Capacity Building and Policy Coherence

A Role for a Leaders’ Level G20?

“Background Briefing Paper for Session 2”

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1. Background

The Doha Declaration promises to place the needs and interests of developing countries at the heart of the WTO’s work. By highlighting the importance of mainstreaming trade into development and poverty reduction strategies, particularly for the least developed countries, the Declaration recognized that trade is not an end in itself but rather a means to achieving broader development objectives. In practice, however, the spirit of this Declaration has been undermined by the failure of developed countries to make adequate development-friendly concessions in the ongoing negotiations and to fulfil commitments to positive development-oriented obligations.

Developed country commitments to improving the provision of technical assistance, capacity building and the “development” coherence of global economic policies are critical components of the Doha “development” mandate. Since the closing days of the Uruguay Round, developed countries increasingly use the promise of trade-related capacity building as a primary “concession” to development.¹ The rising prominence of capacity building as an item on the trade agenda was a response in large part to developing country concerns about the asymmetric nature of many of the Uruguay Round trade rules (in that they responded primarily to the needs and priorities of developed countries) and the disproportionately high costs that their implementation would impose on developing country economies. Without the ongoing promise of capacity building as a bargaining “carrot”, political support for any agreement at Doha, far less the launch of a new negotiating round, would have been inconceivable. The importance of trade-related assistance was reconfirmed at the Monterrey Conference on Financing for Development in March 2002.

Importantly, while developing countries continue to make the case for increasing the quality and quantity of capacity building, they also maintain a strong focus on reforming those asymmetric rules which place unreasonable burdens on their economies, policy options and budgets as a core negotiating priority. Developing countries are increasingly hesitant to be persuaded to accept unbalanced rules in exchange for the promise of capacity building which while in many instances well-intentioned rarely comes close to addressing the full extent of the needs and challenges faced by recipient countries. That is, the dynamics of the capacity building debate can only properly be understood in the context of negotiations to rebalance existing WTO rules and to ensure that any new rules are fairer.

Developing country calls for capacity building respond to a range of challenges:

- Limited ability to participate meaningfully in the WTO negotiations and decision-making

The financial, institutional and human resource costs of compliance with WTO obligations and implementation of related regulatory reform.

Limited capacity to take advantage of market opportunities which negotiations yield due to significant resource, supply-side and competitiveness constraints.

Limited capacity to address non-tariff barrier constraints to market access (i.e., developed country sanitary and phytosanitary, packaging, and environmental standards).

Limited capacity to withstand external shocks to domestic production and export opportunities.

The need to diversify economies and expand exports (50 WTO Members rely on just 1-3 export commodities).

Limited capacity of developing countries to exercise their rights within the WTO’s rule-based system (i.e., to bring cases under the WTO’s dispute settlement procedure).

Each of the background scenario papers on agricultural trade reform prepared for this conference have emphasized the significance of trade related capacity building (TRCB) to ongoing agriculture negotiations. Core capacity-related needs on the agricultural front raised in the scenario papers include: greater supply-side capacity to take advantage of agricultural market access opportunities; stronger institutional and infrastructural capacity to implement and competitively comply with technical standards in agriculture export markets; greater capacity to adjust to changing trade conditions (e.g., sudden import shocks or declines in prices due to dumping on world markets); more efficient trade facilitation; and the expansion and diversification of agricultural exports, including shifts toward higher value-added exports.

The agricultural scenario papers also highlight the importance of “coherence” among WTO commitments and the broader international economic context. In this regard, developing countries emphasize the linkage between trade, debt and finance. The ongoing inadequacy of financial flows (private and public) to many developing countries combined with their continuing external debt and debt servicing obligations each have clear consequences for the potential for developing countries to benefit from agricultural trade. They emphasize the importance of ensuring that policy advice, loans, and other external assistance from bilateral donors and multilateral agencies is complementary.

This paper provides an overview of the tensions that arise in respect of trade-related capacity building and policy coherence. It begins with an overview of the way in which these issues emerge in the context of the ongoing WTO negotiations. It then reviews some of the core existing efforts, highlighting some key concerns about their shortcomings and the core recommendations for improvements. Finally, it offers some preliminary suggestions to provoke discussion on whether and

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2 Beyond obligations to reduce trade barriers, developing countries also undertook commitments to undertake significant reforms of regulations (including the formation and administration of intellectual property systems, and upgrading of sanitary, technical and phytosanitary standards) and trade procedures (including import licensing procedures and customs valuations) in the Uruguay Round Agreements. The Round did not, however, take into account the cost of implementing these reforms—a full year's development budget for many of the least developed countries—nor did it ask whether the money might be more productive in other development uses. See Finger (1999).

3 Several different terms to refer to trade-related capacity building are in use, including references to trade-related technical assistance as distinct from capacity building. In this paper, I use the term trade-related capacity building to refer generically to the diversity of different kinds of activities.
how a Leaders’ Level G20 might be able to offer some much-needed political guidance on these issues.

2. The WTO Negotiating Context

Trade-Related Capacity Building (TRCB)

Building on the capacity building commitments included throughout the Uruguay Round Agreements, the Doha Ministerial Declaration included commitments to TRCB in twelve different paragraphs (See Box 1). In the Declaration, WTO Members state that “technical cooperation and capacity building are core elements of the development dimension of the multilateral trading system”.

Calls for enhanced trade-related capacity building and coherence can only properly be understood in the context of the WTO discussion of special and differential treatment (S&D)—a principle embedded in GATT/WTO agreements since 1965. S&D is based on the recognition that WTO Members are not at equal levels in terms of resources and capacity in respect of participation in the WTO.

Box 1. Doha Mandates in Respect of Technical Assistance and Capacity Building

Paragraphs 38-41 declaration deal exclusively with overall technical assistance and capacity building. Paragraphs 42-42 focus more specifically on assistance to least-developed countries.

Paragraph 38 instructs the Secretariat “to support domestic efforts for mainstreaming trade into national development plans for economic development and strategies for poverty reduction. The deliver of WTO technical assistance shall be designed to assist developing and least-developed countries and low-income countries in transition to adjust to WTO rules and disciplines, implement obligations and exercise the rights of membership, including drawing on the benefits of an open, rules-based multilateral trading system. Priority shall also be accorded to small, vulnerable and transition economies, as well as to Members and Observers without representation in Geneva”.

Paragraph 39 underscores the importance of coordinated delivery of technical assistance with relevant bilateral, regional and multilateral institutions and calls for consultations with relevant agencies, bilateral donors, and beneficiaries to identify ways of enhancing and rationalising the Integrated Framework for Trade-related Assistance to Least-developed Countries and the Joint Integrated Technical Assistance Programme (JITAP).

Paragraph 40 instructs the Committee on Budget, Finance and Administration to develop a plan for adoption by the General council in December 2001 that will ensure long-term funding for WTO technical assistance.

