

# ENVIRONMENTAL IMPACTS OF TRADE LIBERALISATION: CAPACITY BUILDING FOR DEVELOPING COUNTRIES

Department for Environment, Food and Rural Affairs

Stage I final report submitted by GHK

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# 1 EXECUTIVE SUMMARY

GHK Consulting Ltd has been commissioned by Defra to investigate capacity building to help developing countries deal with the environmental impacts arising from trade liberalisation. This study provides an overview of Capacity Building and Technical Assistance (CB&TA) programmes followed by an assessment of whether the priority needs of developing countries are being addressed.

The study is organised into two stages:

- Stage I provides an overview of the type and scale of capacity building programmes around trade and environment currently under way.
- Stage II considers whether the priority needs of developing countries are being met with reference to a number of individual case studies.

This report presents the consultant's findings for Stage I of the Defra-funded research. The objective of this report is to set out the key issues and debates in relation to trade and environment related capacity building, summarise who funds what types of capacity building, and examine as far as possible the effectiveness of various programmes. The report also considers wider donor support on environmental management and takes a bottom up view of trade and environment related issues and capacity building in Brazil. The report is prepared based on existing published literature and secondary sources, interviews with recommended informants and analysis of the OECD/WTO database on trade-related capacity building.

## 1.1 Background

Trade liberalisation has seen developing countries increasingly open up their markets to imports, while also benefiting from access to international markets for their own goods and services. The debate over the environmental impacts of liberalisation has been long running. Globalisation and increased trade, in some countries, is accompanied by negative environmental effects such as depletion of natural resources and increased air and water pollution. Less well publicised are the positive environmental effects associated with transfer of cleaner technologies or reduction in environmental degradation associated with poverty. While this debate remains unresolved, the focus of the GATT/WTO has been on the impacts on trade of environmental measures, rather than on impacts on the environment of trade liberalisation.

The WTO incorporates a dedicated platform for discussing issues linking trade and environment, the Committee on Trade and Environment (CTE). Under paragraph 32 of the Doha Declaration, the CTE is required to focus in particular on market access for developing nations, intellectual property and labelling. Paragraph 33 underlined the importance of technical assistance and capacity building in the field of trade and environment and calls for an exchange of experience with countries wishing to perform environmental reviews at the national level. These commitments have been the chief drivers of capacity building and technical assistance surrounding the trade-environment nexus over the past five years and the catalyst for the creation of the Doha Development Agenda Trade Capacity Building Database (TCBDB).

## 1.2 Capacity building trends

The volume of trade-related capacity building, as reported to the TCBDB, amounts to some US\$13.7 billion for the period 2001-06. This compares with a global pool of overseas development assistance in the region of US\$60 billion a year. Of the US\$13.7 billion, some 2.3 per cent (US\$315 million) has been allocated to environment-related projects and programmes. Over time, environment-related spending has become less important, falling in absolute terms in contrast to an overall rising trend of spending.

The US is the largest bilateral donor with committed expenditure of US\$163 million for the 2001-06 period, most of it channelled through USAID. Switzerland, Germany and Canada were the next largest bilateral donors, with commitments in the region of US\$15-27 million. The EC is the largest multilateral donor, with US\$57 million in commitments. Between them, the US and the EC fund 70 per cent of all environment-related trade capacity building. The UK is the 10th largest bilateral donor with a commitment of US\$1.8 million across 2001-02, a relatively modest amount compared with total bilateral aid of nearly £2 billion for the same period. Germany alone spent nearly ten times the value.

The largest share of capacity building has gone to WTO member countries, with 6.5 per cent allocated to accession countries. Of the top 10 beneficiary countries, only the Russian Federation and Vietnam are in the process of accession. This suggests that, for accession countries, the burden of becoming WTO-compliant continues to be predominantly borne by them – at least as far as environment-related support is concerned – and capacity building and technical assistance are concentrated among those countries who have already met the required standards for accession.

The type of capacity building funded by the donors reveal some clear differences in strategic focus. In the US, a substantial amount of trade capacity building, including environment-related capacity building, is delivered around the negotiation of regional and other trade agreements. Swiss and German bilateral aid tends to have a technology focus, with programmes to promote cleaner technologies and cleaner production centres, or to establish accreditation facilities. For the EC, a key programme has been the design and delivery of Sustainability Impact Assessments (SIAs), which feed into bilateral trade negotiations.

The TCBDB data provides a basis for understanding the different types of capacity building that are delivered around the trade-environment nexus. Most activities are designed to meet one of the following objectives: (i) facilitate and support environmental institution building; (ii) develop or test environmental management instruments; or (iii) promote public participation in environmental management or enhance access to information on environmental matters. The implementation of capacity building is through a variety of channels ranging from meetings and conferences to dedicated research, information gathering and dissemination, partnership funding for NGOs or support in developing methodologies such as impact assessments. The typology (Table 7) provides a qualitative overview of typical programmes.

## 1.3 Capacity building and effectiveness

Assessing the effectiveness of the many diverse channels for capacity building relating to trade and environment is complicated by a number of factors including the wide

interpretation of capacity building in the TCBDB, differing strategic objectives (eg freer trade vs environmental protection), and consequently a low basis for comparability across projects and programmes. These difficulties are compounded by the different reporting requirements of the donors and patchy availability of evaluations on the basis of which an assessment of effectiveness, relevance and value for money might be made. As a result, this report focuses its consideration of effectiveness on two donors, DfID and USAID, drawing on a narrow selection of individual project/programme evaluations and reports.

The extent of DfID capacity building on trade and environment is relatively limited, and falls within the scope of funding to the UNCTAD Trade, Environment and Development (TED) Programme. The broader programme is considered to have been relatively effective in terms of relevance, performance, success/impacts and sustainability, and recommendations for improvement focus on greater flexibility of implementation and longer-term programming. Within the TED programme, a specific project on 'Building Capacity for Improved Policy-Making and Negotiation on Key Trade and Environment Issues' has been the subject of a Project Completion Report. Assessment to date seems very positive, with three of the four objectives completely achieved and the overall purpose largely achieved. Based on these criteria, the project is deemed to have been effective.

As with the DfID projects, USAID projects and programmes have been evaluated according to varying assessment criteria and formats. Some of USAID's largest programmes, including its Asia Environmental Partnership, the Columbia Forestry Development Program, and a Biologically Diverse Forest Ecosystems programme for Madagascar, have been assessed through formats varying from a full end of project evaluation to a brief data sheet or quarterly progress reports. In general, the projects are positively assessed and are found to have made substantial achievements. However, in the absence of independent evaluations, an assessment of effectiveness is difficult to reach, especially where objectives are not stated.

#### **1.4 Donor approaches**

A new agenda focusing on poverty reduction and aid harmonisation tools now frames all donor interactions with developing countries. The focus on poverty reduction objectives within the Millennium Development Goals, country-owned Poverty Reduction Strategies and direct budgetary support and aid harmonisation measures (as set out the Paris Declaration) all influence the scope and opportunities for developing programmes targeted at capacity building for environmental management. Strategic Environmental Assessments increasingly take precedence as a process for mainstreaming environmental issues within the country's development programmes. WTO-led capacity building, with its trade focus, remains largely unaffected by these strategic changes, although the Integrated Framework for Trade Related Assistance (IF) is an important trade focused mechanism for mainstreaming trade into a country-led development agenda.

#### **1.5 Brazil: A bottom-up view**

This report also provides a summary of trade and environment related issues and capacity building initiatives in Brazil. As a middle-income country, Brazil provides an opportunity to anticipate how capacity building around the environmental effects of trade liberalisation might play out in today's developing countries. Brazil receives significant capacity building support related to trade development. Between 2001-06, it

was the 10th largest recipient of trade related capacity building (US\$193 million). The majority of this support, however, is targeted at overcoming technical barriers to trade, with only US\$6.1 million addressing trade and environment issues. Key donors of environment-related trade capacity building are the Netherlands, the EC, Germany and the US. The US funds a Brazil Environment programme and programmes on renewable energy, while Germany funds capacity building relating to environmental technology and the Netherlands is funding a large sustainable forestry programme.

#### **1.6 Next steps**

In Stage II the consultants will report on findings from the Uganda, Colombia and Pakistan case studies. Further analysis of the structure of existing support on trade and environment issues will also be undertaken. Based on this, the consultants will seek to identify and prioritise areas where UK government support would add value as well as areas where further work or detailed analysis is required.



## 2 BACKGROUND

### 2.1 Trade, the environment and developing countries

Trade liberalisation has seen countries of the developing world increasingly open up their markets to imports, while also benefiting from access to international markets for their own goods and products. The debate over the environmental impacts of trade liberalisation has been long-running, and remains unresolved. In some countries, globalisation and increased trade have been accompanied by negative environmental effects such as increased air and water pollution, depletion of the Amazon rainforest, the build-up of greenhouse gases and the depletion of fisheries. Less well-publicised are the positive environmental effects which have accompanied globalisation and liberalisation: the expansion of international trade can function as a mechanism for the transfer of pollution-control devices, cleaner industrial production and more efficient use of natural resources while trade liberalisation that leads to growth can help to reduce poverty and the environmental degradation which is so closely associated with poverty.

However, isolating the linkages between increased trade and environmental degradation has remained an elusive task. A wealth of econometric work on the trade-environment relationship has, to date, failed to deliver a clear verdict. An inverted-U hypothesis – an Environmental Kuznets Curve (EKC) – argues that environmental degradation increases as incomes increase, up to a certain point at which higher incomes translate into higher environmental protection<sup>1</sup>. Others argue that trade liberalisation promotes environmental damage in poorer countries, and environmental protection in wealthier countries<sup>2</sup>. A later study by the same authors finds that trade liberalisation shifts the composition of output towards dirty goods for low income countries to only a small degree, and that when composition effects are added to indirect scale and technique effects trade liberalisation appears to be good for the environment<sup>3</sup>. This finding is corroborated by a study of water pollution in China which finds that trade liberalisation has both direct and indirect effects on emissions growth<sup>4</sup>. The direct effect – increased openness aggravates environmental damage based on China's comparative advantage in pollution-intensive goods – is more than offset by the indirect effects of more rapid income growth, with the net result that trade liberalisation is good for the environment.

While the debate remains unresolved, a parallel discussion has increasingly contributed to the negotiations surrounding the GATT and the WTO. Within the GATT/WTO, the debate has focused on the risks to free trade posed by environmental

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<sup>1</sup> Grossman, G. & A. Krueger (1995) 'Economic growth and the environment', *The Quarterly Journal of Economics*, May: 353-377

<sup>2</sup> Copeland, B.R. & M.S. Taylor (1994) 'North-South trade and the environment', *The Quarterly Journal of Economics*, August: 755-787

<sup>3</sup> Antweiler, W., B.R. Copeland & M.S. Taylor (1998) 'Is free trade good for the environment?' NBER Working Paper No 6706

<sup>4</sup> Dean, J.M. (2000) 'Does trade liberalization harm the environment? A new test', Policy Discussion Paper No. 0015, University of Adelaide

measures. The GATT/WTO most famously ruled in 1991 that a US embargo on Mexican tuna that was caught by nets which killed dolphins was illegal under the rules of international trade, establishing a precedent that trade liberalisation principles should trump environmental values. Such rulings have made the WTO a central target for the environmental lobby.

The conflux of trade and environment provisions within the WTO presents particular issues for developing countries. Two of the key principles of the WTO are most-favoured-nation (MFN) treatment and national treatment for all members. In recognition of the needs of developing and least-developed countries, a number of exceptions are allowed, most of which are enshrined in the provisions for 'special and differential treatment'. Such provisions, however, have been substantially eroded over time as developing countries have been increasingly encouraged to meet the MFN and national treatment obligations of WTO membership.

The pressures that this places on developing countries are particularly acute when it comes to environmental issues. Reconciling conflicts between trade liberalisation and environmental protection depends on the legal, regulatory, financial and analytical capacity which is much more abundant in the developed world than in the developing world. Global environmental regulations tend to be devised by developed countries, in conformity with their capacities and the application of other legal and regulatory frameworks – such as the WTO – in their jurisdictions. Developing countries often struggle to implement such regulations because standards are too high, or change too quickly, and costs of implementation constitute a significant barrier. Their ability to enforce standards is limited by lack of human and financial resources and adequate infrastructure. It is in recognition of these difficulties that the WTO and its members have committed to a capacity building and technical assistance programme, across the various areas of negotiation.

### **2.1.1 Trade and the environment within the WTO**

The WTO incorporates a dedicated platform for discussing issues linking trade with environment, the Committee on Trade and Environment (CTE). The CTE was established under the 1994 Marrakesh Ministerial Decision on Trade and Environment to identify the relationship between trade measures and environmental measures in order to promote sustainable development, and make appropriate recommendations on whether any modifications of the provisions of the multilateral trading system are required.

Under paragraph 32 of the Doha Declaration, the CTE is required to focus in particular on market access for developing nations, intellectual property, and labelling. The WTO allows exceptions from its rules where there are environmental concerns, provided that such policies are implemented without discrimination and are not intended as a restriction on international trade.

The CTE Special Session (CTESS) was convened under paragraph 31 as a platform for negotiating issues around: i) the relationship between WTO rules and specific trade obligations set out in multilateral environmental agreements (MEAs); ii) procedures for information exchange between MEAs and relevant WTO committees, and on the criteria for the granting of observer status in WTO bodies; and iii) the reduction or, as appropriate, the elimination of tariff and non-tariff barriers to environmental goods and services. Although no action affecting trade taken under an MEA has yet been

challenged under the WTO system, there are a number of concerns that disagreements may arise between WTO members who are not all party to the same MEA.

## 2.2 Definitions and clarifications

- **Trade liberalisation** is generally understood as the removal over time of quotas, tariffs, subsidies and other trade barriers<sup>5</sup> so as to allow the free flow of goods and services between countries.
- For the purposes of this report, **capacity building** is understood in line with the World Bank<sup>6</sup> when it describes a multi-layered process which occurs in three dimensions:
  - **Individual** The ability of individuals to learn, gain knowledge and skills that can be expanded when new opportunities arise.
  - **Organisational** Where people work together on a common cause, including building institutional capacity and reforms that are owned and driven by countries themselves. Organisations can be formal, such as a government agency or an NGO, or informal such as people's cooperatives, networks of associations, business or professional groups.
  - **Institutional/societal** This refers to the overall incentive environment as well as the rules and norms under which people and organisations operate. This capacity also refers to the broader political and cultural environment, and the civil engagement of societal actors. It includes the ability of societies as a whole to allow and support the use and growth of individual people's capacities and to prevent loss of skills from countries.

A critical consideration within this framework is the recognition that capacity cannot be imported from outside, but is an endogenous process in which outsiders can act as a catalyst, facilitator or knowledge broker.

- This report builds on previous research commissioned by Defra<sup>7</sup> which addresses the role of **flanking measures** in managing the impacts of trade liberalisation on the environment. These relate to secondary policies, designed to offset the negative environmental impacts of primary policies. Development banks and other agencies might speak instead of environmental safeguards (the World Bank) or, less frequently, environmental mitigation measures (the Asia Development Bank). These can range from hard technical interventions to counter direct, product or technology effects (see Section 2.3), through legal and regulatory amendment ('command and control' mechanisms) to incentive-based structures (market mechanisms) such as codes of conduct and yet softer measures such as development assistance, training and capacity building.

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<sup>5</sup> Eg, technical barriers to trade (TBTs), trade-related environmental measures (TREM), trade-related investment measures (TRIMs), other non-tariff barriers such as import licensing systems, sanitary regulations, prohibitions

<sup>6</sup> See [www.worldbank.org/capacity](http://www.worldbank.org/capacity)

<sup>7</sup> IEEP & GHK Consulting (2005) 'The environmental impacts of trade liberalisation and potential flanking measures', report commissioned by Defra

## 2.3 Environmental effects

Helpful in distinguishing the different types of trade and environmental effect is the typology developed by UNEP/IISD<sup>8</sup> based on earlier OECD work. This specifies:

- **Product effects** related to the product itself and its processes and production methods (PPMs), and the impact these might have on the environment. Many MEAs are designed to restrict negative product effects such as trade or 'dumping' of hazardous wastes and toxic materials in countries that do not have the capacity to properly dispose of them (Basel Convention) or over-exploitation of species (CITES).
- A subset of product effects are **technology effects**, associated with the technologies used in producing a product. Positive examples of the technology effects of increasing trade include the adoption of cleaner technology where manufacturing processes benefit from foreign investment.
- **Scale effects** recognise that an increase in the scale of economic activity can have negative environmental effects. Most economic activity damages the environment, whether by extracting raw materials, using renewable resources, or in creating waste and pollution. Increasing the scale of such economic activity necessarily means increasing levels of environmental damage. Scale effects also relate to negative effects that stem from the additional wealth created by trade, such as the pollution (eg per capita emissions of greenhouse gases) associated with richer countries.
- **Structural effects** of trade liberalisation refer to the changes in the composition of a country's economy that occur under new trading arrangements. Most common negative structural effects accompany the expansion of demand for products or raw materials resulting in over-exploitation of natural resources such as fish or timber. The structural effects of liberalisation are exacerbated where countries lack capacity to regulate the resulting scale of activity.
- **Direct effects** of liberalisation refer to the actual occurrence of trade. Examples include pollution associated with the movement of goods. A current focus of discussion is transport of food by air, as air transport has the highest CO<sub>2</sub> emissions by tonne and is the fastest growing transport mode. The labelling of 'food miles' as an indicator of sustainable development is being given serious consideration<sup>9</sup>. A further direct environmental impact comes from invasive species of plants and animals unintentionally traded with other goods.

The following table applies this typology to the sector analysis undertaken in the previous Defra research on which this study builds<sup>10</sup>. The study reviewed literature and modelling exercises developed for the textiles, sugar, cotton, dairy and vegetable production sectors. Table 1 summarises the environmental impacts and countries where they are likely to be experienced.

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<sup>8</sup> UNEP/IISD *Environment and Trade: A Handbook* (2005)

<sup>9</sup> AEA Technology (2005) 'The Validity of Food Miles as an Indicator of Sustainable Development', report commissioned by Defra

<sup>10</sup> IEEP & GHK Consulting (2005) 'The environmental impacts of trade liberalisation and potential flanking measures', report commissioned by Defra

**Table 1: Summary of environmental effects, developing country and sector**

<b>SCALE EFFECTS</b>	
Localised problems related to water use and pollution, air pollution and waste management	Bangladesh: textiles India: textiles, sugar Pakistan: cotton China: textiles, vegetables Argentina: dairy
Land clearance for production	Brazil: sugar, dairy Central & South America: vegetables Middle East: vegetables Africa: vegetables
<b>STRUCTURAL EFFECTS</b>	
Land use change – abandonment /intensification, threatening semi-natural habitats and more extensive livestock systems	ACP countries (Barbados, Cote d'Ivoire, Jamaica, Madagascar, St Kitts and Nevis): sugar
<b>DIRECT EFFECTS</b>	
Increasing levels of transportation as result of lower prices (eg energy, freight transport). Green house gas emissions.	Global impact
<b>PRODUCT EFFECTS</b>	
Movement of hazardous waste products <sup>11</sup>	
Increased pesticide use where production expands	Brazil: cotton, poultry. Pakistan: cotton India: cotton Uzbekistan: cotton, vegetables West & Central Africa: cotton

The characteristics of poor developing countries make them particularly susceptible to **structural** and **scale** environmental effects of trade liberalisation:

- **Over-dependence on natural resources** Changes in export market prices and easing regulation on foreign investment creates pressure for escalated natural resource extraction (forestry, fishing, mining). Developing country governments rarely have the organisational capacity or institutional framework to address the challenge. Uganda, for example has substantial natural resources: fresh water, forest reserves of over 1.5million hectares and rich fertile soils. A recent Uganda Country Review<sup>12</sup> describes the process of the large scale clearing of forest resources and natural vegetation, the use of agrochemicals and the over-exploitation of soils that occur to enhance export capacity. The report notes that

<sup>11</sup> GHK Scoping Study on the UK's Export Trade in Waste Electronic & Electrical Equipment, Environmental Agency : February 2006

<sup>12</sup> 'My Voice is Also There' the integration of environmental and natural resources into the Uganda Poverty Eradication and Action Plan. Uganda Country Review ).Mugenyi, G.Tumushabe & L. Waldman. 2005

District Environment Officers (DEOs) and Local Environment Committees (LECs) are responsible for regulating and protecting the environment and managing these processes through plans and environmental screening tools confirming that effective action is increasingly difficult as capacity is weak, local departments are understaffed and under-resourced.

- **Importance of agriculture** Developing countries are characterised by a largely rural population dependent on agriculture for their livelihood. Changes in import and export pricing of key commodities can have dramatic impacts on the food security and livelihoods of the poor. Once again citing an example from Uganda, the Ugandan economy is based primarily on agriculture, with the agricultural sector contributing 43 percent of the GDP and over 80 percent of the employment. A current shift in emphasis from traditional cash crops such as coffee and cotton to annual crops such as maize has been described as the silent loss-making farming venture. It has compounded poverty levels amongst farmers who achieve low prices and have little opportunity to add value to this primary product.<sup>13</sup>
- **The manufacturing sector**, where it exists, is likely to be characterised by older more polluting production processes. Scale effects of expanding output will lead to greater pollution if they are not associated with the introduction of cleaner technologies.
- Related to all of the above, **government capacity** to manage structural and scale effects may be limited. Government capacity can have a number of different dimensions<sup>14</sup>. The numbers and individual skills and competencies of government officers (pollution control inspectors, forestry and wildlife officers or agriculture extension workers) responsible for applying environmental standards and enforcing regulations may be limited. The organisations responsible for managing these effects and regulating negative impacts such as environment agencies, agriculture departments, ministries of water resources and forestry, are probably under-resourced and have overlapping and unclear areas of responsibility. Finally, the institutional context or the formal and informal rules within these individuals and organisations are likely to create negative incentives. Collusion of powerful interests around natural resource exploitation, opposition to the introduction of polluter pays principles and widespread rent seeking behaviour all undermine the pursuit of sound environmental management.

