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ПРОГРАММА ОРГАНИЗАЦИИ ОБЪЕДИНЕННЫХ НАЦИЙ ПО ОКРУЖАЮЩЕЙ СРЕДЕ

Discussion Paper

Capacity Building on Environment, Trade and Development: Trends, Needs and Future Directions

prepared for

**UNEP WORKSHOP ON CAPACITY BUILDING ON ENVIRONMENT, TRADE AND DEVELOPMENT
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Summary

Assisting countries to meet the challenges of globalisation places new demands on capacity building programmes. To maximise the net sustainable development gains from trade liberalisation, integrated national and international policy-making resulting in mutually supportive environment, trade and development policies is required. In recent years, despite a considerable offering of capacity building services in this area, efforts have neither been adequate nor yielded desired outcomes.

In the follow-up to the WTO Doha Ministerial Conference, as governments seek to develop a more effective approach to environment, trade and development capacity building, there is a need for providers and beneficiaries of capacity building services to reassess current approaches to capacity building and work together to design and implement more effective programmes. Towards this aim, UNEP is undertaking an initiative to catalyse the formation of new partnerships aimed at improving the effectiveness of capacity building on environment, trade and development. Other efforts have been undertaken in this regard, such as the UNEP-UNCTAD Capacity Building Task Force on Trade, Environment and Development, established in 2001.

To further promote international cooperation to enhance capacity building on this important policy interface, UNEP, in collaboration with the WTO, is organising a workshop on Capacity Building on Environment, Trade and Development. Workshop discussions seek to clarify the needs of developing countries and those with economies in transition for capacity building, and examine ways in which existing capacity building programmes can be better designed and coordinated to more

effectively meet these needs. Discussions will also evaluate the results of a UNEP survey of over 30 organisations engaged in capacity building on environment, trade and development. The survey points to gaps where programmes can be improved. It demonstrates the need to develop coordinated, long-term capacity building programmes of a broader scope to enhance national institutional and human capacities for: integrated assessment of trade policies; the development and implementation of national policies to maximise the net sustainable development gains of trade; and the adaptation and use of environmentally sound technologies to promote sustainable development and enhance market access opportunities. Moreover, the design and implementation of programmes should be based on national needs assessments and engage the full range of stakeholders in beneficiary countries. Programmes should also explore new delivery options based on active collaboration between multilateral, regional, subregional and national institutions.

UNEP is convinced that meeting the capacity building challenges of maximising trade's contribution to sustainable development requires both more resources, and the better use of existing ones. Furthermore, it is clear that this objective can only be achieved by enhanced collaboration between UNEP, the WTO, UNCTAD, UNDP, the World Bank, MEAs, regional organisations and NGOs. UNEP stands ready to work closely with these institutions, governments and civil society in meeting the environment, trade and development capacity building requests of developing countries and countries with economies in transition.

1. Introduction

This paper has been prepared to support a 19-20 March 2002 Workshop on Capacity Building on Environment, Trade and Development organised in Geneva by United Nations Environment Programme (UNEP) in collaboration with the World Trade Organization (WTO). The workshop provides an open forum for participants from governments, intergovernmental organisations

and nongovernmental organisations (NGOs) to assess emerging needs and reassess current approaches for capacity building on environment, trade and development. Workshop discussions aim to identify ways that countries' capacity building needs can be better met through more effective capacity building programmes and activities. Therefore, as its objective, the workshop will provide guidance for the preparation of a plan of action for enhancing the depth, complementarity, coordination and delivery of capacity building programmes on environment, trade and development for developing countries and countries with economies in transition.

There has been increasing recognition, particularly during the last decade, of the importance of capacity building for developing countries and countries with economies in transition to address the challenges of sustainable development. The urgent need for capacity building on trade and environment was further highlighted at the Fourth Session of the WTO Ministerial Conference (Doha, November 2001) where delegates from 144 countries agreed on an agenda for a new round of WTO negotiations.

Future negotiations will, for the first time, cover a range of trade-related environmental issues, both as stand-alone negotiating objectives, and integrated into other negotiating objectives. Ministers reaffirmed their commitment to sustainable development and mutually supportive trade and environment policies and stressed the "importance of technical assistance and capacity building in the field of trade and environment to developing countries". In this context the decision by governments to launch a new round of WTO negotiations on trade-related environment and development issues further underscores the need for dynamic, structured, effective, and well coordinated capacity building programmes reflecting beneficiary countries' current, emerging and long-term needs.

Although national and international policy-making that integrates environment, trade and development considerations is a relatively new discipline, primarily emerging only during the past decade, a considerable offering of capacity building services in this area has been made by intergovernmental and nongovernmental organisations in recent years. However, despite these efforts, capacity building services have neither been adequate nor yielded desired outcomes. Improving the effectiveness of capacity building programmes must start with an assessment of past efforts. UNEP has conducted a survey of over 30 organisations currently providing trade and environment related capacity building assistance. Results of this 'stocktaking' survey, presented as an annex to this paper, illustrate the strengths and weaknesses of current approaches to capacity building. They also point to steps that can be taken to restructure the capacity building process for greater effectiveness. This paper synthesises those results, and the experiences of capacity building service providers and beneficiaries as reported in the literature and in international fora, and communicated to UNEP through consultations with governments.

Capacity building service providers and beneficiaries continue to have misconceptions about what represents a useful and effective capacity building package. At the international level, neither a common understanding of, nor agreement on, capacity building requirements in the area of environment, trade and development have been established. Moreover, most service providers have not sufficiently coordinated their programmes inter-alia to ensure a consistent, cost-effective long-term approach to capacity building. Too often, capacity building programmes have been conceived without due consideration of the specific requirements, needs and conditions of beneficiary countries. In many cases, services have been, and continue to be delivered on an uncoordinated ad-hoc basis by different institutions.