Paragraph 41 instructs the Director-General to report to the fifth session of the Ministerial Conference, with an interim report to the General Council in December 2002, on the implementation and adequacy of the technical assistance and capacity-building commitments identified in different paragraphs of the Declaration.

Paragraph 42 lists meaningful market access, support for the diversification of their production and export base, and trade-related technical assistance and capacity building as essential for integrating least-developed countries (LDCs) into the multilateral trading system. Priority has also been attached towards reflecting accession-related technical assistance for LDCs in the WTO’s annual Technical Assistance plans. Paragraph 42 also instructs the Sub-Committee for Least-developed Countries to design a work programme taking into account the trade-related elements of the Brussels Declaration and Programme of Action adopted at the UN Conference on Least-Developed Countries in 2001.

Paragraph 43 endorses the Integrated Framework for Trade-Related Technical Assistance to Least-developed Countries (IF) as a viable model for LDCs’ trade development. It also requests the Director-General to provide an interim report
to the General Council in December 2002 and a full report to the fifth Session of the Ministerial Conference on all issues affecting LDCs.

In addition, the Declaration is peppered with specific technical assistance and capacity building provisions related to the various negotiating mandates, notably in market access for non-agricultural products (paragraph 16), trade and investment (paragraph 21), trade and competition policy (paragraph 24), transparency in government procurement (paragraph 26), trade facilitation (paragraph 27) and the environment (paragraph 33).

Yet more specific technical assistance provisions are to be found in the Decision on Implementation-related Issues and Concerns (WT/MIN (01)/W/10) also adopted in Doha, notably in paragraphs 2.2, 3.5, and 3.6, 5.1, 5.3, 5.4, and 14.


While a full discussion of the various debates and proposals for improving the implementation and utilisation of S&D provisions is beyond the scope of this paper, it is important to place the effort to improve capacity building and policy coherence in the context of current developing country efforts to negotiate for the translation of existing “best endeavour” commitments to S&D into secure, effective, and binding provisions—either in the sense that they are mandatory (i.e., countries are required to implement them) or in the sense that such provisions should not be undermined, rendered meaningless or made less available due to incoherence in global economic policymaking. While some S&D provisions are already mandatory or relatively precise, many have not been utilized or complied with, as demonstrated in various trade policy reviews of members.4

Developing countries also emphasize that action to improve TRCB should not be used to substitute for a lack of progress on their negotiation priorities regarding the meaningful operationalization of other aspects of S&D (e.g., greater flexibility in implementing and complying with obligations, more balanced rules, greater market access, and a fairer trading environment).5 In particular, developing countries have argued that their obligations for implementation of resource intensive WTO disciplines should be linked to their capacity constraints and considered in light of their other development priorities.

**Policy Coherence**

In the preamble to the Doha Declaration, WTO Members also recognized that the “challenges Members face in a rapidly changing international environment cannot be addressed through measures taken in the trade field alone” (see Box 2). Members committed to continuing to work with the Bretton Woods Institutions for greater coherence in global economic policymaking. The resulting Working Group on Trade, Debt and Finance has three core agenda items: the relationship between trade and debt, the relationship between trade and finance; and greater coherence between relevant institutions.

To date, there has been considerable frustration with the Working Group. Some developing countries have complained it amounts to little more than an analytical or theoretical seminar with few recommendations or concrete discussions underway. Many developed countries, on the other hand, consider the exercise of little benefit due to the limitations of the trading system in directly addressing international debt and finance issues.6

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4 See WTO Secretariat note WT/COMTD/W/77Rev.1/Add.4.
5 See, for example, “Statement by Kenya on Behalf of the Africa Group Proposal on Special and Differential Treatment”.
That said, several priorities and proposals have been tabled by developing countries and international organizations. In the area of debt and trade, these include: increased market access for countries affected by debt overhang; flexibility in the use of balance-of-payment restrictions by heavily-indebted countries; flexibility in market access for HIPC countries, limits to the use of contingency measures (e.g., anti-dumping, safeguards and compensatory duties) against the exports of countries with debt overhang; greater availability of trade financing and compensatory financing during debt crises; safeguarding WTO Members’ authority to maintain or apply capital account restrictions; and increased supply capacity to ensure the utility of market access; and calls for a multilateral policy on primary commodities.

In the area of trade and finance, developing countries have argued that the multilateral trading system must provide enough latitude or “policy space” to ensure that developing countries preserve their right to adopt development policies to solve adjustment problems; address problems of commodity price fluctuations, exchange rates and interest rates together with conditionality in trade policy advice from financial institutions (as related reasons for financial instability in international markets); secure financial support for addressing trade supply concerns and policies to reduce price risks on commodities and currency exchange risks; identify ways and means to contribute to the diversification of value-added exports; and permit exchange of experience on the impact of capital account liberalization on exchange rates and hence competitiveness.

In the Working Group’s discussion of coherence, countries have drawn attention to a series of problems. In general, many developing countries are cautious with regard to the idea of policy “coherence”, if coherence implies greater collaboration among donors with regard to policy prescriptions that they believe have failed to address, and in some instances may have frustrated, development objectives.

Instead, developing countries increasingly emphasize the incoherence between the actual policies which developed countries use (maintaining huge subsidies and high tariffs that depress global prices, protecting politically important sectors), and the policies which they pressure developing countries to adopt (liberalized markets, elimination of subsidies). Beyond double-standards on the agricultural front, similar instances of policy incoherence exist in the area of investment. In negotiating the TRIMs Agreement, developing countries were pushed to reduce their right to policy intervention to support their economic development. In so doing, developing countries have been pressured to forfeit the very policy instruments on which developed countries have relied—and in some instances, continue to rely—for their own economic development strategies (e.g., industrial policies to develop productive and technological capacity). Developed countries are effectively “kicking away the ladder” behind them.7

A second aspect of incoherence concerns the relationship between policy lending from IFIs, WTO rules and development country WTO negotiating stances. Inadequate coordination means that through their adoption of World Bank- and IMF-mandated policies and measures under structural adjustment programs, developing countries have sometimes effectively given up the very flexibilities for which they successfully fought in WTO negotiations. To highlight the lack of coherence, Brazil has drawn attention to the lack of recognition in the WTO bargaining context of developing country autonomous liberalization (e.g., of the services sector)—often recommended or

7 Ha Joon Chang (2002).
mandated by the IMF and World Bank when granting structural loans. In a further example of incoherence, Korea notes that the EU initiated a WTO panel challenging IMF support to Korea—of which $125 billion was used to strengthen its financial system in the wake of its recent crisis—as an actionable subsidy.⁸

A third aspect of incoherence of concern in the Group is where the international commitments of developed countries to development and poverty alleviation are undermined by their economic policies. One of the most glaring examples of policy incoherence plagues the cotton sector. A recent World Bank report cites cotton as an example of where “rich countries’ trade policy negates their own development assistance efforts.”⁹ The provision of highly-distorting subsidies to cotton in wealthy countries depresses global prices and damages the livelihood of millions of people in developing countries where cotton is often both a dominant cash crop and source of export earnings.

