



# AID-FOR-TRADE CASE STORIES

## CAPACITY BUILDING



**BUILDING CAPACITY AND IMPROVING COORDINATION TO ENHANCE TRADE**

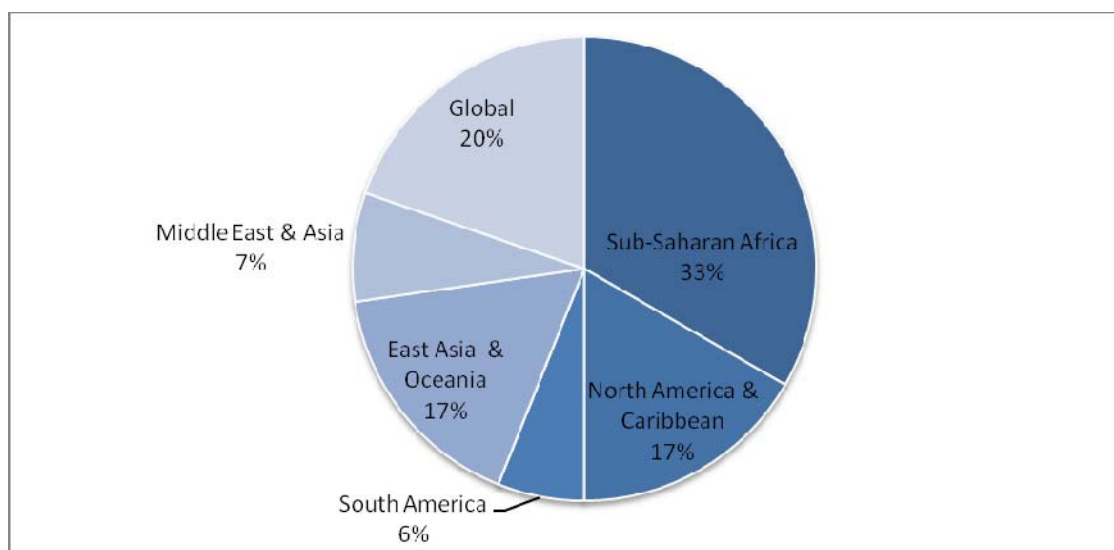


The largest number of case stories describe technical assistance to build government capacity and improve skills. Definitions of trade-related capacity building vary widely. The WTO's definition, for example, includes human capacity (training of professional negotiators), institutional capacity (customs and standards) and infrastructure capacity.<sup>1</sup> In a narrower approach, Prowse (2002) focused on the importance of a government's technical capacity to originate and implement a broad array of policies to enhance trade. She argued that government and donor efforts were too piecemeal to be effective, and advocated a more strategic and comprehensive approach; an argument that later would lead to the establishment of the EIF trust fund (see below). Whalley (1999), in a background paper for an OECD DAC experts meeting, adopted a similarly narrow definition of capacity building, which will be used in the following section.

### What do the case stories tell us?

Of the 269 case stories, 66 were concerned efforts to up-grade the skills of the public sector. Most case stories about technical assistance involved countries in Sub-Saharan Africa (Figure 1), although there were also stories from Cambodia, the Caribbean, Cameroon and Comoros. Almost a third of the case stories in this theme came from LDCs (Figure 2), and most were submitted by the governments themselves (Figure 3). While this category covered the most diverse activities, the stories tended to cluster around three types of technical assistance projects. One cluster involved efforts at the global, regional, and county level to *create knowledge and capacities* to help countries integrate trade more fully into the national development programs. A second cluster involved government assistance to improve *trade policy formulation* or to help with trade negotiations. A third cluster concerned efforts to help governments understand and implement specific trade-related laws and regulations, including new intellectual property regimes.

