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Building Capacity for Integrated Policy Design and Implementation for Sustainable Development

UNEP-ETB's Past Experiences and Future Activities

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I. Introduction

In its report, *Our Common Future*, published in 1987, the World Commission on Environment and Development highlighted the need for countries to adopt policies in support of sustainable development. In so doing, the report emphasized that economic growth, environmental protection and social equity can be simultaneously maintained. Five years later, at the United Nations Conference on Environment and Development (UNCED) in Rio de Janeiro, Brazil, governments agreed upon *Agenda 21*, which called on governments, in cooperation with international organizations, to build national capacities to “integrate social, economic, developmental and environmental issues at all levels of development decision-making and implementation.”

The importance of developing and implementing integrated policies that promote sustainable development continues to be recognized by the international community. For example, the World Summit on Sustainable Development (WSSD) *Plan of Implementation*, agreed to in Johannesburg, South Africa in 2002, emphasized the importance of taking a “holistic and inter-sector approach” in supporting sustainable development. The *Plan of Implementation* also highlighted the importance of capacity building in furthering the understanding of practitioners and policy-makers about the complex linkages between environment and sustainable development, and encouraged the design and implementation of integrated policies, plans and programmes.

Since UNCED, UNEP’s Economics and Trade Branch (ETB) as part of the Division of Technology, Industry and Economics (DTIE) has been working on the interaction between economic and trade policies, the environment and sustainable development. Its primary objective has been to enhance the capacities of countries, particularly developing countries and those with economies in transition, to analyze these inter-linkages and design and implement policies, which maximize sustainable development gains from trade and other economic activities. (For UNEP’s mandates for capacity building see Box 1.)

ETB works closely with governments and other stakeholders, including international organizations, national institutions, the private sector, non-governmental organizations (NGOs) and affected communities to enhance capacities for integrated policy design and implementation with particular focus on the following programme areas:

Integrated Assessment and Planning:

ETB seeks to enhance the capacities of countries to integrate economic, environmental and social objectives in the design and implementation of trade and other macroeconomic policies. This includes enhancing the use of assessment tools, improving horizontal and vertical coordination between government ministries and policy sectors, promoting stakeholder participation, and increasing understanding of the inter-linkages between environmental, social and economic aspects of sustainable development.

Economic Incentives:

ETB seeks to enhance the capacities of countries to design economic incentives and curb the use of perverse incentives, such as certain environmentally harmful subsidies. It further seeks to build capacity for the valuation of natural resources and environmental and natural resource accounting.

Sustainable Trade:

ETB seeks to enhance the capacities of countries to strengthen the contribution of trade and trade policies to sustainable development, and to strengthen coherence between international environmental and trade policies, including through the use of integrated assessment of trade-related policies.

Box 1: UNEP's mandates for capacity building

In its work on capacity building, ETB is responding to the WSSD call that *"UNEP, UN-Habitat, UNDP and UNCTAD (...) should strengthen their contribution to sustainable development programs and the implementation of Agenda 21 at all levels, particularly in the area of promoting capacity-building"* (paragraph 137).

UNEP's Governing Council requested UNEP in 2001 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"*, in a manner that is *"geared to reflect the socio-economic and development priorities, as well as the needs and capacities of individual countries"* (GC 21/14).

The *Malmö Ministerial Declaration*, agreed to at the First Global Ministerial Environmental Forum held in 2000, noted that in order to confront the underlying causes of environmental degradation and poverty, environmental considerations must be taken into account when designing and assessing macroeconomic policies.

The 7th Special Session of UNEP's Governing Council in Cartagena in 2002 requested that the role of UNEP in capacity building should be strengthened. It was suggested that *"...an intergovernmental strategic plan for technology support and capacity building to developing countries should be developed to improve effectiveness of capacity building, and to address gaps identified by assessment of existing activities and needs..."* and that this *"...could include an increased role for UNEP in country-level capacity delivery in particular through greater collaboration with UNDP."* (UNEP/GCSS. VII/6/34).

In order to improve the effectiveness of its capacity building activities in support of integrated policy design and implementation, ETB has facilitated a broad consultation process over the last several years through a series of international and regional workshops and meetings. ETB worked with a number of institutional partners in undertaking this process, particularly UNCTAD, through the UNEP/UNCTAD Capacity Building Task Force (CBTF) on Trade, Environment and Development. (For further information on the regional workshops and consultations see Annex I).

This consultation process has explored ways to enhance capacity building efforts by identifying gaps and deficiencies in current capacity building activities, key elements and delivery mechanisms for successful capacity building, and areas for future capacity building efforts that reflect the needs and priorities of countries. The main findings of this consultation process have been compiled in a background paper entitled, *"Capacity Building for Integrated Policy Design and Implementation for Sustainable Development"* prepared for an international meeting conveyed by ETB in Jeju Island, Korea in March 2004.

This meeting on Capacity Building for Integrated Policy Design and Implementation aims to enhance an international policy dialogue on the capacity building needs of developing and transitional countries with respect to designing policies that integrate environmental with other factors, including sustainable trade and poverty alleviation. Through the meeting, ETB will explore capacity building priorities and seek government and expert guidance on its capacity building activities in the field of economics and trade. The conference will provide an opportunity for representatives from governments of both developing and developed countries, international organizations, multilateral environmental agreements (MEAs), regional institutions and other stakeholders to develop concrete recommendations that foster coherent, coordinated and cost-efficient capacity building approaches for sustainable development.

The purpose of this paper is to augment the general capacity building paper prepared for the Korea meeting by outlining UNEP-ETB's past and future capacity building activities in support of integrated policy design and implementation. The paper presents the main focus of ETB's capacity building efforts in terms of objectives, substantive issues and delivery mechanisms for capacity

building. It further outlines how ETB is responding to the need to promote a cooperative and coordinated approach to capacity building by involving a broad range of partner organizations at the national, regional and international levels.¹ It is intended to stimulate discussions with capacity building beneficiaries and partners to that end.

II. ETB's Past and Future Capacity Building Activities

As noted above, ETB's specific capacity building activities in support of integrated policy design and implementation can be roughly broken down into three broad programme areas: integrated assessment and planning, economic incentives and sustainable trade. Chapters 3 to 5 of the following section provide an outline of ETB's past and planned future activities in these three areas. Chapter 1 describes the main objectives of ETB's capacity building efforts and the main delivery mechanisms currently being used. Chapter 2 gives an overview of ETB's past and future directions in enhancing institutional partnerships for capacity building.

1. Main Objectives and Delivery Mechanisms

Enhancing the capacities of countries to design and implement integrated policies that contribute to sustainable development has been and will continue to be at the core of ETB's activities. The efforts aim to build capacities of policy and decision makers, national experts, governments and non-governmental institutions to:

- assess the environmental, economic and social impacts of trade and other macroeconomic policies;
- design mutually supportive economic, trade and environment policies; and
- effectively implement integrated and mutually supportive economic, trade and environment policies.

To achieve these objectives, ETB has supported a number of country projects (for a complete list of projects see Annex II), facilitated a series of regional consultations and policy dialogues, supported thematic research and, based on this research, published a range of reference materials tailored to the needs of decision makers in developing countries and countries with economies in transition.

The regional consultations and policy dialogues facilitated by ETB intend to raise awareness, foster partnerships and build consensus on what constitute mutually supportive economic, trade and environment policies. The dialogues aim to enhance a shared perception and approach among major stakeholders and to identify recent capacity building needs and priorities on which future joint capacity building activities could be built.

ETB's thematic research focuses on topics related to trade, economics and sustainable development, with particular emphasis on identifying inter-linkages and possible synergies aiming to increase the understanding of the contribution of trade and environment policies to sustainable development. ETB takes an action-oriented approach to research work based mainly on country experiences, and involves experts from national research institutes, governments and NGOs in developing countries.