A final aspect of incoherence noted in the Group concerns TRCB, and in particular technical and legal advice to developing, which promotes interpretations of the flexibilities of WTO commitments that erode rather than maximise the “policy space” for pursuing development objectives.

**Box 2: Doha Mandates on Coherence: Trade, Debt and Finance**

In paragraph 36 of the Doha Declaration, WTO Member States agreed to “an examination, in a Working Group under the auspices of the General Council, of the relationship between trade, debt and finance, and of any possible recommendations on steps that might be taken within the mandate and competence of the WTO to enhance the capacity of the multilateral trading system to contribute to a durable solution to the problem of external indebtedness of developing and least-developed countries, and to strengthen the coherence of international trade and financial policies, with a view to safeguarding the multilateral trading system from the effects of financial and monetary stability. The General Council shall report of the Fifth Session of the Ministerial Conference on progress in the examination.


### 3. Realities and Developments

At present, trade-related capacity building is channelled primarily through multilateral agencies and programmes, though some of donors also maintain substantial bilateral programmes. The Doha Ministerial Declaration appears to have had a sizeable impact on the quantity and value of their bilateral TRCB activities as well as on participation in multilateral initiatives and programmes, such as the Doha Development Agenda Global Trust Fund, the Integrated Framework, and the Joint Integrated Technical Assistance Programme (JITAP).

TRCB involves partnerships among a great number of agencies both in donor governments and on the developing country side, each of which has different priorities, operating arrangements, timeframes and resources. Multilateral donors and implementing agencies include the ITC, UNCTAD, UNDP, World Bank, WTO, AITIC, the Advisory Centre for WTO Law and a range of regional organizations and development banks. A range of UN specialized and voluntary agencies are also involved in the field, including WHO, FAO, WCO, WIPO and UNIDO in their respective

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areas of competence. In developing countries, a wide range of actors are involved from development agencies, to Ministries of trade and foreign affairs, as well as specialized agencies (such as customs and standards offices).

Post-Doha, there has also been an increased level of discussion among donors of the importance of TCRB for development, poverty reduction, increased funding and strengthened dialogue with trade policy makers and experts (as indicated by a series of high levels meetings among trade and development communities). A large number of OECD countries now have a dedicated strategy to expand their activities in TCRB as part of a broader effort to shift their development cooperation to focus on investment and trade as engines for development and trade reduction.

A wide range of activities fall under the broad category of TCRB, including: seminars, workshops, training programs in trade rules and procedures, courses on negotiating skills, legal advice and assistance with preparing draft laws, assistance for making use of the WTO’s dispute settlement machinery, technical missions, the provision of manuals, guides, documents, data research and consulting practices, as well as funding for specific programs and initiatives (such as improved custom facilities and infrastructure development, export insurance programs, support to exporters and cooperative initiatives among business, etc). While some donors focus on supporting greater participation by developing countries in trade negotiations and improved implementation of trade agreements, others focus on support to small and medium sized-enterprises in developing countries. TCRB efforts have also included activities to promote developing country imports, enhance productive capacity, support national policy making processes, and building capacity for civil society to monitor the implementation and results of trade.

In 2001-2002, the OECD estimated that commitments to TCRB equated to some 4.8% of aid commitments (on a par with the share going to basic education or basic health). Total TCRB activities totalled some US $2,127 million in the same period. In addition, in 2001 and 2002 the average of $8.1 billion committed to economic infrastructure (some 20% of all aid) is devoted to building infrastructure for trade (e.g., transport, energy and communications) for international trade.

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10 UNIDO, for example, is working to help assist with the development of the productive capacities of industry and to build capacities to produce exportable products. See WTO (2003) “Technical Assistance: WTO, UNIDO to work together on trade-related technical assistance”, WTO Press Release, 10 September 2003. The FAO is similarly working in the agricultural sector, particularly to help countries meet product standards. See FAO (2003) “Trade-Related Capacity Building Programme for Agriculture, Fisheries and Forestry”, FAO Support to the WTO Negotiations, FAO: Rome. The WHO provides considerable support to developing countries with respect to the implementation of public-health friendly intellectual property policies.

11 Examples of meetings to draw together the trade and development communities include: a DFID-led Trade, Growth and Poverty Conference in December 2003 (which included examination of how to improve the trade policy content of PRSPs in practice at the country level), an OECD-DAC/WTO Meeting on Trade Capacity Building from 2-3 March 2004 in Paris.


15 The OECD classifies trade-related aid under three headings: 1) trade policy and regulations—to help countries reform and prepare for closer integration in the multilateral trading system; 2) trade development—to help develop the business climate and promote trade to business sectors; and 3) infrastructure—to help countries build the physical infrastructure required to move goods and exports successfully.
Despite efforts to respond to improve its quantity and quality, TRCB continues to fall far short of the commitments made to developing countries, let alone of meeting developing country needs. Moreover, the ways in which TRCB is conceived and delivered remain the subject of great concern. The question, as stated by Susan Prowse, is “not so much as to the need for a significant increase in “aid for trade” but “how” to deliver. While the task is without doubt a difficult one, it is fair to say that efforts to make trade an integral part of development cooperation policies and programmes have thus far fallen short of expectations.

The following discussion reviews several of the core TRCB initiatives, highlighting some of the concerns raised and the efforts to respond. The review is not exhaustive, but seeks only to highlight some of the key multilateral initiatives underway, leaving aside due to space constraints any detailed consideration of TRCB in particular sectoral areas (such as intellectual property, compliance with international standards, etc).

Joint Integrated Trade Assistance Programme (JITAP)

The JITAP was developed jointly by the WTO, the ITC and UNCTAD to provide technical assistance to African countries. Established in 1998, its objectives include:
- To build national capacity to understand the multilateral trading system
- To adapt the national trading system of targeted countries to the obligations and conditions of the multilateral trading system, and
- To help countries enhance readiness of their exports to participate in the trading system so as to enable them to reap the benefits of trade.

The JITAP began by providing capacity-building to eight African country partners to the end of 2002. A second phase of JITAP was launched in early 2003, extending the programme to 16 countries and proposing greater attention to needs arising from other TRCB programmes in Africa, such as the NEPAD, the Cotonou Agreement and the Integrated Framework.

Key recommendations for improvement of the JITAP have included increased financing, greater support for the development of capacities at the national level to discuss and elaborate on multilateral trading system issues, stronger emphasis on building human resource capacities through the engagement of local institutions, and a deeper focus on supply-side issues to expand export opportunities.