Figure 1 Building Capacity by Region of Implementation



<sup>1</sup> [http://www.wto.org/english/tratop\\_e/devel\\_e/build\\_tr\\_capa\\_e.htm](http://www.wto.org/english/tratop_e/devel_e/build_tr_capa_e.htm)

Figure 2 Building Capacity by Income Group

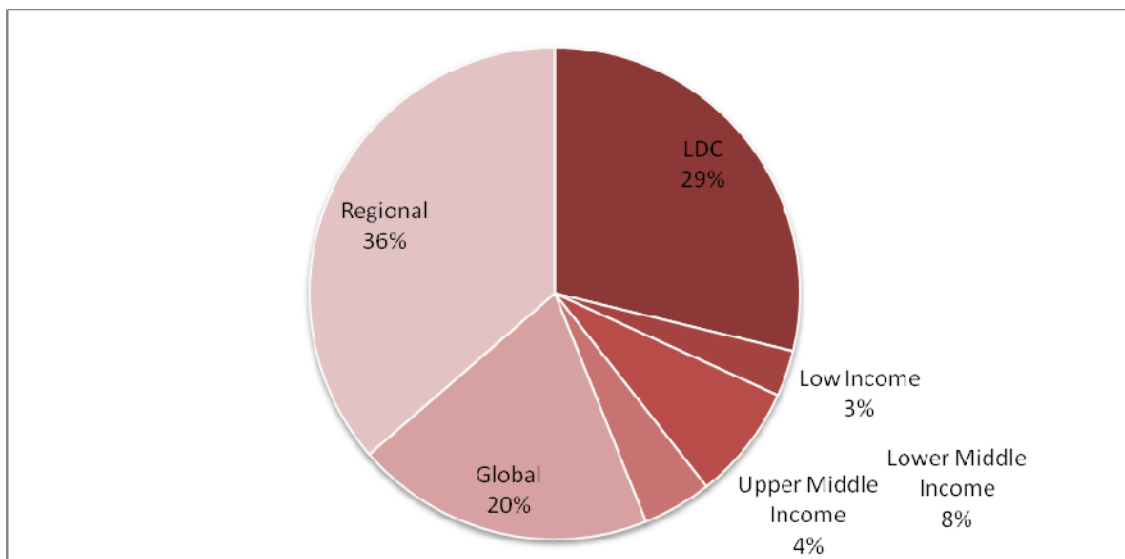
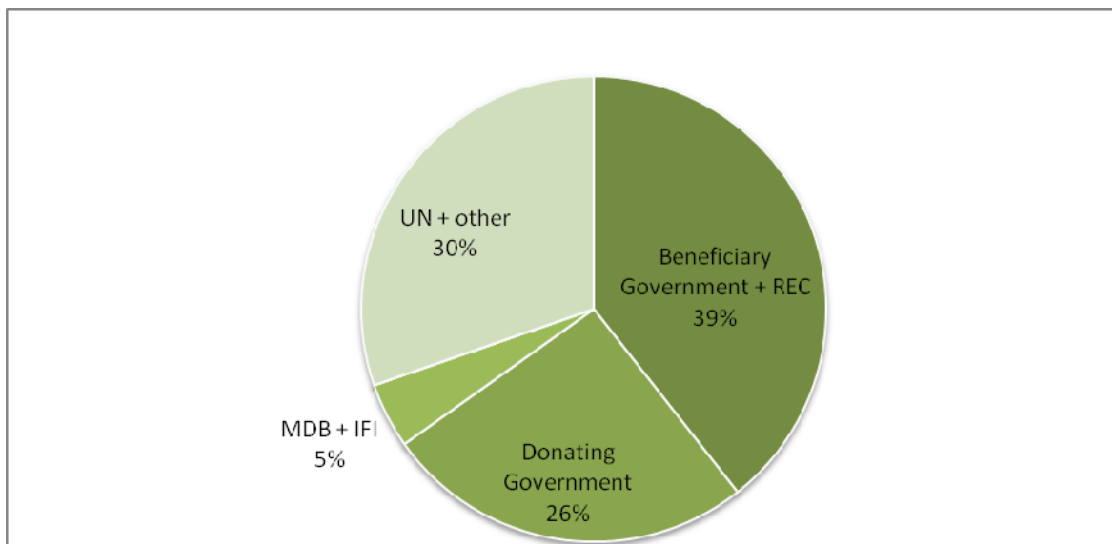