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<sup>13</sup> Is it still worth growth maize in Uganda? Ojiambo S.

<sup>14</sup> Calcutta Environmental Management Strategy and Action Plan; GHK 1995 – 1997; This DfID funded programme was established to support the Dept. for Environment, West Bengal India in fulfil its legal responsibilities for environmental management. The Department (with four full time staff members) and its partner agency the Pollution Control Board were severely under resourced given the scale of pollution they needed to address. Organisational rivalry and overlapping departmental responsibilities compounded the management problems experienced.

### 3 THE WTO TRADE-ENVIRONMENT CAPACITY BUILDING AGENDA

Among the commitments that the world's largest trading nations signed up to at Doha in 2001 was a 'New Strategy for WTO Technical Cooperation for Capacity Building, Growth and Integration'. In order to help developing countries mainstream trade into their national economic development plans and strategies for poverty reduction, the developed countries promised to help developing countries in their transition to WTO rules and disciplines: to provide training and capacity building in implementing their obligations and exercising the rights of membership<sup>15</sup>.

At the same time, the Doha Ministerial Declaration contains a number of provisions which specifically address the trade-environment nexus, including paragraphs 31 and 32 as outlined above. In addition:

- **Paragraph 33** underlines the importance of technical assistance and capacity building in the field of trade and environment and calls for an exchange of experience with countries wishing to perform environmental reviews at the national level.
- **Paragraph 51** calls upon the CTE, together with the Committee on Trade and Development, to act as a forum within which the environmental and developmental aspects of the negotiations can be debated in order to help achieve the objective of sustainable development. In this respect, the CTE has pursued a sectoral approach focusing on Agriculture, Market Access for Non-Agricultural Products, Rules, and Services.

These commitments have been among the chief drivers of capacity building and technical assistance surrounding the trade-environment nexus over the past five years. They have also been a catalyst for the creation, in November 2002, of the Doha Development Agenda Trade Capacity Building Database (TCBDB) as a means of coordinating the trade capacity building activities of the member countries of the WTO. The database provides a clear overview of the relative importance of the environment within the broader trade agenda, as well as of some of the key characteristics of capacity building activities relating specifically to the intersection of trade and environment issues<sup>16</sup>.

#### 3.1 Trade capacity building: Positioning the environment

Of the US\$13.7 billion in trade capacity building activities reported to the TCBDB for 2001-06, those relating to 'Trade & Environment' accounted for 1.3 per cent by value (US\$172 million) and 1.8 per cent by number. The Trade & Environment category ranked 12th by value and 14th by number out of 26 categories in total (Table 10).

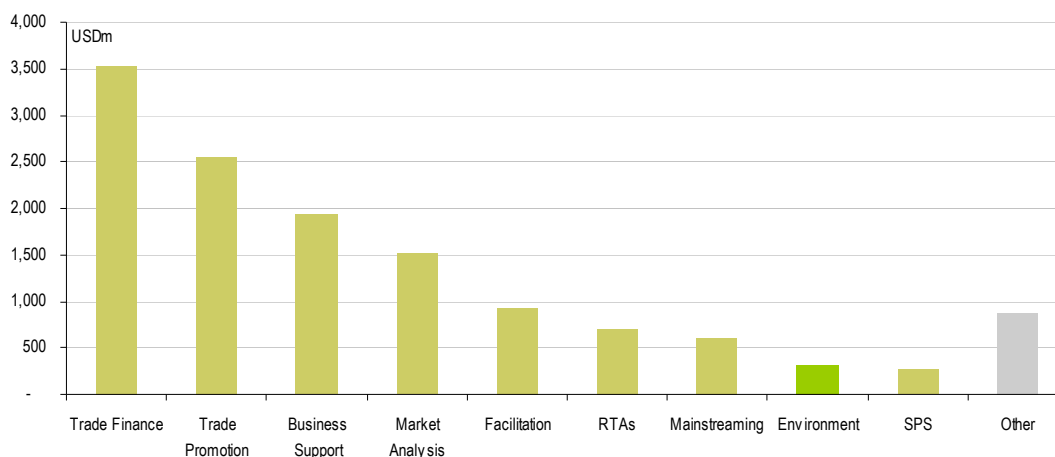
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<sup>15</sup> Paragraphs 38-41

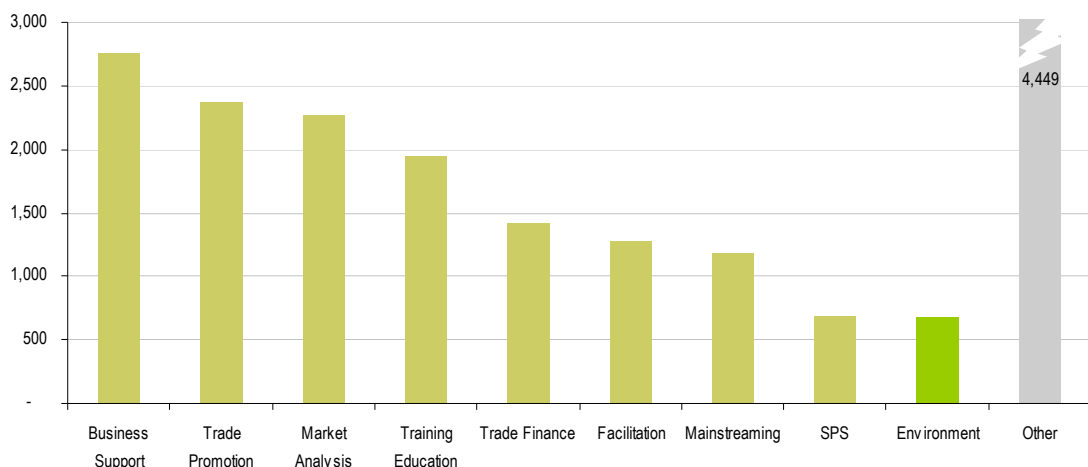
<sup>16</sup> The TCBCB compiles development aid activities into three 'cubes': Trade Policy & Regulations, Trade Development and Support to Economic Infrastructure. The following analysis is drawn from the combined Trade Policy & Regulations and Trade Development cubes. NB 2005 and 2006 contain partial data only. For methodology, see Technical Note, Annex 2.

A number of environment-related activities, however, are not captured in the Trade & Environment category. These feature in the largest volumes in the Trade Finance, Trade Promotion, Business Support and Market Analysis categories, and account in total for some US\$143 million in further spending specifically on issues related to trade and the environment. Adjusting to include these activities, environment-related capacity building accounted for 2.3 per cent of total capacity building activities by value, and 3.5 per cent by number (Table 11). The expanded environment category moves to 8th in the ranking by value and 9th in the ranking by number (Chart 1 and Chart 2).

**Chart 1: Environment-related capacity building by value, 2001-06 adjusted**



**Chart 2: Environment-related capacity building by number, 2001-06 adjusted**

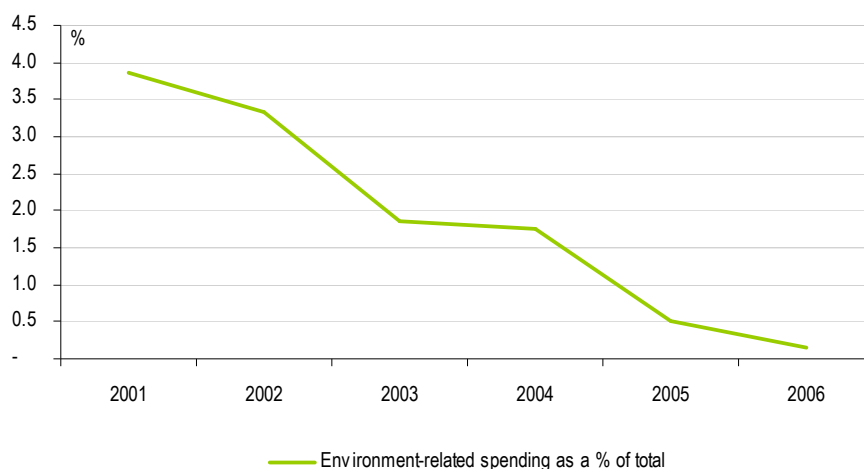


Over time, environment has become less important among trade capacity building categories, with environment-related spending falling in absolute terms in contrast to



an overall rising trend of spending between 2001 and 2003. The partial data provided for 2005 and 2006 indicate that the relative decline of environment-related spending has continued (Chart 3). This may reflect the declining salience of the general environmental agenda for voting publics, and consequently their governments, as interest in regional trade agreements, market development, trade mainstreaming (in Poverty Reduction Strategy Papers, development plans) and barriers to trade has risen.

**Chart 3: Environment-related spending as a % of total, 2001-06**



### 3.2 The donors

Between 2001-06, nearly US\$315 million was extended in bilateral and multilateral loans and grants (mostly grants) to support trade/environment-related capacity building. Of this, 81 per cent came from bilateral donors and 19 per cent through multilateral donors.

Excluding its commitments through the multilateral donors, the UK is the 10th largest bilateral donor of trade/environment-related capacity building (6th among the EU countries), with a commitment of US\$1.8 million across 2001-02 (compared with total bilateral aid of nearly £2 billion for the year 2001-02). Germany alone spent nearly 10 times as much as the UK. Most of the UK's contribution has been channelled through DfID and concentrated on one project (UNCTAD-FIELD). (See further Annex 1.5)

At the top of the ranking, by an order of magnitude, is the US (Table 2). Most (and the largest) of its trade-environment capacity building activities are funded by USAID, however a number of other agencies also contribute significant amounts, including the State Department, Environmental Protection Agency, Department of Energy, Center for Development Information and Evaluation, Trade and Development Agency and the Department of the Interior. With the exception of Egypt, the top beneficiaries are its immediate neighbours in Central and Latin America and the Caribbean. (See further Annex 1.1)

**Table 2: Top 10 bilateral donors of trade/environment-related CB, 2001-06**

<b>Donor</b>	<b>Number of projects</b>	<b>Value (US\$m)</b>
United States	353	162.51
Switzerland	23	27.31
Germany	33	17.00
Canada	39	14.84
Netherlands	9	9.46
Denmark	52	8.87
Sweden	17	6.02
Norway	10	2.54
France	4	2.13
United Kingdom	4	1.81
<b>TOTAL</b>	<b>567</b>	<b>255.81</b>

The EC is the largest multilateral donor – also by a large margin (Table 3). Between them, the US and the EC fund 70 per cent of total trade/environment-related capacity building.

**Table 3: Top 5 multilateral donors of trade/environment-related CB, 2001-06**

<b>Donor</b>	<b>Number of projects</b>	<b>Value (US\$m)</b>
European Commission	28	57.31
World Trade Organization (WTO)	53	0.66
Food and Agriculture Organization (FAO)	3	0.63
Asia Pacific Economic Cooperation (APEC)	1	0.08
United Nations Development Program(UNDP)	1	0.03
<b>TOTAL</b>	<b>112</b>	<b>59.00</b>

Among the top 10 bilateral donors, the average project size is around US\$450,000 with Switzerland and the Netherlands undertaking projects averaging in excess of US\$1 million, while Canada, Sweden and Norway tend to fund a larger number of smaller projects up to an average of US\$380,000. And although the EC spends a smaller total amount than the US, it funds much larger projects, averaging in excess of US\$2 million. Average project size for the remaining multilateral donors is up to about US\$200,000.

### **3.3 The beneficiaries**

The largest share of capacity building aid goes primarily to WTO member countries, with 6.5 per cent going to accession countries (Table 4). Of the top 10 beneficiary countries, the Russian Federation and Vietnam are accession countries (Russia has targeted an accession date of 2006). This suggests that, for accession countries, the burden of becoming WTO-compliant continues to be predominantly borne by them – at least as far as environment-related support is concerned – and that capacity building

and technical assistance are concentrated among those countries who have already met the required standards for accession.

**Table 4: Recipients of trade/environment-related CB, by membership status**

Status	Number of countries	Number of projects	Value (US\$m)	% of total
Original members (1995-96)	61	366	164.99	52.4
Subsequent members	14	40	18.33	5.8
Accession countries*	8	43	20.43	6.5

\* Vietnam, Russia, Kazakhstan, Serbia & Montenegro, Croatia, Lao PDR, Azerbaijan, Lebanon

By country, Egypt ranks as the top recipient of trade-environment related capacity building. This is based on a handful of projects, all funded between 2001 and 2004 by USAID<sup>17</sup>. The case of Egypt demonstrates the extent to which the dominance of the US amongst the donors influences the overall ranking of beneficiaries (Table 5). Of the remaining top nine recipients, Bolivia, Columbia, Nicaragua and Haiti are the top recipients of US funding after Egypt.

**Table 5: Top 10 recipients of trade/environment-related CB, 2001-05**

Recipient country	Value (US\$m)	% of total	Number of projects	% of total
Egypt	19.08	6.1	9	1.3
Bolivia	11.61	3.7	21	3.1
India	11.47	3.6	11	1.6
Nicaragua	9.59	3.0	14	2.1
China	9.21	2.9	17	2.5
Colombia	8.55	2.7	3	0.4
Vietnam	8.45	2.7	8	1.2
Morocco	8.44	2.7	10	1.5
Russian Federation	7.48	2.4	19	2.8
Peru	6.59	2.1	8	1.2
<b>TOTAL</b>	<b>314.80</b>		<b>675</b>	

Similarly, the regional allocation is heavily influenced by the direction of funding by the EC. Asia is the top recipient of EC capacity building, with support to Indonesia, China and to regional programmes constituting nearly 60 per cent of its total spending on trade-environment capacity building. Overall, 30 per cent of capacity building funding goes to Asia and 25 per cent to Latin America & Caribbean. Developed countries receive 7.8 per cent (Table 6). North America, for instance, is the beneficiary of some US\$12.4 million in capacity building support: this includes partnership agreements by USAID with US NGOs, conferences and workshops staged in the US/Canada, research activities which do not relate to a particular country or region, and tied aid such as the Canadian International Development Agency's (CIDA) support to

<sup>17</sup> During 1999 USAID developed a new strategy for 2000-09 designed to change the US-Egypt relationship to one grounded on trade and investment.

Canadian companies to enable them to deliver cooperation activities under the Hemispheric Cooperation Agreement which is part of the Free Trade Area of the Americas agreement.

**Table 6: Recipients of trade/environment-related CB, by region**

	Value (US\$m)	%	Number of projects	%
Asia	94.26	30.0	92	13.6
Latin America & Caribbean	78.65	25.0	210	31.1
Other developing	34.44	11.0	115	17.0
Middle East & North Africa	28.34	9.0	31	4.6
Developed countries	24.50	7.8	71	10.5
Central & Eastern Europe	21.87	7.0	59	8.7
Africa	21.31	6.8	75	11.1
Central Asia	3.08	1.0	5	2.5

### 3.4 Comments on the Trade Capacity Building Database (TCBDB)

While the TCBDB provides a substantial amount of data on trade-environment capacity building, a number of further considerations may have a bearing on its overall comprehensiveness. Importantly, the database is compiled through a system of self-reporting by the member countries of the WTO. Despite inevitable inconsistencies in the manner of reporting, however, the database is considered to be representative.

At a more thematic level, within the context of the WTO the emphasis is overwhelmingly on the impacts on trade of environmental measures, rather than on the impacts on the environment of trade liberalisation<sup>18</sup>. As its literature points out, 'the WTO is not an Environmental Protection Agency': its key concern with regard to the environment is rather to prevent issues relating to environmental protection from becoming a barrier to trade. To the extent that environmental impacts are taken into consideration, it focuses on the 'win-win-win' benefits of removing trade restrictions. This is based on the principle that one of the primary causes of environmental degradation is poverty<sup>19</sup> and that greater economic growth, fuelled by increased international trade, can generate the necessary resources to combat the 'pollution of poverty'.

Consequently, a primary concern identified by both the Marrakesh and the Doha Declarations is the effect of environmental measures on market access. Directly related to this is the volume of capacity building in the area of eco-labelling and, in turn, the environmental standards and assessments on which eco-labelling is based. The extent to which capacity building on eco-labelling is implemented with the objective of

<sup>18</sup> See WTO (2004) 'Trade and Environment at the WTO: background document', available at [www.wto.org](http://www.wto.org)

<sup>19</sup> The Brundtland Report of the 1987 World Commission on Environment and Development (*Our Common Future*) identified poverty as one of the most important causes of environmental degradation.

mitigating the environmental impacts of trade liberalisation, therefore, is relatively limited.

### 3.5 A capacity building typology

The overview above provides a basis for understanding the different types of capacity building that are being adopted around the trade-environment nexus, and the general and specific objectives to which they relate. Most of the activities are designed to meet at least one of three broad objectives, which reflect the three dimensions of the UNEP's approach to capacity building<sup>20</sup>:

- Facilitating and supporting **environmental institution building** by governments at regional, sub-regional, national and local levels.
- Developing and testing **environmental management instruments** in collaboration with governmental and non-governmental partners, United Nations entities and major groups.
- **Promoting public participation** in environmental management and enhancing access to information on environmental matters.

In terms of the narrower focus on the relationship between trade and the environment, these objectives might include:

- Environmental institution building:
  - Creation of normative and legal frameworks for environmental management. For instance, USAID's Increased Institutional Capacity for Environmental Protection in the Dominican Republic which refines existing environmental law to establish a comprehensive legal environmental regulatory regime.
  - Environmentally sensitive trade strategies and policies to ensure that countries engage in trade in a sustainable way. For instance, Switzerland has supported China's Environment Task Force which aims to help integrate environmental concerns into the trade and economic policies of China as well as countries which supply inputs to China.
  - Scientific and socio-economic research to build understanding of environmental impacts and encourage appropriate technical and policy solutions. For instance, the EC funds research to assess the socio-economic and environmental impacts of Clean Development Mechanism (CDM) afforestation projects.
- Environmental management instruments:
  - Transfer of cleaner technologies which are not available or affordable in developing countries. For instance, USAID has worked with the Latin American and Caribbean Environmental Partnership to advance US technology and know-how across 12 industry groups.

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<sup>20</sup> See UNEP (2002) *Capacity building for sustainable development: An overview of UNEP environmental capacity development activities*, Nairobi: UNEP

- Application of 'polluter pays' principles to programmes supporting industry and processes of industrialisation. Similarly, programmes for urban upgrading, infrastructure development and wastewater management frequently incorporate tariff structures which reflect 'polluter pays' principles.
- Promoting public participation:
  - Public outreach activities to promote wider engagement with issues relating to trade and environment, especially by stakeholders. For example, USAID has worked with Ecuador to encourage community management in the conservation of the Galapagos Marine Reserve.
  - Access to information to promote awareness, understanding and coordination. For instance, the US' Environmental Protection Agency has developed a Chemical Information Exchange Network in Sub-Saharan Africa to support inter-agency cooperation in the management of chemicals and pesticides.
  - Public accountability through increased awareness and understanding on the part of civil society, and better mechanisms by which citizens may hold their governments to account on issues relating to trade and environment. For instance, a number of capacity building activities support civil society representatives to participate in international fora on trade and environment.
  - Consensus building in support of coherent, consistent policy-making at the national and international level. For instance, a significant volume of capacity building enables developing countries to participate in international fora on trade and environment, as well as supporting working groups which feed into key international meetings.

Implementation of capacity building is through a variety of channels, of which the most frequently occurring are:

- **Meetings and conferences**, often relating to international, regional or bilateral trade negotiations. Most frequently, support is provided to developing nations to enable them to attend meetings and thereby engage with the global trading regime from which they would otherwise be excluded.
- **Training seminars and workshops** relating to the rules and obligations of WTO membership or other international conventions, understanding the links between trade and environment, technical issues, principles of environmental sustainability, etc.
- **Research and research support** Directly commissioned research, or support for research activities undertaken by developing nations/NGOs to better understand environment-trade linkages, the evolution of international law on trade and the environment, best-practice environmental management, etc, as well as country or sector-based studies.
- **Support to domestic institutions** to implement environmental policy, draw up and implement legislation and regulation, strengthen environmental institutions, apply environmental management techniques, engage in bilateral and multilateral negotiation, etc.

- **Information gathering and dissemination** to: build base-case scenarios for robust ongoing monitoring of changes in the environment, including the impacts on the environment of increased trade liberalisation; building inventories of animal, mineral, plant and genetic stocks; developing indicators of sustainability, biodiversity, climate change, air and water quality, ozone depletion, waste generation, resource availability, etc.
- **Partnership funding for NGOs** to enable international and local NGOs to undertake activities including research and project implementation.
- Support in the development and application of **impact assessment** methodologies. The EU, for instance, has allocated US\$660,000 in support of Sustainable Impact Assessment studies as an ex-ante exercise for identifying the economic, social and environmental impacts of specific trade negotiations. UNEP, meanwhile, has developed an Integrated Assessment methodology which has been piloted in a select number of sectors<sup>21</sup> and is being rolled out in a number of countries. Bilateral donors such as the US have also supported the development of impact assessment frameworks for application to regional and bilateral trade negotiations.
- Development of **standards and certification**, predominantly for the purpose of enforcement of international law and bilateral agreements on trade and environment, as well as support for forest certification, ISO qualification, etc.
- Assistance to **rural communities** to overcome threats to their livelihoods. This is based on the understanding that rural livelihoods depend to a disproportionate extent on natural resources, and are therefore likely to be most vulnerable to negative environmental impacts arising from greater trade liberalisation.