The reference materials developed from this research, i.e. reference manuals and training resource manuals, aim to assist negotiators, policy makers and practitioners in assessing the environmental impacts of macroeconomic policies including trade-related policies against widely accepted sustainable development criteria. Developed manuals and policy tools enhance decision makers'

¹ This paper presents the most important ETB activities related to capacity building and does not attempt to provide a discussion of every capacity building activity.

understanding of the potential environmental and socio-economic impacts of their policies and help the development of policy response packages to avoid negative impacts and enhance positive ones.

ETB plans to continue these capacity building activities in the future and expand the policy dialogues and thematic research into new areas such as integrated assessment and planning, regional trade and support to MEA implementation.

Country projects will continue to be the primary focus of ETB capacity building activities. Being entirely country driven – conceived, designed and conducted by national teams of practitioners - they have proven to be an effective tool for capacity building. Based on a multi-stakeholder process they help countries to foster sustainable development through the design of integrated policies combining economic, social and environmental objectives. Each country project concludes by recommending a set of practical measures, comprising command and control regulation, voluntary initiatives and economic instruments. ETB's future work will focus on both launching new country projects and building capacities in support of the implementation of the policy response packages recommended by previous projects, with particular focus on the implementation of economic incentives.

ETB plans to scale up its efforts to strengthen capacities of trainers, researchers and policy makers by developing training reference materials and by supporting training-of-trainers that enable trainers to pass on knowledge and skills to others. ETB's training reference manuals in the area of integrated assessment, economics and trade will continue to be supported by a detailed series of background papers and reference manuals that provide substantive background on key issues. These reference materials will also continue to be updated on a regular basis to ensure that capacity building beneficiaries are provided with the most up-to-date information. Trade-related training materials will be developed jointly with UNCTAD under the CBTF. ETB envisions using its network of collaborating institutions to disseminate the training packages. Network meetings will serve to refine the training modules, discuss training methodologies, share experiences, and clarify understanding of capacity building and training needs.

Box 2: Current ETB training materials

- Training Resource Manual: Environmental Impact Assessment
- Training Module: Introduction to capacity building for trade, environment and sustainable development (CBTF)
- Training Resource Manual: The use of economic instruments for environment and natural resource management
- Training resource manual: Integrated assessment of trade-related policies (in progress)

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In all these efforts, ETB aims to ensure that its activities reflect the specific needs and priorities of developing countries and countries with economies in transition that have been identified through various consultation efforts, including regional dialogues and country projects. ETB intends to continue to conduct needs assessments in cooperation with governments and other capacity building providers so that capacity building activities reflect evolving sustainable development challenges. Responding to requests from past consultations, ETB will enhance its activities with respect to capacity building in support of the implementation MEAs and integrated assessment and planning using a forward looking *ex-ante* approach.

2. Institutional Partnerships for Capacity Building

A central element of ETB's capacity building activities is developing partnerships with other organizations working on its programme areas at national, regional and international levels. As noted above, such partnerships respond to concerns expressed by recipients of capacity building activities and donors that providers should enhance their cooperation and coordination. One example of ETB collaboration is the UNEP-UNCTAD Capacity Building Task Force (CBTF) on Trade, Environment and Development, launched in 2000, that combines the strengths of both organizations to build

capacities on the environment and development aspects of trade. After a successful launch of this partnership, the CBTF has recently initiated a second phase of activities, including country projects, regional training workshops, and the production of training materials.

In addition, ETB has entered into agreements with a number of institutions (see Box 3), including national training and research institutes, regional organizations, universities and international NGOs. This network of collaborating institutions has contributed to, and at the same time benefited from, ETB's capacity building activities through involvement in country projects, research and training activities and regional workshops.

ETB plans to further decentralize its capacity building efforts by strengthening relationships with partners at national, regional and sub-regional levels. Future efforts will focus on broadening the network of collaborating institutions through partnerships with existing networks, and cooperation with universities, research institutions and other NGOs specializing in policy analysis, policy design and training.

Box 3: Network of collaborating institutions

- AIDEnvironment, The Netherlands
- Asian Institute of Technology (AIT), Thailand
- Centre for International Environmental Law (CIEL), Switzerland
- Centro Agronomico Tropical de Investigación y Enseñanza (CATIE), Costa Rica
- Central-American Commission on Environment and Development (CCAD), El Salvador
- Centre International des Technologies de l'Environnement (CITET), Tunisia
- Center for International Projects (CIP), Russia
- The Chinese University of Hong Kong, China
- Korean Environment Institute (KEI), Republic of Korea
- McGill University, Canada
- The Regional Environmental Center for Central and Eastern Europe (REC), Hungary
- Southern African Institute for Environmental Assessment (SAIEA), Namibia
- WWF International, Switzerland
- Agence International pour le Développement de l'Information Environnemental, Gabon
- International Institute for Sustainable Development (IISD), Canada
- International Centre for Trade and Sustainable Development (ICTSD), Switzerland
- World Conservation Union (IUCN - ROCA), Cameroon
- Integrated Research and Action for Development (IRADe), India

ETB will further enhance its partnerships with UNEP Regional Offices, UN Economic Commissions, and intergovernmental organizations, such as the WTO, UNDP, the World Bank, secretariats of regional economic agreements (e.g. EU ACP Partnership agreements) and regional trade agreements (e.g. FTAA, CAFTA, ASEAN and CARICOM, CAN). These partnerships aim to

enhance the coordination and implementation of its capacity building activities and to better tailor them to the needs and conditions of countries in the respective regions.

ETB also plans to strengthen its partnerships with UNEP-administered MEAs, such as the Convention on International Trade in Endangered Species (CITES), the Convention on Biological Diversity (CBD), the Montreal Protocol on Substances that Deplete the Stratospheric Ozone Layer, the Basel Convention on the Control of Transboundary Movement of Hazardous Wastes and their Disposal and the Cartagena Protocol on Biosafety (Biosafety Protocol). In close consultation with MEA Secretariats over the last several years, ETB has been exploring how its future capacity building work on trade-related and economic-related policies could support MEA implementation. Following these consultations, future activities will initially focus on supporting MEAs through joint capacity building activities on integrated assessment of trade-related policies and the use of economic instruments. In addition, MEA focal points at the national level will be further engaged in capacity building activities. (For further information on ETB's support of MEA implementation, see Annex III).

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3. Capacity Building on Integrated Assessment and Planning

ETB's work on integrated assessment and planning draws on its past experiences in the area of environmental impact assessment (EIA), which it has been engaged in since the early 1970s. Throughout this period, ETB has worked with governments to assist them in their efforts to enhance their institutional and human capacities for integrating environmental considerations into development planning and decision-making. Since 1997, ETB has supported a number of country projects on the integrated assessments of trade liberalization and trade-related policies. 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 in the promotion of sustainable development by helping them to identify key relationships and synergies between trade, the economy, society and the environment.

Drawing on these experiences, ETB is currently promoting the application of forward looking *ex-ante* integrated assessment and planning in developing and transition countries as a means of alleviating poverty and promoting sustainable development. In the future, ETB will continue to focus its energy on enhancing the capacities of countries to undertake such assessment and planning exercises.

Following a series of field trials, ETB published the second edition of its “*Environmental Impact Assessment Training Resource Manual*” in 2001 and complemented it with a “*Compendium of Case Studies of EIA Practice in Developing Countries*”. The training resource manual is designed for use in a flexible way for different types of training programmes, targeting government officials as well as practitioners. It assists trainers identify local EIA needs, custom design training and encourage networking of EIA professionals. In cooperation with the International Association for Impact Assessment (IAIA), ETB is further promoting the dissemination of the training manual through an IAIA website, providing access to the complete training materials and its country specific adaptations and translations, as well as to institutions that have experience running EIA training courses.

