

**Building Capacity to Trade:  
A Road Map for Development Partners  
Insights from Africa and the Caribbean**

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## Acronyms

ACP	African Caribbean and Pacific
ACBF	African Capacity Building Foundation
AERC	African Economic Research Consortium
AGI	Association of Ghanaian Industries
CARICOM	Caribbean Community
COMESA	Common Market for Eastern and Southern Africa
CDI/CDE	Centre for Development of Industry/Enterprise
CET	Common External Tariff
CIDA	Canadian International Development Agency
CSP	Country Strategy Paper
DAC	Development Assistance Committee (OECD)
DFID	Department for International Development (UK)
EC	European Commission
ECDPM	European Centre for Development Policy Management
ECOWAS	Economic Community of West African States (comprising all UEMOA countries – see below – as well as the Gambia, Ghana, Guinea, Liberia, Nigeria and Sierra Leone; Mauritania left at the end of 1999)
EU	European Union
FDI	Foreign Direct Investment
GATT	General Agreement on Tariffs and Trade
IDB	Inter-American Development Bank
IDRC	International Development Research Centre
IEPD	International Economic Policy Department (DFID)
IF	Integrated Framework
IMF	International Monetary Fund
IOC	Indian Ocean Commission
IOR	Indian Ocean Rim
ITC	International Trade Centre
ITD	International Trade Department, UK
JITAP	Joint Integrated Technical Assistance Programme (ITC/WTO/UNCTAD)
LDC	Least Developed Countries
MTS	Multilateral Trade System
NGO	Non-governmental organisation
NTB	Non-tariff barrier
ODI	Overseas Development Institute
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
PEF	Private Enterprise Foundation (Ghana)
PSO	Private sector organisation
PRIDE	Programme Régional Intégré de Développement des Echanges
(R)EPA	(Regional) Economic Partnership Agreement
RNM	Regional Negotiating Machinery
SADC	Southern African Development Community (consisting of Angola, Botswana, Democratic Republic of the Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe)
SAP	Structural Adjustment Programme
SPS	Sanitary and phytosanitary measures
TBT	Technical barrier to trade
TCD	Trade capacity development
TRIM	Trade-related investment measure
TRIPS	Trade-related aspects of intellectual property rights

UEMOA	Union Economique et Monétaire Ouest Africaine (West African Economic and Monetary Union; comprising Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo)
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UR	Uruguay Round
USAID	United States Agency for International Development
WTO	World Trade Organisation

## Summary

Strengthening the capacities of developing countries in the area of international trade is of crucial importance, both for the countries themselves and for their partners, in view of a number of international trade negotiations, both ongoing and forthcoming. There is the prospect of a new multilateral Trade Round in Doha in November 2001 and negotiations on a new trade regime between the ACP countries and the European Union are planned to start in September 2002. There is a real risk that many ACP countries and regions will come to the negotiating table ill-prepared. Under the new Cotonou Partnership Agreement, a special facility is to be set up to assist ACP countries in this respect. However, the Agreement provides little guidance as to how trade-related capacities can best be developed and strengthened. This paper aims to provide a road map for trade capacity development and the trade policy process, as well as some practical lessons of experience with trade capacity development (TCD).

Many factors can explain why a country succeeds - or fails - in using international trade as a vehicle for its development strategy. Nevertheless, one characteristic shared by successful countries is an efficient *trade policy process* which:

- identifies the country's *trade interests*, in the light of its overall development strategy;
- translates these interests into *policies and negotiating goals*, and
- distributes *roles* - either explicitly or implicitly - and allocates *resources* to implement these policies and promote these interests, reactively or actively, in the various negotiating fora (at multilateral, bilateral and regional levels).

A study of best practice reveals that three elements are critical to an efficient trade policy process: *government leadership*, *institutional capacity* and the *inclusion* of all actors, including the relevant ministries (not just those in charge of 'trade'), the business sector, trade promotion and regulatory bodies, think-tanks and other civil-society organisations. In countries in which this process is either inefficient or close to non-existent, donors need to seek to support its structuring and sustainability. Yet the various reports that constitute the background of this paper show that, while they do so to some extent, they generally operate in a dispersed manner, and very rarely adopt a comprehensive approach.