The scope and depth of programmes have been mostly limited to the delivery of formal training packages, and the convening of seminars and workshops to discuss general conceptual issues. Moreover, most activities within programmes have been one-off exercises, without linkages and lacking related follow-up, evaluation and ongoing needs assessment to respond to emerging policy needs and priorities. It should also be recognised that, to date, the provision of capacity building assistance has generally been based on a flow of services from North to South and West to East, without encouraging the active involvement of regional, sub-regional and national institutions in their design and delivery. This has entailed lost opportunities for enhancing South-South and East-East cooperation.

If developing countries and countries with economies in transition are to reap maximum benefits from integrating into the multilateral trading system they must develop mutually supportive environment, trade and development policies, and effectively implement them. Capacity building efforts must advance beyond currently adopted approaches to achieve this goal, and be clearly defined and extended to meet immediate and long-term country needs.

In advancing the agenda set by the Doha Ministerial Conference, governments seeking to develop a more effective approach to environment, trade and development capacity building should evaluate recent capacity building activities to identify gaps where the process, scope, coordination and follow-up of activities can be improved. There is a need for the international community to develop coordinated, long-term capacity building programmes of a broader scope to enhance national institutional and human capacities for: integrated assessment of macroeconomic policies, including trade policies; the development and implementation of market-based and regulatory policies to maximise the net sustainable development gains of trade; and the adaptation and use of environmentally sound technologies to promote sustainable development and enhance market access opportunities. In addition, capacity building programmes should promote good governance, transparency and accountability by encouraging broad public participation and engaging stakeholders from government, the private sector, national institutions, local communities and NGOs in national policy assessment, development and implementation. Design and implementation of programmes should be based on national needs assessments and engage the full range of stakeholders in beneficiary countries. Capacity building programmes should explore new delivery options based on active collaboration between multilateral, regional, sub-regional and national institutions.

Finally, funding in recent years for environment, trade and development capacity building has been unpredictable. Current levels fall far short of meeting the growing demand for capacity building services. Developing modalities to ensure adequate and sustained funding for strategic capacity building programmes remains an urgent priority.

To demonstrate the critical need for more effective capacity building on environment, trade and development in developing countries and countries with economies in transition, and to subsequently identify gaps and ways to appropriately restructure existing programmes, the remainder of this discussion paper is organised as follows:

Section 2 highlights the important role trade and globalisation play in economic development and describes why trade-related capacity building remains critical to assist countries integrate into the global economy. However, such capacity building must extend to cover trade's environmental and developmental linkages. Such an extension is urgently needed to assist countries integrate environment, trade and development objectives into policy-making to assure a mutually supportive policy framework that maximises the net sustainable development gains of trade.

Section 3 reviews the major challenges and requirements for integrated environment-trade-development capacity building. By making a preliminary identification of the major deficiencies of recent efforts, it demonstrates current approaches to capacity building should be restructured. Capacity building programmes should comprise more intensive and participatory country-based efforts aimed at human resource development and institution building through stronger long-term partnerships between service providers and beneficiaries. Such partnerships can ensure the long-term sustainability and continuity of programmes. They should also be repackaged by consolidating and better integrating activities over time to make capacity building responsive to the immediate and long-term needs and development priorities of countries. Organisations providing capacity building services should identify ways to more effectively deliver capacity building services using delivery mechanisms that involve active cooperation with relevant regional, sub-regional and national institutions. Finally, programmes should be redesigned to cover a wider set of topical issues needed to support countries' sustainable development objectives. A set of topics where environment, trade and development capacity building is most needed is proposed. In **Section 4**, an example of how effective capacity building can be developed is illustrated for one such topic: *“Enhancing synergies between MEAs and the WTO”*.

Finally, UNEP's 'stocktaking' survey of capacity building assistance providers' activities and experiences is presented as an **Annex** to this paper. Based on the UNEP questionnaire and reports in the literature, the survey covers capacity building activities in the area of environment, trade and development of intergovernmental and nongovernmental organisations and major bilateral development agencies.

2. Background

2.1 The opportunities and challenges of globalisation

World trade and foreign investment have both grown much faster than global GDP over the past two decades. As a result, national economies are increasingly integrated into a single global market for goods, services and capital. Liberalised trade and investment policies in national economies throughout the world, and the multilateral economic agreements that connect them, have facilitated this process of globalisation.

By stimulating production and investment, and improving access to technologies and knowledge essential for physical and human capital accumulation, international trade provides developing countries and countries with economies in transition with opportunities for economic growth. Moreover, when accompanied by properly designed and executed national policies, trade may contribute to the improvement of national living standards and poverty alleviation. Recognising these benefits, developing countries and countries with economies in transition have restructured and opened their economies during the past 20 years. Through membership in the WTO – 144 countries are now members – and a wide array of regional trade agreements (RTAs), these countries seek to effectively integrate into the global economy.

Many countries now seek to implement outward-oriented development strategies underpinned by liberal trade and investment policies to increase national incomes, foreign investment, industrial diversification and employment. For most countries, adjusting to national economic restructuring designed to open their economies (most often introduced through comprehensive Structural Adjustment Programmes or SAPs) to the global trade and investment is a difficult task. Difficulties are associated not only with the rapidity with which adjustment and integration take place, but also by the complexity of related policy reform, development and implementation. Trade-related capacity building plays an important role in assisting countries successfully to manage this transition.

However, outward oriented development strategies and trade liberalisation policies alone cannot secure sustainable economic development. Other key requirements include macroeconomic stability, good governance to encourage investment in human and physical capital, efficient physical infrastructure, sustainable management of natural and environmental resources, and institutions providing effective levels of social services for health, education, employment and welfare.