Based on these observations, a preliminary typology emerges which maps capacity building channels against their broad strategic objectives. This matrix is illustrated in Table 7, which provides examples of some typical programmes by category.

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<sup>21</sup> IEEP & GHK Consulting (2005) 'The environmental impacts of trade liberalisation and potential flanking measures', report commissioned by Defra

**Table 7: Trade-environment capacity building typology**

	<b>Institution building</b>	<b>Environmental management instruments</b>	<b>Promoting public participation</b>
<b>Meetings &amp; conferences</b>	Hemispheric Trade and Sustainability Symposium (Canada)	ISO/ TC 207 Environmental Management meeting(s)/WG 5 – Climate Change (Canada)	CAFTA Alliance for Trade Capacity Building (US)
<b>Training seminars &amp; workshops</b>	Women in Agriculture, Forestry and Environment (New Zealand)	Environmental Management Accounting for Sustainability Management in SMEs in South East Asia (Germany)	Linkages between Trade & Non-Trade Capacity Building (UK)
<b>Research &amp; research support</b>	PRINWASS Barriers to and conditions for the involvement of private capital and enterprise in water supply and sanitation in Latin America and Africa: seeking economic, social, and environmental sustainability (EC)	Bioconversion/Composting (US)	
<b>Support to domestic institutions</b>	Asia Environmental Partnership (US)	Pakistan Environment Program (Canada)	Cuba Waste Management (Switzerland)
<b>Information gathering &amp; dissemination</b>	Data collection and analysis for sustainable forest management: linking national and international efforts (EC)	North American Pollutant Release and Transfer Registry (US)	Inventory of activities related to Corporate Social Responsibilities (Sweden)
<b>Partnership funding for NGOs</b>	Rainforest Alliance for Sustainable Economic Growth (US)		Crafting a Lead Free World (US)
<b>Impact assessment</b>	China Council for International Cooperation on Environment and Development: support of the Task Force 'WTO and Environment' (Switzerland)	SIAs: EU Studies (EC)	
<b>Standards &amp; certification</b>	India environmental institution strengthening (Canada)	Accreditation and in-plant environmental management in Central America (Germany)	Public Understanding and Participation in the Energy Sector (US)
<b>Rural livelihoods</b>	Economic Change, Poverty and Environment (EC)	Diversified Value-added Production and Certification in Environment Friendly Farming Systems (FAO)	

For project summaries please see Annex 4.



The typology aims to capture the main channels for trade-environment related capacity building by bilateral and multilateral donors. However, its basis in the WTO/OECD TCDBD limits the extent to which it can be comprehensive and definitive. One of the most obvious omissions is that it does not capture the full extent of capacity building activities funded by national and international NGOs – as our bottom-up view of Brazil reveals (see Section 5 and Annex 5). Some of these activities will appear in the database where they also receive government funding. However, NGO activities can be expected to differ materially in terms of their objectives and orientation from government-funded activities. This merits further primary research given the growing trend for government aid agencies to channel funds through NGOs, and the opportunities this provides for NGOs to influence donor agendas.

The World Wildlife Fund (WWF), for instance, receives 22 per cent of its income from its partnerships with governments and development agencies including the OECD, and most of the multilateral development agencies and banks. Its partnership agreements cover a range of models, from cooperative agreements for co-financing of projects to strategic alliances with targets for joint programmatic achievement. The UK's DfID, for instance, has committed around £11 million over three years to help finance WWF programmes across Africa, Asia and Latin America which address the common causes of environmental degradation and poverty at both a local and an international level. WWF also receives funding and technical assistance from USAID for programmes such as its Global Forest & Trade Network.

## 4 DONOR APPROACHES TO ENVIRONMENTAL EFFECTS

The analysis so far has focused narrowly on trade capacity building activities relating to the environment as reported to the WTO. As noted above, a large proportion of these activities focus on mitigating the impacts on trade of environmental measures, rather than the impacts on the environment of increased trade. While the two are not mutually exclusive, the different emphasis clearly influences capacity building approaches. This means, for instance, that developed countries benefit from a significant volume (US\$24.5 million) of capacity building support. Furthermore, information reported to the WTO only partially captures the volume and types of capacity building activities carried out by international and national NGOs.

The partiality of the available data calls for a wider perspective on trade-environment issues and the capacity building agenda. This section considers how donor programmes with developing country governments are organised more generally and how approaches to aid delivery have evolved over last five or so years. A new agenda focusing on poverty reduction and aid harmonisation tools now frame all donor country interactions with developing countries and will in turn influence the scope and opportunities for developing programmes targeted at capacity building for environmental management.

The global pool of overseas development assistance is in the region of US\$60 billion a year, according to a DfID White Paper produced in 2000, 'Eliminating World Poverty: Making Globalization Work for the Poor'. The White Paper argued that too much of this assistance is tied to the purchase of goods and services from the donor country or is used to fund isolated donor-led projects rather than helping governments implement long-term programmes of poverty reduction. The White Paper argued for a shift in policy focusing more aid on the poorest countries and on development programmes that support strategies designed and led by national governments. The Millennium Development Goals (MDGs), as a high-level policy initiative, have become increasingly important as tangible targets that prioritise poverty reduction and focus development activities for donors and developing countries. Aid harmonisation will be pursued through agreements reached under the OECD-led Paris Declaration. The details of both initiatives are described below.

### 4.1 Millennium Development Goals: Prioritising poverty reduction

The eight MDGs were agreed at the United Nations Millennium Summit in September 2000 and nearly 190 countries have subsequently signed up to them. Within the overall MDG focus on poverty reduction, the specific environmental goal MDG7 seeks to ensure environmental sustainability by including the principle of sustainable development in policies and reversing the loss of environmental resources (Target 9). Progress against Target 9 is considered to be lagging<sup>22</sup> and the UN reports poor coverage of MDG7<sup>23</sup>. For many donor countries, the MDGs have realigned their focus

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<sup>22</sup> DfID (2005) 'Environmental Sustainability Factsheet'

<sup>23</sup> UN (2005) 'Progress towards the Millennium Development Goals, 1990-2005'

on poverty reduction and in terms of the environment, helping them to focus on the interrelationship between poverty and the environment.

#### **4.2 Delivering aid via budgetary support mechanisms**

A parallel initiative in the global effort to spend development assistance more effectively is the introduction of alternative aid funding mechanisms. A growing proportion of aid to developing countries is now delivered as direct support to government budgets to meet objectives and fund programmes set out in national Poverty Reduction Strategies. The Paris Declaration confirms this change in approach towards focusing on partner countries and developing country-based processes.

#### **4.3 Paris Declaration: Aid harmonisation**

The Paris Declaration<sup>24</sup>, endorsed in March 2005, is an international agreement with more than 100 signatories committing countries and organisations to continue and increase efforts in harmonising, aligning and managing aid for results. The declaration moves beyond a statement of general principles to a practical, action-oriented programme organised around five key principles to be tracked through monitoring progress against 12 indicators. The agreed indicators make tangible the changes envisaged:

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<sup>24</sup> See [http://www.oecd.org/document/18/0,2340,en\\_2649\\_201185\\_35401554\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/18/0,2340,en_2649_201185_35401554_1_1_1_1,00.html)

		Target for 2010
<b>OWNERSHIP</b>		
1	Partners have operational development strategies	At least 75 per cent of partner countries have operational development strategies by 2010
<b>ALIGNMENT</b>		
2	Reliable country systems based on public financial management and procurement practices that (a) adhere to broadly accepted good practice and (b) have a reform programme in place to achieve these	Targets for improvements in public financial management and procurement
3	Aid flows are aligned to national priorities	Halve the proportion of aid flows to government sector not reported
4	Strengthen capacity through coordinated support	50 per cent of technical cooperation is implemented through coordinated programmes consistent with national development strategies
5a	Use of country public financial management systems	Donors use partner countries' PFM systems and reductions in aid to the public sector not using partner countries' PFM systems
5b	Use of country procurement systems	Donors use partner countries' procurement systems and reductions in aid to the public sector not using partner countries' procurement systems
6	Strengthen capacity by avoiding parallel implementation structures	Reduce by two-thirds the stock of parallel project implementation units
7	Aid is more predictable	Halve the proportion of aid not disbursed within the FY for which it was scheduled
8	Aid is untied	Continued progress over time
<b>HARMONISATION</b>		
9	Use of common arrangements or procedures	66 per cent of aid flows are provided in the context of programme-based approaches
10	Encourage shared analysis	40 per cent of donor missions are joint and 66 per cent of country analytic work is joint
<b>MANAGING FOR RESULTS</b>		
11	Results-oriented frameworks	Reduce the proportion of countries without transparent and monitorable performance assessment frameworks by one-third
<b>MUTUAL ACCOUNTABILITY</b>		
12	Mutual accountability	All partner countries have mutual assessment reviews in place

Of the provisions under the Paris Declaration the most important in the context of this study are: ownership, alignment and joint donor working. Country ownership is critical, with a leading role given to country-driven national development strategies with clear strategic priorities linked to medium-term expenditure frameworks (these may presently be Poverty Reduction Strategy Programmes (PRSPs) in some countries). Secondly, in

terms of alignment, there is an emphasis on technical cooperation implemented through national development strategies with the phasing out of project based implementation units. Finally, the declaration stresses harmonisation measures that encourage joint donor working, analysis and accountability as well as common arrangements and procedures.

Each of these initiatives is borne out of a better understanding within the development community of what makes development or change more sustainable, and a better understanding of the different dimensions to capacity building. A new understanding of what is meant by capacity building has shifted the focus from a narrow 'preoccupation with training and technical assistance'<sup>25</sup> to a more precise definition. A definition that highlights: the skills and competencies of individuals (human capacity); the capabilities of organisations and their overall capacity to perform (organisational capacity); and the wider institutional context within which they operate that is governed by formal and informal norms and 'rules of the game' (institutional capacity)<sup>26</sup>.

In this context, a number of more generic programmes exist to help build capacity in developing countries to improve environmental management and establish a framework to address the environmental impacts of trade liberalisation. One example is the World Bank's US\$22 million Second Environmental Management and Capacity Building project in Uganda. This project provides institutional support to the National Environmental Management Authority (NEMA) as part of a long-term effort to build the capacity of key players at all levels – national, district and community – in both the private and public sector to work together to achieve environmentally sustainable development. Effective operation of this agency and oversight of programmes at district and community level will provide the basis for Uganda to respond to environmental problems that arise from liberalisation even though the programme is not directly targeted at the issue.

Under this new focus on aid delivery at a country level, processes that integrate environmental considerations into national development policy become increasingly important. Strategic Environmental Assessments (SEAs) are such a tool and in developing countries, are key inputs to national poverty reduction strategies, energy policy reforms or privatisation programmes. Although SEAs share features of project-related Environmental Impact Assessments (EIAs) they assess environmental concerns at a more strategic level, allowing a focus on poverty and environment and addressing the root causes of environmental problems, rather than symptoms. There has been considerable joint donor promotion of SEAs in recent years and deliberation over how to widen their use at a country level. Increasingly, they are seen as a major tool to assist countries in strengthening their overall environmental management capacity.

Poverty reduction and aid effectiveness are the core objectives of the MDGs and the Paris Declaration, and will frame the way environmental issues continue to be addressed in developing countries. The WTO remains largely unaffected as it continues to pursue its trade focus. There are initiatives supported by the WTO,

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<sup>25</sup> World Bank Task Force on Capacity Building in Africa (2005) *Building Effective States, Forging Engaged Societies*, Washington DC: World Bank

<sup>26</sup> World Bank Operations Evaluation Department (2005) 'Capacity Building in Africa. An OED Evaluation of World Bank Support'

however, that do in part reflect this changing country driven emphasis. The Sub-Committee of the WTO on Least Developed Countries has adopted the Integrated Framework for Trade Related Assistance (IF) as a trade focused mechanism for mainstreaming trade into a country-led development agenda. Environmental issues, however, are considered only as far as they represent an internal or external constraint to trade such as understanding of environment-related product standards or export market regulations. The IF was established in 1997 and, following a number of critiques, redesigned in 2001 as a trade-focused tool. The IF is the coordinated framework for delivering trade related technical assistance by the World Bank, IMF, UNCTAD, UNDP and WTO to 49 eligible LDCs. The redesign in 2001 extended the number of eligible countries and introduced a core-funded tool (the diagnostic trade integration study) to examine a country's trade potential and major bottlenecks to trade performance.

## 5 BRAZIL: A BOTTOM-UP VIEW

This bottom-up view of the trade/environment capacity building agenda serves to contextualise the findings extracted from the TCBDB in Section 3 and to highlight potential gaps in the extent or depth of its coverage. Brazil was selected during the inception period<sup>27</sup> of this study, on the basis of earlier research<sup>28</sup> which highlighted a number of significant environmental effects from trade liberalisation in Brazil.

As a middle-income country, Brazil provides an opportunity to anticipate how capacity building around the environmental effects of trade liberalisation might play out in today's developing countries. Environmental degradation and trade liberalisation have long been key issues for national and international policymaking: Brazil's environmental movement dates back to the early 1980s when the scale of damage to the Amazon rainforest, especially as a result of the Planaflo and Polonoeste developments, first became a subject of international controversy. The central role played by Brazil in the global environmental agenda was confirmed with the UN Conference on Environment and Development (the Earth Summit), which was held in Rio in 1992.

At the same time, Brazil has been one of the key players in creating a regional trading regime, both with its South American partners as well as across North and South America. As one of the 'BRICs' (Brazil, Russia, India, China) countries<sup>29</sup>, Brazil has also increasingly flexed its economic and political strength in a variety of international fora, including the GATT/WTO. The various dramatic setbacks<sup>30</sup> in its liberalisation path, however, have ensured that issues of trade liberalisation in Brazil remain a subject for heated debate.

### 5.1 Trade and environment context

With some of the world's ecological treasures, including the Amazon rainforest and the world's largest wetland system, Brazil is also a leader in biomass-based renewable energy. However, Brazil's rich environmental asset base and diversity has long been under threat, and there are indications that this threat is increasing: Brazil is home to a large number of the world's threatened species, with the second highest number of threatened bird species and the fourth highest number of threatened mammal species. It has comparatively few protected areas (IBAMA 2006) and is under increasing threat of deforestation (World Bank 2000).

Brazil joined the international trade regime in the 1990s and was an original WTO member in 1995. Current policy supports the overall objectives of the WTO in developing an improved multilateral trading system. At the same time, considerable

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<sup>27</sup> See Inception Report to this study, March 2005

<sup>28</sup> IEEP & GHK Consulting (2005) 'The environmental impacts of trade liberalisation and potential flanking measures', report commissioned by Defra

<sup>29</sup> Goldman Sachs (2003) 'Dealing with BRICs: The Path to 2050', Global Economics Paper No 99

<sup>30</sup> Including its 1999 currency crisis and devaluation, and a power crisis in 2001.

effort focused on developing regional and bilateral trading agreements. Brazil is a key member of Mercosur<sup>31</sup> and has been instrumental in the development of internal and bilateral arrangements between Mercosur and other countries and organisations including India, Egypt, Morocco, Israel, the Southern Africa Customs Union (SACU), the Cooperation Council for the Arab States of the Gulf (GCC), and the EFTA States (Iceland, Liechtenstein, Norway and Sweden).

Trade relations between Mercosur and the European Union (EU) started formally in 1999, at the Latin America and Caribbean-EU Summit. The last negotiating round took place in Brussels in July 2004 after a successful exchange of offers on goods, investment and services. Currently under discussion are new trading concessions between Mercosur under the Free Trade Area of the Americas (FTAA) agreement.

Trade related environmental concerns have featured to some extent throughout the trade liberalisation process: Mercosur established the constitution of a Specialised Environmental Reunion (REMA) and subsequent preparation of agreed 'Basic Guidelines on Environmental Policy Issues' (Gutierrez 1998). Brazil is a signatory to a number of agreements that provide a platform for addressing environmental issues, including the Amazon Cooperation Treaty (ACT) and the South Atlantic Peace and Cooperation Zone.

In addition, studies by Brazilian research institutions have assessed the environmental impacts of trade liberalisation, often focusing on a particular sector such as agriculture (Embrapa). The most comprehensive ex-ante assessments have been through EU commissioned and funded Sustainability Impact Assessment studies; the WWF has conducted an ex-post assessment of export-led soya bean production. However, this brief review has found little evidence that in-country research into potential impacts or assessments have either influenced the detail of negotiations or fed into mainstream policy.

Brazil receives significant capacity building support related to trade development. Between 2001-06 it was the 10th largest recipient of trade related capacity building (US\$193 million). The majority of this support however is targeted at overcoming technical barriers to trade, with only US\$6.1 million addressing trade and environment issues. Key donors of environment-related trade capacity building are the Netherlands, the EC, Germany and the US. The US funds a Brazil Environment programme and programmes on renewable energy, while Germany funds capacity building relating to environmental technology and the Netherlands is funding a large sustainable forestry programme.

The UK Government has cross-departmental programmes with Brazil, which sit within the framework of the Sustainable Development Dialogue led by Defra and recently signed between the UK and Brazil governments. Institution building and capacity development are one key theme identified for discussion. Current programme and project funding by Defra and the FCO is focused on biodiversity, climate change and energy. In addition, DfID leads on two programmes on Latin American Markets and Trade and Pro Poor Trade. Each has a regional focus, seeks to build capacity and

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<sup>31</sup> A common market among Argentina, Brazil, Paraguay and Uruguay, known as the 'Common Market of the South' (Mercado Comun del Sur). It was created by the Treaty of Asunción on 26 March 1991, and added Chile and Bolivia as associate members in 1996 and 1997.



influence policy, and practices within international finance institutions to be more responsive to poverty and trade issues.

Capacity building programmes run by national organisations have tended to focus on the environmental requirements of trade and involve the provision of information and support to domestic producers to access new markets, or support around standardisation, labelling and the introduction of quality control processes. Capacity programmes led by international agencies include the UNCTAD/FIELD project on Strengthening Research and Policymaking Capacity on Trade and Environment; Bolsa Amazonia, an EC-funded project to facilitate the commercialisation of sustainable Amazonian products; and USAID projects relating to renewable energy, forest management practices, environmental trade and standards.

The work of NGOs in providing technical assistance and capacity building is also important in Brazil. International NGOs with regional offices, such as WWF-Brazil and Greenpeace work on projects and campaigns relating to environmental degradation and the promotion of nature conservation. Often they work in close cooperation with local NGOs such as Pro-Natura and Vitae Civilis.

The main emphases of Brazilian environmental programmes are forest devastation, changes in agricultural practice, climate change, and bio-diversity. Where policy and capacity building initiatives to address trade and environment issues are undertaken they are largely driven by international agencies, United Nations agencies and international NGOs.

A particular focus of capacity building programmes is on addressing environmental barriers to Brazilian exports, usually in the context of market access and market entry concerns and the environmental sustainability of exports. This is partly due to the fact that they have often been conducted by institutions associated with trade promotion (Viega 1995).

Brazil is an active participant in international debates and agreements, and has played an important and constructive role in international negotiations. It presented the original proposal for the Clean Development Mechanism (CDM) in Kyoto, and continues to be very active in the Group of 77 (G-77) and in several United Nations forums (Born et al 2005). It is also the leading country in regional agreements, such as Mercosur and the Amazon Cooperation Treaty, and it plays an important role in south-south dialogue around trade and environment issues.

## 6 CAPACITY BUILDING AND EFFECTIVENESS

The terms of reference request that, where evidence is available, the consultants should indicate the effectiveness of capacity building programmes and provide a value for money assessment. For the reasons outlined below, this section provides some tentative assessments focused mostly on individual project/programme evaluations. A more comprehensive consideration of the relevance and effectiveness of capacity building to address the environmental impacts of trade liberalisation will be provided in the Stage II report.

For the purpose of this report, **effectiveness** is defined as the extent to which the programmes or projects have reached their set objectives in relation to capacity building around trade and environment issues. The definition of **value for money** is the combination of avoidance of deadweight (where additional funding is not providing additional benefits) and opportunity costs (the cost of not funding other potentially good projects). In the specific context of DfID, value for money is achieved when:

1. The proportion of DfID's bilateral programme going to low income countries increases from 78 per cent to 90 per cent; and
2. There is a sustained increase in the index of DfID's bilateral projects' evaluated success.

The first part is measured from records of new commitments. The second part is based on scored assessments of performance by DfID staff. This latter part is the subject of the review of DfID-funded projects below.

While the major players such as USAID and the EC have evaluated their trade capacity building programmes as a whole (these reviews will feed into the Stage II report), consideration of trade capacity building as it relates to the environment is generally scarce. At the level of individual projects and programmes, varying degrees of disclosure – within donor institutions as well as across them – and the diversity of reporting formats make it difficult to provide a comprehensive assessment. USAID, for instance, has perhaps the broadest disclosure requirements, but still has not made available evaluations for all the projects listed in the TCDBD. Of the eight project examples given in the typology in Table 7, only two evaluations could be found (the Asia Environmental Partnership and the Rainforest Alliance).