Figure 3 Building Capacity by Author



### ***Projects focusing on knowledge and capacities***

At the national level, the EIF represents one of the most ambitious programmes to build capacity to formulate and implement trade policy. Born in 2007 out of earlier efforts to strengthen trade management capacities in LDCs, the newly "enhanced" EIF has its own secretariat and Trust Fund (intended to reach USD 240 million). These resources were to be put at the disposal of LDC governments to remedy any shortcomings in technical staff and to finance small "seed" projects of their choosing. The programme also continued to finance Diagnostic Trade Integration Studies (DTISs), a programme begun in 2001 to examine an LDC's infrastructure, institutional, and policy obstacles to trade. These studies also highlighted technical assistance needs, around which donor aid for trade support could be mobilized.

Some 31 case stories mention the EIF, and several specifically recount EIF-sponsored activities to improve the design of trade policy. One example is Lesotho [150] which describes the decade-long effort to help the country deal with the enormous trade problems it confronts, including being landlocked, being dependent on the garment industry, and having limited technical capacity. The EIF-assisted effort was essential to helping Lesotho unlock donor finance for aid for trade, as previously most donor support was directed towards the social sector at the expense of investments in potential sources of growth, many of them trade-related.

Zambia's case story [154] tells of the long – and at times bumpy – road to implementing a consistent trade strategy with the support of the EIF and its predecessor. The DTIS was validated by donors and government officials in July 2005, but because of insufficient stakeholder consultations, including within the government, the document was not approved until the following year. Staff turnovers and limited technical expertise in the donor community – combined with the key implementing agency's limited capacity to carry out the reforms and projects suggested in the DTIS – further complicated implementation. Despite these difficulties, the EIF *“achieved some notable results in Zambia”*. Raising awareness of the importance of trade to growth led to the inclusion of trade in Zambia's National Development Strategy and Poverty Reduction Strategy. It helped to introduce efficiencies in the economy and to mobilize additional donor resources. It also became the main mechanism through which Zambia accessed additional aid for trade resources, and built productive partnerships with donor and NGO groups. This was demonstrated by Zambia's productive partnership with CUTS and the Finnish government to identify new potential for economic diversification, to promote awareness of trade opportunities through workshops, and to identify supply-side constraints (such as infrastructure) that the government could redress with donor support [Zambia, 180].

In addition to efforts at the national level, the EIF has also been active in regional capacity building projects. One of the most ambitious involved a 2006 joint venture between the Eastern and Southern African Management Institute and Lund University in Sweden, financed by SIDA, to provide sustained vocational education and university training for African policy makers, particularly those from LDCs. Some 300 government and private sector representatives have been trained annually since the programme was launched. In 2010 alone, 617 participants were enrolled [Africa, 95]. Another example of this kind of regional capacity building is an OAS-sponsored Masters degree programme for government officials at the University of West Indies [Latin America, 84].

At the global level, several case stories showcased efforts to mobilise information for the use of developing countries. For example, the ITC described its efforts to provide data on market access for developing-country exporters, including on tariff and nontariff barriers in major markets. Launched in 1999 at a cost of USD 22 million, the ITC's Trade Map and Market Access Maps now boast some 130,000 users. Originally a subscription service, the ITC began offering these tools at no cost in 2008 to allow the widest possible number of developing-countries users to better formulate negotiating positions and to seek new export opportunities [Global, 73]. Another example of a globally available tool – but one with a far narrower user base – is UNIDO's *Trade Capacity Building Resource Guide* which is a compilation of all current capacity building activities offered by the bilateral and multilateral donor community [Global, 113]. A third example of a global initiative is the Commonwealth Secretariat's effort to generate data and research on women in trade at the global, regional and national levels. This effort has produced, among other things, a *Gender and Trade*

*Action Guide*, a website devoted to gender and trade issues, an EU-sponsored research project on Gender and Women's Rights, a women and trade advocacy campaign in several international fora [Global, 50], and a training programme (which supported SADC's Gender Programme in Southern Africa) [Southern Africa, 55].