2.2. Environmental and developmental linkages of trade

There has been increasing concern over the potential negative impacts of trade and globalisation processes on environmental and natural resources, particularly in developing countries where recently introduced trade liberalisation policies have spurred rapid economic growth. In many cases, economic reforms to support trade and investment liberalisation have been made without consideration of their environmental and social impacts. As a result, there has generally been an absence of parallel efforts to develop and/or reform environment and development policies to ensure that increases in trade-related economic activity support sustainable development and that net positive impacts are maximised. Some countries have found that economic activity supporting rapidly expanded trade can result in serious environmental degradation when complementary environmental policies are not in place. Pollution of air, water and soil, and unrestrained natural resource exploitation, may grow to levels that jeopardise sustainable development efforts and exacerbate poverty in affected communities. Trade can thereby become unsustainable with its future potential significantly compromised if gains from trade are offset by associated negative environmental impacts. Such scenarios can largely be avoided through assessments of the environmental and

developmental impacts of trade-related policies that help countries identify and design mutually supportive environment, trade and development policies.

While trade liberalisation policies adopted to support international trade agreements may have environmental impacts, it is also possible that international environmental agreements may have an impact on trade since they lead to variations in the way countries protect and manage environmental resources which may affect international competitiveness. By clarifying the relationships between multilateral trade and environmental agreements greater synergies and coherence between them can be developed to manage international trade-environment linkages, particularly in areas where their objectives may seem to conflict, and to promote the transfer of environmentally sound technologies (ESTs).

In addition to posing environmental challenges, trade presents countries with many environment-related development opportunities. Trade opens a global market to exports of unique goods produced using traditional knowledge (e.g., herbal medicines, food, textiles and clothing, and handicrafts) and environmentally preferable production methods (e.g., organically grown food products, organic cotton, natural rubber). Because these goods are produced by rural communities, promoting their export contributes to rural development and poverty alleviation – objectives for developing countries with large rural populations that are often just as important as their industrialisation objectives in urban areas.

2.3. The need for capacity building on environment, trade and development

Recognising the strategic importance of confronting globalisation's environmental and developmental challenges, and exploiting the environmental and developmental opportunities it also presents, many countries now seek an integrated approach to trade-related capacity building that encompasses trade's environmental and developmental linkages. This approach has also been prompted by UNCED's Agenda 21, recommendations from National Councils for Sustainable Development, CSD deliberations, and the World Bank's Comprehensive Development Framework.

Despite substantial financial and organisational resources having been devoted to recent capacity building efforts, progress in moving from isolated to integrated policy-making has been limited. For the most part, such programmes continue to be centred on enhancing capacities in the distinct areas of trade or environment or development. By compartmentalising activities in these three domains, and addressing them in an isolated way, capacity building programmes have failed to assist countries recognise and secure benefits from the important linkages between environment, trade and development. Only through a holistic approach to capacity building can integrated policies be successfully designed and implemented.

Recognition by the international community of the importance of integrated capacity building and technical assistance programmes is increasing (**Box 1**). References to the need for strengthened and more effective capacity building programmes on environment, trade and development have been made by the CSD in 2000 and 2001, UNCTAD X in 2000, and most recently at the WTO Ministerial Conference in Doha in 2001. In Doha, Ministers from 144 countries reaffirmed their commitment to sustainable development and mutually supportive trade and environment policies stressing the "importance of technical assistance and capacity building in the field of trade and environment to developing countries". The decision by Ministers in Doha to launch a new round of WTO negotiations on trade-related environment and development issues, underscores the pressing need for capacity building on environment, trade and development.

3. Challenges and requirements for integrated capacity building

3.1 Flaws in the delivery of current capacity building programmes

Assisting countries to meet the challenges of globalisation places new demands on capacity building programmes. To maximise the net sustainable development gains from globalisation, integrated national and international policy-making resulting in mutually supportive environment, trade and development policies is required. Although national and international policy-making that integrates environment, trade and development considerations is a

relatively new discipline, primarily emerging only during the past decade, a considerable offering of capacity building services in this area has been made by intergovernmental and nongovernmental organisations in recent years. However, despite these efforts, capacity building services have neither been adequate nor yielded desired outcomes.

When effectively designed, delivered and followed-up, capacity building programmes should succeed in catalysing a self-sustaining endogenous cycle of integrated policy assessment, reform, development and implementation in beneficiary countries. However, few beneficiary countries have attained such self-sufficiency. The effects of ineffective capacity building programmes on beneficiary countries has been acute. In most instances:

- Efficient policies, incentives and technologies needed to facilitate trade, alleviate poverty and protect natural and environmental resources remain underdeveloped.
- National trade and environmental policies continue to be designed and implemented separately.
- National institutional capacities required to support and assess policies relating to sustainable development remain inadequate.
- Principles of good governance needed to encourage domestic and foreign investment remain insufficiently practiced.
- Private sector actors are discouraged from tapping international trading opportunities due to a lack of market information and capacity to meet international standards.
- National capacities to assess and negotiate multilateral trade and environment agreements continue to be weak.

More effective capacity building programmes that can stimulate coordinated, policy-relevant, transparent and participatory processes to address these problems are urgently needed.

There is a need for capacity building service providers and beneficiaries to reassess current approaches to capacity building and work together to design and implement more effective programmes. To address deficiencies of current approaches to capacity building, where present, including:

- There is a lack of common understanding and agreement on capacity building requirements in the area of environment, trade and development.
- Insufficient attention is given by providers to undertaking detailed needs assessments and designing capacity building activities with beneficiaries, in order to meet the specific requirements, needs and conditions of beneficiary countries.
- Some activities are not sufficiently participatory, and could benefit from the participation of a wider range of national stakeholders to encourage broader country ownership of the capacity building process.
- Activities are often isolated exercises, unlinked to others, and lacking follow-up, evaluation and ex-post needs assessment.
- Activities continue to be delivered on an uncoordinated ad-hoc basis by different institutions.
- The scope and depth of activities remains limited, and there is a need to complement existing activities with new ones emphasising an endogenous learning-by-doing capacity building process.
- Design and delivery of capacity building services do not sufficiently involve regional, sub-regional and national institutions.
- Levels of funding for capacity building programmes fall short of meeting the growing demand for assistance.