Those evaluations which have been located give a very limited, time-bound assessment of a few different programmes, and comment on the effectiveness of the programmes to varying degrees. None of the evaluations assess value for money based on either of the definitions above. The patchy availability of evaluations means that only the effectiveness of individual programmes can be assessed here. The assessment which follows focuses first on projects and programmes of most direct relevance to Defra and the UK government, ie DfID-funded projects; US-funded projects have also been selected as the US offers the greatest scope for assessment in that it is the largest funder of environment-related trade capacity building, and has the most comprehensive reporting system.

## 6.1 DfID-funded capacity building

UNCTAD has designed and implemented a Trade, Environment and Development Programme (TED) which aims to build capacities in developing countries to deal with key trade and environment issues. DfID has funded two projects as part of this programme: 'Strengthening Research and Policy-making Capacity on Trade and Environment in Developing Countries', implemented from 1999-2001, and 'Building Capacity for Improved Policy-Making and Negotiation on Key Trade and Environment Issues', implemented since early 2003. No evaluation has been found for the first project, but the second project was included in an 'Evaluation of DfID Support to Trade-Related Capacity Building' undertaken by the North-South Institute (NSI) in 2003-04. The terms of reference were to: collate UK commitments on trade-related capacity building; assess the effectiveness and efficiency of DfID support based on five case studies of programmes; identify lessons on good practice; and make recommendations to increase the effectiveness and sustainable impact of DfID support in this area.

The evaluation drew on five case studies for Bangladesh, Kenya, Malawi, the Ukraine and the Caribbean region. The studies judged the relevance, performance, success/impacts and sustainability of trade-related programmes and considered evidence that DfID's support has built capacity and led to poverty reduction. Taking each assessment criterion in turn, a number of key evaluation conclusions are made. Although the focus is capacity building for trade development, trade policy and regulation, conclusions regarding the design and structure of project support are relevant to other trade and environment issues.

- **Relevance** Projects with flexibility that allowed the choice of studies or activities to be country-driven were judged as more relevant and as having greater impact than those with more prescriptive or externally determined design. Projects that integrated trade related issues as a component of a larger range of activities were seen as a particularly relevant and effective way of mainstreaming trade.
- **Performance** Many of the trade related programmes and projects reviewed were judged to be performing quite well. Where projects with poor performance were identified this was attributed to a range of factors including lack of transparency about the use of project funds creating tension between project partners, delays, poor quality studies and training programmes, and inflexibility in production of outputs such that the projects delivered did not keep pace with a changing trade agenda.
- **Success/impacts** Overall, DfID trade policy and regulation projects were judged as contributing to developing countries' capacity. Trade development projects were also considered to have helped improve the enabling environment for trade.
- **Sustainability** The evaluation judged that in many cases DfID-funded projects had created a good knowledge base and institutional framework for discussion of trade policy and negotiating issues. Where the focus was on institutions devoted to continuous learning, national funding was generally not available in poorer countries to maintain this capacity. Projects which were one-off short-term initiatives were considered to have a more limited and unsustainable impact and in some countries opportunities to make linkages between projects in the same area were missed.

The conclusion of the evaluation on the overall effectiveness of the programme and where it could have been improved suggests that projects are more effective if they are more flexible and implemented over the longer-term.

The NSI report draws, in turn, on an 'Evaluation of the UNCTAD Trade and Environment (TED) Programme' undertaken in August 2003. The evaluation, which highlights a lack of vision and cohesive strategy for implementation of capacity building through the value chain, is described as 'excessively negative'. NSI notes that the way in which the programme performs is important to DfID, which provided more than 50 per cent of extra-budgetary assistance to the TED programme, but questions the evaluation conclusions based on their own interpretation of the evaluation survey findings. Copies of the original evaluation report (TD/B/WP/165) have not been located and as a result it is not possible to assess the validity of either view.

The second project funded by DfID under the TED programme, the UNCTAD-FIELD 'Building Capacity for Improved Policy-Making and Negotiation on Key Trade and Environment Issues' is also the subject of a Project Completion Report (PCR) by the UNCTAD Project Officer. The PCR assesses the effectiveness of the programme based on an 'ad hoc evaluation of activities, evaluation from participants, and on feedback from country representatives'. The PCR uses the programme logical framework (LogFrame) structure and comments on progress made in the project against the purpose and individual project objectives. Objectively Verifiable Indicators (OVIs) and Means of Verification (MoVs) are defined in the project LogFrame against which the assessment of progress should be made.

**Table 8: Summary of UNCTAD-FIELD Project Completion Report**

<b>Purpose/Overall Objective</b> Building national and regional capacity on policy making on key trade, environment and development issues	2
<b>Objective 1</b> Facilitating a process of enhanced policy coordination and, to the extent possible, development holistic policy approaches to key T&E issues of national concern	1
<b>Objective 2</b> In post-post Doha process, assist developing countries in national dialogue and in participating effectively in the preparation of negotiations on T&E issues figuring in Doha Ministerial Declaration	1
<b>Objective 3</b> Contribute to consensus and coalition building at the regional level, inter alia to strengthen developing countries' voices in international discussions/negotiations	1
<b>Objective 4</b> In one specific T&E area attempts will be made to assist core countries in developing and implementing practical and meaningful legal and policy initiatives.	2

1 likely to be completely achieved. 2 likely to be largely achieved. 3 likely to be partly achieved. 4 only achieved to a very limited extent. 5 unlikely to be achieved. X impossible to say.

The project is due for completion in June 2006 and is understood to have been granted an extension, with no additional resource implications. Project activities have led to, among other things, the creation of UNCTAD's Consultative Task Force (CTF) on Environmental Requirements and Market Access for Developing Countries. Assessment to date seems very positive, with three of the four objectives completely achieved and the overall purpose largely achieved. Based on these criteria, the project is deemed to have been effective. However, as the evaluation was undertaken internally it is difficult to estimate whether overall effectiveness has been accurately assessed. On completion, the project may be subject to an output to purpose review or a more formal independent evaluation. Lessons could then be drawn on the

effectiveness of this form of capacity building and delivery of such a programme through UNCTAD.

## 6.2 USAID-funded capacity building

One of USAID's largest trade capacity building programmes which focus on the environment is the **Asia Environmental Partnership (AEP)**, a 12-year initiative launched in 1992 to help alleviate the adverse environmental impacts of urban and industrial expansion in Asia. The value of the programme was more than US\$84 million, of which USAID provided just over US\$50 million (not all of the components are included in the TCBDDB, which only includes activities since 2001). The programme ended in 2005 and a 'Strategic Objective Close out Report' was prepared by the AEP for USAID. The close out report covers the Strategic Objectives that guided the programme's implementation from 2001-2005.

The report states that AEP made significant and often critical contributions to improving environmental conditions in the six countries in which AEP primarily operated (India, Indonesia, Philippines, Sri Lanka, Thailand, and Vietnam). Through promotion of US-Asian and Asian-Asian partnerships, development and support of regional institutions, provision of technical assistance, international study exchanges, targeted small grants, leveraging of private sector expertise and resources, and cooperation with other donors, AEP support resulted in better air quality, cleaner water, stricter regulations and improved enforcement of laws, and enhanced capacity of Asian institutions to improve environmental conditions.

The report also notes that a review of impacts over the past five years illustrates that AEP activities had a particular impact on preventing pollution, especially through better air quality management and solid and hazardous waste management practices; improving water supplies and protecting drinking water sources from further degradation; strengthening regulations and improving implementation of environmental programs in the region; and increasing public awareness of environmental issues and fostering greater public participation in environmental decision-making.

The close-out report makes particular reference to the success of the programme in ensuring sustainability through:

- Substantial capacity building activities for key organisations, agencies and environmental leaders/champions, which ensured that individual and institutional partners are equipped to carry on work begun in collaboration with the AEP;
- Developing, expanding and strengthening US-Asian and Asian-Asian networks and linkages, which have resulted in the types of long-term relationships among programme participants that will allow them to continue to interact and network among themselves; and
- Establishing new, self-sustaining institutions that provide a base for continuing efforts to improve the environment in the region.

The conclusion of the report is that the programme has been effective in reaching its objectives. In addition, capacity building and strengthening partnerships has equipped the countries concerned to continue improving their environment.

In addition, substantial contributions (both in cash and in-kind) made by local counterparts and other donors and partners demonstrate the commitment of these

partners to initiatives, and bodes well for continuation of many of these activities. These contributions over five years are equivalent to approximately 30 per cent of USAID funding for the AEP over the same period.

The lessons learnt from the programme include:

- Actively developing and maintaining partner relationships was a key factor in the AEP's ability to successfully leverage resources.
- Programme flexibility is important but a careful balance must be struck between flexible, rapid reaction and sufficient planning.
- The most successful regional initiatives were those developed out of self-defined, country specific needs and demands.
- Promotion of partnerships was effective in forging local cooperation to overcome environmental pollution challenges. Good partnerships depend on proper alignment of partner interests and project objectives.
- The importance of balancing:
  - The flexible programming approach and sufficient planning and long-term commitment to important initiatives; and
  - Responsiveness to local, individual needs and regional and partner synergies.

Overall, the report concludes that the US-AEP made significant contributions to achieving the strategic objective of 'a sustained impact on the key people, institutions, and forces that drive the movement to a clean revolution in Asia'. The partnership approach is thought to have been the reason why the programme's impacts are more likely to be sustainable than traditional assistance programmes. In the absence of an independent evaluation of the programme, results indicate that this may be the case.

The largest single programme reported to the TCBDB by the US for the 2001-06 period is the **Colombia Forestry Development Program** (CFDP), a three-year programme (started in 2003) which aims to expand the production of marketable and profitable forest products that increase incomes throughout the forestry sector and provide alternative sources of income for the rural communities where forestry activities are centred. The programme is expected to result in the establishment of 3,000 hectares of commercial plantations and agro-forestry, creating 500 new jobs and benefiting 10,000 families.

The programme is ongoing, therefore there has been no evaluation of the final outcome. However, the latest quarterly report indicates that the CFDP is on track to meet its targets. Some of the contractually targeted goals have already been met and surpassed. Other targets have not been reached, as shown in Table 9:

**Table 9: Summary of CFPD progress**

Indicator	Quarterly	Accumulated	Goal per workplan
Families benefited	1,501	5,282	10,000
Jobs created	77	267	500
Hectares of forestry/agroforestry	2,583	3,064	3,000
Hectares of natural forestry	26,529	36,234	80,000
Policies and incentives reviewed and diffused	0	2	1
New markets identified and disseminated	4	5	3
Technical assistance provided to Plan Colombia (US\$)	432,406	875,241	1,500,000
Hectares of natural forestry zoned	0	472,527	472,527
Beneficiaries trained	956	2,013	2,073
Increase in sales	0	0	200,000
Forestry law passed	no	no	yes
Forestry regulations passed and implemented	0	1	10
NGOs/associations/businesses supported	2	41	75
Communities signing coca-free agreements	0	111	111
Families included under coca-free agreements	832	3,086	3,693
Proportion of client families coca-free	100	100	100
Private sector funds leveraged (US\$)	0	112,242	460,743
Public sector funds leveraged (US\$)	0	73,587	873,587

Although progress against certain targets appears to show that the programme is effective, there is not enough information about what this means for overall effectiveness in terms of the impact of technical assistance in reaching the project objectives. An independent evaluation on completion of the project which looks at whether project objectives have been met and why, as well as lessons learnt, would help in understanding the effectiveness of the programme.

A significant volume of US funding has also been channelled into a **Biologically Diverse Forest Ecosystems** programme for Madagascar. The TCBDB records a total of 15 projects under this programme, amounting to US\$2.4 million together. The programme, designed to conserve biologically diverse forest ecosystems, includes training, technical assistance and grants to local organisations. As it runs until 2007, a complete evaluation has not yet been undertaken. Evaluation of performance and results to date, as estimated by USAID, indicate that many of the overall objectives are on the way to being achieved:

1. The programme's focus on integrating multiple land use into conservation planning contributed to the decrease in forest loss in two priority forest corridors.

2. Significant progress was made in fulfilling President Ravalomanana's commitment to triple the protected area network: six million hectares were identified and prioritised as critical biodiversity habitats for new conservation sites.
3. With the support of the US Forest Service, a strategic forest zoning framework was developed that delineates conservation and production zones.
4. Some 20,000 (68 per cent) targeted farmers were using at least two of the elements of an integrated 'farming systems' approach, with an average increase in income of 31 per cent, to help provide alternatives to slash-and-burn agricultural practices.
5. To promote investment in natural resource management, USAID supported linkages between 20 eco-enterprises and producer associations to improve market access for natural products.
6. The National Office of the Environment, with USAID assistance and advice, reviewed 30 environmental impact assessments submitted by investors from different sectors, including agriculture, mining, and roads.

USAID estimates that by 2008 slash and burn agriculture in targeted areas will be reduced, total forest area under conservation in Madagascar will have been increased, and national forest management practices and environmental guidance will be improved.

In the absence of stated objectives, and an assessment of performance against these objectives, however, it is hard to make any judgement about the effectiveness of the programme, or whether the outcomes described above may have come about without USAID funding. This may be possible if an independent evaluation is undertaken on completion of the programme.



## 7 PRELIMINARY CONCLUSIONS AND NEXT STEPS

This report has found that, while a substantial amount of donor assistance is dedicated to trade capacity building, environment-related assistance amounts to just 2.3 per cent of the total (for the period 2001-06) – and is on a declining trend. Trends are determined by the strategic choices of the largest bilateral and multilateral donors, the US and the EC, who between them account for 70 per cent of total environment-related trade capacity building. The UK is the 10th largest bilateral donor with a commitment of US\$1.8million across 2001-02, a relatively modest amount compared with total bilateral aid of nearly £2 billion for the same period. Germany alone spent nearly ten times the value.

An overview of the TCBDB reveals some strategic differences in the direction of environment-related trade capacity building. In the US, a substantial amount of trade capacity building, including environment-related capacity building, is delivered around the negotiation of regional and other trade agreements. Swiss and German bilateral aid tends to have a technology focus, with programmes to promote cleaner technologies and cleaner production centres, or to establish accreditation facilities. For the EC, a key programme has been the design and delivery of Sustainability Impact Assessments (SIAs), which feed into bilateral trade negotiations.

However, this Stage 1 report analysis, based on the TCBDB, must be viewed with a number caveats. Firstly, data is submitted to WTO/OECD on a self-reporting basis. There may be differences in reporting between donors/agencies: some donors split the individual activities into components with a view to obtaining detailed data on aid allocated to each sub-category. Others classify the whole activity under the most relevant sub-category and may have included programmes with environment focus where trade-related issues are secondary. Similarly problematic is the fact that there is no clear definition or understanding of what constitutes capacity building, leaving definitions open to reporting countries.

There has been limited information from which to judge the effectiveness of these capacity building programmes. Programme evaluation reports, where they exist, have tended to report positively. Independent evaluations would help in forming a clearer assessment of effectiveness. It is anticipated that the case studies to be carried out for the Stage II report will provide a clearer understanding of effectiveness and relevance within a country context, which may yield some more general conclusions.

Looking more widely, the report considers the context for donor support for capacity building around environmental management and provides a snapshot of environment, trade liberalisation and capacity building issues in Brazil. Between 2001-06 it was the 10th largest recipient of trade related capacity building (US\$193 million). The majority of this support targeted at overcoming technical barriers to trade, with only US\$6.1 million addressing trade and environment issues. Research from Embrapa, a national research institute, highlighted the importance placed on addressing the environmental requirements of trade.

## 7.1 **Next Steps: Case studies in Stage II**

Terms of reference for case studies for Stage II have been submitted and work is already under way in Colombia and Uganda. The focus in Stage II is on how far capacity building initiatives have met country priorities and how far flanking measures, where they have been identified, are incorporated into mainstream policy. Colombia and Uganda are major recipients of capacity building programmes. Using semi-structured questionnaires and a multiple stakeholder workshop (in Uganda), the study will seek to example how far these programmes addressed priorities.

In Pakistan, the consultants will focus on two trade and environment related issues. Firstly, they will consider the integration of environmental concerns, including those associated with trade, into mainstream national planning processes such as the Poverty Reduction Strategy Paper (PRSP) process. Secondly, they will provide a snapshot of the textile sector where the impact of phasing out bilateral quotas in textiles and clothing (under the Multi Fibre Agreement and its successor the Agreement on Textiles and Clothing) in 2004 is having a dramatic selection effect within the industry, with the expansion of firms in some regions and contraction elsewhere. The case study will review capacity development support to address the environmental impacts of these changes.

In Stage II the consultants will report on findings from the Uganda, Colombia and Pakistan case studies. Further analysis of the structure of existing support on trade and environment issues will also be undertaken. Based on this, the consultant will seek to identify and prioritise areas where UK government support would add value as well as areas where further work or detailed analysis is required.

## ANNEXES

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# 1 DONOR PROFILES

This annex presents profiles of the largest donors on trade and environment capacity building. For each country or organisation a summary of the relevant projects by number and value is presented, providing a breakdown of top five recipients, the major WTO categories under which they fall (from the TCBDB), and the key implementing agencies. This is followed by an outline of the strategy of the organisation and a description of a number of key programmes. Each programme described refers back to the trade environment capacity building typology presented in Section 3, Table 7. The typology identifies three key objectives in trade and environment capacity building: institution building, introduction of environmental management instruments or tools and promoting public participation and different channels for implementation. A complex programme may employ a number of different approaches or channels.

## 1.1 United States

- Key agency **USAID**
- Total value of capacity-building activities relating to trade & environment **US\$162.51 million** (51.6 per cent of total)
- Number of projects **353**

<b>Top 5 recipients</b>	<b>Number of projects</b>	<b>Value (US\$m)</b>	<b>% of total</b>
Egypt	8	18.80	11.6
Bolivia	18	11.50	7.1
Colombia	1	8.54	5.3
Nicaragua	12	8.50	5.2
Haiti	3	7.05	4.3

<b>By WTO category</b>			
Trade and Environment	193	93.09	57.3
Market Analysis and Development	61	31.98	19.7
Trade Promotion Strategy Design & Implementation	46	23.40	14.4
Business Support Services and Institutions	14	8.41	5.2
Public-Private Sector Networking	10	2.69	1.7

<b>By agency</b>			
USAID	282	147.72	90.9
State Department	23	5.09	3.1
Department of Energy	6	4.02	2.5
Trade and Development Agency	21	3.39	2.1
Center for Development Information and Evaluation	3	1.62	1.0

### 1.1.1 **Strategy**

US foreign assistance has the twofold purpose of furthering America's foreign policy interests in expanding democracy and free markets, while improving the lives of the citizens of the developing world. Spending less than one half of 1 per cent of the federal budget, USAID works around the world to achieve these goals.

USAID is the principal US agency to extend assistance to countries recovering from disaster, trying to escape poverty, and engaging in democratic reforms. USAID is an independent federal government agency that receives overall foreign policy guidance from the Secretary of State. USAID and the United States Department of State formulate a joint strategic plan, which sets out the primary aims of US foreign policy and development assistance. US policy on trade and sustainable development is set within the context of its overall diplomatic and strategic aims.

The United States needs a stable, resilient, and growing world economy to secure prosperity at home and abroad. Its diplomacy and development assistance is aimed at promoting economic security, growth and open markets, and it seeks to help developing countries participate more fully in the rising tide of prosperity. This development assistance is positioned so that it can help women and the world's poor. The US also perceives that it has both humanitarian and security interests in helping countries tackle social and environmental problems. Left unresolved, these problems will aggravate social and political instability and could reverse the development advances made over the last several decades. By confronting these problems, it sees that it can save lives, reduce human suffering, lay the groundwork for sustainable economic development, and prevent adverse conditions from spilling across its borders.

### 1.1.2 **Programmes**

The US runs hundreds of bilateral and multilateral development assistance programmes in the field of trade and environment technical assistance and capacity building, some 19,000 are cited in the TRCBDB. These programmes have a global coverage, but South America and North Africa are areas of special emphasis in US development assistance for their strategic importance in US foreign policy. Some of the most substantial include:

**Columbia Forestry Development Programme for Environmental Trade & Standards** The programme will expand the production of marketable and profitable forest products and increase incomes throughout the forestry sector. An increase in profitable activities will serve to draw human resources away from illicit activities. The activities developed under this programme include improving knowledge about constraints imposed on the commercial forestry sector because of inadequate and inappropriate policies, better understanding of market conditions and opportunities in the forestry sector including international markets and standards, domestic markets and standards, and non-traditional markets such as 'certified wood' and CO<sup>2</sup> sequestration credits. The general results expected include improved efficiency, competitiveness, greater entry and attention to international markets, access to modern technology, access to non-traditional income sources, strengthened cooperation and understanding among the different producers along forestry productive chains. The programme aims at **institution building** and promotion of new **environmental management instruments** in the forestry sector.

**Egypt** is a priority recipient of US development assistance as it is seen as a moderating influence in the Middle East and an important US ally. In this connection, USAID runs a large number of economic development and governance programmes in Egypt. The Egyptian Environment Programmes are aimed at strengthening Egypt's accreditation system for labs, promoting environmentally sustainable tourism and conservation on the Red Sea, and analyzing environmental market-based instruments in Egypt in favour of a free global multilateral trade system. The Egyptian Partnership for Environmental Progress is aimed at reduction in air and water pollution. It is intended that this will have a positive impact on quality of agricultural production in Egypt and hence contribute directly to the improved competitiveness of Egyptian agricultural exports in the world markets. The Livelihoods and Income from the Environment Programme is aimed at promotion of environmentally sustainable tourism/ecotourism in the Red Sea Southern Zone. Activities include setting of ecotourism standards, building capacity to conserve natural capital in this area, and business development support in the field of nature tourism to allow Egypt to get a larger share in the growing international market. The programme aims at **institution building** and promotion of **environmental management instruments**.