### ***Projects to enhance negotiating and implementation capacities***

Aid for trade has increased the capacity of officials to negotiate effectively, to understand the full policy and legal implications of agreements, and to implement them once agreed. For example, the Organization of Eastern Caribbean States (OECS) participated more effectively in WTO negotiations because of the support it has received from the Canadian International Development Agency (CIDA) since 2000. The OECS set up a mechanism to improve coherence, culminating in full missions travelling to Geneva in 2005 with the support of the EU, among others (though sustainable funding remains a problem) [Caribbean, 259]. Likewise, several donors, including UNDP and WTO, have supported Madagascar's trade capacity strengthening programme since 2003 [Madagascar, 255]. Rather than training trade officials in one country at a time, another model involves bringing officials from several countries to a central location for training. For example, Singapore's Regional Trade Policy Course, organised jointly by the National University and the WTO, offers a three month course for senior officials from LDCs from the Asia-Pacific Region [Global, 262].

One requirement of WTO membership is a periodic Trade Policy Review of Member's policies. The WTO has recently piloted, in six countries, the inclusion of a review of Aid for Trade as part of the broader TPR process. One conclusion from this exercise is that it is particularly useful when governments and donors follow up on the analysis and recommendations provided by Geneva reviews – a step which Belize and the IADB have taken with great effect [Global, 205].

Funding support for the EPA negotiations was a common thread running through the case stories. The EU, through its "Hub and Spokes" program, has endeavoured to strengthen the capacity of trade policy officials in the ACP countries to formulate negotiating positions in the WTO and in the Economic Partnership Agreements. The Caribbean project adopted a "bottom up" approach that included the formation of Public-Private Consultative Groups (involving entrepreneurs, NGOs, and government officials), the appointment of a regional trade policy advisor to the Caribbean Community secretariat and to the OECS secretariat, and the funding of trade policy analysts for Dominica, Guyana, Jamaica, St. Lucia, St Vincent, and the Grenadines and Trinidad and Tobago. Collectively these efforts laid the foundation for Cariforum's negotiations with the EU on its EPA arrangements, for training staff in rules of origin, and later for setting up an implementation roadmap for EPA provisions. The programme also sponsored technical assistance to help bring several countries' export subsidy programmes into compliance with WTO rules [Caribbean, 22 and 258]. In Jamaica, the trade policy analyst provided by the Hub and Spokes Programme helped the Ministry of Foreign Affairs to develop policy and negotiating positions on specific issues, notably trade in services [Caribbean, 182]. The case story provided by the Economic and Monetary Union of West Africa (UEMOA) describes a similar experience in its region [Africa, 33]. Sudan's description of its efforts to improve its negotiating capacity with the EU is also representative of other countries' experiences [Sudan, 93].

The United States has also offered assistance in implementing trade agreements. One example is Vietnam which, with the help of USAID resources after 2003, mobilised 52 different agencies to train

officials and to draft new legislation and regulations for WTO accession in 2007 [Vietnam, 232]. Partly as a consequence of these efforts, Vietnam has grown at more than 7 % annually over the last decade, and its exports have risen from USD 18 billion in 2001 to USD 72 billion today.

Since 2000, the ADB has also taken a more regional approach to improving countries' trade negotiating capacities. First, it has pulled together detailed information on various free trade agreements (FTAs) and created a transparent data base for country negotiators, including analyses of trends, summaries of key provisions, and the preparation of a comparative toolkit on FTAs. Second, it has promoted regional capacity building through training courses and the publication of trade manuals (sometimes in partnership with the UNESCAP). Third, it has undertaken an extensive research programme examining, among other things, the benefits of FTAs and the DDA, the economic effects of integration, and trade costs. Finally, working with the WTO, World Bank, and other multilateral partners, the ADB has conducted an advocacy campaign for best practices in multilateral trade policy formulation [Asia and Pacific, 11].