Box 1. Capacity Building

Although many countries seek to achieve strong economic growth along a path of sustainable development, required levels of human and institutional capacities needed to do so vary considerably from one country to another. By raising or 'building' these capacities, countries are able to achieve higher levels of progress towards sustainable development. Capacity building programmes – provided by bilateral, multilateral and nongovernmental organisations – comprise a set of activities that aims to assist requesting countries develop national capacity.

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

The **United Nations Conference on Environment and Development (UNCED)** and the **UN General Assembly** stress that:

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

UNCED, Agenda 21, 1992

“International cooperation and support for capacity building in trade, environment and development should be strengthened through renewed system-wide efforts, and with greater responsiveness to sustainable development objectives, by the United Nations, the World Trade Organization and the Bretton Woods institutions, as well as by national Governments.”

UN General Assembly, 'Rio +5 Resolution', 1997

The **Commission on Sustainable Development (CSD)** encourages calls upon the international community to:

“Assist developing countries seeking integration into the world trading system ... through assistance in developing the institutional capacity and human resources to participate meaningfully and effectively in multilateral trade negotiations and to implement the agreements reached”.

Commission on Sustainable Development, Ninth Session, 2001

The **World Trade Organization (WTO)** recognises:

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

WTO Ministerial Declaration, Doha, 2001

Ministers at the **International Conference on Financing for Development** recognise that:

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

Monterrey Consensus, 2002

3.2 Better approaches to capacity building

Improving the effectiveness of capacity building requires that service providers build on successes of their previous efforts. It also requires they appreciate the shortcomings of their capacity building programmes and are prepared to address them.

A. Definition and objectives of capacity building

Capacity building continues to mean different things to different providers and beneficiaries alike. There is a need to establish a common understanding of capacity building. A capacity building service furnished by a provider to a beneficiary should provide the latter with assistance to enhance national capacity to address environment, trade and development issues of national priority. Beneficiaries should be assisted to develop programmes that are comprehensive, sustainable and meet national needs and priorities.

It is useful to consider capacity building within the context of a complete policy cycle: assessment of *existing policies* → identification → development → implementation → assessment and evaluation of *new/reformed policies*. Programmes should aim to assist the beneficiary country in addressing each element of the policy cycle, rather than only within one or a subset of elements. Programmes should be complete in the sense that a full policy cycle can be catalysed and subsequently sustained following the termination of programme activities.

The objectives of most capacity building programmes in the field of environment, trade and development are to enhance the capacities of governments to:

- Fully appreciate and understand the linkages between environment, trade and development.
- Assess the economic, environmental and social implications of trade liberalisation.
- Formulate and implement policies to meet national obligations under multilateral trade and environment agreements while maximising the national sustainable development gains of trade.
- Capture environment-related development opportunities offered by trade and globalisation.
- Engage effectively in trade and environment negotiations.

Beneficiaries increasingly request that programmes be tailored, based on national needs assessments to ensure that they reflect current and emerging national needs and priorities, and that activities extend and evolve through time to provide graduated assistance over the long-term. To support national priorities and policy objectives, and ensure country ownership of the capacity building process, design and delivery of programmes should be based on national needs assessments and fully engage stakeholders in beneficiary countries.

Within the needs assessment process, beneficiary countries should take the lead in defining the objectives of national and regional capacity building programmes in the field of environment, trade and development. In order to meet these objectives, they should also decide upon tools of implementation, national institutions to be involved, and funding requirements, both national and external.

B. Process

The nature of the capacity building process – i.e., how programmes are designed and delivered – ultimately determines its effectiveness. The following aspects of the capacity building process should be evaluated when assessing and restructuring capacity building programmes:

- **Structure** – Does the programme encompass needs assessment, design, delivery and follow-up? If it does not include a detailed needs assessment, it may not provide long-term, country-specific value.
- **Needs assessment** – Are topics and issues addressed by capacity building of national interest? Do they reflect national concerns and priorities? Are they treated within the

context of the beneficiary country, or in a general way that countries themselves need to translate into national terms? Needs assessment is critical to programme design.

- **Objectives** – Are clear programme objectives set and evaluated? Who sets these objectives? For which elements of the policy cycle is assistance provided?
- **Endogenous vs. exogenous process** – Is the capacity building process country driven – i.e., actively pursued by national stakeholders seeking to address their needs and concerns, and advanced on the basis of their evolving capabilities – or is it driven by the objectives of the service provider?
- **Mode of learning** – Is learning advanced primarily through learning-by-doing or through learning-by-showing?
- **Types of activities** – What kinds of activities are employed in the programme, for example, formal training, policy development, on-the-job training, seminars, projects, research?
- **Complementarity of activities** – Are activities linked and mutually reinforcing?
- **Multi-stakeholder participation** – What is the level of involvement of national stakeholders, institutions and experts? Are regional and sub-regional partners included in programme activities? Broad stakeholder participation promotes good governance, transparency and accountability. A participatory process benefits from stakeholder ownership of national policy assessment, design and implementation. It also helps countries address new challenges in the future by generating the critical mass of experts and institutions at different levels and in varied sectors needed for policy development and implementation.
- **Development, delivery and follow-up** – Do regional, sub-regional and national institutions participate in programme development, delivery and follow-up? Does the programme contribute to the establishment of regional and sub-regional support centres?
- **Coordination** – Is the programme coordinated at the national and international levels with other programmes and efforts?
- **Timeframe** – Is the programme sufficiently well designed to ensure a process of continuous, endogenous capacity building which extends beyond the timeframe of the service provider's activities?
- **Follow-up** – Are long-term partnerships between the provider and beneficiary formed? Is programme effectiveness evaluated? Are additional activities implemented as needed to meet unattained objectives?
- **Financing** – Is there a sufficient and predictable commitment to fund the programme by domestic and external sources?