**Rural Organisation and Environmental Conservation in El Salvador** This programme is aimed at reactivating small and medium-sized agricultural businesses, and places a high premium on producers having a thorough understanding of market demand and requirements. Officials of the government of El Salvador have already identified opportunities for niche market products that can be produced and exported, such as El Salvador coffee. USAID, together with the government of El Salvador, will work with small and medium coffee producers and processors to enable them to compete on the global specialty coffee market. The emphasis will be on quality enhancement and strengthened business practices. USAID will also work with the Salvadoran Ministries of Economy and Agriculture, as well as with the private sector, in phytosanitary capacity strengthening to obtain approval for the export of Salvadoran agricultural commodities to the United States and strengthen the capacity of the private sector to comply with sanitary and phytosanitary standards. The focus in this programme is on **institution building** and information and **public participation** of agricultural businesses.

**South Asia Regional Energy** This programme seeks to establish environmental standards and promote environmental technology. Training and technical assistance activities related to the setting up of energy efficiency standards and labelling programmes in Bangladesh, Bhutan and Nepal resulted in the following: formation of voluntary working groups to discuss implementation; a steering committee for harmonization of regional energy efficiency standards for appliances (starting with refrigerators) is under discussion; and harmonization discussions between India and Sri Lanka (countries which already have standards) have been initiated. The focus of this programme is **institution building**.

**Rainforest Alliance for Sustainable Growth** This programme was conceived as a partnership between USAID and the Rainforest Alliance for Sustainable Economic Growth, as well as several agribusiness corporations and NGOs, to promote environmentally sustainable and competitive agricultural activities throughout the region. A forestry alliance will strengthen the competitiveness of community and cooperative forestry operations and improve farmer access to international markets. A coffee alliance will provide the technical assistance and agricultural implements necessary for 7,000 coffee-farming families throughout the region to improve the

quality and quantity of their product. The activity will also extend sustainable farm management to approximately 5,000 farm families throughout the region that supply bananas to international agricultural conglomerates. The programme is jointly funded by USAID and the Global Development Alliance (GDA) Incentive Fund and its focus is **institution building** (e.g. forestry alliance) and promotion of **environmental management instruments**.

**Collaborative Labelling and Appliance Standards Program (CLASP)** was formed in 1999 as a collaboration between the Lawrence Berkeley National Laboratory (LBNL), the Alliance to Save Energy, and the International Institute for Energy Conservation (IIEC). CLASP's sole mission is to promote the appropriate use of **environmental management instruments** such as energy efficiency standards and labels for appliances, equipment and lighting in developing and transitional countries. By enhancing the energy efficiency of appliances, lighting and equipment, developing countries improve the competitive position of their domestic manufacturers in export markets thereby building their trade capacity.

**Support to Enhance Privatization, Investment, and Competitiveness in Water:** Through this activity, USAID will assist the Romanian Government to develop a study for implementing a US\$80 million project for a state-of-the-art water management system. The system will be implemented with foreign direct investment. The programme focus is on **institution building** with the Romanian Waters National Company receiving technical assistance and training to spin off assets and prepare for their privatisation, providing opportunities for foreign direct investment. USAID will also assist private industries and water utilities to implement environmental management systems and pollution prevention that will lead to increased competitiveness and facilitate access to investment funds.

**Biologically Diverse Forest Ecosystem Conservation in Madagascar** This programme builds trade capacity through natural product promotion and ecotourism development. Madagascar is a major producer and exporter of natural products (spices and essential oils for food, aromatherapy and other related industries), and the sector generates more than US\$200 million of Madagascar's foreign earnings every year. USAID assists with **environmental management instruments** such as product certification that provides buyers a guarantee of high quality products. Ecotourism development is directly tied to **institution building** and support provided to the National Park Network. USAID assistance consists of support to environmentally sensitive site development, capacity building for tour operators, development of norms and standards to ecotourism site development, and promotion of Madagascar as an ecotourism destination. The programme will also work with the private sector in the management and development of commercial forest plantations.

## 1.2 Switzerland

- Key agency **Swiss Agency for Development and Cooperation (SDC)**
- Total value of capacity-building activities relating to trade & environment **US\$27.31 million** (8.7 per cent of total)
- Number of projects **23**

<b>Top 5 recipients</b>	<b>Number of projects</b>	<b>Value (US\$m)</b>	<b>% of total</b>
China	5	5.53	20.2
Romania	1	3.55	13.0
India	2	3.43	12.6
Cuba	1	2.91	10.7
Vietnam	3	2.89	10.6

### **By WTO category**

Market Analysis and Development	2	23.69	86.7
Trade and Environment	7	2.89	10.6
Trade Promotion Strategy Design & Implementation	14	0.74	2.7

### **By agency**

SECO (SDC)	17	26.05	95.4
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### 1.2.1 Strategy

The Swiss Agency for Development and Cooperation (SDC) is part of the Federal Department of Foreign Affairs. Its mandate is based on Switzerland's Federal Law on International Development Cooperation and Humanitarian Aid and on a federal decree on cooperation with the countries of Eastern Europe. Within this framework, international cooperation is one of Switzerland's foreign policy instruments. SDC coordinates this cooperation within the Swiss administration in collaboration with the other federal offices, actors of civil society and the private sector. SDC's humanitarian aid is rapid and flexible, while longer-term cooperation is designed to promote sustainable development.

SDC focuses its activities on five key topics: crisis prevention and management, good governance, income generation and employment, increased social justice, and the sustainable use of natural resources. Under the topic of sustainable use of natural resources, priority areas of cooperation are biodiversity, and soil and water. Other supplementary or specific areas include: agricultural production and ecology, protection of natural resources from pollutants, energy efficiency, mountain ecosystems and the fight against desertification.

### 1.2.2 Programmes

Switzerland funds and implements several multilateral trade and environment programmes, where it works in coordination with international organisations and multilaterals.



**Cleaner Production Centres (CPCs)** provide consultancy services for small and medium-sized enterprises (SMEs) in developing and transition countries in the introduction of **environmental management instruments** relating to eco-efficiency. The core objective is to assist industrial sectors to produce in a sustainable manner, thus improving their competitive position. In response to the Rio Declaration's call for a vigorous transfer of environmentally sound technologies and for effective technology transfer mechanisms, SECO has supported, with other donors or in cooperation with the United Nations Organization for Industrial Development (UNIDO), the establishment of 13 Cleaner Production Centres in Brazil, China, Columbia, Costa Rica, El Salvador, Guatemala, India, Morocco, Peru, South Africa, Vietnam, Cambodia and Laos. **Institution building** for cleaner production is the overall focus.

**Sustainable Trade Innovation Centre** A global partnership designed to help developing country producers benefit from growing market pressure to integrate environmental and social factors into their export strategies. The three core tasks of this programme are: information exchange, promoting innovation and forging partnerships – **public participation** for sustainable trade. STIC operates as a network with a core office and a series of regional, national and sectoral partners, and it works as an information clearinghouse between a number of stakeholders in the field of sustainable trade, including WTO, ITC, UNCTAD, UNEP, and Swiss-financed initiatives such as SIPPO, BioTrade, CPCs, and the private sector, in effect **institution building** through strengthening networks around sustainable trade.

The **Climate Investment Partnership** mechanism is a match making programme that establishes a market place for high quality GHG projects and investments and reduces processing costs and risks. The programme offers a way for project developers from developing countries to participate in the carbon market, especially in the CDM (Clean Development Mechanism) market and to obtain access to investment funds. Participants in the partnership will benefit from access to a robust and diversified portfolio of GHG projects, substantially reduced search and processing cost, access to a high-quality network of financial services and carbon market expertise, faster project implementation, and an increase in the number of projects actually implemented. The partnership provides support in access and extension of new **environmental management instruments**.

**Task Force on 'Trade and Environment' of the China Council for International Cooperation in Environment and Development** Responsibilities of the task force are: 1) to conduct an integrated environmental impact assessment of China's WTO accession in selected sectors that are of importance to the environment and sustainable development; 2) to enhance the capability to participate in the WTO negotiations on trade and the environment. The task force is a vehicle for **institution building**.

**China Environment Task Force** The overall goal for the project is to help integrate environmental concerns into trade/economic policies of the Chinese government, as well as countries supplying raw materials to China and those importing Chinese products, in order to ensure that China passes the costs down the chain and that consumers of Chinese products pay the full environmental costs, whether they are located in China or elsewhere. The task force is a vehicle for **institution building**.

**Development of new export markets for BIOTRADE products and services** This is a Trade Facilitation Programme funded by Switzerland and implemented by UNCTAD,

which aims to enhance the capacity of developing countries to produce value-added products and services derived from biodiversity. The first phase involves preparation of a solid institutional and methodological foundation for the programme. It will include activities such as country mapping, development of training material, design of web-services, development of strategic partnerships with collaborating organizations and fund-raising for the second phase. The first country programme will be implemented in Bolivia, the programme activities focussed on **institution building**, introduction of **environmental management instruments** and promoting **public participation**.

***Bilateral programmes:***

SDC also has extensive bilateral development cooperation, which is concentrated on 17 target countries in Africa, Asia and Latin America. Overall, there are about 800 multi-year programmes and projects in operation at present – some of these programmes are focused on sustainable use of natural resources, and others on economic development, but there are strong inter-linkages between these aspects as part of a wider poverty alleviation goal.

**Peru** As a part of its development cooperation efforts in Peru, SDC promotes sustainable economic growth to create employment and income through such measures as business consulting, vocational training, education and continuing education for tradesmen; promoting and strengthening asset creation chains, including poor rural producers; supporting environmental friendly production and better access for SMEs to credit through the availability of risk capital. The Peru programme includes a broad range of programmes that promote **public participation** around sustainable economic growth. These activities also include programmes supported by Switzerland's State Secretariat for Economic Affairs (SECO), which in the mid-1990s designated Peru a priority country for economic and commercial policy measures.

**Indonesia** SECO and SDC support a programme to help small and medium-sized businesses in Sumatra. This programme is being extended to Aceh province as a contribution to post-tsunami reconstruction. SECO is also supporting the ASEAN China Investment Fund, the Programme for Eastern Indonesia SME Assistance (PENSA), as well as various projects of the International Tropical Timber Organization (ITTO) in Indonesia.

**Vietnam** To support the sustainable use of natural resources in Vietnam, SDC has programmes for fostering participative methods for sustainable exploitation of forests and soils on arable hillsides; reinforcing the capacities of faculties and forestry institutes, as well as public services and grassroots organisations; developing mountainous areas through the popularisation of agriculture and the development of agro-companies; contributing to the improvement of the urban environment through programmes to manage pollution, waste and energy. This is a wide ranging programme with combined **institution building**, **environmental management instruments** and **public participation** objectives.

**India** Since 1992 SDC has a programme in India under its Global Environment Programme to provide disadvantaged sectors of the population with affordable and environmentally friendly technologies that make it possible to save energy, use renewable sources of energy, reduce pollution and facilitate the application of global environmental instruments that promote both local and global sustainability. SDC has been involved in strengthening the implementation of the Montreal Protocol through its

support to the refrigeration sector in facilitating technology choices and in meeting the service sector challenges. Energy efficient and environmentally friendly technology packages for a number of small-scale industries such as glass, foundry, brick kilns and biomass based industries such as cardamom and silk have been established. In all the sectors of intervention, it was also demonstrated that in addition to saving energy and creating cleaner work environment, the quality of the product has improved. The focus throughout is on promotion of improved **environmental management instruments**.

### 1.3 Germany

- Key agencies **BMZ** (Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung – Federal Ministry for Economic Cooperation and Development) and **GTZ** (Gesellschaft für technische Zusammenarbeit – Society for technical cooperation)
- Total value of capacity-building activities relating to trade & environment **US\$17.00 million** (5.4 per cent of total)
- Number of projects **33**

<b>Top 5 recipients</b>	<b>Number of projects</b>	<b>Value (US\$m)</b>	<b>% of total</b>
Morocco	1	4.82	28.3
Vietnam	1	1.86	11.0
Brazil	2	1.49	8.8
China	1	0.50	2.9
India	2	0.41	2.4

<b>By WTO category</b>			
Trade Promotion Strategy Design & Implementation	26	10.08	59.3
Trade Finance	2	4.84	28.5
Trade and Environment	3	1.28	7.5
Market Analysis and Development	1	0.71	4.2
Business Support Services and Institutions	1	0.09	0.5

<b>By agency</b>			
InWEnt	29	8.77	51.6
KfW	1	4.82	28.3
GTZ	1	1.86	11.0
PTB	2	1.54	9.1

#### 1.3.1 Strategy and Objectives

The German Federal Ministry for Economic Cooperation and Development (BMZ) formulates Germany's international development policy as an independent area of its foreign policy. The aim of German development policy is to reduce poverty worldwide, to build peace and to promote equitable forms of globalisation. In its partner countries Germany supports forms of development that are consistent with the principles of sustainability, whilst pursuing a holistic approach: all development activities must have a positive impact on the social, economic, ecological and political development of the partner countries.

At the European and international level, Germany also promotes changes to international regimes, agreements and institutions that will benefit the developing countries. The aim is to create, by means of fair international frameworks, the conditions necessary for successful and sustainable development in all countries. The priority areas of German involvement at this level are reforming international trading, financial and environmental systems.

BMZ commissions specialised implementing agencies to carry out its development policy programmes. The KfW Entwicklungsbank (KfW development bank) is responsible for financial cooperation, while technical cooperation with partner countries is the responsibility of the Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ). The German Development Service (DED) is the specialist in preparing and seconding volunteers, and further training and upgrading is the specialty of Internationale Weiterbildung und Entwicklung GmbH (InWEnt) (Capacity Building International, Germany). There are also a number of implementing organisations which are specialised in one field, such as the Federal Institute for Geosciences and Natural Resources (BGR) or the PTB (Federal Institute of Physics and Metrology). The large number of implementing organisations or frontline organisations is a unique characteristic of German development cooperation. The individual organisations have highly specialised skills and cooperate closely in their work in partner countries.

### 1.3.2 Programmes

**Workshop on EU Strategies towards Sustainable Development** The objective of the workshop is to provide an opportunity for a constructive dialogue between African policy experts and EU Delegates about the European Union's role in contributing to global sustainable development, with a particular focus on the EU External Dimensions Strategy, as the main instrument through which EU external priorities have been articulated. The focus is high level **institution building**.

**EU-India Network for Sustainability: Dialogue, Management Training, Exposure in the Automotive Industry** promotes cooperation for sustainable management between the automobile industry in EU and in India. Many supplying companies in developing countries are under pressure from their global buyers to improve their social and environmental performance. This project aims to position small and medium-sized enterprises of the Indian automotive component industry to adopt **environmental management instruments** such as sustainability standards that fulfil requirements of global customers and provide for productivity gains. This will be achieved through training, international dialogue, and information dissemination.

**Accreditation and in-plant environmental management in Central America** The programme is focused on **institution building** in testing laboratories. The preconditions for the accreditation of testing laboratories in the environmental sector are improved. Starting from selected cases, national strategies to increase quality standards are initiated; the environmental testing services regarding quality and choice of products are improved by the reinforced alignment with international standards; the application of practically oriented instruments of the operative environmental management in selected enterprises creates economic and environmental advantages regarding competition.

**Environmental oriented enterprise-furtherance in Southeast Europe** In cooperation with industries, institutions of further education, and institutes of industrial environmental protection, **institution building** in the form of Cleaner Production Centres will be trained to promote enterprises and production centres that follow environmental guidelines like ISO 14000 and introduce improved **environmental management instruments**. This will enable participants from the Cleaner Production Centres to give courses and training to executives of the industrial and public sector.

**Programme for Management of Natural Resources in Vietnam** This programme includes components for sustainable forest cultivation, commerce and sale of forest products, building capacities and **institution building** for sustainable forestry and protection of nature as well as policy advising (starting August 2006). The project is part of the focal point 'Environment, protection and sustainable use of natural resources' of the Vietnamese-German cooperation. Sustainable cultivation of natural forests and development of forestry and wood industries are sectoral objectives of the Vietnamese government, as formulated in the 'National strategy for forestry development' and in the '5 million hectares reforestation program'.

## 1.4 Canada

- Key agencies **CIDA** (Canadian International Development Agency) and **IDRC** (International Development Research Centre)
- Total value of capacity-building activities relating to trade & environment **US\$14.84 million** (4.7 per cent of total)
- Number of projects **39**

Top 5 recipients	Number of projects	Value (US\$m)	% of total
India	1	3.23	21.8
China	1	2.20	14.8
Kazakhstan	1	0.39	2.6
Pakistan	1	0.26	1.7
Mexico	12	0.12	0.8

### By WTO category

Regional Trade Agreements (RTAs)	17	8.00	53.9
Trade and Environment	14	6.44	43.4
Trade Promotion Strategy Design & Implementation	1	0.39	2.6
Technical Barriers to Trade	3	0.01	0.1
Business Support Services and Institutions	4	-	-

### By agency

CIDA	4	8.40	56.6
Environment Canada	23	5.73	38.6
International Development Research Centre	2	0.37	2.5
Department of Foreign Affairs & Int'l Trade	5	0.22	1.5
Agriculture & Agri-Food Canada	1	0.08	0.5
Standards Council	3	0.01	0.1

### 1.4.1 Strategy

Canada's main international development agency is CIDA (Canadian International Development Agency), which works with developing countries on a number of trade related capacity building programmes, but most of these programmes are not directly connected with Canada's engagement with the international sustainable development agenda.

Canada also funds IDRC (International Development Research Centre) to carry out its international development research. After the World Summit on Sustainable Development (WSSD) in 1992, Canada designated the International Development Research Centre (IDRC) as a lead organisation in implementing Agenda 21, WSSD's global environmental action plan for governments and communities.

IDRC has three programme areas that support its overall vision for sustainable development.

- In the area of Economic and Social Development, IDRC supports the Agenda 21 statement that the economic policies of individual countries and international economic relations both have great relevance to sustainable development. To this end, IDRC supports research on trade policy, poverty alleviation, health, environmental economics, tobacco control, economic research in Africa, sustainable development in Vietnam, and on policy integration.
- In the area of Environment and Natural Resources Management, IDRC's approach focuses on inter-generational equity, while supporting people's efforts to achieve food security, rise out of poverty, and grow economically.
- In the area of Information and Communications Technologies (ICTs) for Development, IDRC has responded to the Agenda 21 comment that many Third World nations had a general lack of capacity in many areas for the collection and assessment of data; for their transformation into useful information; and for their dissemination. In 1993, IDRC created the Bellanet Secretariat to collaborate with partners in the developing world to make efficient use of ICTs.

#### 1.4.2 Programmes

##### **CIDA**

The rapid civilian deployment mechanism in Iraq gives the new Iraqi Authority as well as the United Nations access to Canadian resources in key sectors including environment and trade policy. The long-term objective of the project is to build more transparent and accountable local institutions.

The project for **Improving Productivity and Market Success** assists farmers, community-based organizations and public institutions with the development of innovative technologies and input supply, credit, and output marketing systems to increase agricultural incomes. The strategy is focuses on **institution building** and is gender balanced, environmentally friendly and aimed at mitigating the risk of HIV/AIDS.

##### **IDRC**

As part of its work on sustainable development, IDRC supports research on Social and Economic Equity, which is underpinned by the view that economic policies of individual countries and international economic relations both have great relevance to sustainable development (Agenda 21). Within this broad area, IDRC has a Trade, Employment and Competitiveness (TEC) programme initiative, through which IDRC helps developing countries participate more effectively in the global economy by funding research that supports their objectives in international trade negotiations and the design of related domestic policies. More specifically, IDRC research and capacity building programmes in the area of trade and the environment include:

**The Environment and International Economic Negotiations** Twelve IDRC supported research studies on various issues in the trade-environment debate, including a review of the contribution of NAFTA, MERCOSUR and ASEAN to environmental protection in their member countries. These studies aim to help developing country trade researchers and policy officials acquire relevant knowledge in order to participate effectively in trade negotiations. IDRC has also worked with the United Nations Development Program (UNDP) since it began its analysis on Global Public Goods, which has a significant environment component. The results of this



collaboration include two books and an international dialogue process framed in terms of this analysis promoting information and **public participation**.

**Eco-Labeling and International Trade** A study of eco-labelling programs in Canada, Germany, the European Union, Nordic countries, India, the Republic of Korea, and Singapore helped to clarify the rationale and functioning of eco-labelling schemes, and their impact on international trade. Case studies on the impact of eco-labelling on exports of developing and transitional countries included interviews with producers, producer associations, government officials, eco-labelling authorities, and experts from standardisation bodies. The research results helped to identify possible solutions to the concerns and constraints expressed by developing-country producers concerning this **environmental management instrument**.

**Trade and Sustainable Development Knowledge Network** Initiated by the International Institute for Sustainable Development (IISD) and the World Conservation Union (IUCN), this network has helped developing-country research institutions, non-governmental organisations and governments to develop the analytical capacity they need in order to address issues of trade and sustainable development. It has also increased international awareness and understanding of the issues. In China, for example, an interest in sustainability has moved the Chinese Ministry of Foreign Trade and Economic Cooperation (MOFTEC) to explore new options, including an exchange programme with Canadian officials working on trade/environment issues, a Chinese environmental review of WTO issues, and training workshops on trade and sustainable development. The network promotes high level **institution building**.