For more than two decades, the IADB has also mounted a sustained effort to strengthen trade negotiators' capacity throughout Latin America. This effort has evolved over time, from a focus in the mid-1990s on preparing for the Free Trade Area of the Americas (ALCA) negotiations, to the current focus on administering intra-regional free trade agreements, especially the implementation of market access commitments (including help with rules of origin) and improving trade facilitation (including the interoperability of single windows). The IADB's long-standing support for this type of activity has produced distinct benefits: greater negotiating skills, better intra-regional knowledge of existing productive capacity, and improved coordination of trade-interested actors within countries [Latin America, 213].

Through its TradeMark Southern Africa program, DFID is supporting the efforts of three regional economic communities – COMESA, EAC, and SADC – to harmonise their trading arrangements, to promote the free movement of business people, and to facilitate the joint implementation of inter-regional infrastructure. This grew out of the Heads of State meeting in October 2008 which launched efforts to establish a Tripartite FTA (involving 26 countries) covering non-tariff barriers, rules of origin, customs cooperation, transit trade, trade remedies, SPS and IPR issues, among other things. TradeMark Southern Africa is providing technical support to the three secretariats, including the provision of short-term technical assistance, building analytical capacities for trade policy formulation, and improving negotiating skills. These efforts have contributed to the establishment of institutional structures to conduct the negotiations, to draft the Tripartite Agreement, with annexes, that will form the basis of negotiations, to draft a Roadmap outlining timetables for negotiations, and to support the preparation of negotiating modalities and rules [Africa, 49].

In addition to these direct efforts to strengthen negotiating and implementation capacities, there are programmes of knowledge creation and research that inform negotiators about the consequences of alternative policy formulations. The development banks, development institutes, universities and NGOs have produced a rich literature on the implications of the DDA, regional free trade arrangements, and bilateral trade and investment. These resources were generally not the subject of the case stories. Exceptions included the World Bank which described its analytical efforts in environmental goods and services, and the complexities, nuances, and potential of these discussions in the context of the DDA [Global, 167]. Another example was ODI's analytical

contribution to the aid-for-trade discussion in West Africa, a contentious and important companion to the EPA discussions there [West Africa, 147]. Nevertheless, informative as these and other stories are, they represent a small tip of the massive research iceberg that has contributed to the understanding of collective trade action.

Ultimately these projects, like other forms of technical assistance, can rarely lay claim to direct results for exports and imports. Nor can they be easily evaluated in term of their impact on the development-promoting quality of regional or multilateral trade agreements that emerge from the EPA or WTO negotiations— if only because these outcomes are the result of negotiations outside the power of any one actor to influence exclusively. Moreover, the evaluator does not know the counterfactual: would the EPA or intra-regional negotiations have had a different outcome in the absence of training and other knowledge dissemination? These qualifications notwithstanding, the case stories provide a rich recounting of efforts to empower negotiators and the general public with greater knowledge, and one finds little dissent in these stories about the value of these efforts.

### ***Improving capacities to implement specific trade laws: intellectual property rights***

Several stories contained illuminating descriptions of improvements of specific capacities at the country level. These include aid for trade for technical assistance and capacity building designed to improve trade policy formulation, trade administration, implementation of SPS requirements, and better business regulations [Colombia, 227; Bangladesh 202; Botswana, 219; Vietnam, 195].