Any systematic examination of the process characterising recent capacity building efforts should evaluate each of these, as well as other, aspects.

C. Activities

Capacity building activities should be extended to meet short- and long-term country needs. National needs assessment workshops should identify beneficiary needs, priorities and target groups and define a process for implementation of activities, through:

- **Action-oriented research** by national experts focused on specific priority areas.
- **Country projects** – country-based, sector-specific policy assessment, development and implementation activities incorporating national stakeholder consultation and founded on a national learning-by-doing approach to capacity development.
- **Subsequent regional and international policy dialogue** allowing countries to exchange results and experiences of their projects and research.

Over time, undertaking complementary activities such as these in addition to awareness raising seminars and training, provides for a more integrated approach for capacity building, where each component activity can feed into and reinforce subsequent ones.

D. Tools

Capacity building programmes must be designed, delivered and followed-up to assist beneficiaries in developing appropriate human and institutional resources for policy development, implementation, and assessment. The technical challenges of developing and applying policy tools for assessment and policy development must be addressed by capacity building programmes, which promote practical and implementable tools that effectively integrate national environment and development objectives in the context of world trade. A number of existing tools to assess and design policies, and to access technology, information and expertise, can assist beneficiaries through the policy cycle:

- **Integrated assessment** – Methodologies to assess, at the national level, the environmental, economic and social impacts of trade-related policies and economic activities (both ex-ante and ex-post) in order to identify alternatives for improved trade and environment policies (national and international) that can maximise the net development gains of trade. This tool is also referred to as “sustainability assessment”.
- **Natural resource valuation** – Methodologies for valuing environmental and natural resources. These methodologies can be used in integrated assessments, cost-benefit analysis, risk assessment and revisions of national accounts to reflect the costs of environmental degradation and natural resource depletion.
- **Command and control measures** – Development and implementation of regulatory policies, and reduction of trade distorting policies, including environmentally damaging subsidies, can help secure sustainable management of natural and environmental resources needed to support national trade and development objectives.
- **Incentive measures** – Effective market-based incentives, including economic instruments, can be designed to influence production and consumption patterns so as to enhance sustainability.
- **Voluntary initiatives** – Through national consultations and policy dialogue, industry may agree to undertake voluntary actions, in lieu of facing costly regulatory constraints, to assist countries to meet national environment and development objectives. Such actions can result in win-win situations that are often welfare maximising compared to increased regulation.
- **Technology** – Policies and measures supporting sustainable development, as well as “greener” consumption trends, often require economic agents to adopt and use environmentally sound technologies (ESTs). A number of international mechanisms, offered primarily through MEAs, provide ESTs to developing countries on favourable terms. Identifying and assessing ESTs, and providing the right incentives, are essential national activities needed to enhance countries’ capacities to reduce wastes and produce better quality eco-efficient products that are more competitive in international markets.
- **Institution building** – Tools for establishing, building and effectively managing institutions can be used to make national institutions more flexible and less bureaucratic, and ensure they are sufficiently resourced to formulate, design and implement policies, and to sustain capacity building at the national level. Moreover, national institutions must be capable of networking inter-alia to facilitate the establishment of ‘inter-agency’ coordination mechanisms needed to effectively design and implement cross-cutting sustainable development strategies and policies.
- **Information and networking** – Capacity building programmes should provide beneficiaries with access to reliable information and enhance national capacities for its interpretation and analysis and effective participation in international networks.

E. Scope of capacity building

In broad terms, effective capacity building must enhance national capacities to design and implement mutually supportive environment, trade and development policies at the national and international level; and to fully capture international opportunities for sustainable

development offered by globalisation and supported by multilateral agreements. There is a need to develop capacity building programmes of extended scope – i.e., in-depth treatment of a broader set of topics – which could include enhancing national institutional and human capacities in several areas. It must be emphasised that since, in many instances, approaches and methodologies are still needed to address issues in the environment-trade-development debate, efforts should be exerted to develop such approaches and methodologies and hence develop capacity building packages for their delivery which will have to be country-specific. Based on regional and country-based assessments, and responses to questionnaires of the UNEP survey (presented as an annex to this paper), the following is a preliminary listing of important topics to be covered by capacity building programmes:

Integrated assessment of trade and trade-related policies

Capacity building on integrated assessment of the impacts of trade and investment liberalisation policies assists countries in identifying and evaluating the environmental, social and economic impacts of trade liberalisation on specific sectors. They can then identify alternatives for improved trade and environment policies (national and international) that can maximise the net development gains of trade.

In order to provide a proper analysis of the costs and benefits of proposed policies and trade-offs between the various alternatives and policy options, assessments should include a cost benefit analysis which attaches values not only to human-made capital, but, to the extent possible, to natural capital as well. It should be stressed that although environmental and natural resource valuation techniques – developed to assign values to resources for which no markets exist – remain imperfect, they can still provide useful analyses to point to optimal policy options. At the national level, when accompanied by natural resource accounting, they provide essential tools for capturing the value of natural resources being utilised, for internalising environmental costs through policy initiatives, and ultimately guiding the allocation of resources to meet sustainable development objectives.

In follow-up to integrated assessments, policy-makers can coordinate a multi-stakeholder process to develop widely acceptable national response strategies and a set of practical measures, comprising command-and-control regulations, economic instruments and voluntary initiatives designed to reduce potential negative impacts and enhance positive ones. Such "policy packages" can significantly reduce potential trade-related environmental degradation while enhancing trade through the identification and promotion of new trading opportunities and the long-term sustainability of economic activities on which trade is based.