Based on its initial experiences in EIA, ETB expanded its research and capacity building activities into topics such as strategic environmental assessment (SEA) and integrated assessment in order to more fully promote sustainable development. In support of these efforts, ETB recently prepared a document on “*Environmental Impact Assessment and Strategic Environmental Assessment: Towards an Integrated Approach*” as a resource for those who are involved in EIA/SEA practice, training and professional development. Since EIA/SEAs increasingly include an evaluation of the social, economic, health and environmental impacts, particular emphasis is given to concepts, procedures and tools that are currently applied in implementing an integrated approach to impact assessment of development policies, plans and programmes.

To further enhance capacities of national institutions for the assessment of sectoral policies, ETB has carried out three rounds of country projects on integrated assessment analyzing the environmental, economic and social effects of trade liberalization and other trade-related policies. These three rounds of country projects have been carried out over the past six years and resulted in the publishing of eighteen country studies.² The third round of country studies focused on integrated assessment of trade-related policies in the agricultural sector. Undertaken by national research institutions in collaboration with relevant government ministries in all parts of the world, these studies identified key trade-environment-development linkages, positive and negative impacts, and policies to maximize the sustainable development gains from trade. Through the country projects, national institutions have increased their capacities with respect to assessment methodologies, stakeholder participation, inter-ministerial coordination and policy design and implementation. ETB has compiled and published a synthesis report, including lessons learned on each round of country projects, to further disseminate the experiences gained. (For a summary of the lessons learned, see Box 4). Current work related to these country projects is focusing on supporting the implementation of the policy response packages, with particular focus on promoting economic instruments (see country projects in chapter 4).

Based on the experiences gained through the country projects and further thematic research, ETB produced a “*Reference Manual on Integrated Assessment of Trade-related Policies*”. The reference manual is tailored to help policy makers and practitioners assess the economic, environmental and social impacts of trade policies and trade liberalization. Given the central importance of the agricultural sector for poverty alleviation and its ultimate links with the environment, ETB is currently developing a specific manual for integrated assessment of policies in this sector. Future ETB initiatives will include dissemination of these manuals and advising government ministries and institutional partners in their use. In addition, ETB is currently developing a training resource manual on integrated assessment of trade-related policies that will enable training institutes to conduct training courses on integrated assessment for policy makers, researchers and other stakeholders.

ETB has recently shifted the emphasis of its activities towards forward looking *ex-ante* approaches to integrated assessment in recognition that early action allows policy makers to respond more effectively to new challenges. Rather than responding after the fact with environmental or social measures to the effects of a change in trade policy, *ex-ante* assessments allow policy makers to proactively design trade and other policies as part of a fully integrated approach.

As part of a strategy to expand its assessment work beyond trade policies, to broader economic and planning policies, ETB launched a new initiative in June 2003 on Capacity Building for Integrated Assessment and Planning for Sustainable Development. This initiative involves relevant intergovernmental and non-governmental institutions such as the World Bank, UNDP, UN Economic Commissions, UNCTAD, IISD, IIED, WWF³ and national and regional research institutes.

Central to this initiative are eight country projects that assist countries in using assessment methodologies in integrating environmental, economic and social considerations into planning processes, while taking into account development priorities, including sustainable trade promotion and poverty alleviation. Using an *ex-ante* as well as a learning-by-doing approach with a strong participatory component, involving ministries of planning and environment and other relevant sector ministries, research institutions and NGOs, in the formulation and implementation of the projects, these country projects intend to support inter-ministerial coordination and to enhance capacities of

² For further information about the country studies see Annex II.

³ United Nations Development Programme (UNDP), United Nations Conference on Trade and Development (UNCTAD), International Institute for Economic Development (IIED), International Institute for Sustainable Development (IISD), World Wildlife Fund (WWF).

policy makers and national policy research institutes. To guide these new country projects, ETB established a working group comprised of experts and policy makers with extensive experience on various assessment methodologies and projects. The first meeting of the working group was held in February 2003 and focused on developing a framework for the ETB initiative on integrated assessment and planning, building on current integrated approaches and methodologies.

The outcomes from the newly launched country projects will be synthesized into a framework document on integrated assessment and planning, which will be disseminated for wider use by governments, international, national and regional institutions and others involved in promoting integrated assessment.

In addition, ETB will continue to respond to the growing demand for capacity building activities on integrated assessment at the national level, and explore possibilities to collaborate on such activities with governments, other international organizations, MEAs and regional economic and trade cooperation bodies (for further information see Annex III).

Box 4: Lessons learned from the country studies on integrated assessment

- Assessment methodologies will always have to be adapted to local conditions, needs and priorities. This requirement for flexibility also implies that a range 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 – the economic, with the environmental and social, with different units for each. Therefore valuation methods, which aid comparability, and hence accurate cost-benefit analysis of policies, are a crucial requirement.
- There is no substitute for 'learning-by-doing', both for capacity building and for the development of the assessment tool.
- An open, transparent and informed multi-stakeholder assessment process, allowing for sharing of perspectives, expertise and experience, is crucial to effective and accurate assessment, the development of the assessment tool itself, and its subsequent application.
- Linking generic methodology development with actual assessments on the ground enriches both the design of the assessment tool and its application. Including the same people involved in UNEP's country projects in the development of the manual proved to be a key to cross-fertilization of policy analysis and formulation.
- 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 meetings could become the core of an informal global network and resource pool of experts on assessment.
- Environmental and trade negotiators and other stakeholders still need to enhance their understanding of the linkages between trade and environment, but there are often institutional, procedural and political complexities in developing assessment methodologies and defining policy responses.
- Integrating developmental considerations into environmental assessment of trade and trade liberalization is no easy task in developing countries, in large part because there are few experts/policy makers who combine environmental and developmental perspectives on an equal footing. Therefore both types of expert need to be included in an integrated assessment processes, and those who can be said to adopt what one might describe as a 'sustainable development perspective' are particularly valuable.
- Environmental and social data sets in developing countries are less comprehensive than those in developed countries, implying that assessment approaches in developing countries require even more flexibility, innovation and

inspiration.

- It is especially important to distinguish export promotion from trade liberalization in the context of developing countries. Export promotion is a large part of the development strategy of many developing countries, but it is not the same as trade liberalization, though it is often mistaken for that.
- Capacity building remains the key to reducing developing countries' suspicion of the motives behind assessment of trade liberalization, and also to increasing their ability to use the tool to maximize the net development benefits of trade and trade-related policies.

4. Capacity Building on Economic Incentives

ETB's capacity building work on economic incentives has focused on assisting countries to design and implement economic incentives for effective environmental policy-making. Market-based incentives, including economic instruments, can be effective tools for promoting sustainable development by influencing production and consumption patterns, raising revenue for sustainable development purposes and supporting the implementation of MEAs. ETB has also focused its work on subsidies, particularly in the fisheries and energy sectors that can constitute perverse incentives and contribute to over-consumption and environmental damage. Assessing subsidies' various economic, environmental and social effects and working to reform those that cause harmful impacts can lead to more sustainable resource management and pollution control. Further efforts focus on supporting the development of methodologies for natural resource valuation and accounting, which is critical to developing more integrated and accurate national indicators for development.

The work on economic incentives is conducted mainly through country projects, the development of reference materials and policy dialogues. In addition, ETB established the Working Group on Economic Instruments and the Working Group on Fisheries to support the Branch's activities on these themes. Each working group comprises around 20 developed and developing country experts from governments, research institutes and relevant international organizations. The working groups meet at least once a year to discuss the findings of on-going projects, share new developments, and plan future directions in specific work areas.