The second part of the paper highlights some of the main success factors, as well as the common limitations, of TCD, based on the experiences of donors and recipients in Africa and the Caribbean:

### *The risk of biased aid*

TCD is not simply an aid sector like any other: as the development objectives of developed countries (as donors) overlap with their commercial interests (as trading powers), they may be prone to decide what type of assistance to provide according to their own interests rather than those of the recipient countries. While some bias in TCD may be unavoidable, there may be scope for reducing, or at least monitoring, it. At the end of the day, consensus needs to be built among donors on the purpose of TCD. There can be only one ultimate objective: to *empower* developing countries in the multilateral trade system, and help their products to penetrate OECD and other world markets. It is in the interests of donors to be able to negotiate with informed trade partners, just as it is in their interests that developing countries trade more. As for the recipients, several trade officials argued that awareness and leadership are the best antidotes to biased TCD assistance: the more successful a country is in clearly identifying its own trade interests and related objectives in the first place, the less scope there is for third parties to unduly influence trade policy.

### *Donor coordination and capacity bottlenecks*

Some observers argued that donor coordination in TCD may be (even) more difficult than in other aid areas. The evidence suggests that, whilst this is often the case, it is not a systematic problem. Interestingly, limited donor *capacity* - especially in the field - may well be a major underlying cause of a lack of coordination.

### *Comprehensiveness*

Whilst most trade capacity development projects address specific aspects or stages of the trade policy process, very few take a comprehensive approach. One programme - the ITC/WTO/UNCTAD Joint Integrated Technical Assistance Programme - stands out as being a particularly interesting response by the donor community and the multilateral trade institutions to TCD needs in Africa. Its process-oriented approach, which aims to help trigger an inclusive trade policy process encompassing a wide range of stakeholders, is a unique and inspiring feature.

### *Assessment*

The results of TCD assistance are likely to be less tangible than in 'spending' sectors such as health or education. This may be a handicap, as donor agencies are often under great pressure to spend funds quickly and with visible impacts. In particular, investing in the institutional capacity of public and private actors to engage in a constructive dialogue on trade-related issues cannot produce visible, let alone quantifiable, results in the short run. This calls for new approaches to TCD project assessment.

### *Legitimacy*

With poverty alleviation heralded as the overarching goal of international cooperation, TCD assistance arguably has a 'legitimacy problem'. Most donors are indeed struggling to reconcile trade and investment promotion programmes with the development and poverty alleviation agenda. Seeking immediate returns from TCD programmes in terms of poverty alleviation is not the answer and may even be counterproductive. It is therefore important to address the mixed feelings that exist about the role of TCD: provided attention is paid to certain critical risks and success factors, of which this paper tries to highlight a few, TCD can legitimately help developing countries to improve the coherence and impact of their development policies, and ultimately improve the lives of poor communities and individuals. Conversely, it is crucial to consider what effects *not* strengthening the capacity of poor countries to trade may potentially have on the poor.

Nevertheless, in order for the TCD case to be made convincingly, it must be recognised that, while the positive impact of trade liberalisation and export promotion on growth and income distribution in the medium to long term is fairly well established, the direct and indirect links between trade policy and poverty at the micro-economic level, in the short run, are less clear. Short-term impacts must be carefully anticipated in the inception phase of such programmes. More importantly, given that poor countries face a wide variety of development challenges, it is crucial to pay attention to the balance of resources that they need to mobilise in order to meet them. As summed up by a World Bank official, 'the aim is not to overemphasise the importance of trade, but to make sure it is not neglected.'



## 1 Preface

This paper provides some practical lessons of experience with trade capacity development. It follows up on the ECDPM's Discussion Paper No. 10, which was based on case studies of Ethiopia and Uganda, and looked at the ways in which the European Commission and other donors support the capacity of developing countries to trade internationally.<sup>1</sup> This new paper seeks to go one step further in providing elements in which to frame the issues related to trade capacity building, based on experiences in a number of ACP countries.