One recurrent theme was intellectual property rights. For example, the IDLO trained some 200 officials and private stakeholders in ways to use intellectual property rules to promote development in four African countries – Ethiopia, Mozambique, Namibia, and Zambia. This led to the adoption of a new Intellectual Property Policy [Africa, 69] and a set of recommendations for the Trademark Act of Zambia. It also fed into the intellectual property discussions that were part of the EPA negotiations [Africa, 69]. Similarly, in Cambodia, the Republic of Korea sponsored four types of training for 34 government officials during the course of 2005, as well as joint research on policy issues, for the most part associated with the adoption of regional agreements, SPS standards, and intellectual property rights. This training helped officials later to organise a larger effort in the form of sector-wide approach [Cambodia, 79]. In Vietnam, the Swiss government provided assistance to authorities' efforts to establish a TRIPs-compliant intellectual property regime in three phases as part of their accession to the WTO. This involved help with the legal framework, enhance the provision of administrative services, teaching of IPR at universities, help with geographic indications, and the protection of traditional cultural expressions. It contributed to the adoption of a new law on intellectual property in 2005, setting up of IPR courts in 2007, an IP institute, and transfer of knowledge on valuation issues. Training to 240 enforcement officials was associated with acceleration in IPR enforcement cases and raids to shut down violators. With the assistance of follow up courses on Geographic Indicators (GIs) provided by the Swiss and France, the effort also prompted Vietnam to register three geographic indications – Lang Son Start Anis, Doan Hung Grapefruit and Vinh Orange. Vietnam and Switzerland later teamed up to provide similar assistance to Laos [Vietnam, 96].

The International Centre for Trade and Sustainable Development (ICTSD), with financing from DFID, has provided technical assistance to five countries -- Sierra Leone, Uganda, Rwanda, Bangladesh, and Tanzania -- to undertake needs assessments in the implementation of IPRs beginning in 2007. These

efforts helped the countries take advantage of the WTO TRIP's Council invitation to submit needs assessments for possible donor finance, and by June 2010, all of the countries but Cambodia had submitted their assessments (and Cambodia is expected to do so in 2011). It is expected that the EIF will provide financing for follow-up technical assistance identified in the needs assessments [Global, 249].

In the Caribbean, a group of regional stakeholders is beginning a programme to leverage intellectual property rules. This public-private group – including the Caribbean Association of Industries and Commerce, Caribbean Export, the Office of Trade Negotiations of the Caricom Secretariat, the OAS and others – are setting up a training programme for entrepreneurs in three products (Grenadian nutmeg, West Indian Sea Island Cotton, and one to be named from Belize) with the idea of helping them move up the value chain by developing quality brands. Similar activities are planned for training at the university level in three countries [Caribbean, 170].

Rarely in this type of aid for trade is it possible to trace direct results to productive outcomes. Global programmes may well lead to new insights that motivate policy makers and private actors, which may lead to new policies, which may in turn produce greater trade, rising incomes, improved gender equality and a better environment. IPRs may eventually provide dividends in terms of earnings to music and transitional knowledge and greater foreign direct investment – such as those that Vietnam has experienced – although the link between stronger IPRs and increased FDI has only been convincingly made to technology-intensive investments in middle-income countries.<sup>2</sup>

But a few cases stories argued that new IPRs were crucial to increased trade and FDI. In Jordan, for example, the signing of a free trade agreement with the United States provided impetus to put in place new intellectual property regulations in 2001. This was reported to have fostered the expansion of the fledgling generic drug industry. By 2010, sixteen pharmaceutical companies had sales of more than USD 500 million and were exporting 81 % of their production to over 60 countries. The largest company, Al Hikma Pharmaceuticals, now has subsidiaries in the United States, Europe and throughout the Middle East, and has expanded its domestic R&D activities into a global network of laboratories [Jordan, 173]. Other similar stories, submitted by WIPO using its IP Advantage data base, are reported for beer exports from the Lao PDR, [Lao, 172] and Marula oil in Namibia [Namibia, 134].

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<sup>2</sup> See Finger, M. and Schuler, P. (2004) *Poor People's Knowledge: Promoting Intellectual Property in Developing Countries* World Bank: Oxford University Press.; Maskus, K (2005). "The Role of IPRs in encouraging Foreign Direct Investment and Technology Transfer" in Carsten Fink and Keith Maskus (eds.) 2005, *Intellectual Property and Development Lessons from Recent Economic Research* World Bank: Oxford University Press; Javorcik, Beata (2005) "The Composition of Foreign Direct Investment and Protection of IPRs: Evidence from Transition Economies" in Carsten Fink and Keith Maskus (eds.) 2005, *Intellectual Property and Development Lessons from Recent Economic Research* World Bank: Oxford University Press.



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