In applying this work at the national level, ETB has supported four country projects on economic instruments for environmental policy-making. These projects build on the initial series of UNEP country projects on integrated assessment of trade liberalization and focuses on the implementation of economic instruments in specific economic sectors in developing countries.⁴ These studies are undertaken by national research institutions familiar with local conditions and priorities and involve a broad range of government and non-government stakeholders. They aim to enhance the capacity of national experts, policy makers and the private sector in understanding the opportunities and constraints to the successful choice, design and implementation of economic instruments.

Based on the experiences from these country studies, and further research assisted by the UNEP Working Group on Economic Instruments, ETB developed a reference manual on the use of economic instruments in environmental policy making. The publication *"The Use of Economic Instruments in Environmental Policy: Opportunities and Challenges"* provides policy makers, especially in developing countries, with practical guidance on deciding which types of economic instruments can work in addressing specific environmental problems given the country conditions. Through multiple phases and the use of assessment tools, it describes the process of introducing economic instruments into the existing policy regime, the supporting conditions needed for them to work effectively, and the potential effects of economic instruments on important societal factors such as poverty and

⁴For further information about these country studies, see Annex II.

sustainable development. Based on this manual, a training resource manual on the use of economic instruments in natural resource management is currently being developed in cooperation with the Capacity Building Branch of UNEP-DEPI.⁵ The manual is to be used by training institutes and individual trainers to further educate policy and decision makers on the application of such policy measures. A first training workshop based on this module was held in February 2004 in Nairobi.

As a first step towards promoting the use of economic instruments to support the implementation of MEAs, ETB launched a study on *“Economic Instruments in Biodiversity-related MEAs”* that explores the use of economic instruments in the specific context of CBD, CITES and the Ramsar Convention on Wetlands. The study examines the various economic instruments applied to confront biodiversity loss in a range of country case studies as part of national efforts to implement the obligations and objectives of biodiversity-related MEAs. The study also suggests ways to enhance the use of economic instruments in a synergistic way and to strengthen collaboration among the MEAs. ETB will shortly begin to explore the use of economic instruments in the context of three chemical-related conventions, namely the Basel, Rotterdam and Stockholm Conventions. On the basis of this research and further discussions with MEA Parties and Secretariats, further activities will be developed to assist government officials in the design and implementation of economic instruments for MEA implementation. ETB is currently considering initiating new country projects to further its research on the use of economic instruments particularly within the context of MEA implementation. (For further information see Annex III on MEA Implementation.)

As part of its work on integrated assessment (see Country Projects under Integrated Assessment of Trade-related Policies in Annex II), ETB supported country projects to assess the impacts of subsidies in the fisheries sector. Each country study proposed policy instruments, including a mixture of market-based instruments and command-and-control measures that aim to effectively curb trade-related environmental degradation and ensure that trade in fish and fish products remains sustainable over the long-term. Following the request of national institutions to assist them in implementing the proposed policy response packages, ETB supported a second phase of four country projects to assist the national teams with the implementation of economic instruments in the fishery sector.⁶

In addition, with the help of the Working Group on Fisheries, ETB has supported research on fishery subsidies, analyzing the impacts of different types of subsidies under different management and bio-economic conditions. Based on the research, a paper outlining options to reform fishery subsidy policies in a national and international context has been prepared and circulated to governments and other international institutions for comments. Future work on fishery subsidies will focus on the development of a guideline document on best practices and incorporating experiences gained in the country projects.

In its work on fisheries, UNEP coordinates closely with relevant organizations, including the FAO, WTO, OECD and regional fishery management organizations. Workshops organized in 1997, 1998, 2001, and 2002 involved a wide range of stakeholders that contributed to candid exchange and innovative approaches to policy reform. To ensure broad representation, UNEP financially assisted numerous developing country officials and NGO representatives from the fisheries, environment and trade sectors to take part in these workshops. In April 2004, UNEP will hold a governmental workshop that provides a forum for informal discussion and consultation between international institutions and trade and environment officials. UNEP will also present the results from ongoing country studies in the fisheries sector.

Responding to the need to better understand the uncertainties surrounding energy subsidies, ETB conducted, jointly with the International Energy Agency (IEA), a series of thematic workshops on reforming energy subsidies in 2000 and 2001, providing a platform for policy dialogue at the regional

⁵ Department for Environmental Policy Implementation (DEPI).

⁶ For further information about these country studies see Annex II.

level for government representatives, NGOs and industry. From this process, ETB selected nine country study presentations and elaborated them further with the help of national institutions.

Building on these case studies as well as further analytical work, ETB recently published a reference manual on energy subsidies entitled, “*Energy Subsidies: Lessons Learned in Assessing their Impact and Designing Policy Reforms*”. It provides an overview of methodologies for policy makers and other stakeholders to evaluate the economic, environmental and social effects of energy subsidies, and provides overall lessons and policy recommendations for the design and implementation of energy subsidy reform. The aim of the publication is to raise awareness of the impacts of energy subsidies and to guide decision makers and other stakeholders on how to undertake energy subsidy reform.

As part of its work on natural resource valuation and accounting, ETB has been involved in the preparation of an operational manual on *"Integrated Environmental and Economic Accounting"* jointly published in 2002 with the United Nations Statistical Division (UNSD). The manual is intended to serve as a reference document for the implementation of integrated environmental and economic accounting at the national level. In the future, ETB will increase its efforts to support the development of methodologies for valuation by producing further reference material for integrated economic and environmental accounting. The methodologies can be used in integrated assessments, cost-benefit analysis, risk assessment and revisions of national accounts to reflect the costs of environmental degradation, pollution and natural resource depletion. In collaboration with the United Nations Statistical Division (UNSD) and other relevant organizations, ETB plans to launch new country projects and conduct national and regional workshops related to the topic.

Box 5: Recent ETB publications related to its Programme on Economics

- The Use of Economic Instruments in Environmental Policy: Opportunities and Challenges
- Economic Instruments in Biodiversity-Related MEAs
- Fishery Subsidies and Overfishing: Towards a Structured Discussion
- Fisheries Subsidies and Marine Resource Management: Lessons learned from Studies in Argentina and Senegal
- Options to Reform Fishery Subsidy Policies in a National and International Context
- Energy Subsidies: Lessons Learned in Assessing their Impact and Designing Policy Reforms

5. Capacity Building on Sustainable Trade

ETB's capacity building activities on sustainable trade have focused on enhancing the understanding between trade, environmental protection and economic development and on the supporting policies that maximize the net development gains from trade and trade-liberalization. It further responded to the capacity building needs of developing countries and countries with economies in transition related to their effective participation in the WTO Doha Work Programme.

The UNEP-UNCTAD Capacity Building Task Force (CBTF) launched in 2000, has been the centrepiece of ETB's capacity building programme on environment, trade and sustainable development. Seventeen CBTF projects have been completed or are underway, including thematic research, country projects and training workshops. The overall objectives of the CBTF are to provide assistance in:

- Understanding and responding to linkages between trade, environmental protection and economic development.
- Developing policies, which maximize the net development gains from trade and trade-liberalization.
- Meeting capacity building needs of developing countries, in particular Least Developed Countries (LDCs), and transition economies relating to their effective participation in the WTO Doha Work Programme in the area of trade and environment.
- Capturing "win-win" opportunities offered by trade and globalization, with special reference to the *Plan of Action* adopted at the WSSD.

Through activities in five clusters – thematic research, country projects, training, policy dialogues and networking – the CBTF aims to help beneficiaries effectively address trade-environment-development issues at the national level and to participate in related deliberations at international level. Thematic research and country projects involving a learning-by-doing process, directly enhance the capacities of practitioners to assess and manage policy integration challenges in their countries.