## 1.5 United Kingdom

- Key agencies **DfID** (Department for International Development) and **Defra** (Department for Environment, Food and Rural Affairs)
- Total value of capacity-building activities relating to trade & environment **US\$1.81 million** (0.6 per cent of total)
- Number of projects **4**

Recipients	Number of projects	Value (US\$m)	% of total
Developing countries	3	1.74	96.5
Russian Federation	1	0.06	3.5

By WTO category			
Trade and Environment	2	1.67	92.5
Trade Promotion Strategy Design & Implementation	1	0.06	3.5
Trade-Related Training Education	1	0.07	4.0

By agency			
DfID	2	1.63	90.4

### 1.5.1 Strategy

The Department for International Development (DfID) is the part of the UK Government that manages Britain's aid to poor countries and works to get rid of extreme poverty. 'International development' refers to efforts, by developed and developing countries, to bring people out of poverty and so reduce how much their country relies on overseas aid. DfID has resolutely focused on reducing poverty in the poorest countries, and has refused to tie aid to commercial or political interests. With strong Cabinet-level leadership and legislative backing for its mandate, it has become the main body that shapes development policy across the UK Government.

The UK spends over £3 billion a year on overseas development aid<sup>32</sup>. Just over half of this money goes as bilateral aid directly to developing countries, while the rest is channelled through multilateral organisations such as the European Union, the World Bank, IMF and the United Nations.

DfID integrates environmental considerations into its work to the extent that it contributes to poverty reduction and sustainable development in developing countries, as measured by progress towards the Millennium Development Goals (MDGs). In its programmes and policies, DfID applies the following six environmental principles:

- Take an integrated approach to the environment
- Support country-driven processes so they can handle local, national and global environmental priorities

<sup>32</sup> 'What are we doing to tackle world poverty?' Guide to the Department for International Development

- In selected countries, support the local processes that encourage sustainable development and improved capacity to manage the environment in a way that benefits poor people
- Manage environmental information, knowledge, and learning for continuous improvement
- Enable developing countries to strike effective deals through multilateral initiatives
- Strengthen the co-ordination of donors' efforts and policies on the environment

Within the UK, other government departments (in particular Defra and the Foreign and Commonwealth Office (FCO)) have responsibility for global environmental issues and international environmental processes. DfID works closely with them to ensure that poverty and development perspectives are appropriately addressed.

Defra's aim is sustainable development, defined as: 'development which enables all people throughout the world to satisfy their basic needs and enjoy a better quality of life without compromising the quality of life of future generations'. With this aim, Defra works on Climate Change and Energy, Sustainable Consumption and Production, Protecting the Countryside and Natural Resources, Sustainable Rural Communities, and Sustainable Farming and Food Sector including animal health and welfare. While its primary responsibilities are domestic, Defra also has an international role as well, with many of its priority areas call for international action at bilateral and multilateral level.

### 1.5.2 **Programmes**

**Climate Change Programme in China** DfID's China office and Defra are collaborating on a ground-breaking £550,000 climate change initiative in China which aims to combine cutting-edge scientific advice with practical development policy advice. DfID would like to ensure that development aspects of the programme are integrated into the scientific research. This should result in the programme focusing on translating the scientific findings into policies that support poor people's livelihoods at a grassroots level. In particular, the initiative will look at the implications of climate change in one region in central China, Ningxia Autonomous Region, and then examine how best to disseminate the approach nationally. The programme has a number of different components focused on **institution building**, information and practical policy advice for **public participation** around climate change issues. This programme is part of a broader bilateral partnership with China to work together on Trade and Investment, Finance, Energy, Education, Science and Technology, Environment – including Climate Change – and Sustainable Development, and Culture. (NB This is not included in the WTO/OECD TCBDDB.)

**Tackling Illegal Logging: The UK's Forest Law Enforcement and Governance (FLEG) Programme** Known also as the Illegal Logging Programme, FLEG was launched in October 2002. It is aimed at facilitating reforms by national, regional and international institutions to address the problem of illegal logging and international trade in illegally harvested timber. This programme is based on the perspective that the causes of illegal logging – linked to poverty, corruption and failures of governance and markets – are complex and there is no single solution to the problem. Actions need to address the issue of demand for illegally logged timber at the same time as supply. This means that timber consuming countries such as the UK, which is the world's

fourth largest importer of wood products, must share responsibility with timber producing countries to tackle the illegal harvesting of timber and its associated trade. The programme is led by DfID in close cooperation with a number of UK government departments (Defra, FCO, DTI, HM Customs and Excise, the Forestry Commission) through an Intergovernmental Working Group on illegal logging. It has an **institution building** dimension within the UK as well as developing countries in addition to promoting information and **public participation** around illegal logging issues (NB This is not included in the WTO/OECD TCDBD.)

**DfID-UNCTAD-FIELD: Building capacity for Improved Policy Making & Negotiation on Key Trade & Environment Issues:** This project is a follow up to the UNCTAD/ FIELD project on Strengthening Research and Policy-Making Capacity on Trade and Environment in Developing Countries of 1999-2001. The current project will involve 15 developing countries in three regions (South East Asia, East and Southern Africa, and Central America and the Caribbean). In each of the regions, activities will involve one or two 'core countries' and three or four partner countries. The objectives of the programme are to: (i) improve policy coordination on selected trade and environment issues at national level; (ii) participate effectively in the preparation of negotiations on trade and environment issues figuring in the Doha Ministerial Declaration of the WTO; (iii) assist countries in putting together legal and policy initiatives in at least one specific trade and environment area; (iv) contribute to consensus building at the regional level, which will also help strengthen developing country voices in international discussions and negotiations. This capacity building programme is focused on **institution building**.

**Strengthening the International Cleaner Production and Environmental Management Centre in the Russian Federation** The Cleaner Production Centres approach was developed by UNIDO as a preventive, integrated strategy that is applied to the entire production cycle: (i) to increase productivity by ensuring a more efficient use of raw materials and better environmental performance through reduction of waste and emissions; and (ii) reduce the environmental impact of products through design of environmentally friendly but cost-effective products. The net effect is to give enterprises in developing and transition countries a more competitive edge, thereby facilitating their access to international markets. Cleaner production is an one potential environmental management instrument.

**Linkages between Trade & Non Trade Capacity Building:** To build the capacity of civil society groups in understanding the complex issues regarding the linkage between trade and two 'new issues' – labour standards and the environment.

## 1.6 United Nations Environment Programme (UNEP)

Although some UNEP activities are included in the WTO/OECD TCDBB, funding of UNEP projects is attributed to the relevant bilateral or multilateral donors and UNEP is not included as a separate agency. As a result, many of its activities relating to trade and the environment – specifically those of its Division of Technology, Industry and Economics (DTIE) – are not included in the database.

In 2005, the DTIE received more than US\$89 million in funding, which is allocated to a regional programme of work covering activities relating to Sustainable Consumption and Production, waste management, environmental management, technical support, the Compliance Assistance programme under the Montreal Protocol, energy efficiency and climate change, transport, Environmental Impact Assessment, Mining, Global Compact, sustainable tourism, trade, energy, Sustainable Building and Construction.

### 1.6.1 *Strategy and objectives*

UNEP was set up in 1972 with a mission to provide leadership and encourage partnership in caring for the environment by inspiring, informing, and enabling nations and people to improve their quality of life without compromising that of future generations. UNEP acts as the voice of the environment within the UN system, and it plays an essential role in putting sustainable development on state and international agendas.

To fulfil the sustainable development goals of Agenda 21, the World Summit on Sustainable Development recognised that the ability of regional organisations, national governments and civil society to address the principal challenges of sustainable development must be reinforced. Following from this, capacity building was made a core goal of all technical assistance provided by the UN system. More specifically, UNEP provides support to national governments, especially in the developing world, to participate in international negotiations, to fulfil their obligations under international agreements, and to develop institutions and formulate and enact legislation to protect the environment.

In 2004-05 UNEP adopted the Bali Strategic Plan for Technology Support and Capacity-building, which follows from a February 2002 decision of the UNEP Governing Council concerning the strengthening of international environmental governance. The Governing Council recognised the urgent need to develop a strategic plan for the provision of technology support and capacity building to developing countries as well as to countries with economies in transition to meet environment related goals. The Bali Strategic Plan is intended as an inter-governmentally agreed approach on technology support and capacity building, with a reinforced role for UNEP for this purpose, building on areas where it has demonstrated comparative advantage and expertise. The plan should take into account activities undertaken across the United Nations system as a whole, including by multilateral environmental agreement secretariats, as well as by international financial institutions and relevant partners at the regional and sub-regional levels. It should also take into account activities and programmes being undertaken by other partners, including bilateral programmes, non governmental organizations, civil society and the private sector. It is intended that the plan will support improved inter-agency coordination and cooperation, with a more substantial role for UNEP in the UN framework.

UNEP's Division of Technology, Industry and Economics (DTIE) coordinates its work with trade and business. Within this division, UNEP's work on trade and environment is channelled through an Economics and Trade Branch (ETB). The ETB seeks to enhance the capacity of governments, businesses and civil society to integrate environmental considerations into economic, trade, and financial policies. In pursuing its mission, the ETB focuses on four complementary programme areas:

- Promoting integrated policy design and implementation, emphasising sound environmental management, sustainable trade promotion, and poverty reduction;
- Strengthening environmental management and implementation of multilateral environmental agreements through economic instruments and subsidy reform;
- Promoting mutually supportive trade and environment policies;
- Enhancing the role of the financial sector in sustainable development.

UNEP and UNCTAD formed a joint UNEP-UNCTAD Capacity Building Task Force on Trade, Environment and Development (CBTF) to help developing countries and countries with economies in transition to deal with the environmental challenges of enhanced trade and investment flows associated with globalisation. The CBTF's goal is to increase the capacity of countries to address trade and environment issues and to help them:

- Undertake analyses of the relationships between trade and environment;
- Assess the environmental and developmental impacts of trade policies, as well as the trade and developmental impacts of environmental policies with a view to maximising the benefits of trade;
- Develop and implement policy packages to promote integrated national trade, environment and development policies;
- Explore approaches to address trade-environment-development issues at domestic, regional and international level;
- Participate effectively in trade-environment-development deliberations;
- Access information from and build cooperation with relevant organisations working in the trade-environment-development domain.

The CBTF benefits from the pooled resources and efforts of UNEP and UNCTAD, and it works with a flexible framework to undertake highly participatory activities.

### **1.6.2 Funding**

UNEP is funded by a contribution from the UN regular budget and the Environment Fund, but since this falls short of the budget approved by UNEP's governing council, it is also dependent on voluntary contributions from national governments and donors. Some of its funding comes from Trust Funds and Earmarked Contributions. UNEP has recently entered into Partnership Agreements with major donor countries, making additional support more strategic and reliable.

Approximately US\$89 million of UNEP budget is allocated through the DTIE. This funding comes from four main sources:

Category	Description	Amount (US\$m)	Percentage of total
Trust Fund	Funds earmarked by donors for specific purposes. Trust funds often have a fund-specific governing structure, may be bilateral or multilateral and they are accounted for separately.	51.77	58%
Environment Fund	The Environment Fund was set up by the UN General Assembly to provide financing for environmental programmes. It is built from voluntary contributions made by member countries, of which 13 countries make regular annual contributions.	14	16%
Counterpart contribution	Agreed contributions from governments, cooperating agencies and supporting organizations, made in cash or kind for the cost of specific services and facilities as set out in individual project documents.	15.68	17%
GEF	The GEF is administered by UNDP, the World Bank and UNEP. GEF financing that is available to units or divisions of the UNEP is project specific.	7.57	9%

Activities of the CBTF are funded through a UNEP-administered Trust Fund, which has contributions from the governments of Germany, Norway and the United Kingdom. The Bali Strategic Plan is to be funded out of voluntary contributions, allocations from the Environment Fund and a strategic partnership with the GEF. It is intended that this will be supplemented with other resources mobilised through public-private partnerships.

### 1.6.3 Programmes

**Initiative on Integrated Assessment of Trade-Related Policies and Biological Diversity in the Agricultural Sector** Under this initiative an integrated assessment reference manual is being developed. Once the assessment framework and biodiversity indicators have been developed, national institutions in six African, Caribbean and Pacific countries will customise and apply the assessment framework to suit local needs and conditions. Based on this, an integrated national response, including traditional regulatory principles, economic instruments and voluntary measures will be designed and implemented. This initiative is principally funded by the EU. Integrated assessments can be broadly described as an **environmental management instrument** the implementation of which is intended to result in **institution building** and better information for **public participation**.

**Integrated Assessment of the Impact of Trade Liberalisation on the Rice Sector**

The ETB worked closely with six countries (Bangladesh, Chile, India, the Philippines, Romania and Uganda) on specific projects to identify the impacts of trade liberalisation on national environmental resources and the use of economic instruments to manage these impacts in a sustainable manner. Projects in the second round focused on applying integrated planning and assessment methodologies to the agricultural sector in China, Ecuador and Nigeria; the fisheries sector in Argentina and Senegal; and the forestry sector in Tanzania. Following this, seven countries were selected for a third round of integrated assessment of the impact of trade liberalisation on their rice sector. Integrated assessments can be broadly described as an **environmental management instrument** the implementation of which is intended to result in **institution building** and better information for **public participation**.

**Integrated Assessment and Planning for Sustainable Development** Ten country projects examine the links between sound environmental management, poverty reduction, sustainable trade and the impact of policy planning on sustainable development. Participating countries are Brazil, Chile, Columbia, Czech Republic, Indonesia, Kenya, Lebanon, Russia, Tanzania and Uganda. See above.

**Integrated Environmental and Economic Accounting (IEEA)** This is an operational **environmental management instrument** or tool that tracks resource use, natural resource depletion, and resulting environmental degradation, to provide a better indicator of sustainable development than conventional accounting systems. The ETB has been working on this tool since the 1980s, in partnership with the World Bank and other intergovernmental organisations.

**Economic Instruments** In 2001 the ETB established an international working group to enhance policy coordination on the design and use of **environmental management** or economic **instruments** at national and international level. Together with the working group, the ETB supports policy makers in their efforts to design economic instruments to suit local conditions, and it has conducted capacity building workshops on the use of economic instruments in India and Kenya. In addition, the ETB is supporting country-specific projects that examine the use of economic instruments in specific sectors in developing countries. The ETB is also working with MEA secretariats to promote the use of economic instruments to meet the specific objectives of MEAs.

A high-level policy dialogue on **Trade Liberalisation, Environmental Protection and Sustainable Development: Opportunities and Challenges for Small Islands** was convened as a side event to the International Meeting on Sustainable Development of Small Island Countries. A series of workshops, seminars and advisory missions took place in the Dominican Republic, Geneva, Jordan, Peru, and Philippines focuses on information and dialogue for **public participation** and **institution building**.

**UNEP Finance Initiative** The Asset Management Group is conducting research on the Materiality of Environmental, Social and Corporate Governance Issues in Equity Pricing, and a similar working group was set up to work in the insurance sector. Equity pricing is may be broadly described as an **environmental management instrument**. A number of regional task forces were launched, with the aim of supporting and expanding sustainable practices in financial institutions in the region.

**Responsible Investment and International Development** A new project was launched to explore links between mainstream integration of environmental, social and



governance issues in portfolio investment, investment opportunities and development of emerging markets.

UNEP and UNCTAD have a joint **Capacity Building Task Force on Trade, Environment and Development** (CBTF) to assist countries, especially developing countries enhance capacity to deal with trade-environment-development issues (see above). The task force's activities include:

- Working with the Ministry of Environment in Lebanon on 'Promoting and Monitoring Synergy between Trade and Environment in Lebanon: A Case Study for the Mediterranean Region'. The project includes a national action preparedness programme for the trade liberalisation process for countries in the region. This will include steps to build national capacity to evaluate and eventually face the challenges of trade liberalisation and a monitoring mechanism to be shared by countries in the region.
- A programme with Indonesia to support the national government manage its natural and environmental resources using economic instruments while enhancing its competitiveness in international markets through an improved environmental image.
- An East Africa project for promoting production and trading opportunities for organic agricultural products in East Africa. The project will commission capacity building studies to provide stakeholders in these countries with information and analysis on organic agriculture production and trading opportunities. The project will undertake national integrated assessments of organic agriculture in Kenya, Tanzania and Uganda, and it will promote mechanisms for regional cooperation between the three countries.
- Country projects in Costa Rica and Venezuela for Environmentally Sound Management of Spent Lead Acid Batteries, to develop national policy frameworks and regional cooperation in context of the Basel Convention.
- Workshop on Post-Doha Trade and Environment Issues in Manila, Philippines to strengthen capacity in Asian and Pacific countries on current issues relating to trade, environment and sustainable development. Representatives from 22 countries attended the workshop, including two officials from each country – one responsible for environmental issues and one for trade issues.
- Training workshop on Enhancing Policy Coordination on Trade and Environment Issues: Implementation of Multilateral Environmental Agreements (MEAs) Containing Trade-Related Measures in Cambodia to enhance national capacity on trade and environment issues relating to the implementation of four MEAs (the Basel Convention, CITES, the Montreal Protocol, the Convention on Biological Diversity and its Biosafety Protocol). Participants in the workshop included representatives from Cambodia's national and regional governments, NGOs, academia and the private sector.

The task force is responsible for programmes focused on **institution building** and introduction of new **environmental management instruments**.

## 1.7 European Community

- Total value of capacity-building activities relating to trade & environment **US\$57.31 million** (18.2 per cent of total)
- Number of projects **28**

<b>Top 5 recipients</b>	<b>Number of projects</b>	<b>Value (US\$m)</b>	<b>% of total</b>
Gabon	2	5.27	9.2
Indonesia	2	2.56	4.5
Lithuania	1	1.90	3.3
Brazil	1	1.55	2.7
Mozambique	1	1.50	2.6

### **By WTO category**

Trade and Environment	27	57.27	99.9
Trade Promotion Strategy Design & Implementation	1	0.04	0.1

### 1.7.1 Strategy

The EU's strategic priorities for 2005 and 2006 have been grouped into two clusters:

- **Cluster 1** Actions related to the Community's international commitments with respect to the World Summit on Sustainable Development, the Multilateral Environmental Agreements and the Doha Development Agenda
- **Cluster 2** Actions to promote understanding, recognition and integration (mainstreaming) of poverty and environment linkages in the six core areas of EC development policy.

Cluster 1 consists of four components, the first of which is trade and environment. The major objectives are, taking account of the Doha Development Agenda, to ensure that further trade liberalisation is accompanied by the development and strengthening of environmental measures and, in particular, measures aimed at ensuring a proper management of natural resources in order to ensure that trade liberalisation is sustainable. Mainly through capacity building, activities will be supported to help developing countries to take advantage of the opportunities for environmentally friendly products and technologies in the global market (development and implementation of eco-labels, certification systems), and to help them to comply with EU environmental regulations that have an impact on their access to the EU market.

The six core areas to which Cluster 2 relates are: trade and development; regional integration and cooperation; macro economic reform and social sector programmes; transport; food security and rural development; and institutional capacity strengthening. Priorities would therefore include activities related to trade and development in three components: skills training and technical support to key EU staff; integration of lessons learnt from projects funded by the Environmental in Developing Countries budget line; and activities to develop instruments at the national and local level for the sustainable management of the environment and natural resources.

### 1.7.2 Programmes

The EC's largest trade-environment capacity building programme is its US\$28.2 million **Asia Pro Eco Programme**, a five-year multi-country programme launched in 2002. Asia Pro Eco is designed to strengthen the environmental dialogue between Asia and Europe through the exchange of policies, technologies and best practices that promote more resource-efficient, market driven, and sustainable solutions to environmental problems in Asia. The programme aims to support a series of preventive and corrective actions, which materialise in technical solutions that contribute to both quality of life and economic prosperity in Asia with the objective of **institution building** and promoting use of **environmental management instruments**.

By far the largest volume of EC capacity building is targeted at **institution building** supporting domestic institutions to apply environmental considerations to various trading sectors – predominantly natural resource sectors such as forestry and non-timber forest products, and coffee producers. EC funding supports forest management training in the Democratic Republic of Congo and Gabon (**Appui Régional à l'ENEF et l'ERAIFT**), the **rattan trading system in Kalimantan** in Indonesia, rural and forest communities in the Amazon (**Bolsa Amazonia**), and small coffee producers in Nicaragua (**Café: un ejemplo de producción y consumo responsable**). The EC also contributes to the UNEP-UNCTAD **Capacity Building Task Force on Trade, Environment and Development** (CBTF).

The second priority area for EC support consists of analytical, research and information-related capacity building. Most prominent among these activities is the EC's **Sustainability Impact Assessment** methodology – an effective **environmental management instrument**, that both promotes **institution building** through its inclusive methodology and **public participation** around the assessment of impacts. The SIA methodology has been applied in regional and bilateral negotiations including those with Chile, Mercosur, African Caribbean Pacific countries, and the Gulf Cooperation Council countries. Other research activities include support to the World Bank/WWF **Trade Liberalisation, Rural Poverty and the Environment** exercise which, through extensive field work in eight developing countries, will provide national governments basic information, analysis and specific policy proposals to help overcome acutely felt needs relating to the management of national resources and the environment in sites threatened by trade liberalisation. It will also address possible threats to the living standards of rural groups in a number of ecological regions. **Economic Change, Poverty and the Environment** is another large research project, co-sponsored with the Dutch Ministry of Development and the Swedish International Development Agency, and conducted by WWF, to develop and refine analytical tools that promote understanding of the links between poverty and environmental problems in five target countries.

