often not easily accessible in developing countries. Consequently, assessments will often need to use simpler methodologies such as rapid rural appraisal or data analysis, as an alternative to more sophisticated methodologies.

Valuation, particularly, has proved a major challenge in country studies, as traditional methods in economics such as shadow pricing, contingent valuation and others have proved difficult because of an absence of reliable data. Addressing these data limitations, agreeing to appropriate indicators, and resolving some of the methodological challenges associated with valuation are thus issues that will likely have to be addressed in future assessments.

#### D. *Capacity building*

Conducting an integrated assessment will make a range of demands on the capacity of policy makers and governments. Without adequate capacity for research, analysis, participation and policy-making, the scope for conducting integrated assessments will be severely limited.

Monitoring indicators, for instance, has both technical and institutional capacity requirements. An institutional framework is thus needed to manage the monitoring programme; receive the evaluations of the data and recommendations for action; accept, reject or amend the recommendations; and finally to decide upon and implement a course of action. Decisions on the scope and time-scale of the monitoring programme also have to be made. Identifying the capacity building needs at each stage of the assessment process, and designing long-term approaches to build competence in the use of integrated assessments should be a goal of both governments and international organizations with expertise in this area.

In the field of trade and sustainable development, poorer countries in particular will often lack adequate resources and expertise, and are therefore in need of capacity building activities to enable them to apply this tool and design supportive policies.

#### 5. **Undertaking an integrated assessment – approaches and techniques**

Integrated assessments are often undertaken in three stages: first, a preliminary assessment of linkages is undertaken using available qualitative information; second, the assessment will model the causal relationships, using micro and macro economic models and other tools; and third, the assessment will proceed to valuation of the impacts. During these phases, a wide range of methodologies can be used. Experience indicates that a mix of these methodologies will often be required, depending on whether the assessment is *ex-ante* or *ex-post*, the type of trade-related policy being analyzed, and the impacts being measured.

Initially, a qualitative analysis of actual or potential positive and negative economic, social and environmental effects will usually be undertaken using available information. Often, practitioners will examine, among other things, the classification of linkages developed by the OECD of the major relationships between trade and environment (See Box 1). Such an analysis can provide very useful insights into the possible impacts of past or proposed future policies, and identify areas for further exploration using more formal approaches.

Following a qualitative analysis, an assessment will generally proceed to formal modelling and valuation exercises – the second and third stages of assessment – using a range of approaches:

- **Benefit-cost analysis** is a framework that allows the monetization of the costs and benefits of an activity, project, or policy. It is a useful way of converting all the information relevant to the assessment of a proposed action into a comparable and easily understood form.
- **Risk assessment** procedures aim to balance what is known for certain, what is estimated as a potential and probable threat, and what is unknown. Risk assessments are often a useful part of integrated assessments, as policy impacts can be subject to considerable uncertainties. It can be difficult, for instance, to establish causal relationships between variables, and to accurately measure the effects of trade liberalization and related policies.
- **Multi-criteria analysis** attempts to take into account the preferences of stakeholders in the use of natural and environmental resources. The process is participatory and stakeholders themselves make decisions about how the environmental resource should be managed.
- **Life-cycle analysis** examines the use of environmental resources and the generation of emissions across the whole life of a product – including its production use and disposal. It can be used as part of an integrated assessment to analyze the links between the use of natural resources and the environmental outputs (e.g. emissions) of production processes.

- **Global commodity chain analysis** is a variation of life-cycle analysis. It evaluates the social and economic relationships between all the actors involved in the commodity chain. These actors include producers, consumers, traders, government agencies and others, all of whom are linked through the product market.

**Box 1 – Sources of impact from trade reforms**

Five broad categories of sources of impacts from trade reforms can be identified:

**Product effects.** These are effects related to the flow of products (or services) between countries. Some of these products may be environmentally friendly, while others may be hazardous to the environment. Overall product effects therefore can be positive or negative, depending on the nature of the products traded as well as their volume.