Training raises awareness and broadens the information base on critical trade, environment and development issues. Policy dialogues and networking reinforce the learning process by allowing CBTF beneficiaries to exchange ideas, experiences and perspectives and to develop partnerships. (Further information on the CBTF and the projects conducted so far can be found on its website at: <http://www.unep-unctad.org/cbtf>.)

As previously noted, ETB has facilitated a series of international and regional meetings and consultations in all regions⁷ over the last three years to examine current capacity building activities on economics, trade, environment and sustainable development, the providers of these activities, their main delivery mechanisms, and gaps and needs to be addressed by future activities. They were attended by officials from over 80 countries, representing environment, trade, foreign affairs and economic ministries, and also involved representatives of international institutions, such as MEAs, UNDP, the World Bank, the WTO, and regional institutions, such as the CEC, NEPAD, SADC, CARICOM, the Andean Community Secretariat, and the Pacific Islands Forum Secretariat.⁸ The consultations and needs assessments, three of which took place in the context of CBTF workshops, have secured the views of national and regional officials, as well as NGOs and the private sector.

Together with the experiences gained in the first phase of the CBTF, these workshops and needs assessments are being used to structure the CBTF-programme for the second phase starting in 2004. UNEP and UNCTAD will launch new initiatives particularly at regional level, since commonalities within regions offer a potential to move faster on policy integration than at international level. Activities in the Caribbean, Africa and Andean countries are being prioritised in the initial set of activities in 2004. Thematic priorities for the second phase aim to enhance the capacity of countries to:

- undertake integrated assessment of trade liberalization and design policy responses to maximize sustainable development gains from trade;
- promote trade in environmentally preferable products, such as organic agricultural produce;
- identify environmental goods and services and related liberalization measures;
- understand MEA-WTO interactions, and identify the synergies between them;
- assess the interactions between trade liberalization and sustainable agricultural development, and design appropriate policy responses;
- enable the private sector to meet national and international environmental standards, including by developing early warning systems and networking and information exchange on these standards; and
- design policies to protect traditional knowledge and secure benefits from the use of biodiversity and genetic resources.

These and other capacity building activities requested by developing countries and economies in transition, would be conducted at national and regional levels, in close collaboration with the relevant ministries and other stakeholders. Special attention will be given to assistance to LDCs. Participants and substantive outputs from these national and regional activities would contribute to a series of workshops for trade negotiators in Geneva, to provide a link between capacity building “on the ground” and the enhancement of countries’ negotiating capacity in the WTO.

ETB will continue to undertake thematic research related to agriculture, intellectual property rights, environmental goods and services, trade-related measures in MEAs and eco-labelling aiming to enhance the effective participation of developing countries in WTO and regional trade negotiations.

⁷ For further information about the meetings see Annex I.

⁸ Commission for Environmental Cooperation (CEC), New Partnership for African Development (NEPAD), South African Development Community (SADC), Caribbean Community and Common Market (CARICOM).

(For further information see Box 6.) Based on this research, reference manuals and training resource manuals will be developed as a key tool for capacity building activities at national and regional level.

The first training module, “*Introduction to Capacity Building for Environment Trade and Sustainable Development*” has been finalized and will be disseminated soon. This introductory module will train people about capacity building tools and approaches and help them identify trade-related capacity building priorities. In addition, ETB envisions developing a practitioner manual for negotiators that briefly explains all the environment-related issues of the on-going WTO negotiations within the Doha Work programme.

As a broader awareness raising and capacity building tool, UNEP, in cooperation with the International Institute for Sustainable Development (IISD), published the “*Handbook on Trade and Environment*” in 2000. The handbook has fostered a clearer understanding of the inter-linkages between trade and environment, among a diverse audience of policy makers, NGOs, academics and the general public. It is currently being updated to reflect new developments and priorities in this policy interface, such as the role of regional trade agreements, the importance of capacity building for policy analysis and integration and lessons learned from the integrated assessment of trade-related policies.

Box 6: Thematic research currently being undertaken on the trade-environment interface

Sustainable agriculture and trade: Securing sustainable outcomes from ongoing agriculture negotiations at the WTO and in a number of other fora will require additional capacity. Different issues will be addressed such as linkages between agriculture, environment and trade liberalization, challenges of food security, genetically modified organisms, organic agriculture, environmentally preferable products, market access and value added for agricultural products.

Intellectual property, biodiversity and sustainable development: This policy nexus raises a range of issues, including those arising in relation to genetic resources, traditional knowledge, technology transfer and agriculture. Thematic research in this area will focus on biodiversity conservation and intellectual property rights including the establishment of regimes for the protection of traditional knowledge and access and benefit sharing, especially referring to the relationship between trade-related intellectual property rights as embodied in the WTO TRIPS Agreement, and CBD.

Environmental goods and services: Whereas environmental goods and services could provide major export opportunities for developing countries, those products and the potential opportunities have to be accurately identified. The capacity of developing countries to effectively engage in the international discussion on the definition of environmental goods, as well as their certification and importing requirements, also needs to be enhanced.

Trade-related measures in MEAs: Negotiations at the WTO are addressing the relationship between WTO rules and specific trade measures in MEAs, and related issues of information exchange and observer status. Collaborative capacity building involving the secretariats of the MEAs and the WTO should contribute to a mutually supportive outcome from these negotiations, and ensure that MEA implementation is strengthened. (For further information see Annex on MEAs.)

Eco-labelling and trade: Issues of labelling for environmental purposes have arisen in both trade and environment fora. Labelling can provide an incentive for more sustainable production and consumption, and may also have effects on market access. ETB's initial research shows that these effects need to be more clearly understood and quantified than they are at present, so as to realize the potential contribution of eco-labelling to sustainable development, while minimizing any adverse trade effects.

Annex I - Regional Consultations and Meetings

- ***European meetings.*** From 20-22 March 2001, a high level international meeting was organized under the auspices of UNEP and the German Federal Ministry for Environment, Nature, Conservation and Nuclear Safety (BMU) in Berlin, which attracted ministers and high level environment and trade officials from over 70 countries, as well as representatives of intergovernmental organizations, including the WTO and MEAs, and civil society. UNEP subsequently organized an international workshop in collaboration with the WTO on Capacity Building on Environment, Trade and Development in Geneva on 19-20 March 2002 to clarify ways to better design and coordinate capacity building programmes to meet the needs of developing and transition countries.
- ***North American meeting.*** An international workshop was held on 16 July 2002 in Washington DC on Capitol Hill, convened by UNEP, in cooperation with the Carnegie Endowment for International Peace, the WTO and UNCTAD Secretariats. This workshop was attended by approximately 150 participants representing the US and other governments, intergovernmental and non-governmental organizations, think-tanks, foundations, universities, corporations, trade associations, law firms and the media. Presentations and discussions identified countries' capacity building needs and how international institutions could better respond to these needs.
- ***Latin American and Caribbean meetings.*** An Alliance of Small Island States workshop was held on trade and sustainable development on 12-15 December 2001 in Montego Bay, Jamaica. Among other things, the workshop identified a number of issues for inclusion in needs assessments for capacity building initiatives in trade and environment in the region. A WTO regional workshop held on 28-30 January 2002 in Castries, St. Lucia included the participation of UNEP, UNCTAD and the Secretariats of three MEAs, and underlined the value of collaborative approaches to capacity building, especially with respect to the special needs of least developed countries and small island states. To define capacity building priorities for the broader Latin American and Caribbean region, a workshop was held on 19-21 February 2001 in Mexico City, co-sponsored by UNEP and other institutions including UNCTAD, the International Institute for Sustainable Development (IISD), the Mexican Council for Sustainable Development (COMEDS) and the National Autonomous University of Mexico. A second regional workshop for the region was held in Mexico City from 27-28 March 2003 to identify priority capacity building activities for the development of a long-term capacity building programme on trade, environment and sustainable development. Another workshop organized under the CBTF was held in Kingston, Jamaica on 27-28 November 2003. This workshop, which outlined and secured endorsement for a capacity building programme for this region, took place back-to-back with a WTO regional workshop on Trade and Environment, and was organized in collaboration with the Jamaican government, the Caribbean Community and Common Market (CARICOM) and the Institute for the Integration of Latin America and the Caribbean (INTAL) of the Inter-American Development Bank.
- ***African meeting.*** A workshop on Trade, Environment and Development was convened in Cape Town immediately following the WTO Regional Seminar for Anglophone African Countries held on 22 May 2003. Organized under the framework of the UNEP-UNCTAD CBTF, it was attended by representatives of the ministries of trade and environment of 16 African countries, the South African Development Community (SADC), The New Partnership for African Development (NEPAD) and the African Ministerial Conference on the Environment (AMCEN). The workshop provided an initial assessment of capacity building priorities, including the identification of priority topics for a regional workshop in 2004.
- ***Pacific region meeting.*** The UNEP-UNCTAD CBTF held a workshop on Post-Doha Issues on Trade and Environment back-to-back with the WTO regional seminar for Pacific Island Countries on 29 November 2002. The Fiji meeting provided a forum for participants to identify priorities for possible future CBTF activities in the region.
- ***Asian meeting.*** An international workshop will take place in Jeju Island, Republic of Korea, on 27-28 March 2004. Co-hosted by the Korean Ministry of Environment and UNEP, it will explore capacity building priorities related to environment, trade, and economic issues in the region, and serve as a forum for discussing the outcomes and findings of the UNEP-facilitated consultation process to date.

