



## **Capacity Building (1): Country Projects**

**Background:** The rapid growth of trade associated with globalisation has raised concerns about trade's environmental and developmental impacts in many developing countries and countries with economies in transition where recent national trade liberalisation reforms have been extensive. In countries where these impacts are significant, environmental damage from increased trade reduces net economic gains from exports and thus undermines development prospects. In addition to national trade policies, multilateral trade rules can inadvertently encourage environmentally damaging economic activities at the national level.

The effects of trade aside, many countries are finding that domestic development trends and policies are resulting in increasing natural resource depletion and environmental degradation. Many thus seek to design and implement economic instruments to better manage their natural and environmental resources. This is particularly important for developing countries characterised by low living standards, poverty and the intensive use of natural resources, where there is a need to protect the environment without retarding economic growth. The challenge for these countries is to identify and adopt instruments that integrate national environmental and economic objectives.

Capacity building is indispensable if countries are to effectively address sustainable development challenges and fully capture the benefits of globalisation. As the pace of globalisation accelerates, UNEP's role must be significantly expanded to respond to the growing need for capacity building on this complex policy interface.

UNEP works closely with developing countries and countries with economies in transition to enhance their institutional and human capacities to assess the environmental impacts of national and multilateral trade policy as well as the impacts of economic development policies. The overall objective of these assessments is to find ways to internalise environmental costs through the use of economic instruments and other policies that promote efficient environmental management. Following such assessments, UNEP assists countries to develop complementary policies to reduce negative trade-related environmental impacts and enhance positive ones. UNEP's Country Projects represent the core of UNEP's capacity building activities on trade and environment.

**Goals and Objectives:** UNEP Country Projects aim to stimulate participating countries from Asia, Africa, Latin America, and Eastern and Central Europe to develop sustainable development policies, including mutually supportive trade and environment policies. This involves undertaking integrated environmental, social, and economic assessments of national trade liberalisation policies and multilateral trade rules, and formulating cost effective regulatory and economic instruments as well as voluntary initiatives at the national level to internalise the 'external' costs of trade and promote sustainable development. Additionally, projects seek to enhance participating countries' appreciation of the implications of multilateral trade rules for sustainable development. Country Project objectives are thus to:

- build capacity for systematic integrated assessment of the impacts of globalisation and related trade liberalisation policies and multilateral trade rules on the environment;
- understand and quantify the economic, environmental and social costs and benefits of different trade policies and multilateral trade rules;
- develop the strategic policy responses needed to further sustainable development in the country and sector studied.

**Approach:** Through a broad-based participatory process, UNEP Country Studies on trade liberalisation and the environment help countries operationalise sustainable management of natural and environmental resources, including biodiversity, in order to improve the welfare of current and future populations they support. UNEP Country Projects are entirely country-driven – conceived, designed and conducted by national teams of practitioners. Project studies encompass new solution-oriented research on unique trade-related environmental problems and their social and economic implications in diverse sectors. Country Projects involve multi-stakeholder participation – including local citizens, relevant government departments, UN bodies, academia, industry and the private sector – to identify the dynamics involved in environmental degradation, and to develop widely acceptable national response strategies. Each country project concludes by recommending a set of practical measures – comprising command-and-control regulations, voluntary initiatives and economic instruments designed to meet national conditions – that can significantly reduce trade-related environmental degradation while not negatively affecting trade. Projects do not end with published studies; their final component involves pilot implementation of proposed measures undertaken by

national authorities in collaboration with each project's national team and with technical assistance from UNEP.

**Activities:** National teams in participating countries each implement a specified sequence of project activities:

- development of a work-plan identifying the sector selected and activities to be undertaken during the 12-18 month project;
- establishing, and convening meetings of a national steering committee and convening national stakeholder workshops to launch the project and later discuss the recommended policy options and their implementation;
- performing an environmental impact assessment, a resource valuation analysis, and completing a cost benefit analysis of trade liberalisation in the selected sector, which also takes account of developmental impacts (social and economic);
- design of a corrective policy package that minimises negative, and maximises positive, environmental impacts identified in the study's environmental impact assessment;
- implementation of the recommended policy package on a pilot basis; and
- follow-up evaluation of the project.

**Experience:** A first round of Country Projects involved the participation of Bangladesh, Chile, India, the Philippines, Romania and Uganda from 1997-1999. Responding to high demand, UNEP launched a second round of Country Projects in Argentina, Chile, China, Ecuador, Kenya, Nigeria, Senegal, Tanzania and the Philippines in 2000.

**Sectoral Coverage** of Country Projects implemented to date:

- Agriculture: China, Ecuador and Nigeria
- Fisheries: Argentina, Bangladesh, Senegal, Uganda
- Forest Resource Management: Philippines, Tanzania
- Manufacturing and Transportation: India
- Mining: Chile
- Water Resource Management: Romania
- Waste Management: Kenya

**Results in Participating Countries:**

- Greater awareness and understanding of the factors leading to environmental degradation, or benefit, associated with trade liberalisation policies and multilateral trade rules in the specific sector, and their effect on sustainable development.
- Enhanced capability of government policy makers and private sector decision makers to develop strategic management responses – including policy packages comprising economic instruments/regulations and voluntary initiatives – to mitigate the negative environmental impacts of trade liberalisation, taking into consideration their economic implications.
- Strengthened institutional and human resource capacities for the implementation of policy packages that support and integrate trade and environmental objectives.

**Further Information:** on Country Projects is available at the UNEP website: [www.unep.ch/etu](http://www.unep.ch/etu) and through numerous publications, including country reports, available online and in hardcopy format upon request. UNEP's Economics and Trade Unit staff may be contacted by e-mail at [etu@unep.ch](mailto:etu@unep.ch).