**Technology effects.** More open trade policies may lead to the transfer of production technologies across borders. Again, these technologies may be harmful or friendly to the environment. There is a positive technological effect when a trade policy allows the flow of environmentally friendly technologies; and a negative effect when it prompts the transfer of harmful technologies. Changes in production technologies may also occur following liberalization of trade, as a response to maintaining or increasing competitiveness. Different production technologies can have substantially different impacts on the environment.

**Scale effects.** Reforms that promote trade will often raise the overall level of economic activity, which translates into a higher rate of use of natural and environmental resources. However, this may be offset if efficiency is improved, or if higher economic growth makes greater investment in environmental protection possible.

**Structural effects.** Trade liberalization could lead to changes in the sectoral composition of a country's economy, as it specializes in the production of goods or services where it has comparative advantage. If the changes favor the less-polluting industries, then positive environmental effects could be felt in that country. On the negative side, the products where the country has comparative advantage may have higher pollution intensity, or may require a greater use of the country's natural resources.

**Regulatory Effects.** Trade reforms may have an impact on environmental regulations and standards. On the positive side, trade agreements may explicitly include measures to improve environmental standards. But it is also possible that particular provisions of trade reforms may restrict a government's ability to set environmental protection standards.

*Source: OECD, Methodologies for Environment and trade Reviews (Paris, 1994, OCDE/GD(94)103, online).*

- **Scenario building** is a planning tool to identify a range of possible outcomes. Usually this approach uses up to, but not more than, four scenarios to evaluate different possible futures. It is generally more relevant to *ex-ante* assessment exercises.

**6. Responding to integrated assessments – developing integrated policy responses**

Integrated assessment forms the beginning not the end of a process designed to enhance the contribution of trade to sustainable development. A logical next step is to respond to the information and analysis provided by an integrated assessment with a range of integrated policy measures. Policy responses available to policy-makers, at the national, regional and international level will depend on whether the assessment was undertaken before or after the event or policy change being studied. Forward-looking *ex-ante* assessments generally provide policy-makers with greater latitude to develop integrated policy responses. Both *ex-ante* and *ex-post* assessments, however, will provide information that can help develop appropriate responses. As discussed below, the range of responses available includes modifying trade policies, implementing complementary environmental and social policies, and following up with monitoring and evaluation.

### **A. *Modifying trade policy***

A policy response that involves modifying a trade-related policy or a trade agreement can arise out of an *ex ante* assessment or following an *ex post* assessment. Modifying trade policy may, for example, include removing environmentally damaging subsidies, or reforming them to promote rather than undermine environmental and social goals. It could also involve adjusting mechanisms proposed within a trade liberalization agreement. Dispute resolution processes, for example, might allow significant environmental or social input and inclusion of exceptions designed to promote sustainability by enabling policy makers to pursue environmental and social goals.

Modifications may also address the timing of the implementation of the trade measures. For example, a government may maintain negotiated commitments but delay the implementation of certain measures (in a manner consistent with their obligations) to provide time for the introduction of complementary, mitigating government policies.

Where an integrated assessment shows that a policy may have a positive impact, an agreement might provide for accelerated tariff-reduction on environmentally or socially beneficial products. Conversely, where it is shown to have a potentially disruptive social impact or environmental effect, a government might seek to phase the measure in gradually to allow a longer period of time for adjustment through incremental liberalization.

### **B. *Modifying associated policies***

Associated policies can be developed and implemented by countries before or following the introduction of a national trade-related policy or international negotiation. Again, the range of policies will depend on when the assessment is conducted, with often greater latitude to design appropriate policies existing in response to *ex-ante* rather than *ex-post* assessments.

- **Market-based instruments** may be targeted to address market distortions arising from environmental and social externalities. Market based approaches – including tax reform, user fees, deposit-refund schemes and subsidies – may provide a flexible, trade-friendly means of promoting positive impacts and minimizing negative impacts associated with trade liberalization.
- **Command and control policies**, such as regulatory measures, standard setting and property rights, provide governments with a direct means to shape markets, as opposed to market-based instruments which rely on the price and market mechanisms for their effect. Command and control policies can be used to set limits on the exploitation of natural resources or emission levels, to redistribute the benefits of trade liberalization to achieve social goals, or to regulate other aspects of economic activity.
- **Voluntary measures** applying to the private sector, such as the promotion of environmental management systems or eco-labelling, may also be used. Voluntary measures include standards, codes of conduct, guidelines agreed by companies and industries, along with governments and other stakeholders.