Annex II - List of Country Projects

Country Studies, Round I: Environmental Impacts of Trade Liberalization and Policies for the Sustainable Management of Natural Resources (published)

- Environmental Impacts of Trade Liberalization and Policies for the Sustainable Management of Natural Resources: A Case Study on Bangladesh's Shrimp Farming Industry (1999)
- Environmental Impacts of Trade Liberalization and Policies for the Sustainable Management of Natural Resources: A Case Study of Uganda's Fisheries Sector (1999)

With particular Focus on the Use of Economic Instruments

- Environmental Impacts of Trade Liberalization and Policies for the Sustainable Management of Natural Resources: A Case Study of India's Automobile Sector (1999)
- Environmental Impacts of Trade Liberalization and Policies for the Sustainable Management of Natural Resources: A Case Study of Romania's Water Sector (1999)
- Environmental Impacts of Trade Liberalization and Policies for the Sustainable Management of Natural Resources: A Case Study of Chile's Mining Sector (1999)
- Economic Instruments for the Sustainable Management of Natural Resources: A Case Study on the Philippines Forestry Sector (1999)

Country Studies, Round II: Integrated Assessment of Trade-related Policies (published)

- Integrated Assessment of Trade Liberalization and Trade-Related Policies, A Country Study on the Argentina Fisheries Sector (2002)
- Integrated Assessment of Trade Liberalization and Trade-Related Policies, A Country Study on the Cotton Sector in China (2002)
- Integrated Assessment of Trade Liberalization and Trade-Related Policies, A Country Study on the Ecuador Banana Sector (2002)
- Integrated Assessment of Trade Liberalization and Trade-Related Policies, A Country Study on the Export Crop Sector in Nigeria (2002)
- Integrated Assessment of Trade Liberalization and Trade-Related Policies, A Country Study on the Fisheries Sector in Senegal (2002)
- Integrated Assessment of Trade Liberalization and Trade-Related Policies, A Country Study on the Forestry Sector in Tanzania (2002)

Country Projects, Round III: Integrated Assessment of Trade Liberalization in the Rice Sector (ongoing)

- Integrated Assessment of the Agriculture Sector with Particular Focus on Rice in China
- Integrated Assessment of Trade Liberalization in the Rice Sector of Colombia
- Integrated Assessment of Trade Liberalization in the Rice Sector of Indonesia
- Integrated Assessment of Trade Liberalization in the Rice Sector of Côte d'Ivoire
- Integrated Assessment of Trade Liberalization in the Rice Sector of Nigeria
- Integrated Assessment of Trade Liberalization in the Rice Sector of Senegal
- Integrated Assessment of Trade Liberalization in the Rice Sector of Viet Nam

Country Studies, Second Phase: Implementation of Policy Response Packages with particular Focus on Economic Instruments (ongoing)

- Implementation of Policy Response Packages: A Country Study on the Cotton Sector in China
- Implementation of Policy Response Packages: A Country Study on the Argentina Fisheries Sector
- Implementation of Policy Response Packages: A Country Study on the Fisheries Sector in Senegal
- Implementation of Policy Response Packages: A Case Study of Uganda's Fisheries Sector
- Implementation of Policy Response Packages to Promote Sustainable Management of Natural Resources: Confronting Sustainability in the Mining Sector–Role for a Sustainable Fund (Country Study in Chile, 2003)

Country Studies on the Impact of Fishery Subsidies (published and ongoing)

- Fisheries Subsidies and Marine Resource Management: Lessons Learned from Studies in Argentina and Senegal (2003)
- Fisheries and the Environment, Country Studies from Bangladesh on the Fisheries Sector
- Fisheries and the Environment, Country Studies from Mauritania on the Fisheries Sector

Further Country Studies (ongoing)

- Economic Instruments and the Waste Sector: A Kenyan Case Study
- Capacity Building on Environment, Trade and Sustainable Development. Case Study in Lebanon
- Capacity Building on Environment, Trade and Sustainable Development. Case Study in Indonesia on Pulp and Paper

Case Studies on Energy Subsidies (included in the publication “Energy Subsidies: Lessons Learned in Assessing their Impact and Designing Policy Reforms”)

- Electricity Subsidies in India
- Oil Subsidies in Indonesia
- Energy Subsidies in Korea
- Energy Subsidy Reform in Iran
- LPG Subsidies in Senegal
- The Impact of Removing Energy Subsidies in Chile
- Energy Subsidies in the Czech and Slovak Republic
- Energy Subsidies in Russia: the Case of District Heating

Newly launched Country Projects on Integrated Assessment and Planning (ongoing)

- Capacity Building for Integrated Assessment and Planning for Sustainable Development in Brazil: The Soybean Sector and the Brazilian Amazon Development Plan
- Capacity Building for Integrated Assessment and Planning for Sustainable Development in Tanzania
- Capacity Building for Integrated Assessment and Planning for Sustainable Development in Indonesia: Formulation of Strategic Guidelines for Poverty Reduction with Sustainable Development Principles
- Capacity Building for Integrated Assessment and Planning for Sustainable Development in Colombia: Agricultural Trade Liberalization and its Relationship with the Environment and Poverty Alleviation

Building Capacity for Integrated Policy Design and Implementation for Sustainable Development

- Capacity Building for Integrated Assessment and Planning for Sustainable Development in Kenya: Support Global Village Energy Partnership Planning
- Capacity Building for Integrated Assessment and Planning for Sustainable Development in Uganda for Sound Environmental Management, Poverty Alleviation and Improvement of Health
- Capacity Building for Integrated Assessment and Planning for Sustainable Development in Russia
- Capacity Building for Integrated Assessment and Planning for Sustainable Development in Chile: Evaluating and Improving the Ministry of Agriculture's Environmental Agenda

Annex III - UNEP-ETB's Capacity Building Activities in Support of MEA Implementation

Introduction

One of the key priorities of the UNEP Economics and Trade Branch (ETB) is to enhance the capacities of developing countries, and those with economies in transition, to design and implement trade-related and other economic policies that maximize sustainable development gains by taking into account the three interdependent components of sustainable development – environmental protection, social equity and economic growth. These efforts reflect numerous international calls to support the development and implementation of integrated policies to promote sustainable development. For instance, *Agenda 21*, agreed to at the United Nations Conference on Environment and Development in 1992, called on governments, in cooperation with international organizations, to build national capacities to “integrate social, economic, developmental and environmental issues at all levels of development decision-making and implementation.” More recently, the *Malmö Ministerial Declaration*, agreed to at the First Global Ministerial Environmental Forum held in May 2000, noted that in order to confront the underlying causes of environmental degradation and poverty, environmental considerations must be taken into account when designing and assessing macroeconomic policies.