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16 S. Prowse (2002), The Role of International and National Agencies in Trade-related Capacity Building.
17 Two recent analyses of technical assistance in the intellectual property arena are: Pengelly, T. (2003) “Technical Assistance on IPRs for Developing Countries: Some Strategic Policy Issues and Recommendations for Future Priorities for Donors and Developing Countries”, ICTSD-UNCTAD Dialogue, 2nd Bellagio Series on Development and Intellectual Property, 18-21 September 2003, ICTSD: Geneva and Musungu, S. (2003) “Designing Development-Oriented Intellectual Property Technical Assistance Programs”, ICTSD-UNCTAD Dialogue, 2nd Bellagio Series on Development and Intellectual Property, 18-21 September 2003, ICTSD: Geneva. Pengelly highlights problems of duplication, waster of resources and conflict advice due to lack of coordination, providing an example of the case of Vietnam where 8 different donor agencies provided IP technical assistance over a five year period. In the case of IP technical assistance, the two authors highlight that given the low levels of IPR creation in most developing countries, a significant share of the benefits of establishment of stronger IP regimes in developed countries can be expected to go to foreign IPR holders—mostly from the developed countries. Therefore, it is appropriate that financing for the related technical assistance should be raised from IPR holders in the form of service user-fees.

The Integrated Framework

The Integrated Framework (IF)—a programme jointly managed by the WTO, UNCTAD, the World Bank, the IMF, the International Trade Centre, and the UNDP—was launched in 1997 to help maximize the effectiveness of the resources used to help least-developed and other low-income countries respond to trade challenges and needs in the context of broader development strategies and policies. By providing more coherent trade-related technical assistance, the IF aims to assist in integrating trade issues into national development strategies.

In the face of lack of coordination, the IF aims to coordinate the responses of the various agencies and development partners (each in their own sphere of competence) to the TRCB needs identified by each of the LDC governments and national stakeholders.

The first step toward receiving support through the IF is the Diagnostic Trade Integration Study (DTIS). These studies identify supply-side constraints, the sectors of greatest export potential and recommend appropriate plan of action including policy reforms, technical assistance priorities, and institutional capacity needs. This Plan of Action is then to be integrated in the national development plan (such as the Poverty Reduction Strategy Process (PRSP)) and subsequently implemented in partnership with the development cooperation community.

The IF Trust Fund (created in 2001) has two funding instruments which rely on voluntary contributions from bilateral and multilateral donors: Window I (which finances preparation of the Diagnostic Study) and Window II (which provides bridging money for small assistance or capacity-building activities that are part of the DTIS Matrix). Funding of the implementation Action Plans relies primarily on bilateral donors as part of their overall responses to national poverty reduction strategies.

While the IF has recently launched a revised second phase, several recent reviews have highlighted a number of ongoing factors limiting the effectiveness of the IF. These include:

- the conflicting mandates of the agencies involved,
- emphasis on technical assistance over direct aid and infrastructure,
- disorganization and confusion about which agency to approach for which kind of assistance,
- inadequate resources,
- weak transparency of implementation, particularly in respect of the selection and criteria for the selection of beneficiary countries,
- inadequate focus on primary commodity dependence and other factors important to the trade of LDCs,
- inadequate developing country leadership or scope for leadership in the preparation of the Diagnostic studies.

In addition, concerns have been raised about the stand-alone nature of much trade-related assistance and inadequate linkages to broader development strategies. Some analysts have questioned whether

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20 The IF is convened by a Working Group (responsible for management) which includes 10 members—two of which are LDCs) and a Steering Committee (which provides overall policy direction and includes representatives from agencies, donors and LDCs).
21 For further information on the Integrated Framework, see [www.integratedframework.org](http://www.integratedframework.org)
the PRSP process—which was designed primarily to support the use of resources freedom up from
debt relief for social programs—can provide the comprehensive development framework needed for
considering trade strategies. Interestingly, analyses from a diverse range of organizations (the
Overseas Development Institute, the IMF and Christian Aid) share a common concern that PRSPs
completed thus far say very little about trade policy and that any attention that is paid to trade is
inadequate.

Critics have also raised questions about how much of a role the World Bank should play in
improving the mainstreaming trade into PRSPs via the IF. On the one hand, there are concerns that
the PRSP processes themselves have limitations. While efforts are ongoing to improve the quality of
PRSP’s, the effort to employ multi-stakeholder strategies in their development has been partial at
best. On the other hand, there are concerns that the Bank pursues a formulaic commitment to
advocating aggressive trade liberalization measures, even for the most vulnerable countries. Critics suggest that the World Bank’s role should be restricted providing loans or grants to fund
initiatives identified in TRCB assessments, leaving developing countries themselves to be in the
lead on diagnostic studies with the assistance of other relevant international organizations and non-
State actors. Importantly, while World Bank critics raise questions about the Bank’s ideas about
the nature of a “good” trade policy, it is important also to consider that the interests of bilateral
donors may simply be to impose a policy that is good for the donors.

WTO Technical Assistance

Since Doha, the WTO has sought to play a more prominent role in the delivery and design of TRCB. In Doha, the WTO Members endorsed a New Strategy for WTO Technical Cooperation for Capacity Building, Growth and Integration. The WTO’s activities are targeted in two areas: “inter alia, on the
development of component trade negotiators on the existing WTO work programme and in those
areas that will be part of an expanded work programme in any future negotiations”. To ensure long-
term funding of the WTO’s technical assistance activities, a Doha Development Agenda Global
Trust Fund (GTF) was established in 2001, and relies on voluntary contributions from Members. It
received pledges of around US$15.7 million in 2002 (more than double the amount anticipated)
enabling the WTO to undertake an unprecedented level of activities. According to the WTO’s 2003
technical assistance and capacity building work program, the main activities it pursues are trade
policy courses, the development of new training tools, short-term trade policy courses, distance
learning services, internships, “legal clinics”, and three month trade policy courses outside Geneva.

While the creation of the GTF represents a positive response to earlier criticism that the WTO’s
TRCB had been open-ended, short-term and contingent, there are contrasting views on the quality of
WTO assistance and the extent to which the WTO Secretariat should have a role in the provision of
TRCB. Certainly, few Member States suggest that the Secretariat’s capacity-building remit should

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24 See Ladd, P (2003) Too Hot to Handle? The Absence of Trade Policy from PRSPs, Christian Aid: UK. Available at
http://www.christian-aid.org.uk/indepth/0304toohot/toohot.pdf, and Ladd, for example, argues that “[T]rade policy choices are rarely
underpinned by a holistic analysis of poverty in each country. PRSPs fail to consider the impacts of trade on different groups of poor
and vulnerable people. Effects are not disaggregated between consumers, producers and employers, between urban and rural
populations, or by gender. Dimensions of poverty beyond income—risk and insecurity, access to services, and empowerment—are
almost completely ignored.”
25 Powell (2001)
26 Ibid.
be expanded. In terms of design, WTO assistance has been criticized for an overly formulaic, top-down approach. Too few resources move beyond the provision of one-off seminars and trainings for a limited number of officials, and little systematic attention is paid to tailoring WTO assistance to the particular circumstances and strategic needs of countries.