## 1.8 World Trade Organization

- Total value of capacity-building activities relating to trade & environment **US\$0.66 million** (0.2 per cent of total)
- Number of projects **49**

<b>Top 5 recipients</b>	<b>Number of projects</b>	<b>Value (US\$m)</b>	<b>% of total</b>
Switzerland	4	0.47	71.9
Vietnam	1	0.01	1.8
South Africa	2	0.05	7.4
Jamaica	3	0.01	1.7
Korea, Republic of	2	0.01	1.5

<b>By WTO category</b>			
Trade and Environment	49	0.66	100.0

### 1.8.1 Strategy

The strategic priorities of the WTO are expressed through the mandates of the successive WTO conferences. The WTO's commitment to technical cooperation and capacity building is therefore articulated in paragraphs 38-41 of the Doha mandate, which state that TA&CB are core elements of the development dimension of the multilateral trading system and endorse the delivery of capacity building to support developing countries adjust to WTO rules and disciplines (see Section 3 above). This reflects the recognition, in paragraph 33, of the importance of TA&CB in the field of trade and environment to developing countries. The text states, 'We also encourage that expertise and experience be shared with members wishing to perform environmental reviews at the national level.'

### 1.8.2 Programmes

WTO capacity building in the field of trade and environment relates exclusively to the hosting of conferences, workshops and seminars. These range from global conferences such as the WSSD and related preparatory and side meetings to CTE conferences, regional conferences and conferences around specific negotiating issues such as CITES, market access, environmental goods, etc. The frequency with which such meetings take place in Geneva explains Switzerland's ranking as the top recipient of capacity building support by the WTO.

## 1.9 Food and Agriculture Organization (FAO)

- Total value of capacity-building activities relating to trade & environment **US\$0.63 million** (0.2 per cent of total)
- Number of projects **3**

Recipients	Number of projects	Value (US\$m)	% of total
Croatia	2	0.38	61.0
Tunisia	1	0.24	39.0

### By WTO category

Market Analysis and Development	2	0.38	61.0
Trade Promotion Strategy Design & Implementation	1	0.24	39.0

### 1.9.1 Strategy

The FAO's mandate is to achieve food security for all by raising levels of nutrition, improving agricultural productivity, bettering the lives of rural populations and contributing to the growth of the world economy. This places the agency at the centre of the trade-environment relationship. Its dedicated trade capacity building programme, the Umbrella II Training Programme, aims to enable government and civil society stakeholders in developing and transition countries to acquire the necessary information, knowledge and expertise for effective participation in the multilateral trade negotiations, as well as for taking advantage of trading opportunities, with specific focus on the critical linkages among agriculture (including forestry and fisheries), economic development, poverty reduction and food security. This effort is to be carefully coordinated with other providers of relevant technical assistance.

While all developing and transition countries are eligible beneficiaries, the FAO aims to ensure that its initiatives do not duplicate or compete with those of other providers. Participants include agriculture and trade policy makers and policy analysts, negotiators, specialists in sanitary and phytosanitary (SPS) issues, plant protection and animal health protection, specialists in international legislation concerning intellectual property rights, producers' associations, industry and trade associations.

### 1.9.2 Programmes

The Umbrella I Training Programme (1999-2001) involved 14 sub-regional workshops reaching 850 officials from 151 countries, supported by the development and dissemination of substantive reference materials and training on multilateral trade negotiations. Similarly, the US\$8.2 million **Umbrella II Programme** (2004-05) consists of national workshops, regional, sub-regional and global seminars, studies, and the design of training and resource materials and distance learning modules in areas relating directly to the WTO agenda, including issues on trade and environment.

Projects reported to the WTO/OECD TCDB are:

**Diversified Value-added Production and Certification in Environment Friendly Farming Systems** The overall objective of this project is to improve rural income and

food security in Croatia through diversified production and specialty marketing of high-value and high quality products with environment enhancing production methods or **environmental management instruments**.

**Assistance in the design of a strategy for small and medium agricultural producers** The objective of this project is to support Tunisia's Minister for Agriculture, Environment and Water Resources, as well as professional organisations, in identifying and implementing a strategy enabling small and medium agricultural producers to be able to respond to the demands of globalisation and free trade. The objectives being to promote environmental management instruments and institution building in Tunisia.

## 1.10 Other agencies

The remaining agencies fund less than US\$0.5 million each in trade-environment capacity building activities reported to the WTO/OECD TCBD. Activities include:

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### WTO Capacity Building Workshop on Trade and Environment

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Funding agency	<b>Asia Pacific Economic Cooperation (APEC)</b>
Beneficiary	<b>Several</b>
Grant amount	<b>US\$76,000</b>

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### Establishing Climate-Friendly Technology Financing Facility

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Funding agency	<b>United Nations Development Program (UNDP)</b>
Beneficiary	<b>China</b>
Grant amount	<b>US\$29,000</b>

This project aims to substantially increase financing to small and medium-sized enterprises (SMEs) that can provide clean and efficient energy services in China, thereby reducing greenhouse gas emissions and produce environment standard products for export.

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### Triple Bottom Line Demonstration Project in Four South Asian Countries

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Funding agency	<b>United Nations Industrial Development Organization (UNIDO)</b>
Beneficiary	<b>South &amp; Central Asia unallocated</b>
Grant amount	<b>US\$15,000</b>

The project built capacity in national institutions to assist export-oriented SMEs to improve their environmental and social performance, as now often demanded by international buyers, while still remaining competitive.

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### Kyoto Convention

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Funding agency	World Customs Organization (WCO)
Beneficiary	<b>Cameroon, Niger, Mauritius</b>
Grant amount	<b>US\$13,892</b>

Seminars on the revised Kyoto Convention.

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## 2 TECHNICAL NOTE

The TCBDB has been established by the WTO jointly with the OECD to provide information on trade-related technical assistance and capacity building projects. The objectives of the Database are to create better transparency of TRTA and CB delivered; to exchange and share information; to minimize and avoid duplication of TRTA and CB delivered; to estimate the progress in the implementation of the Doha mandates on technical assistance and capacity building; to coordinate and cohere; and to encourage as well as to assist beneficiary countries to manage their TRTA needs. Data is reported from bilateral donors and multilateral/regional Agencies. It covers national as well as regional projects. At present, the period of coverage is 2001, 2002, 2003, partial 2004 and subsequent years. The TCBDB contains almost 15,000 activities. The coverage of commitments made in 2005 and planned for 2005 and 2006 varies from one donor to another. (Some reported most or part of the activities committed in and planned for 2005 and 2006, whereas others could not yet provide any information for 2005 or 2006.)

The data reflect trade-related aid activities reported by 22 of the 23 DAC Members, 18 multilateral organisations and five non-DAC bilateral donors<sup>33</sup>. Data for the multilateral organisations include both activities funded through their regular budgets and those implemented by them with bilateral funding (eg trust funds). To avoid double-counting, bilateral donors' contributions to multilateral TRTA/CB trust funds (eg JITAP, Integrated Framework and DDAGTF) are not included in the analysis. Instead the individual activities financed through these trust funds are included. In consequence, a few countries/agencies that did not respond to the data request nevertheless appear as funding countries/agencies in the database.

The data included in the TCBDB can be considered as representative, as almost all the main TRTA/CB providers report to the database. Since its creation in November 2002, some donors have improved the reporting of their activities, others that did not respond to the first data collection are now participating and some changed their reporting methodology (in particular to calculate the trade-related share of broader activities).

The analysis in this report based only on the number of projects, rather than the volume of activities, should be viewed as indicative only. This is because of differences in reporting between donors/agencies: some donors split the individual activities to components with a view of obtaining detailed data on aid allocated to each of the sub-categories. Others classified the whole activity under the most relevant sub-category. Some TRTA/CB providers made a further breakdown of regional activities by splitting amounts between different beneficiary countries, whereas others simply reported

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<sup>33</sup> Data were received from the following DAC Members: Australia, Austria, Belgium, Canada, Denmark, the European Commission, Finland, France, Germany, Greece, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom and the United States. No information was received from Luxembourg. Data were received from the following multilateral agencies: APEC, AsDB, EBRD, ESCAP, ESCWA, FAO, IDB, IMF, IsDB, ITC, OECD, UNCTAD, UNDP, UNECE, UNIDO, World Bank, WCO and WTO (see the list of acronyms at the end of this report). Data received from 5 non-DAC bilateral donors: the Czech Republic, Iceland, Korea, Mexico and Thailand.



'regional' or 'global' projects or programmes. As a result, the breakdown of the number of activities by donors, categories, recipient, year, etc, is not fully comparable.

### 3 DISTRIBUTION OF TA&CB BY CATEGORY

**Table 10: Distribution of TA&CB by category**

CATEGORY		VALUE		GRANTS/LOANS	
		US\$ m	%	No	%
TD	Trade Finance	3,537.17	25.9	1,428	7.5
TD	Trade Promotion Strategy Design and Implementation	2,602.21	19.0	2,477	13.0
TD	Business Support Services and Institutions	1,942.46	14.2	2,815	14.8
TD	Market Analysis and Development	1,569.69	11.5	2,388	12.5
TP&R	Trade Facilitation	921.74	6.7	1,278	6.7
TP&R	Regional Trade Agreements (RTAs)	714.33	5.2	407	2.1
TP&R	Trade Mainstreaming in PRSPs/dev. plans	602.61	4.4	1,181	6.2
TP&R	Sanitary and Phytosanitary Measures	265.82	1.9	693	3.6
TD	Public-Private Sector Networking	263.82	1.9	273	1.4
TP&R	Technical Barriers to Trade	204.94	1.5	486	2.6
TP&R	Trade-Related Training Education	202.04	1.5	1,949	10.2
TP&R	Trade and Environment	172.06	1.3	342	1.8
TP&R	Trade and Competition	134.93	1.0	359	1.9
TD	E-commerce	127.18	0.9	356	1.9
TP&R	Customs Valuation	94.36	0.7	306	1.6
TP&R	Accession	75.49	0.6	223	1.2
TP&R	Trade-Related Intellectual Property Rights	50.06	0.4	405	2.1
TP&R	Agriculture	37.51	0.3	206	1.1
TP&R	Services	32.92	0.2	291	1.5
TP&R	Negotiation Training	31.57	0.2	128	0.7
TP&R	Trade and Investment	30.37	0.2	236	1.2
TP&R	Transparency and Government Procurement	18.79	0.1	82	0.4
TP&R	Rules	13.91	0.1	175	0.9
TP&R	Tariff Negotiations - Non-Agricultural Market Access	13.33	0.1	302	1.6
TP&R	Dispute Settlement	10.24	0.1	231	1.2
TP&R	Tariff Reforms	2.00	0.0	29	0.2
<b>Total</b>		<b>13,671.55</b>		<b>19,046</b>	

T&D = Trade Development; TP&R = Trade Policy & Regulations

**Table 11: Distribution of TA&CB by category, adjusted**

CATEGORY		VALUE		GRANTS/LOANS	
		US\$ m	%	No	%
TD	Trade Finance	3,531.55	25.8	1,417	7.4
TD	Trade Promotion Strategy Design and Implementation	2,559.87	18.7	2,377	12.5
TD	Business Support Services and Institutions	1,926.01	14.1	2,761	14.5
TD	Market Analysis and Development	1,505.18	11.0	2,278	12.0
TP&R	Trade Facilitation	921.02	6.7	1,276	6.7
TP&R	Regional Trade Agreements (RTAs)	706.21	5.2	387	2.0
TP&R	Trade Mainstreaming in PRSPs/dev. plans	602.23	4.4	1,174	6.2
TP&R	Environment	314.80	2.3	675	3.5
TP&R	Sanitary and Phytosanitary Measures	265.82	1.9	693	3.6
TD	Public-Private Sector Networking	261.13	1.9	263	1.4
TP&R	Technical Barriers to Trade	204.32	1.5	478	2.5
TP&R	Trade-Related Training Education	201.76	1.5	1,946	10.2
TP&R	Trade and Competition	134.23	1.0	358	1.9
TD	E-commerce	126.97	0.9	352	1.8
TP&R	Customs Valuation	94.36	0.7	306	1.6
TP&R	Accession	75.49	0.6	223	1.2
TP&R	Trade-Related Intellectual Property Rights	50.06	0.4	405	2.1
TP&R	Agriculture	37.51	0.3	206	1.1
TP&R	Services	32.88	0.2	289	1.5
TP&R	Negotiation Training	31.57	0.2	128	0.7
TP&R	Trade and Investment	30.37	0.2	236	1.2
TP&R	Transparency and Government Procurement	18.79	0.1	82	0.4
TP&R	Rules	13.91	0.1	175	0.9
TP&R	Tariff Negotiations - Non-Agricultural Market Access	13.26	0.1	301	1.6
TP&R	Dispute Settlement	10.24	0.1	231	1.2
TP&R	Tariff Reforms	2.00	0.0	29	0.2
<b>Total</b>		<b>13,671.55</b>		<b>19,046</b>	

T&amp;D = Trade Development; TP&amp;R = Trade Policy &amp; Regulations

## 4 TYPOLOGY PROJECT SUMMARIES

### 4.1 Institution building activities

#### **Meetings and conferences**

Hemispheric Trade and Sustainability Symposium (Canada) *Value: US\$64,583*

Funded by the Environmental Relations Division of Canada's Department of Foreign Affairs and International Trade, the Hemispheric Trade and Sustainability Symposium was organised jointly by IISD, IUCN, and UNEP/ROLAC. It gathered 200 experts from across the Americas to address trade and sustainability issues and develop policy recommendations related to the FTAA in the broader Summit of the Americas context.

#### **Training seminars and workshops**

Women in Agriculture, Forestry and Environment (New Zealand) *Value: US\$472,103*

New Zealand's International Aid and Development agency provided funding through its Women in Agriculture, Forestry and Environment programme to enable women to attend agricultural and forestry training courses at institutions in Papua New Guinea.

#### **Research and research support**

PRINWASS Barriers to and conditions for the involvement of private capital and enterprise in water supply and sanitation in Latin America and Africa (EC)  
*Value: US\$671,413*

The EC funded research to identify the socio-economic and policy conditions, and implementation measures, favouring progress in sustainable development in water and sanitation management systems in Latin America and Africa. The project examines the impact of the increased but uneven recent expansion of private capital investment in the WSM sector of developing countries. It aims to contribute to the understanding of interactions between international money flow, investment and trade in the provision of water and sanitation services.

#### **Support to domestic institutions**

Asia Environmental Partnership (US) *Value: US\$686,000*

Supports a wide variety of activities, including improving public policy and environmental regulations, through partnerships with US authorities. Strengthens institutions for environmental protection through capacity building, best practices and industrial standards; and strengthens public and private institutions for environmental protection through investment policy, industry partnerships and environmental management systems.

#### **Information gathering and dissemination**

Data collection and analysis for sustainable forest management (EC)  
*Value: US\$1,355,779*

The EC sponsored a project to collect and analyse data for sustainable forest management, with the objective of linking national and international efforts. The project

involves national-level capacity building and the development of a database to inform long-term forest management and forest-related trade.

#### **Partnership funding for NGOs**

Rainforest Alliance for Sustainable Economic Growth (US) *Value: US\$1,000,000*

USAID partnered with the Rainforest Alliance for Sustainable Economic Growth, as well as several agribusiness corporations and NGOs, to promote environmentally sustainable and competitive agricultural activities throughout the Central America region.

#### **Impact assessment**

China Council for International Cooperation on Environment and Development (Switzerland) *Value: na*

Switzerland provided support to the China Council for International Cooperation on Environment and Development in its work with the Task Force on WTO and the Environment to conduct an integrated environmental impact assessment of China's accession to the WTO in a number of sectors that are of importance to the environment and sustainable development.

#### **Standards and certification**

India Environmental Institution Strengthening (Canada) *Value: US\$3,229,140*

Environment Canada implemented a five-year project to strengthen India's environmental institutions by building capacity for air quality improvement through the reduction of vehicular emissions and hazardous waste management in accordance with the Basel convention. The project involves the preparation of a National Chemicals Management Profile in accordance with Agenda 21 and the upgrading of customs laboratories.

#### **Rural livelihoods**

Economic Change, Poverty and Environment (EC) *Value: US\$1,423,966*

The EC worked with the UNPD on an Economic Change, Poverty and Environment programme to assess and strengthen interventions by governments and development agencies in alleviating rural poverty while addressing environmental degradation.

## **4.2 Environmental management instruments**

#### **Meetings and conferences**

ISO Technical Committee (TC) 207 Environmental Management (Canada) *Value: US\$10,470*

The Standards Council of Canada sponsored the participation of Columbia, Egypt and Indonesia to attend meetings of the ISO Technical Committee (TC) 207 Environmental Management on climate change.

### **Training seminars and workshops**

Environmental management accounting for sustainability management in SMEs in South East Asia (Germany) *Value: US\$1,266,524*

Germany's five-year programme in environmental management accounting for sustainability management in SMEs in South East Asia. Capacity building activities consisted of the compilation of training materials, and delivery of training through seminars to local 'multipliers' (trainers) as well as through the internet and electronic media.

### **Research and research support**

Bioconversion/Composting (US) *Value: US\$312,000*

Preparation of a feasibility study by the US Trade and Development Agency to introduce composting technologies to Beijing's landfills to improve environmental conditions arising from the significant waste that must be treated as China prepares for the Olympics.

### **Support to domestic institutions**

Pakistan Environment Program (Canada) *Value: US\$258,331*

This two-year project focused on capacity building for the implementation of National Environmental Quality Standards and included Environmental Laboratories Accreditation Program workshops and training.

### **Information gathering and dissemination**

North American Pollutant Release and Transfer Registry (US) *Value: US\$53,000*

The US Environmental Protection Agency undertakes data analysis and development and supports the development of a website which facilitates action to enhance the comparability of the North American PRTRs, and promotes the use, access and understanding of PRTR data.

### **Impact assessment**

Sustainability Impact Assessments (EC) *Value: US\$659,693*

The EU (DG Trade) developed its Sustainability Impact Assessment methodology in 1999 in preparation of the WTO Doha Development round of negotiations. Since then, it has carried out assessments for regional and bilateral negotiations including those with Chile, Mercosur, African Caribbean Pacific countries, and the Gulf Cooperation Council countries.

### **Standards and certification**

Accreditation and in-plant environmental management in Central America (Germany) *Value: US\$836,034*

Germany has supported the implementation of national strategies to improve quality standards, align environmental testing services relating to quality and choice of products with international standards and to apply environmental management instruments in selected enterprises.

### **Rural livelihoods**

Diversified Value-added Production and Certification in Environment Friendly Farming Systems (FAO) *Value: US\$382,310*

The overall objective of this project is to improve rural income and food security through diversified production and specialty marketing of high-value and high quality products with environment enhancing production methods.

## **4.3 Promoting public participation**

### **Meetings and conferences**

CAFTA Alliance for Trade Capacity Building (US) *Value: US\$268,200*

In support of the Central-America-Dominican Republic FTA negotiations, USAID has funded conferences, workshops, seminars and other dissemination activities to promote the implementation and compliance of regulations related to humane treatment of animals and environmental sustainability, encouraging organic production that promotes rural development and open market opportunities under CAFTA. The project aims to: a) increase compliance with CITES; b) enact at least one new major animal welfare law or policy in each CAFTA country; c) establish a Humane Slaughter Certification Program in each participant country; d) pilot a veterinary rural service; e) establish certification and sales of cacao in international markets.

### **Training seminars and workshops**

Linkages between Trade and Non-Trade Capacity Building (UK) *Value: US\$72,015*

This is a training education programme, funded by DfID, to build the capacity of civil society groups in understanding the complex issues regarding the linkage between trade and two 'new issues' – labour standards and the environment.

### **Support to domestic institutions**

Cuba Waste Management (Switzerland) *Value: US\$2,910,000*

Swiss-funded UNIDO project to strengthen the capabilities of the Provincial Administration Council of the Popular Government in Havana City, through its Department for Community Services, as well as those of the local administrations, and of the Playa municipal authorities to better manage municipal solid waste (MSW). The project promotes the direct participation of the population and local communities in MSW activities to strengthen the capabilities of the involved Cuban institutions.

### **Information gathering and dissemination**

Inventory of activities related to Corporate Social Responsibilities (Sweden)  
*Value: US\$10,210*

SIDA-funded inventory of the impact of private sector activities on society, in particular their environmental and social consequences, and organisation of a conference.

### **Partnership funding for NGOs**

Crafting a Lead-Free World (US) *Value: US\$1,000,000*

USAID alliance with Aid to Artisan's Trade Network to promote the lead-free story, stimulate the demand for and supply of lead-free products, and raise public awareness

about problems and solutions. The project aims to catalyse the market for lead-free products, provide technical assistance and training to potters to remove lead from products, kilns and workshops, and promote the development, application and use of lead-free glazes.

**Standards and certification**

Public Understanding and Participation in the Energy Sector (US) *Value: US\$500,000*

Funded by USAID, this project involves the development of a toolkit for implementing energy efficiency standards and labelling programmes for India's energy sector, and thereby promoting increased trade. A second component focuses on working with power sector distribution companies in India to promote sustainable reform at the state level and to begin removing barriers to private investment in the energy sector.



## 5 BRAZIL: A BOTTOM-UP VIEW

This bottom-up view of the trade/environment capacity building agenda serves to contextualise the findings extracted from the TCBD in Section 3 and to highlight potential gaps in the extent or depth of its coverage. Brazil was selected during the inception period<sup>34</sup> of this study, on the basis of earlier research<sup>35</sup> which highlighted a number of significant environmental effects from trade liberalisation in Brazil.