Approaches and measures for the development and implementation of mutually supportive trade and environment policies

In developing countries and countries with economies in transition alike, environmental regulations designed before their more active participation in global trade are often overwhelmed by the increased pressure on natural resources transmitted through international markets. The need for environmental policy reform, employing a greater use of economic instruments to manage the environment by incentives rather than rules, with enhanced monitoring and enforcement, would improve the efficiency of resource allocations needed to support sustainable development. Development and implementation of market-based and regulatory policies, and reduction of trade distorting policies, including environmentally damaging subsidies, can help ensure the sustainability of natural and environmental resources needed to support national trade and development objectives

Natural resource valuation and accounting

Current systems of national accounts provide misleading information on national economic growth. Decisions are often taken narrowly on the basis of incomplete projections of GDP growth, while social and environmental indicators are neglected, and costs associated with natural resource depletion and environmental damage are underestimated or simply not counted. The real impacts of trade are seldom revealed in systems of national accounts (SNAs). Natural resource accounting is a tool that enhances the accuracy of SNAs by reflecting the depletion and degradation of natural resources resulting from development

activities. Attempts should be made to demonstrate how the environmental, economic and social impacts of trade policies can be incorporated in SNAs so that trade policy options capable of maximising welfare and sustainability can be identified.

Enhancing market access for exports through compliance with international health and environmental product standards

Securing greater market access is a major trade objective of developing countries, but assistance in this effort is particularly needed in LDCs, where knowledge of standards remains to be improved and ability to comply with standards is limited. In addition, for goods where market access is secured, ecolabels can enhance market penetration while allowing for product differentiation. The latter can support the higher profit margins for producers needed to finance greater cost internalisation of environmental externalities, both within the firm and through national policies.

Developing national systems for the management of traditional knowledge

The knowledge, innovations and practices of indigenous and local communities (referred to as “traditional knowledge”, TK) have many applications that can help in alleviating poverty in rural areas. Traditional knowledge provides the basis for food and medical care, generating incomes for local and indigenous communities, and conserving biodiversity. Many developing countries have expressed the urgent need to develop national systems to manage traditional knowledge as a national priority required to provide incentives for the production and export of TK-based goods.

Adaptation and use of environmentally sound technologies (ESTs) to promote sustainable development and capture market access opportunities for exports of environmentally preferable products (EPPs)

Access to, and local adaptation of, ESTs can improve the local efficiencies of global production chains while providing the physical capital needed to support EPP production. In turn, EPPs provide opportunities for countries to meet growing consumer preferences for ‘green’ products, add value to their exports, and achieve export diversification. Additionally, in countries where outdated production technologies continue to be used, there is a need to demonstrate how capital replacement with ESTs can be financed not only by efficiency gains, but also by higher export volumes of EPPs.

The widening technology gap between developed and developing countries needs to be redressed if developing countries are to be able to adopt new environmental standards for international trade. Increased access to environmentally sound technologies and capacity to develop and adapt technologies to meet developing countries needs and priorities should be included in capacity building programmes.

Poverty, trade and environment

There are close linkages between poverty and environmental degradation in developing countries, particularly LDCs. Capacity building must help countries to identify and enhance synergies between economic growth brought about through trade liberalisation, the eradication of poverty, and enhanced environmental protection. Examples of synergies are TK-based goods and EPPs which are often produced by poor rural communities (as recognised in the LDC-III Programme of Action for the Decade 2001-2010). Promoting their production and export to global markets thus contributes to poverty reduction. There is a need to develop trade policies that promote poverty alleviation and the equitable distribution of the benefits of trade.

Capacity building to enhance synergies between MEAs and the WTO

Growing global interdependencies, both economic and environmental, increase the need for policy coherence and coordination at all levels, and demand renewed efforts to build mutually supportive relationships between MEAs and the WTO. Strengthening the mutual supportiveness and coherence of trade and environment policies, rules and institutions is required to maximise their joint contribution to sustainable development, and are likely to yield

significant benefits for MEA parties and WTO Members, particularly developing countries. Efforts to build links between national co-implementation of these agreements would benefit both developing countries and countries with economies in transition.

In cooperation with the secretariats of relevant MEAs and intergovernmental organisations, capacity building should also assist countries to participate in the further development of MEAs and in the work of the Conferences of Parties related to the trade-environment interface; and to make effective use of supportive instruments available under MEAs, in particular in the areas of finance, technology and institution building.

Opportunities for joint capacity-building activities between MEAs and the WTO are explored in more detail in **Section 4**.

Building national capacities for the negotiation of WTO Agreements with environmental implications

Capacity building activities are needed to support more effective and better-informed negotiations by trade negotiators of developing countries and economies in transition, on WTO processes and negotiations with environmental implications. Some of these have already been mentioned above:

- *The relationship between existing WTO rules and specific trade obligations set out in MEAs;*
- *TRIPS, environment and traditional knowledge;*
- *Environmental measures and market access for developing countries;*
- *Integrated assessments of trade liberalisation.*

Others include the trade and environment issues contained in the WTO Doha Ministerial Declaration:

- ***Environmental goods and services*** – upcoming negotiations will consider the reduction or, as appropriate, elimination of tariff and non-tariff barriers to environmental goods and services.
- ***Fisheries subsidies*** – negotiations aim to clarify and improve WTO disciplines on fisheries subsidies, taking into account the importance of this sector to developing countries.
- ***Agriculture and environment*** – there is a need to support negotiators on negotiations aimed at: substantial improvements in market access; reductions of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support. Significantly, special and differential treatment for developing countries shall be an integral part of all elements of these negotiations, as will provisions to enable developing countries to effectively take account of their development needs, including food security and rural development. The environment is another "non-trade concern" that is likely to figure prominently in these negotiations.