As well as responding to trade-related policies, measures such as these may also be required to address the impact of other policies. An important insight from UNEP-sponsored country studies is that other macroeconomic policies – such as devaluation, commodity price stabilization, and preferential trading arrangements – may also have significant implications for trade, environment and sustainable development, and may themselves require complementary policies that are designed to optimize outcomes for sustainable development.

### **C. *Monitoring and evaluation***

Finally, integrated assessments are made more effective by the inclusion of specific provisions for evaluation and monitoring. A follow-up process might also be used to track not only the immediate and direct effects of trade liberalization and associated policies, but also long-term effects both of any changes in trade flows, and of other secondary effects on

economic activity. Monitoring and evaluation also gives national governments an opportunity to judge the utility of assessments in guiding policy making and integration, and the extent to which there are sustainable development gains from the process.

UNEP-sponsored country studies have shown that implementation of policy packages, even at a pilot level, is key to the success of these studies. Equal effort also needs to be put into implementation and to identifying the challenges to implementation. When responding to an integrated assessment and developing policy responses, policy-makers will need to take the interdependent nature of variables into account, and carefully monitor and evaluate their policies to ensure they achieve sustainable outcomes.

#### ***D. Managing interdependence***

When developing policies based on an integrated assessment – either by modifying trade policy or associated policies – it is important to take into account the interdependence of different variables. Generalizing across countries is difficult, and the same policy applied in different contexts may have significantly different results. Positive and negative effects may occur simultaneously. Economic, social and environmental effects may create virtuous circles, or offset each other. The introduction of more efficient resource extraction technologies, for example, may give rise to counterbalancing technology effects (e.g. more sustainable production) and scale effects (e.g. higher production levels). Mixed implications of these kinds were observed in a number of UNEP studies. In the case of Ecuador, for instance, trade-related factors induced technological change that improved production efficiency in the banana sector, but also caused negative scale effects, which were largely countered by appropriate environmental policies and by new land management laws designed to limit agricultural expansion.

#### **7. Looking forward – lessons learned from UNEP country projects**

UNEP country projects have yielded a number of insights that may be built on by national policy-makers when designing their own integrated assessments. These country projects have generated a number of important lessons on the conduct of assessment at the national level which may also apply to assessments carried out at the regional level. The general lessons about designing, conducting, evaluating, and responding to integrated assessments that are beginning to emerge, are as follows:

- Assessment methodologies will always have to be adapted to local conditions, needs and priorities. This requirement for flexibility also implies that a menu of methodologies is needed from which the most appropriate ones can be selected for any given locality.
- Integrated assessment is about comparing apples and oranges – economic with environmental with social, with different units for each. Therefore valuation methods and accurate cost-benefit analysis of policies are a crucial requirement.
- There is no substitute for “learning by doing”, both for capacity building on assessment and for the development of the assessment tools themselves.
- An open, transparent and informed multi-stakeholder assessment process, allowing for sharing of perspectives, expertise and experience, is crucial to effective and accurate assessment, including the development of the assessment tools and their subsequent application.
- Linking generic methodology development with actual assessments on the ground enriches both the design of the assessment tools and their application. Involving the same people in UNEP’s country projects and the development of the Reference Manual was the key to the cross-fertilisation of both the development of the assessment tools and the conduct of the on-the-ground assessments.
- Review meetings, comprising between 20 and 30 national and international experts, working on the issues in a top-down and bottom-up manner, have proved to be an

invaluable tool in developing assessment methodologies. Such experts could form the core of informal regional and international networks of experts on assessment.

- Environmental and trade negotiators, and other officials, often have more to learn about the linkages between trade and sustainable development, but there are often also institutional, procedural and political complexities in developing assessment methodologies and defining policy responses.