The substantive focus of WTO TRCB also attracts considerable informal criticism from developing countries. In training countries to comply with the WTO commitments, the WTO Secretariat offers narrow interpretations of the flexibilities and options countries have in respect of the implementation of their WTO obligations. As developed countries continue to work to push new issues onto the WTO negotiating agenda, the limited absorptive capacity of developing countries is too often devoted to TRCB focused on helping them participate in discussions of these new issues (such as the “Singapore Issues”). The need for more dynamic, responsive and independent sources of technical assistance is clear. Given the limited availability of TRCB resources, there is a strong case for careful consideration of the extent to which the WTO is the right organization to undertake the provision of assistance, or whether the funds would be better channelled through other organizations and initiatives less constrained by bureaucratic and political pressures.27

In addition to channelling donor funding through its GTF, the WTO has also taken up a central role in capacity building through the Trade-Related Assistance and Capacity Building Database (established jointly in 2002 by the Secretariats of both the WTO and the OECD) which maintains details and funding levels of the TRCB activities of bilateral, regional and multilateral donors.28 Disappointingly, the database omits the many activities, particularly those supported independently by non-profit organizations, private foundations, and universities which often place greater emphasis on initiatives which aim to build long-term local capacity, draw on local expertise, match independent international expertise with national needs, put together multidisciplinary teams of experts, organize events with a diversity of stakeholders, and focus on tailoring legal and policy advice regarding implementation of WTO agreements on development objectives.

UNCTAD29

UNCTAD has been providing assistance to the developing countries in the area of trade negotiations since the GATT Tokyo Round: its mandate on "trade and development" has always included support for the effective participation of the developing countries in multilateral trade negotiations. At UNCTAD IX (Midrand, 1996) and X (Bangkok, 2000), this mandate was strengthened in view of the establishment of the WTO with the launching of two UNCTAD technical assistance instruments: the "Positive Agenda" and the Commercial Diplomacy Programmes. The mandate to provide support to regional trade agreements among developing countries was also strengthened. In February 2002, UNCTAD’s Secretary-General announced a "post-Doha technical assistance and capacity building plan" based on specific requests made to the UNCTAD secretariat by the developing countries. Importantly, together with UNDP, UNCTAD has also played a central role in facilitating and encouraging the expansion of South-South trade.

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27 In March 2002, several civil society organizations from both developed and developing countries expressed concerns about the TRCB programs, calling on the WTO to strengthen the ability of developing countries to identify and pursue their own trade objectives in the context of broader development plans, rather than focus on WTO Secretariat and donor/developed country priorities.
29 The source for this information is the UNCTAD website, www.unctad.org
With the upcoming UNCTAD XI meeting in Sao Paolo, UNCTAD’s role in TRCB is again under scrutiny. Developing countries and many civil society groups hope to strengthen UNCTAD’s role in TRCB. For these constituencies, UNCTAD is the most favoured of the international agencies involved in trade and development because it is considered to be the agency most reliably focused on the concerns of developing countries. There have noted with concern the shift of donor resources away from UNCTAD and toward the WTO’s “development” program (despite the WTO’s limited capacities on this front) and the World Bank. Others, such as the US, would like UNCTAD to confine itself to a tightly-defined research and analysis role, with only a limited technical assistance and capacity building function. As a standing program of the UN, UNCTAD derives its core income from the UN headquarters. Any special programmes are funded from extra-budgetary contributions (the main contributors to which are the EU, Norway and Switzerland with the US making no extra-budgetary commitments).

The IMF and the Trade Integration Mechanism (TIM)

The IMF, working with the World Bank, works to address the issue of the availability of adequate trade financing for developing countries, particularly in times of financial crisis. In early 2004, the IMF introduced a new policy—the Trade Integration Mechanism—to help reassure low income developing countries that they will receive assistance from the international community to deal with adjustment difficulties they encounter from the loss of trade preferences likely to result from any lowering of most-favoured nation (MFN) tariffs in the Doha Round. That is, the TIM makes funds available only for countries which suffer damages as a result of others’ liberalisation (i.e., where countries could lose preferential market access or the benefit of subsidised agricultural products).

Since its recent announcement, the TIM has provoked a variety of responses. While few argue against the concept of the TIM, and many welcome it as a useful step forward, a number of developing country members argue that the TIM’s focus on balance of payment problems is too limited as it is restricted to damages inflicted by changes in the multilateral regime. Questions have also arisen as to the methodology used for calculating damages caused to a country by others’ liberalization, the potential use of conditionalities, and the fact that assistance will come in the form of loans—not grants—which could add to the existing debt burden of countries. Some NGOs have offered a broader critique of the TIM arguing that its real purpose is simply to neutralize or delegitimise developing countries concerns about the adjustment costs of further liberalisation, serving in reality as a new "insurance policy" to entice developing countries back to the multilateral trade table.30

The World Bank

The World Bank has significantly stepped up its support to trade activities in recent years, augmenting resources and staff, and establishing a new Trade Department in 2002 to coordinate its trade-related policy, research and capacity-building. These activities include: trade lending operations, support for domestic policy reform, institutional building, training of government officials and researchers to formulate policy, undertaking analytical work and research, participate in the preparation of the Diagnostic Trade Integration Studies in the context of the IF (and leading

the IF Steering Committee), contributing to the IF Trust Fund, and assisting developing countries to meet product standards.\(^31\) In the latter area, the Bank is implementing trade facilitation projects to improve quality standards in developing countries. The World Bank also leads the Standards and Trade Development Facility—an inter-agency partnership with the WTO, FAO and WHO—which will deliver technical assistance for food safety and related standards. The Bank’s activities in trade-lending include adjustment lending to support trade reforms, loans for export development, insurance schemes, and loans for trade financing (primarily lines of credit to private sector exporters and importers in developing countries). Finally, the Bank’s lending also includes loans for strengthening institutions (such as physical infrastructure and building capacity in customs administration).

The diversity of the Bank’s activities in trade limits the usefulness of any general observations about the lessons and/or limitations about their effectiveness. Suffice to say that suggestions and criticism have been offered from the academic and NGO community about a broad range of these activities.\(^32\) A common theme of these contributions is a concern that the World Bank’s activities embody a bias toward particular kinds of economic policy advice (e.g., a prima facie preference for unilateral liberalization) and that the expansion of the World Bank’s activities and the substantial resources it can bring to bear may crowd out attention to alternative economic proposals and the role of agencies with deeper experience on the issues (e.g., UNCTAD).