Building capacities on these issues would inform countries' negotiating positions and improve national implementation of multilateral trade and environmental agreements. Developing countries, in particular, have requested capacity building for their negotiators on environment-trade-development issues to help ensure that key objectives are met. Among these are:

- International agreements should permit countries to protect natural resources while remaining competitive;
- Environmental protection should not be used as an excuse for trade protectionist measures;
- Enhancing market access for their exports;
- Improving their access to environmentally sound technologies.

Capacity building must be geared to providing negotiators with the tools, data, analyses and networks required for them to formulate negotiating strategies that can lead to WTO Agreements that support these objectives.

The above is a preliminary listing of important topics to be covered by environment, trade and development capacity building programmes. It is meant to provide an illustrative set of areas where capacity building assistance is needed. Needs assessments would certainly identify others.

4. Capacity building to enhance synergies between MEAs and the WTO

Growing global interdependencies, both economic and environmental, increase the need for policy coherence and coordination at all levels, and in particular between multilateral environmental agreements (MEAs) and the WTO. Strengthening the mutual supportiveness and coherence of trade and environment policies, rules and institutions is required to maximise their joint contribution to sustainable development, and reinforce countries' tendencies to develop multilateral solutions to trade, environment and development challenges. Greater coordination, coherence and collaboration between the MEA and WTO Secretariats should yield benefits for all their parties and Members, particularly developing countries. Cooperation between these international bodies will be complemented by, and should help reinforce, coordination at the national level, if this cooperation is built with the broad participation of national trade, environment and development officials.

Over the past two years, UNEP has convened a series of five meetings between the Secretariats of various MEAs and the WTO, also involving governments, other intergovernmental organisations and NGOs. The process has sought to identify means to increase the complementary functioning and implementation of MEAs and the WTO, so as to promote sustainable development. The meetings have identified a number of concrete steps that could be undertaken to increase cooperation and complementarity between trade and environment regimes. These include the following:

- Greater participation by MEA Secretariat staff in WTO regional seminars on trade and environment.
- Obtaining observer status for MEA Secretariats in relevant WTO committees.
- Enhanced information flow between the two regimes and training of officials to understand the respective regimes.
- Working together to avoid potential trade and environment disputes, and to ensure that efforts to resolve current disputes draw upon expertise in the environmental community.
- Identifying natural resources that might be exploited sustainably, thereby furthering economic, developmental and environmental ends.
- Cooperative research, analysis and design of policy tools such as economic instruments for environmental protection and assessments of the environmental and related economic and social effects of trade and trade liberalisation.
- Enhanced cooperation with civil society.
- Collaborative efforts between MEAs, the WTO and UNEP to ensure more coherent and effective capacity building for implementation of international agreements.

While the first and last of these actions explicitly relate to capacity building activities undertaken by MEAs, the WTO and in some cases UNEP, all of them could either contribute to increasing understanding of trade, environment and development linkages, or will require capacity-building to develop appropriate policy responses. As there are in excess of 20 MEAs with trade-related provisions, this does constitute a substantial coordination challenge. In addition there is the need to integrate regional, sub-regional, non-governmental and national institutions into capacity-building activities to enhance synergies between MEAs and the WTO.

This section provides some examples of how capacity building activities might be developed and coordinated so as to achieve specific objectives identified in the 'MEA-WTO process' that has been facilitated by UNEP. Much of this will consist initially of bringing together diverse capacity building activities of different institutions, integrating and then reinforcing them. A current example of this is provided by the WTO Regional Seminars on Trade and Environment, which have increasingly incorporated presentations and other capacity-building inputs from UNCTAD, UNEP and MEA Secretariats.

A prerequisite for developing effective cooperative capacity building activities will be securing new and additional financial resources for this purpose, as both the MEAs and the WTO will have to maintain their own, independent capacity building programmes. One example of how this might be done would be for the MEA Secretariats, UNEP, UNCTAD and others to prepare a joint programme of activities and funding requirements to develop new capacity-building materials, and sustain their presence in the WTO Regional Seminar programme on Trade and Environment. Fund-raising efforts should extend to enhancing civil society participation in national and regional level capacity building activities too.

As a preliminary step in considering the options set out here, the MEAs, WTO and UNEP could offer briefing and feedback sessions for the Permanent Missions in Geneva, focused on draft proposals for collaborative capacity building activities. The materials prepared for such briefing sessions could help define more clearly where there is an effective and desirable division of labour between these institutions, as well as issues on which there is potential and even a need for closer cooperation.

4.1 Capacity-building for better compliance and implementation of international environmental and trade agreements

It has been recognised that for many developing countries, lack of capacity and limited technical, technological and financial resources are all important factors limiting implementation of MEAs. These constraints can be addressed in the context of MEAs themselves, but it is clear that trade can make an important contribution to increasing developing countries' abilities to comply with MEA obligations. Examples of this are trade in environmentally sustainable technologies (ESTs), and situations where revenues secured from trade allow increased investment in environmental protection and ESTs. Joint capacity building efforts by MEA, UNEP and WTO Secretariats, in collaboration with other relevant organisations such as UNCTAD, can help maximise the contribution of trade and trade-related policies towards meeting MEA objectives. The MEA-WTO process has identified the following specific areas, among others, in which cooperation and joint capacity building activities by international organisations could achieve this end.

Integrated assessments of trade-related policies at national level help to identify challenges faced by countries while trying to implement MEAs in the context of trade liberalisation. For example, the Conference of the Parties (COP) of the Convention on Biological Diversity (CBD) has been mandated to undertake an assessment of the effects of trade liberalisation on agricultural biodiversity. UNEP has initiated work to apply methodologies for the 'integrated assessment' of the effects (environmental, economic and social) of trade liberalisation on the agricultural sector. This work is being undertaken with the participation of the WTO and CBD Secretariats, FAO, and UNCTAD, all of which could contribute to associated capacity building activities.