Over the past twenty years, a significant number of multilateral environmental agreements (MEAs) have been concluded. MEAs represent the aspirations, commitments and obligations of the signatory countries for protecting the global environment, and provide the frameworks for international cooperation. However, for many developing countries and countries with economies in transition, insufficient capacity and limited technical, technological and financial resources have impeded the implementation of MEAs. Given this, a key focus of ETB's capacity building activities related to integrated policy design and implementation has been, and will continue to be, working closely with MEA Secretariats to support their implementation.

In the past, much of the focus of ETB's activities has been on information exchange and coordination, and collaboration between the WTO and MEA Secretariats in order to enhance synergies between these institutions. Although this will remain a key aspect of ETB's work, ETB plans to expand its activities to include supporting MEA implementation through capacity building activities on integrated assessment of the impacts of trade and trade-related policies on the implementation of MEAs and the impacts of the latter on sustainable development, including market access and sustainable trade promotion, and poverty alleviation. Activities will also include the development of policy response packages, including economic instruments, to realize the objectives of MEAs. This will include the development of reference materials, the convening of regional and national workshops and by providing technical assistance and support to government efforts to enhance their capacities to develop and implement mutually supportive trade and environment policies.

The purpose of this annex is to provide an overview of ETB's past and future capacity building activities in support of MEA implementation.⁹ The following section provides a brief outline of capacity building needs and priorities related to the implementation of MEAs that have been identified by ETB through various meetings and consultations.

⁹ As such, the Annex does not provide an exhaustive list of all UNEP activities related to the promotion and implementation of MEAs. There are a number of other branches and divisions within UNEP that engage in a multitude of activities in support of MEA implementation, such as the Division on Environmental Policy Implementation.

Identifying Capacity Building Needs and Priorities

Over the last several years, ETB has facilitated a broad consultation process through a series of international and regional workshops and meetings to, among other things, determine the capacity building needs of developing countries and countries with economies in transition. In undertaking this task, ETB has collaborated with a number of institutional partners, particularly UNCTAD, under the auspices of the UNEP-UNCTAD Capacity Building Task Force (CBTF) on Trade, Environment and Development. One of the key priorities articulated by parties during these consultations was the need for enhancing capacity building activities related to the implementation of MEAs.

In addition to this process, ETB has facilitated a series of meetings, beginning in 1998, involving the MEA and WTO Secretariats, UNCTAD, governments and non-governmental organizations (NGOs) with the aim of building cooperation and synergies between MEAs and the WTO. Participants at the meetings agreed that greater coordination and cooperation between MEAs and the WTO requires greater coordination between trade and environment ministries at the national level.

The following is a list of the specific capacity building priorities in support of the implementation of MEAs identified during these various meetings and consultations:

- Undertaking environmental and integrated assessment of trade-related policies;
- Promoting the design and application of economic instruments in support of MEAs;
- Development of a clearer understanding of the relationship between the multilateral trade and environment regimes, including the relationship between WTO rules and specific trade-related measures in MEAs;
- Better training of customs officers, especially in light of growing illegal trade, which often has significant negative environmental impacts;
- Support for additional research and case studies to examine whether the identification or certification of traded goods are being produced in a manner supportive of MEAs create more trade barriers or more trade opportunities;
- Development of a clearer understanding of the relationship between trade-related intellectual property rights and the Convention on Biological Diversity;
- Promotion of trade in environmentally friendly products, particularly those from developing countries;
- Development of complementary and harmonized capacity-building activities by the MEA and WTO Secretariats and UNEP; and
- Development of synergies between technology transfer provisions in MEAs and the WTO TRIPS Agreement, with a view to strengthening the implementation of these provisions.

With respect to the needs identified, ETB's future capacity building efforts are expected to focus on those that relate to economic instruments, integrated assessment and trade-related measures in MEAs.

To further direct its activities, ETB also participated in several bilateral discussions with the Secretariats of UNEP-administered MEAs, including the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), the Convention on Biological Diversity (CBD), the Montreal Protocol on Substances that Deplete the Ozone Layer (Montreal Protocol), the Basel Convention on the Control of Transboundary Movement of Hazardous Wastes and their Disposal (Basel Convention), and the Cartagena Protocol on Biosafety (Biosafety Protocol). During these discussions, the Secretariats identified the following potential capacity building activities that could be undertaken in support of their implementation:

- Strengthening the biodiversity element of integrated assessments applied at the national or regional level, including further development of biodiversity assessment methodologies (CBD);
- Evaluating the use of economic instruments at the national level as a tool for the conservation and sustainable management of biodiversity (CBD);
- Analysing the impact of subsidies and other trade barriers on biodiversity (CBD);
- Promoting the use of economic instruments for the efficient management of wastes, such as used oil or lead batteries (Basel);
- Analysing the impact of subsidies and other trade barriers on endangered species (CITES);
- Evaluating the use of economic instruments in the promotion of sustainable trade in endangered species (CITES);
- Exploring the use of integrated assessments to evaluate wildlife trade policies (CITES);
- Designing and implementing capacity building activities on trade-related aspects of the MEA in accordance with the needs and requests of its Parties (Biosafety Protocol);
- Incorporating trade-related issues relevant to the implementation of the MEAs in UNEP workshops held back-to-back with the WTO Committee on Trade and Environment special and regular sessions; and
- Supporting MEA Secretariats in their efforts to obtain observer status in WTO committees relevant to their agreements.

The following section outlines ETB's past, present and potential future capacity building activities related to MEA implementation.

UNEP-ETB Capacity Building Activities in Support of MEA Implementation

Integrated Assessment

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 in the promotion of sustainable development. In particular, integrated assessment of trade-related policies and other economic policies helps policy makers identify key relationships and synergies between trade, the economy, society and the environment. Such information increases the capacity of policy makers to develop policies that enhance the positive effects, minimize or avoid the negative effects, and maximize the net contribution of trade to national sustainable development priorities. As such, integrated assessment of trade-related and other economic policies can aid in the implementation of MEAs by contributing to the design and implementation of policies that support such agreements.

Since 1997, ETB has carried out three rounds of country projects in a total of eighteen countries focusing on integrated assessment of trade-related policies. These country projects have been entirely country driven – conceived, designed and conducted by national institutions and governmental ministries. ETB's experience with country projects on integrated assessment and economic instruments indicates that a "learning-by-doing" approach to the design of policies and the application of policy-making tools can be a very effective way to build inter-ministerial coordination on trade and environment issues. The projects improve horizontal and vertical coordination between policy sectors and government ministries, and help to improve understanding of the inter-linkages between social, economic and environmental policies. Moreover, the projects enhance national capacity in the design and application of assessment methodologies, increase stakeholder

participation, and enhance national capacity to continuously address relevant policy linkages in the future.

The third round of country projects focused on integrated assessment of trade-related policies in the agricultural sector. This round of country projects aimed to, among other things, support the implementation of the CBD by assessing the impact of trade liberalization in the agricultural sector on biological diversity. The projects supported a recent decision by the CBD Conference of the Parties (COP) (Decision VI/5) requesting that studies be undertaken to ascertain the impacts of trade liberalization on agricultural biodiversity. However, assessing this impact proved to be challenging given the paucity of biodiversity assessment methodologies and indicators. Subsequent discussions with the CBD Secretariat revealed that there is a need to further refine and develop biodiversity assessment methodologies. Given this need, ETB is currently developing proposals for future integrated assessment projects that will support the implementation of the CBD with particular focus on the refinement of biodiversity assessment methodologies and indicators.