As noted above, this review of initiatives is meant to be indicative, not exhaustive. Many other bilateral, regional and multilateral initiatives exist (including, for example, EU efforts in respect of its relations with ACP countries, the creation of an EU-LDC network which includes a trade component, and the establishment of the Advisory Centre on WTO Law, based in Geneva which assists developing countries to bring cases under the WTO’s dispute settlement mechanism).\(^33\)

5. Complaints, Mistakes and Shortcomings

The most commonly-cited problems in respect of TRCB fall in six broad categories:

**Inadequate resources.** While the level of TRCB commitments has increased significantly in recent years, the availability of TRCB still falls far short of needs. Moreover, in some instances, TRCB represents a diversion of resources from other pressing development priorities rather than an allocation of new resources.

**Inappropriate orientation and focus of assistance.** TRCB programs too often retain a “one-size fits all”, standardized approach to developing country needs. The mandate of most international organizations is to administer so-called “neutral assistance”. In the context of strong economic, political and ideological tensions about appropriate economic policies, the concept of neutrality is

\(^{31}\) The recognition of international standards in the WTO opens the prospect of disputes against those countries that do not comply (where as formerly international standard-setting organizations only set voluntary guidelines). The needs in this area are numerous, including support to meet the costs of the implementation requirements of the TBT and SPS agreements (which can amount to an entire year’s development assistance budget in some least developed countries), support in compliance and meeting the costs of establishing and maintaining certification facilities, and support for developing country representation in international standard-setting organizations.

\(^{32}\) See, for example, Bretton Woods Project (2002), Ladd, (2003), Reality of Aid Network (2003), Rowden (2001), and Tan (2002).

\(^{33}\) For further information, see European Commission (2003) *Making globalisation work for everyone: The European Union and world trade*, December, and for the EU-LDC Network: http://www.acp-eu-trade.org/eulcdnetwork.html
problematic. For developing countries, the primary concern is for not for neutral assistance, but for assistance that will help them evaluate options in light of their needs and circumstances and to situate trade policies within a broader set of development needs and strategies.

Numerous experts and organizations have raised substantial concerns about whether technical assistance is appropriately tailored. In particular, critics argue that given the emphasis on compliance with WTO rules, technical advice does not always fully take into account the range of possible options and flexibilities to accommodate public policy objectives. Moreover, given the institutional orientations of providers and political considerations, they also noted the risk of bias in the interpretation of WTO priorities in favor of developed country interests through either negative discrimination (where donors could avoid funding activities that could hurt their short-term domestic interest), positive discrimination (where donors prioritize assistance that might assist their domestic economies), tied-aid, or buy-offs.34

Examples of bias include the tendency to link TRCB funding to technical assistance contracts donor-country experts, tying the provision of capacity building to the use of domestic exports and contractors, and earmarking funding for programs on issues of strategic importance to developed countries (e.g., favoring assistance for the Singapore issues over helping countries to meet product standards).35 Accusations of bias can be difficult to verify. In any given developing country, there is likely to be a range of options as to what the right laws and policies should be with respect to trade in particular sectors, which in turn will inform opinions about the appropriateness of assistance to national circumstances. What is clear is that the priority must be on strengthening the capacity of developing countries to take independent positions on trade issues and to propose and defend their own trade policy objectives.36

**Short-term strategies:** TRCB is often delivered on a short-term, random, “one off” and/or stand-alone basis, reflecting an inadequate focus on the sustainability of the results of projects and programmes.37

**Donor-driven:** TRCB is too often linked to developed country negotiating priorities or economic interests. Little technical assistance is of an un-tied nature, whereby developing countries could make their own decisions about how best to allocate aid. The problem of donor-driven assistance is fuelled in part by the inadequacy of needs assessments, and in particular the failure to consult with a wide-range of actors in the definition of priorities. Even where developing countries have systematically identified and presented their needs to the donor community (as has been the case with NEPAD), the donor community has failed adequately to respond to these efforts.

**Inadequate local ownership.** Donors too often rely on their own Northern consultants, project managers and private sector actors for the provision of TRCB over developing country consultants, legal teams, NGOs, universities or think-tanks.

**Inadequate evaluation.** An important constraint on the improvement of TRCB is the absence of adequate formal tools or indicators for evaluation and the limited information in the public domain.

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35 Reality of Aid Network, Ibid.
36 See Prowse (2002: 1240)
37 See Prowse (2002)
about specific technical aspects of cooperation programmes (such as financial information). Without such tools, it is difficult to monitor, assess or improve the contribution of TRCB to the trading prospects of developing countries. A related evaluation problem concerns the tendency to evaluate only individual projects or programmes of particular institutions or initiatives.

TRCB activities are closely related to the issue of policy coherence. Just as there are important questions of capacity building for what and whom, the coherence agenda raises questions about coherence among whom and for what purpose? Many developing countries have expressed concern that the coherence agenda may be misappropriated—resulting in their being even more vulnerable to a unified, “one-size fits all” approach to economic policy from the international donor community. They fear that the policy coherence agenda could lead to a crowding out of the diversity of ideas from which they should be able to benefit in formulating economic policies. The preferred developing country conception is one of coherence between the international economic architecture, developed country policies and developing country abilities to pursue their development objectives.

From a developing country perspective, policy coherence demands attention at three different levels: in developing countries, in developed countries, and at the multilateral level. In developing countries, trade and integration policies need to be balanced with broader development strategies for addressing poverty. This involves a greater commitment to inter-departmental and multi-stakeholder domestic trade policy-making processes and partnerships for implementation.

In developed countries, there is a need for greater coherence between their policies abroad and at home. Developing countries increasingly draw attention to the fact that developed countries preach free trade internationally, while maintaining protection domestically. They argued that developed countries cannot continue to develop domestic policies in a vacuum—given their size these policy choices have tremendous impacts on the global economy and on development prospects. Developed countries frequently ask the international community to condone their policies on the grounds of “national values” often at the expense of “international values” of poverty alleviation. Where developed country values impinge on the development prospects of developing countries, compensatory measures should be put in place (e.g., developed countries should assist developing countries to meet the cost of complying with their “values”). Moreover, even at the national level, policies may be incoherent. While the EU advocates the integration of environmental considerations into international trade negotiations, it sustains domestic fishing and agricultural subsidy programs which not only harm developing countries but also have devastating environmental consequences. Increased coordination at home is clearly required.

At the multilateral level, the international economic architecture and related policies and regulations to manage global integration must be balanced, equitable and pro-development. The Uruguay Round of the WTO gave rise to a number of Agreements that fail to meet these criteria (TRIPS, Agriculture, TRIMS). The achievement of greater coherence between international policies and

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38 Pengelly (2003).
rules and international commitments to development and poverty alleviation will rely upon active discussion among governments, civil society, academia and business about the range of possible options before them. Maintaining the independent voices and contributions of a diversity of UN agencies—such as UNCTAD, the WHO and the FAO—to contribute in their respective areas of competence is one critical piece of that puzzle.

5. Recommendations

In both developed and developing countries, concrete efforts are underway to improve TRCB. In 2001, an OECD report, *The DAC Guidelines: Strengthening Trade Capacity for Development* provides useful direction to donors, proposing that TRCB should facilitate “a country-driven participatory trade policy process as part of a comprehensive approach to overall development goals and poverty reduction strategies”.