As a middle-income country, Brazil provides an opportunity to anticipate how capacity building around the environmental effects of trade liberalisation might play out in today's developing countries. Environmental degradation and trade liberalisation have long been key issues for national and international policymaking: Brazil's environmental movement dates back to the early 1980s when the scale of damage to the Amazon rainforest, especially as a result of the Planaflo and Polonoeste developments, first became a subject of international controversy. The central role played by Brazil in the global environmental agenda was confirmed with the UN Conference on Environment and Development (the Earth Summit), which was held in Rio in 1992.

At the same time, Brazil has been one of the key players in creating a regional trading regime, both with its South American partners as well as across North and South America. As one of the 'BRICs' (Brazil, Russia, India, China) countries<sup>36</sup>, Brazil has also increasingly flexed its economic and political strength in a variety of international fora, including the GATT/WTO. It was an original member of the WTO in 1995, and continues to seek expanded trade ties with developing countries, as well as a strengthening of the Mercosur customs union with Uruguay, Paraguay and Argentina (see below). The various dramatic setbacks<sup>37</sup> in its liberalisation path, however, have ensured that issues of trade liberalisation in Brazil remain a subject for heated debate.

### 5.1 Brazil's environment

Brazil is one of the world's most environmentally rich countries with assets that include the Amazon rainforest and the continental wetlands of the Pantanal, both internationally renowned for their rich biodiversity. Brazil ranks 11th (out of 146 countries) in the Environmental Sustainability Index<sup>38</sup>, and performs well in terms of environmental systems and global stewardship.

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<sup>34</sup> See Inception Report to this study, March 2005

<sup>35</sup> IEEP & GHK Consulting (2005) 'The environmental impacts of trade liberalisation and potential flanking measures', report commissioned by Defra

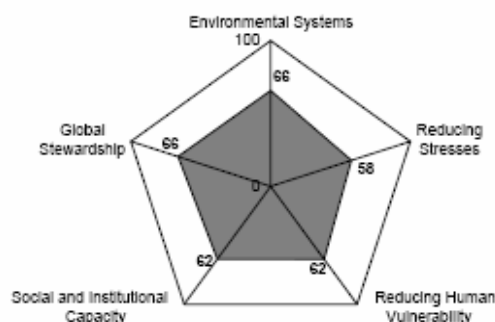
<sup>36</sup> Goldman Sachs (2003) 'Dealing with BRICs: The Path to 2050', Global Economics Paper No 99

<sup>37</sup> Including its 1999 currency crisis and devaluation, and a power crisis in 2001.

<sup>38</sup> Yale Center for Environmental Law and Policy, Yale University & Center for International Earth Science Information Network, Columbia University (2005) *2005 Environmental Sustainability Index: Benchmarking National Environmental Stewardship*, New Haven CT: Yale Center for Environmental Law and Policy

## Brazil

ESI:	62.2
Ranking:	11
GDP/Capita:	\$6,755
Peer group ESI:	52.1
Variable coverage:	70
Missing variables imputed:	3



The country is a world leader in biomass based renewable energy and has abundant water resources. There are indications, however, that this rich environmental diversity is under threat. Brazil accommodates many of the world's threatened species (with the second highest diversity of threatened bird species and the fourth highest diversity of threatened mammal species<sup>39</sup>), it has comparatively few protected areas (IBAMA 2006) and is under increasing threat of deforestation (World Bank 2000).

### 5.2 Trade liberalisation agreements

Brazil joined the international trade regime in the 1990s under the leadership of the first elected president Fernando Collor de Mello, who strongly supported free market principles and privatisation of industry. Brazil was an original member of the World Trade Organization (WTO) in 1995.

Overall, Brazil recognises the progress made by the Uruguay Round in creating the WTO and establishing an improved multilateral trade system. At the same time, it acknowledges a need to pursue other regional and bilateral negotiations to overcome shortcomings in the international system. Of these, the most important are:

- **Establishment of Mercosur** The most significant regional trade negotiation for the Brazilian economy was during the 1980s, under the José Sarney regime (1985-1990), which eventually led to the creation of the Common Market of the South, widely known as Mercosur. The present configuration of Mercosur is set down in its constitutional framework, the Ouro Preto Protocol, signed by Brazil, Argentina, Paraguay and Uruguay in December 1994, aiming to set up a Customs Union between these countries. In 2004, Mercosur concluded free trade agreements with Colombia, Ecuador, Venezuela and Peru, adding to its existing agreements with Chile and Bolivia to establish a commercial base for the newly-launched South American Community of Nations.
- **Bilateral agreements between Mercosur and other countries and organisations** including India, Egypt, Morocco, Israel, the Southern Africa Customs Union (SACU), the Cooperation Council for the Arab States of the Gulf (GCC), and the EFTA States (Iceland, Liechtenstein, Norway and Sweden). Mercosur is pursuing free trade negotiations with Mexico and Canada and plans to launch trilateral free trade negotiations with India and South Africa, building on partial trade liberalisation agreements concluded with these countries in 2004.

<sup>39</sup> IUCN Red List of Threatened Species

- Trade relations between **Mercosur and the European Union (EU)** started formally in 1999, in the Latin America and Caribbean-EU Summit. The last negotiating round took place in Brussels in July 2004 after a successful exchange of offers on goods, investment and services. The EU-Mercosur agreement is the backbone of EU-Brazil relations, and has high expectations.
- Through the **Latin America Association of Integration (Aladi)**, established in 1980, Brazil maintains a network primarily of trade agreements with the other members of the association: Uruguay, Argentina, Paraguay, Chile, Peru, Bolivia, Ecuador, Colombia, Venezuela and Mexico. It continues the process started by the Free Trade Latin America Association in 1960. Nevertheless, once the Mercosur customs union and the common external tariff took effect in January 1995, the negotiating activity of Brazil in Aladi has focused above all on the re-negotiation of pre-existing bilateral agreements between each one of the Mercosur countries and the other members of the association. In December 1999, Brazil and Cuba signed an Economic Complementary Agreement, the preliminary stage to a possible 4+1 format (Mercosur-Cuba) agreement.
- There are regional agreements that are still under discussion, such as the controversial **Free Trade Area of the Americas (FTAA)**. Up to now five ministerial meetings and five summits (including two special summits) on the FTAA have been held. Brazil and its partners in the Southern Zone, who usually act cohesively, are interested in ensuring that the negotiations around the FTAA advance consensually, gradually, simultaneously and in a balanced manner, without harming the current phase of consolidation and expansion of Mercosur.

### **5.2.1 Addressing environmental concerns in trade agreements**

Mercosur is the fourth largest economy with the largest reserve of natural resources in the world. Its energy reserves, particularly its mineral and hydroelectric reserves, are among the most important in the world. Despite this, environmental and sustainability issues have not been given much significance in its policy deliberations. One provision, the constitution of a Specialised Environmental Reunion (REMA), has resulted in the preparation of 'Basic Guidelines to Environmental Policy Issues' (Gutierrez 1998). The objective of the guidelines is to:

- Promote institutional strengthening for environmental sustainable management by increasing substantive information, developing capacity for assessment and improvement of educational and research institutions; and
- Guarantee that activities related to tourism development consider principles and norms that assure environmental equilibrium.

However, although these objectives are aligned with current environment debates, they are generic in nature, and do not set deadlines, methodologies or programmes for implementation. Practical guidelines and actions to promote sustainability and to prevent environmental degradation arising from the growth of Mercosur and other international agreements are largely absent.

Brazil is signatory to a number of other agreements that provide a platform for addressing environmental issues:

- **Amazon Cooperation Treaty (ACT)**, established in 1980 to promote sustainable development in the region. In 1995, a Permanent Secretariat for the Amazon Cooperation Treaty was established in Brasília. The treaty stresses the

importance of the Amazon as an essential source of raw materials for the food, chemicals and pharmaceuticals industries, and recommending the formulation of plans and strategies for environmental conservation and the promotion of the region's sustainable development. The ACT addresses the importance of the conservation of the environment of the Amazon and of the promotion of sustainable development in the region (Brazil 2006). However, the organisation is not focused on trade issues, and its recommendations have not been further developed.

- The **South Atlantic Peace and Cooperation Zone** was established in 1986 by the countries of the West African coast and those bordering the South Atlantic. Together, these 24 countries are seeking means of regional integration and collaboration. In the case of Brazil, the Peace and Cooperation Zone looks after Brazil's interests in terms of broadening the area for economic and commercial cooperation (with the setting up of another free trade zone), scientific and technical cooperation, and for initiatives of a political-diplomatic nature, aimed at environmental protection, denuclearization and the settling of conflicts.

### 5.3 Environmental impacts of trade liberalisation

Assessments of the environmental impacts of trade liberalisation by Brazilian organisations are usually conducted by research institutes (such as the Institute of Economic Applied Research (IPEA)). These are often ad hoc studies reflecting the policy and views of the institute itself rather than mainstream government practice in developing a rationale for policy change or promoting mitigation measures. Examples include:

- **Study on the industrial environmental impacts of the FTAA** in Brazil by the IPEA (Motta 2003). The study noted that in general impacts are expected to be minor, with the industrial sector likely to improve environmental practices in order to access to the export market. There is no evidence that this research has had any impact on the context or agreements around the FTAA negotiations.
- **Study of the impacts of trade liberalisation on agricultural activities** by Embrapa (Brazilian Agricultural Research Corporation) researchers (Quirino & Irias 1998). This study concludes that international agreements influence the adoption of more sustainable practices in agriculture. For instance, it cites that the reduced use of agrochemicals as a result of international pressure will improve the quality of life and health of people, not to mention creating other environmental benefits.

**Social Movements Forum for Environment and Development (FBOMS): Working Group on Trade and Environment.** A recent focus of this organisation has been shrimp production. The seminar and related reports considered the expansion and environmental liabilities of the shrimp sector and how costs are attributed (Batista & Tupinambá 2003; Bermann 2002). The seminar brought attention to a number of important issues surrounding shrimp production, highlighting the impacts of the national policy focus on shrimp production to support a growing export trade and the unsustainable practices this resulted in particularly social and environmental impacts. In conclusion, this event brought important issues into the public realm, which are now

frequently discussed by the Working Group on Trade and Environment of the FBOMS (Social Movements Forum for Environment and Development)<sup>40</sup>.

Driven by international agencies pursuit of sustainable development objectives, other more systematic assessments of the environmental impacts of trade liberalisation have been undertaken:

- **EC assessment of WTO negotiations**, including Mercosur and Brazil negotiations (IARC 2005), using the Sustainable Impact Assessment (SIA) methodology. Conclusions that relate specifically to environmental impacts in Brazil include:
  - In the **agricultural sector**, economic benefits to exporting countries are 'unambiguous' (p11)
  - In the **forest sector** the national economy is likely to benefit. However, this is dependent on the robust application of forest protection policies. In this context, recent investigations by the Brazilian Institute of Environment and Natural Resources (IBAMA) revealed that up to 80 per cent of timber commerce in the Amazon is illegal and that it is reasonable to state that most of this commerce is for external markets. EC assessment findings stress the importance of support for forest governance, creating an enabling environment for sustainable forest management, and strengthening capacity in developing and least developed countries.
- **Ex-post assessment by WWF (2003)** on export-led growth in soy production in Brazil. This report stresses the competitive advantage of GMO-free Brazilian soy in some markets such as the EU. It warns of a range of significant environmental impacts as a result of unsustainable practices including deforestation, destruction of species habitat, removal of natural vegetation and the loss of ecosystem as well contamination of land and water by the intense use of pesticides, particularly in the Cerrado (centre-west region) – an ecologically sensitive area of exceptionally high biodiversity. The report calls for the introduction of more sustainable production practices and supports the wider use of SIAs, especially for key sectors in the Brazilian economy, within the context of trade negotiations as a means of promoting more tangible outcomes.

There is no evidence that any of the above assessments were integrated into government policy or informed the outcome of trade negotiations.

#### 5.4 Capacity building and technical assistance

Brazil receives significant capacity building support related to trade development. Between 2001-06 it was the 10th largest recipient of trade related capacity building (US\$193 million). The majority of this support however is targeted at overcoming technical barriers to trade, with only US\$6.1 million addressing trade and environment issues. This emphasis seems to reflect the priorities of donor countries.

Research from Embrapa (Quirino & Irias 1998) noted that 88 per cent of Brazilian specialists questioned agree that strong technical support in environmental issues is

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<sup>40</sup> [http://www.fboms.org.br/gtcomercio/com\\_sem070803.htm](http://www.fboms.org.br/gtcomercio/com_sem070803.htm)

necessary in order to make agriculture export growth viable, reinforcing a focus primarily on addressing the **environmental requirements of trade**.

A report developed by the Working Group on Development and Environment in the Americas (2004) documented constraints experienced by Brazilian producers in accessing export markets. The report argues that these constraints present technical barriers to trade and calls for capacity building in a number of areas (information especially for small and medium-sized enterprises on technical issues and international legislation; standardisation and knowledge about international requirements, technical support by government institutions). Within Brazil a number of agencies focus on these capacity building issues:

- **Sanitary and phytosanitary measures (SPS)** The Secretary for Agriculture and Livestock (SDA). The SDA 's approach tends to be reactive, and suffers from a number of technical, material and institutional shortcomings in comparison with the vast number of private and public stakeholders in Brazil's agricultural export sector.
- **Technical barriers to trade (TBTs)** The National Institute for Metrology, Standardisation and Industrial Quality (INMETRO) is proactive in capacity building around the environmental requirements of trade, but is still lacking in technical capacity itself (eg, absence of chemistry and materials laboratories that could ensure progress in new areas of metrology, such as chemistry and biology), and has only recently begun to take a more active part in international negotiations.

Indeed, the need for more assistance to deal with environmental requirements – especially setting up processes for developing new regulations which involve affected countries – has been stressed by the United Nations Conference on Trade and Development (UNCTAD 2004). A major source of concern is the lack of integration of official institutions at different levels of government, as their actions are to a large extent decentralised.

#### **5.4.1 Capacity building by national organisations related to trade and environment**

The following capacity building initiatives are carried out by national organisations:

**Integrated Fruit Production (IFP) Brazil project** This project was developed to overcome difficulties surrounding environmental requirements and market access in the IFP (Integrated Fruit Production) Brazil Project. It is aligned with Good Agriculture Practices (GAP), allowing reductions of chemicals in food, aiming at environmental sustainability and security for workers. It was initially developed in 1999, focusing on exportation, and utilising the EUREGAP protocol on fruits and vegetables, which was little known by government institutions and producers at the time (UNCTAD 2005).

**INMETRO Programmes to overcome technical barriers and facilitate market access** Recent projects involve: a cooperation agreement with the Federation of Industries of São Paulo (FIESP), which aims to identify and monitor technical barriers to trade (detailed below); enabling the use of INMETRO's Alerta Exportador programme in other Mercosur countries; establishing Brazilian positions with regard to an EU directive 2004/21/EC; and contributing to an OECD research project addressing experiences in facing technical barriers to trade (UNCTAD 2006).

Other programmes include capacity building around issues and implementation of the **WEEE (Waste Electrical and Electronic Equipment)** and **RoHS (Restriction of Hazardous Substances)** directives with the Brazilian manufacturing sector.

**Environmental Board of FIESP** Local Initiatives to address environmental technical barriers. These include: the dissemination of information and promotion of technical expertise on environmental barriers to international trade through publications and technical meetings; life-cycle assessments (LCAs) particularly around Type III Environmental Declarations; and eco-design (issues that use LCA principles based on internationally agreed guidelines). FIESP also focuses on the ISO 14000 series, disseminating information and promoting technical capability in the industrial sector and channelling results to government institutions such as the Ministry of Development, Industry and Trade, the Ministry of Science and Technology, the National Bank of Economic and Social Development, the Agency for Export Promotion in Brazil, as well as competitiveness forums. In addition, FIESP promotes studies on the creation of specific labels for environmentally friendly industrial products as well as the adoption by Brazilian industry of existing regional and international labels.

#### **5.4.2 Capacity building by international agencies**

There are many capacity programmes led by international agencies, particularly the UN. These include:

- **UNCTAD/FIELD project on Strengthening Research and Policy-Making Capacity on Trade and Environment in Developing Countries** implemented between 1999 and 2001. (Brazil was not included in the follow-up project.)
- **UNCTAD initiative supporting the Convention on Biological Diversity** through the formulation of BioTrade Programmes, particularly Regional BioTrade Programmes for the Amazon Region. Designed to establish policy frameworks conducive to the sustainable trade of biotrade products and services, seeking to lever commercial finance for private sector efforts in the area of biotrade. The Programme for the Amazon region is carried with the ACT (Amazon Cooperation Treaty) (UNCTAD 2006).
- **Bolsa Amazônia**, funded by the EC and implemented in partnership with a local NGO Poemar (Nucleus of Action for Sustainable Development). This project aims to facilitate the commercialisation of sustainable Amazonian products such as dried fruits, natural dyes and oils, pasteurised and frozen fruit pulps, latex, coconut fibre products and hand-made paper by bridging supply of these goods with local and global demand. Main activities are capacity building through training information and business promotion through the internet (WTO 2006).
- **USAID analysis and programme on biodiversity and tropical forestry in Brazil** led to funding for various activities with the overall objective of assuring that trade is environmentally neutral or positive. Programme components include: support for efforts to improve environmental regulations and standards; promotion of environmental technology for sustainable development; a programme that provides practitioner and modern forest management practices for the Amazon timber industry; and a course designing effective environmental compliance strategies and enforcement programmes (USAID 2002).
- **UK Government: Brazil Sustainable Development Dialogue (SDD)** Building on a number of successful collaborations around the challenges of sustainable development in 2005, the UK has recently signed a formal alliance with Brazil,

the UK-Brazil High-level Dialogue on Sustainable Development. Led by Defra, in close collaboration with the Foreign and Commonwealth Office and the Department for International Development, the dialogues are a cross-government initiative that is starting to deliver on the UK's 2005 Sustainable Development Strategy objective to be an international leader on sustainable development issues. Capacity Building and Institutional Development is one of the themes, common to the UK *Sustainable Development Strategy* and Brazil's Federal Government Sustainable Development Initiatives on which the dialogue will initially focus.

UK current and planned programmes funded by Defra and the FCO focus on climate change and energy issues or, through the Darwin Initiative, obligations under the Convention on Biological Diversity. DfID funded support in Brazil is framed by objectives set out in the Latin America Regional Assistance Plan, the primary focus of which is to enhance the poverty impacts of World Bank and Inter American Development Bank operations in Brazil. Two four-year programmes (2005-2008) focus on public sector reform, access to markets and the benefits of international trade for poor people. DfID is also seeking to enhance international finance institutions understanding of the impact of trade reform on poverty through a £1.3 million Trade and Poverty Trust Fund.

#### **5.4.3 Initiatives by international and national NGOs**

The work of NGOs is particularly important in the field of technical assistance and capacity building. In Brazil, international NGOs with regional offices such as WWF-Brazil and Greenpeace work on projects and campaigns against environmental degradation and the promotion of nature conservation. There is also a significant number of local NGOs working in partnership with international organisations and with financial support from external donors.

Pro-Natura, for instance, is a local NGO (with international offices) with a focus on capacity building programmes dealing with community-base resource management, sustainable agriculture, and economic growth balanced with forest and biodiversity conservation. Similarly, there are local NGOs which, with financial support from national and international donors, work through partnerships on issues relating to bilateral agreements. Vitae Civilis, for instance, works on developing programmes and integrated research projects and strategies to support sustainable development.

### **5.5 Summary and conclusions**

The main emphases of Brazilian environmental programmes are forest devastation, changes in agricultural practice, climate change, and bio-diversity. Where policy and capacity building initiatives to address trade and environment issues are undertaken they are largely driven by international agencies, United Nations agencies and international NGOs.

In-country organisations such as IPEA, Embrapa and INMETRO have undertaken specific studies on the environmental impacts of trade liberalisation but these are often ad hoc and there is little evidence that they inform trade policy making or environmental investment.

A particular focus in the capacity building programmes is addressing environmental barriers to Brazilian exports, with a focus on market access and market entry concerns



which obscures issues around the environmental sustainability of exports. This is partly due to the fact that they have been conducted by institutions associated primarily with trade promotion (Viega 1995).

Brazil is an active participant in international debates and agreements, and has played an important and constructive role in international negotiations. It presented the original proposal for the Clean Development Mechanism (CDM) of the Kyoto Protocol, and continues to be very active in the Group of 77 (G-77) and in several United Nations forums (Born et al 2005). It is the leading country in regional agreements such as Mercosur and the Amazon Cooperation Treaty, and it plays an important role in south-south dialogue around trade and environment issues.

Overall, the Brazil case study is fairly representative in its focus on capacity building around the environmental requirements of trade. Brazil has focussed most efforts on regional trade arrangements particularly with the establishment of Mercosur and the Latin America Association of Integration (Aladi). Associated with these agreements there has been generic policy dialogue and guidelines to address environmental concerns however practical follow up and implementation has been less significant. Capacity building carried out by national organisations has focussed on overcoming technical barriers and addresses the environmental requirements of trade. UNCTAD, USAID and UK Government through the Sustainable Development Dialogue have also been strengthening research and policy-making capacity on trade and environmental issues. This emphasis on capacity building to address the environmental requirements of trade does reflect the WTO focus as highlighted in Section 3. The role of NGOs in technical assistance and capacity building around trade and environment issues is also representative of programmes funded by various donors. However, few countries share environmental resources of such global importance as Brazil and unlike many developing countries as a middle income country Brazil has the social and institutional capacity and resources to operate a fairly effective environmental management and global stewardship regime.

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