In conclusion, the growing acceptance of sustainable development as an overarching policy goal has stimulated a strong and growing interest in assessing the impact on sustainable development of particular policy interventions, including trade rules and trade liberalization. Looking forward, there is considerable scope to improve and develop the use of integrated assessments. Efforts to build capacity should build on past experiences, and consider a range of priorities including:

- **Expanding the use of ex-ante assessments** – forward-looking integrated assessments have already proven to be a powerful tool for policy-makers. Avoiding major trade-related costs – such as those identified in UNEP case studies – and maximizing benefits requires evaluating the impacts of proposed, as well as past, policies. By looking forward, *ex-ante* assessments can provide policy-makers with the information they need to develop fully integrated and coherent policies for sustainable development.
- **Enhancing the quality of trade** – just as important as the volume of trade is its quality. Integrated assessments can help policy-makers to ensure that liberalization promotes the movement of goods and services that most benefit their economy and society, and in a manner that protects the environment.
- **Making trade work for the poor** – Integrated assessments can also identify ways to ensure that trade works for the poor. Assessments, and the policies they lead to, can promote trade in areas that benefit the poor, and can suggest ways to minimize or mitigate negative impacts on these individuals and communities. As such, integrated assessment and policy-making approaches should form an integral part of national strategies to reduce poverty.
- **Encouraging trade as a means of implementing sustainable development** – The recent WSSD identified trade as one important means of implementing sustainable development as it is defined in Agenda 21, the WSSD Plan of Implementation and other important international instruments. Integrated assessments allow policy-makers to understand the linkages between trade, the economy, society and the environment, and to develop approaches that ensure trade can help to deliver on the goals set in Johannesburg.

Integrated assessment is still in its infancy and there is considerable scope for its improvement. But the techniques are powerful, and are already being applied by a number of countries to increase net development gains from trade. In the future, capacity building activities on integrated assessment promise to help further refine the assessment techniques, and to enable governments, policy research institutes, regional organizations and other stakeholders to cooperate more effectively in applying them at the national level.

## Annex 1

### Questions

The purpose of these questions is to help identify important issues arising in the area of integrated assessment, and to focus discussions on the role of capacity building in addressing these issues as part of a systematic, long-term and demand-driven approach. Discussions regarding capacity building can draw on the companion document to this one entitled *Enhancing Capacity Building for Environment, Trade and Sustainable Development*. References to relevant sections of that document are included below.

### Key issues in integrated assessment

- What are the key issues arising in the area of integrated assessment?
- How can assessment be used as a planning tool to promote sustainable development?
- What are the constraints and challenges – including institutional and human resources constraints – to expanding the use of integrated assessment?
- Which sectors most require analysis using assessment techniques, and how can it subsequently be extended to other sectors?
- How can integrated assessments be introduced in a manner that compliment and supports other planning processes?
- How can integrated assessment be viewed as a collaborative effort among government agencies, rather than necessarily being led by one agency?

### Capacity building needs and objectives (Sections 1 and 2A of Capacity Building paper)

- What is the current status of capacity building efforts on integrated assessment at the national and regional levels?
- What are the immediate needs for capacity building?
- What are the principal long-term needs for capacity building?

### Approaches and delivery mechanisms (Section 2B and C of Capacity Building paper)

- What is the role of initial needs assessments in developing capacity building projects on integrated assessment that are well-targeted, meet the needs of their recipients, and contribute to integrated policy making?
- How can integrated assessments be used to improve national level coordination?
- What delivery mechanisms will promote “learning by doing” and encourage broad stakeholder participation?
- How can programs be developed and funded to ensure a systematic approach to issues and continuity over the longer term?
- How can capacity building on integrated assessment help to catalyze a network of relevant institutions and actors?
- What follow up and evaluation is needed to continually improve the application of integrated assessment?

**Partnerships – moving forward together on capacity building** (Sections 4 and 5 of Capacity Building paper)

- What is the role of government in future capacity building exercises, which agencies should be involved
- What is the role of relevant local and national institutions and stakeholders in capacity building?
- What is the role of relevant sub-regional and regional institutions in capacity building?
- How can multilateral institutions such as UNEP, UNCTAD, UNDP, the WTO, the World Bank and others contribute to more systematic capacity building efforts?