For their part, developing countries are also working to ensure that TRCB and the international economic architecture more directly advance their interests. In January 2003, for example, the Least Developed Countries submitted a paper at the WTO calling for the mainstreaming of the trade-related elements of the May 2001 Brussels Programme of Action in to the WTO’s program (UN 2001). This includes calls for TRCB to focus on developing human, institutional and productive capabilities for: diversification; implementation of WTO Agreements; trade policy; promotion of sub-regional and regional cooperation including for export promotion; regional trading arrangements; empowering women to benefit from opportunities created by trade policy reforms; accessions, standard-setting and quality control; and reducing the impact of external economic shocks. The New Partnership for Africa’s Development (NEPAD)—an African initiative to exercise greater regional leadership and responsibility for the process of economic and political reform in their countries—advanced both a trade strategy and articulated a set of capacity building needs.41

Drawing from these efforts, there appears to be several areas of consensus in the development community about priorities that must be addressed:

**a) Increase Ownership, Durability and Long-Term Effectiveness of Interventions**

Developing countries should lead the design, orientation, focus and implementation of TRCB. Taking ownership of capacity building requires that developing countries seize the initiative and dedicate strong national leadership and commitment to this area. The NEPAD initiative provides a clear example of such leadership and deserves far stronger support from developed countries. Greater developing country ownership of the TRCB process can be a critical way to help reduce bias in the provision of TRCB.

Moving away from one-off seminars and donor-conceived technical assistance, donors should be willing to diversify the number of suppliers and recipients of assistance and allow for the possibility of untied funds for consulting services. By harnessing and strengthening a broader range of local and regional research university hubs, private sector consultants, think-tanks, and non-governmental

organizations in developing countries, donors can build the durability and long-term cost-effectiveness of TRCB. Such organizations provide a far greater potential for independent and responsive advice—unencumbered by bureaucratic constraints and donor-driven strategic agendas. Actors outside government can also be repositories of long-term capacity from which governments can draw over time—beyond the tenure of particular government officials. The development of local capacity also helps foster the articulation of variety of perspectives and informed engagement of national stakeholders—vital to a healthy process of trade policy development within a country.

Two further steps which could help minimize bias and the donor-driven nature of much TRCB would be to: a) structure multilateral funding programs such that developing countries are able to specify particular needs and then competitively select the providers that offer the best proposal for meeting those needs; and b) develop a set of guidelines and a professional certification scheme for providers of technical/legal assistance and policy advice to developing countries. These should include strong requirements for disclosure to developing country recipients of the professional background of consultants and any potential conflicts of interest, as well as principles of professional responsibility. This in turn, should be combined with the broader professional concept of the “duty to refer” where providers should be prepared to acknowledge their limitations institutionally or in respect of technical know-how or local needs that might affect their ability to provide appropriate assistance. The duty should be on the provider to make known to clients their positions, expertise and perspectives in relation to other providers. Developing countries should also be empowered to veto the donor’s choice of technical assistance providers (e.g., developing countries should not be forced to accept experts with close ties to the pharmaceutical industry to draft WTO-compliant legislation regarding access to essential medicines).

b) Improve support for mainstreaming trade policy reforms into broader development and poverty reduction strategies

TRCB must not be seen simply as a tool through which to achieve compliance with WTO rules or to reduce the resistance of developing countries to new WTO disciplines. Instead, it should focus on enabling countries to understand and consider the complex role of international trade in their national development strategies and the pros and cons of different options. Importantly, this also means placing WTO commitments in the context of broader national development strategies. Given domestic priorities and the risks of resource-diversion, it may not, for example, be that the WTO agenda should always come first.

Policy analysis, research and advice must include suggestions on how flexibly to implement rules and should draw the attention of developing countries to a range of different policy options and implications. Greater assistance should also be provided to developing countries to enable them to

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43 This concept is drawn from Musungu (2003).
devise estimates of the implementation cost of new WTO commitments to national budgets, identify their needs for assistance, assess the appropriate transition and sequencing of policy reform to meet WTO obligations whilst ensuring other development priorities are not diverted, to monitor the social and economic impacts of the implementation of new trade policies, and to devise appropriate responses.

To achieve this goal, Susan Prowse has proposed a multilateral process housed within a revised Trade Policy Review Mechanism or in the Committee on Trade and Development to complement in-country efforts.\textsuperscript{45} Using an issues-based approach, she proposes that countries (in partnership with a panel of recognized experts) would present the transition requirements and sequencing necessary to implement agreements given competing demands on their resources. This would include a review of the costs of implementation, as well as consideration of the availability and need for assistance. In a process analogous to that which exists under Article XVIII: B and Article XII of the GATT (which provide a mechanism for developing countries to justify import restrictions and a modified timetable of liberalization), the WTO Members could then decide on the legitimacy of the request and make firm commitments to flexibility, funding and other forms of assistance.

The mainstreaming of trade into development strategies will also rely on institution-building at the national level, particular in respect of the effective coordination of trade policymaking and implementation. In return for donor support in other areas, developing countries must commit to building the capacity not only of their economic and trade ministries, but also to restructure national bureaucracies to allow for more effective inter-agency coordination of trade policy, and for ongoing procedures for consultation with necessary stakeholders: such as business, NGOs, and trade unions.

c) Improve monitoring and evaluation

Working in collaboration, developed and developing countries need to improve the mechanisms for monitoring and evaluating TRCB and policy coherence. In terms of evaluation, they could devise country-specific research, comparative analyses of the impact of trade capacity building initiatives, indicators of effectiveness, and guidelines regarding good practices in respect of TRCB design and implementation. A rolling programme of external TRCB impact evaluations should be undertaken, published and actively made available to developing countries, and with the results openly discussed among donors and beneficiaries. An independent review panel could be established to which developing countries could turn for feedback on the potential usefulness of a proposed technical assistance package and improvements that might be suggested to donors in order to help ensure that TRCB is designed in such a way as to best address their interests. Greater emphasis should also be placed on developing a framework that can help evaluate over time the overall contribution of the many TRCB programmes and projects to the ultimate goals of ensuring that countries put in place policies, institutions, and initiatives that are appropriate for their development.

In respect of monitoring, several proposals are already on the table to strengthen the use of the WTO’s Trade Policy Review Mechanism to strengthen the review of developed country fulfilment of commitments to TRCB. There have also been proposals for an independent ex-poste and ex-ante peer reviews of technical assistance. More broadly, the Africa Group has proposed the establishment of a Monitoring Mechanism to function under the authority of the WTO’s Committee on Trade and Development to assist in the operationalisation and utilization of S&D provisions.