Training of customs officers on regulations required by MEAs is necessary for more effective implementation of these agreements. The Secretariats of the Convention on International Trade in Endangered Species (CITES), the Montreal Protocol on Substances which Deplete the Ozone Layer, and the Basel Convention consider such training vital to reinforce implementation of controls on illegal trade in endangered species, ozone depleting substances, and hazardous wastes respectively. Joint training workshops for customs officers, on the implementation of MEA provisions and WTO rules, would strengthen compliance actions with both trade and environment agreements, and build synergies between them. In this regard, existing efforts of the Secretariat of the Basel Convention, together with CITES, and other MEAs, the World Custom Organization (WCO) and Interpol, for the training of customs officers as well as Port authorities in Asia, should be expanded to all regions. These efforts attempt to match the expressed needs from Parties to MEAs from all regions for the delivery of integrated capacity building programmes, in line with enhancing the concept of 'environmental customs'.

Collaborative implementation of technology transfer and technical assistance measures in MEAs and the WTO, and cooperative capacity building activities in support of this implementation, could enhance the mutual supportiveness of these agreements. The

Secretariats of the Basel Convention, the Framework Convention on Climate Change and the CBD have all expressed interest in developing synergies between provisions on technology transfer contained in those agreements, and related provisions in the TRIPS Agreement and other WTO agreements. Collaborative capacity building activities could focus on expanding trade in environmentally sustainable technologies (ESTs) on more favourable terms for developing countries, and also enhancing the capacity of those countries to develop and adapt technologies to meet their own requirements. There may be a need to develop a common MEA-UNEP agenda for the delivery of technology transfer and development capacity building activities that is supportive of the implementation of the MEAs concerned. Preliminary action taken by MEAs in this area in consultation with regional centres (such as the regional centres for training and technology transfer) may be valuable.

4.2 Capacity-building for enhancing coordination between environment and trade ministries at the national level

There is a broad recognition that the development of mutually supportive trade and environment policies requires more interaction and cooperation between respective national policy-makers in these two sectors. There are a number of ways in which trade and environment policy coordination at the national level could be enhanced, through joint workshops, preparation of training and capacity building materials, and research activities.

Increased participation of environment officials in the WTO Committee on Trade and Environment (CTE), 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 CTE Sessions, and has also been organising back-to-back meetings on related issues (e.g., fisheries subsidies and MEA-WTO interactions). Similarly, the WTO Secretariat is now planning to hold side events at some MEA COPs, for example COP 6 of the CBD in April 2002. These exercises also enhance cooperation and coordination between the relevant secretariats, themselves.

Collaborative training and preparation of capacity building materials and activities by the MEA and WTO Secretariats, and UNEP could provide valuable guidance to national officials seeking to integrate policy objectives. The UNEP and WTO Secretariats have already prepared a joint paper on compliance and dispute settlement procedures in the WTO and MEAs, with input from their secretariats, to identify potential synergies. Similar joint analysis could be undertaken on the design and application of economic instruments for environmental purposes, and be developed into capacity building materials and activities.

Country case studies on environment, trade and development interactions can help bring relevant ministries together, and build national networks and in-country capacity to address these policy linkages. The secretariats of the WTO and MEAs, together with UNEP and other relevant institutions like UNCTAD, could undertake such studies cooperatively, with the participation of relevant national ministries and other stakeholders. Such studies might be focused on sectors of particular relevance to the implementation of specific MEAs, for example the energy, chemical, forestry and agricultural sectors.

Aid agencies and development cooperation ministries could become important collaborators for the secretariats of MEAs, the WTO and UNEP, helping them to strengthen their capacity building efforts on policy integration at the national level. Developing capacity building materials and activities supportive of national sustainable development strategies, in accordance with MEA and WTO objectives, could be a fruitful area of cooperation.

4.3 Collaborative capacity building activities between the MEAs, the WTO and UNEP at regional and sub-regional levels.

The recent collaboration between the WTO and MEA secretariats, and UNEP, in the context of the WTO Regional Seminars on Trade and Environment, demonstrates both the need for and potential of joint capacity building activities between these institutions. At the regional and sub-regional level, balanced groups of trade and environment officials, from countries with shared

levels of development, economic priorities, environmental challenges, and linguistic and cultural commonalities are often able to progress faster with policy integration challenges than officials working at a global level. Coordinated and complementary capacity building activities could be offered in the context of regional and national sustainable development plans. There is already interest in the European Commission in supporting regional capacity building activities, perhaps including some of those outlined below.

Regional workshops and training seminars provide a potentially powerful and cost effective tool to bring trade and environment officials together to explore and enhance synergies on specific policies and issues. In addition to the opportunity offered by the WTO's Regional Seminars on Trade and Environment, UNEP intends to employ its network of regional offices (notably in Africa, West Asia, Asia-Pacific, and Latin America and the Caribbean) to enhance regionally-based capacity building activities. The expressed interest of Parties to MEAs for regional training and activities addressing both trade and environment issues (such as the above mentioned WTO Regional Seminars) underlines the need to develop a comprehensive and focused programme of activities covering policy development and mechanisms for technology transfer and development. In this regard, MEAs (such as the Basel Convention, which has 12 regional centres offering support for the conduct of training and technology transfer-related programmes) provide a valuable framework in which the collaboration of interested partners, including industry, can help meet the needs of Parties.

Regional organisations for economic integration (such as Mercosur in Latin America, and SADC in Southern Africa), which in some cases are expanding their activities into cooperation on environmental policies and/or sustainable development strategies, may also be of relevance. Capacity building activities could be cooperatively developed by the WTO, MEAs and UNEP in economic sectors that relate closely to implementation of some MEAs (e.g., the energy, agriculture and water sectors).

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Annex

This paper's annex is being published as a separate document.