CITES parties and the Secretariat have expressed strong interest in drawing on ETB's experience in integrated assessment to design national wildlife trade policy reviews, which maximize stakeholder engagement and enhance national ownership of and capacity to design such policies. This issue was raised in a workshop on economic incentives and trade policy organized by CITES in December 2003. The purpose of the workshop was to prepare proposals for a practical methodology for designing, implementing and assessing national wildlife trade policies on the one hand and for identifying and implementing targeted economic incentives to strengthen implementation of CITES on the other.

ETB will continue to respond to these and other demands for capacity building activities on integrated assessment, and will continue to explore ways in which these activities can be used in support of MEA implementation.

Trade, Environment and Sustainable Development

To maximize the joint contribution of trade and environmental policies to sustainable development, the mutual supportiveness and coherence of trade and environmental agreements and policies, and their related rules and institutions, need to be strengthened. The separation of responsibility at the national level for the negotiation and implementation of MEAs and trade agreements between ministries of environment and trade makes capacity building on these issues all the more important.

In the past, ETB's capacity building efforts have included activities to make complex and often finely balanced international and regional trade and environmental agreements comprehensible to the respective policy-making communities and enable them to understand inter-linkages and identify synergies between these two disciplines. In addition, ETB has focused on enhancing coordination and collaboration between the WTO and MEA Secretariats. Future ETB work will also focus on capacity building activities relevant to regional trade liberalization processes and the development of reference and training materials related to the design and implementation of mutually supportive trade and environment policies.

Increased participation of environment officials in the WTO Committee on Trade and Environment, Special Sessions (CTESS), including those responsible for negotiation and implementation of MEAs, enhances inter-ministerial contact and understanding at the national level. Since October 2000, UNEP has been providing financial support to environment officials from developing countries and economies in transition to attend the CTESS. ETB has also facilitated a series of Secretariat-to-Secretariat meetings, and broader meetings including governments and NGOs, to discuss the relationship between MEAs and the WTO on such issues as dispute settlement, compliance, information exchange, and trade-related measures in MEAs. Several of these meetings were held back-to-back with the CTESS and resulted in Chairman's summaries that informed the CTESS

negotiations. MEAs have requested continued support in their efforts to secure observer status in relevant WTO Committees, such as the SPS and TBT Committees.

UNCTAD and UNEP, under the CBTF, have also held workshops and seminars back-to-back with WTO regional seminars on trade and environment, including workshops in Fiji, Cape Town and Jamaica. The workshops have focused on specific issues of importance to countries in these regions, including integrated assessments of trade-related policies and MEA-WTO interactions. There is both a need and an opportunity to engage MEA Secretariats more regularly in such regional activities whose balanced and multidisciplinary nature has been much appreciated by national trade and environment officials.

This recent collaboration between the WTO and the CBTF provides a powerful and cost effective tool for bringing trade and environment officials together to explore and enhance synergies on specific policies and issues. At the regional and sub-regional levels, groups of trade and environment officials from countries with similar levels of development, economic priorities, environmental challenges, and linguistic and cultural commonalities are often able to progress faster with policy integration than groups working at the international level. Moreover, capacity building events at this level also present good opportunities to engage a broad range of stakeholders in multidisciplinary discussions on the implications of trade measures, including public interest NGOs and the private sector.

ETB is currently exploring the possibility of working with regional partners in the development of capacity building activities relevant to regional trade liberalization and economic integration processes, which may also impact on the implementation of MEAs. Regional organizations for economic integration (such as Mercosur in Latin America, and SADC in Southern Africa), which are expanding their activities into cooperation on environmental policies and/or sustainable development strategies, could play an important role in developing capacity building activities jointly with the WTO, MEAs and UNEP in economic sectors that relate closely to implementation of some MEAs (e.g., the energy, agriculture and water sectors). Such activities would benefit from the presence of regional and national policy research and training institutes that have analytical, policy-making and capacity building expertise. Recent CBTF workshops in Africa and the Caribbean have shown a strong interest from national governments and regional organizations in enhancing their capacities to analyse and respond to the interactions between MEAs and the WTO. In the Caribbean there was further interest in exploring the links between the implementation of specific MEAs such as the CBD, the Basel Convention and CITES and the liberalization of trade in environmental goods and services and trade in environmentally preferable products.

In addition to this work, ETB will continue developing reference materials (such as background papers and training manuals), in conjunction with UNCTAD under the CBTF, on various trade-environment issues, including integrated assessment of trade-related policies, environmental goods and services, eco-labelling, intellectual property rights and the environment, trade and agriculture, and trade-related measures in MEAs. These materials could provide valuable information to trade and environmental policy makers in the development of integrated policies.

Economic Incentives

Economic incentives, if properly designed, can be effective tools to enhance sustainability by influencing production and consumption patterns, raising revenue for sustainable development purposes and generally encourage economic actors to take appropriate actions to protect the environment. ETB's past capacity building work with economic instruments has focused on assisting developing countries to design and implement economic incentives in support of sustainable development.

The use of such economic tools is increasingly recognized as having an important role to play in the implementation of multilateral environmental agreements (MEAs). The importance of economic instruments and other incentives in implementing MEAs has been recognized in the text of a number of agreements, and in the discussions and decisions of MEA COPs. Moreover, the secretariats of CITES and CBD, as well as the Basel Convention, have noted an increasing interest among parties in the application of economic instruments to strengthen MEA implementation. The CITES workshop on economic incentives and trade policy in December 2003 also highlighted this issue and suggested that future work on economic incentives will be based on existing ETB work on economics, and involve UNEP's working group on economic instruments.

As a first step towards promoting the use of economic instruments in support of MEA implementation, ETB has published a paper entitled, "*Economic instruments in biodiversity-related MEAs.*" The paper looks at the role and importance of economic instruments in the context of three specific MEAs – the CBD, CITES and the Ramsar Convention. It discusses some of the conditions, such as accurate valuation of natural resources and the environment, stakeholder participation and capacity building, necessary for the successful use of economic instruments, and offers a number of suggestions for future activities to support policy makers and negotiators in the design and use of economic instruments to meet the objectives of biodiversity-related MEAs.

ETB also plans to explore the use of economic instruments in the context of three chemical-related MEAs, namely, the Basel, Rotterdam and Stockholm Conventions. On the basis of this research and further discussions with MEA parties and Secretariats, capacity building materials may be developed to assist government officials in the design and implementation of economic instruments. ETB is also currently assessing the possibility of initiating new country projects to further support the use of economic instruments in MEA implementation at the national level.

Perverse incentives and trade barriers which re-orient economic activities or distort trade in a manner which undermines the achievement of MEA objectives are of increasing concern to some MEA parties and Secretariats. In particular, production subsidies directed to the agricultural, fisheries and energy sectors have been clearly shown to have negative environmental effects. The COP of the CBD has formally mandated analytical work in this area. In addition, the CITES Secretariat sees both subsidies and other forms of trade barriers as having the potential to negatively impact endangered species. MEA parties could thus benefit from an enhanced capacity to analyze the effect of subsidies and other trade barriers on biodiversity, natural resources and energy use.

ETB has been engaged in several country studies to look at the impact of subsidies, particularly in the fisheries and energy sectors. The studies found that subsidies can contribute to over-consumption and environmental damage, and addressing the use of subsidies can lead towards more sustainable resource management and pollution control. ETB is currently assessing ways in which it might be able to build on its work in this area to support the implementation of MEAs.