\textsuperscript{45} Prowse (2002).
(which includes commitments to TRCB) and to monitor any difficulties in this regard.\textsuperscript{46} According to their proposal, the ambit of this Mechanism could include initiating and considering recommendations on complying with obligations under S&D, preparing country profiles setting out detailed and quantified needs, as well as opportunities and benefits, providing a time-frame for countries within which to comply with recommendation, and regular reporting to the CTD on measures adopted to implement the recommendations.\textsuperscript{47}

d) \textbf{Harmonization and simplification of procedures.}

Donors need to continue attention to avoiding duplication and minimizing reporting requirements and other administrative procedures which can overload the capacity of developing countries. Joint funding arrangements should be encouraged, particularly given the limited absorptive capacity of developing countries. Donors should also work to ensure the stability, predictability and rapid dispersion of funding for TRCB.

e) \textbf{Innovative approaches: compensation, supply-side support, institution-building and risk management.}

Developed and developing countries must work together to create more innovative, dynamic and integrated responses to the capacity challenges developing countries face. In a political context, however, such initiatives must not be used strategically by donors to make it more difficult for developing countries to refuse to negotiate trade deals that cause costly adjustments or to challenge developed country policies which violate WTO rules. Developed countries should also more seriously consider the case for compensation to developing countries for negative impacts of their subsidies and other developed country trade policies. Developing countries should be forced to take out costly loans to pay for the cost of adjusting to illegal WTO policies.

Efforts to help developing countries build supply-side capacity by overcoming transportation, infrastructure, investment and technical hurdles should be strengthened. On the policy front, support for the implementation of supply-side initiatives and reforms is also needed (including, for example, policies which encourage innovation, R&D, and investment in export sectors such as an export credit facility which includes credit risk insurance and investment guarantees). In particular, the cooperation of the World Bank with the FAO, WHO and other agencies involved in international standards issues should be encouraged.

Donors should also make efforts to respond to long-standing calls from developing countries for greater support in managing risks associated with commodity exports.

f) \textbf{Cost of compliance and implementation audit}

As is the conventional practice in UN negotiations, the implementation burden of any new WTO agreements on developing country budgets should be properly assessed. In most instances, the costs

\textsuperscript{46} The Africa Group proposal is for an open-ended subsidiary body that would report to the CT, managed by two Vice Chairs who together with the Chair and the Secretary of the CTD would constitute a bureau responsible for ensuring the Mechanism expeditiously carries out its functions.

\textsuperscript{47} The Africa Group has also proposed the establishment within the Doha Development Agenda’s Global Trust Fund a facility to provide a standing and permanent financial arrangement to ensure the effectiveness and utilization of S&D provisions.
to developing countries of building the institutional and human resource capacities to meet WTO commitments extend far beyond what their budgets or aid can realistically meet, and risk the diversion of precious resources from other national priorities. Agreement on a “cooling off” period in which an assessment of the budgetary cost of implementation for developing countries is conducted (in addition to other assessments of development, social and environmental implications of the agreements) should be integrated as a vital part of any Doha deal.

6. A Role for a Leaders’ Level G20

A Leaders’ Level G20 could make a serious political contribution to the following goals: ensuring TRCB is effective, high-quality, and responsive; promoting an international economic environment that enables development; and sustaining and increasing the nascent dialogue among the trade, investment and development communities.

TRCB and policy coherence are both politically charged issues. The provision of assistance is tightly linked to the economic interests of developing country industries and the domestic political priorities of incumbent governments. Put simply, the tension is that developed countries are both donors and trading partners. If effective, assistance provided by donors to developing country industries could ultimately translate into competitive threats to the strategic trade interests of the same donors. On the other hand, developed country assistance to developing countries is vital not only to fulfil international commitments to development, but also for promoting the growth of future markets and a more politically-stable world.

In the G8 context, discussions of the level of development assistance, as well as its quality and nature, are currently largely left to developed countries. By expanding the group to include developing countries, there would be a far less scope for G8 governments to simply reiterate old aid commitments, divert resources to TRCB from other programs, or merely increase the quantity of TRCB without regard for the purposes of and vehicles for that aid.

By adding developing countries to the current G8 format, developed countries could more directly benefit from insights about how to ensure that the public resources they devote to development assistance are more effectively and efficiently used. For developing countries, participation in a G20 will enable them to apply direct, collective pressure on developed countries—outside the quid pro quo context of the WTO negotiations or the context of particular multilateral agencies—to dissociate trade-related capacity building from efforts to advance their narrow national economic and trade interests. Working with the more enlightened donor countries, developing countries could encourage collective action among developed countries to insulate their TCRB from domestic commercial objectives—a step which acting alone no country alone would be willing to take.

A Leaders’ Level G20 would be particularly well poised to examine problems of inadequate coordination in the international governance and gaps in cooperation. The task of improving the quality of TCRB and assuring the coherence of global economic policies development objectives spans the mandates of a disparate array of international agencies and initiatives. The issues that arise in WTO negotiations clearly extend far beyond the reach of that organization. While the IF is one integrated effort to link the work of a multiplicity of different agencies, similar efforts are absent on the broader financial and economic issues which provide the context for developing countries trade and poverty alleviation efforts.
In sum, possible commitments to which a Leaders’ Level G20 could agree include:

1. **Increasing resources for “aid for trade”, and in particular for supply-side capacity building in developing countries.** Leaders could agree that increases in TRCB must not detract from other development-related aid, or substitute for development-related concessions in trade rules and meaningful market access outcomes in WTO negotiations.\(^{48}\)
   Agreeing to resist a quid pro quo approach. G20 Leaders should agree that TRCB funding and design must not be allowed to be linked to concessions in negotiations.

2. **De-linking TRCB and technical assistance from donor economic priorities and promoting greater developing country ownership.** In addition to untying aid, G20 Leaders could agree to ensure TRCB is designed to more effectively and flexibly respond to developing country circumstances and needs, and that developing countries are more clearly in the lead of assessment, design, and implementation. This would include commitments to ensuring TRCB responds to the needs already articulated in developing country initiatives such as NEPAD. Working in partnership, developed and developing country G20 members could commit to diversifying the providers and recipients of capacity building, and to developing monitoring and evaluation mechanisms that promote donor compliance with TRCB commitments and accountability for the effectiveness of aid.

3. **Promoting greater consistency between domestic economic policies, external trade strategies and commitments to international development objectives.** The G20 Leaders could commit to mechanisms for closer cooperation between trade and development communities globally and locally (within both developed and developing countries) and to ensuring that the flexibilities which developing countries have secured under international trade rules are not eroded or undermined by IFI policy loans or via narrowly-conceived TRCB activities.\(^{49}\)


\(^{49}\) One small step in the right direction would be for all Members to agree to appoint staff in relevant Ministries charged with Policy Coherence and Development. Several countries have already taken this step. Both the Canadian and Dutch foreign ministries have created positions for this person. The challenge will be to ensure that such positions are of sufficient seniority to wield some influence on the domestic policymaking process in developed countries.
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