It draws heavily from the conclusions of research undertaken on behalf of the OECD Development Assistance Committee in Ghana and Senegal, in the context of the DAC's work on trade capacity development (OECD, 2000a and b), as well as from the evaluation of the European Commission's Regional Integrated Trade Development Programme (PRIDE) in the developing countries of the Indian Ocean Commission, i.e. the Comoros, Madagascar, Mauritius and the Seychelles (Laporte, Pornschlegel and Solignac Lecomte, 2000), from the Overseas Development Institute's feasibility study of a placement network for African trade officials (Amoaten and Solignac Lecomte for DFID, 2000), from the mid-term evaluation of the WTO/UNCTAD/ITC Joint Integrated Technical Assistance Programme (JITAP) in Benin, Burkina Faso, Ghana, Kenya, Uganda and Tanzania (Silva, Solignac Lecomte, Häfliger and Kar Grauwal, 2000), from the EC's Country Strategy Evaluation in Namibia (Bird, Solignac Lecomte and Wilson, 2001), and finally from research undertaken by the ECDPM in the Caribbean. Although this paper deliberately aims to be concise, the reader can find more details on the case studies in the various publications and reports listed in the references, as well as in the annexes, which bring together some of their major findings.

Chapter II sketches a TCD road map for donors. Its main point is an invitation to look at trade policy-making as *a dynamic process involving a diversity of actors and sectors*, a process that this paper refers to as the *trade policy process*. Chapter III stresses specific aspects of TCD which donors may find useful in helping developing countries to trade both more and better on international markets. This paper does not set out to be prescriptive, nor exhaustive in the issues it covers. A comprehensive attempt was made by the OECD Development Assistance Committee in its Guidelines on Capacity Development for Trade in the New Global Context (OECD, 2001).<sup>2</sup> Rather, it aims to provide food for thought for both recipients and donors, and to encourage debate among the members of the DAC on the implementation of their guidelines, and in particular to act as a stimulus for EU members in implementing the Cotonou Partnership Agreement with the ACP.

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<sup>1</sup> Van Hove and Solignac Lecomte (1999).

<sup>2</sup> Available at <http://www.oecd.org/dac/htm/g-tra.htm>. See also the policy statement by the OECD DAC High Level Meeting upon endorsement of the Guidelines at <http://www.oecd.org/dac/htm/trade.htm>.

## 2 Trade Capacity Development: a Road Map

### 2.1 The Need for a Road Map

The renewed interest in trade capacity development (TCD, defined as technical and financial assistance granted by donor agencies to improve developing countries' capacity to trade internationally) stems from two main factors: growing demand from developing countries, and an increasing supply by donors.

Trade-related challenges have become more visible over the last few years. Among others, the following factors have helped to draw developing countries' attention to trade issues:

- the prospect of a new multilateral round, in the context of growing discontent with the results of the previous one (the Uruguay Round), both in terms of the difficulties encountered in implementing commitments, as well as the reluctance of developed countries to stick to theirs (e.g. the slow phasing out of the Multi-Fibre Agreement that restricts developing countries' exports of textiles and garments to developed countries' markets, and the remaining obstacles to agricultural exports);
- uncertainty over the future of the EU-ACP preferential trade regime, and the recognition of the capacity gap as a major challenge in implementing the Cotonou Agreement on trade;
- controversies over the benefits and limitations of outward-oriented and export-led growth strategies, in the context of the severe financial and economic crisis which affected most East Asian countries in the late 1990s.

Many developing countries, including most of those in the ACP group, have realised only recently how inadequately equipped they are to meet the challenges of both international trade liberalisation and participation in a multilateral trade system (see Annex 1 for an overview of Ghana's trade capacity gaps). By contrast with previous decades - when trade capacity mattered less - they have now committed themselves (some nominally, some more genuinely) to development strategies in which openness to trade and investment, as well as export competitiveness have greater roles to play, and they have done so at a time when the widening scope of multilateral and regional disciplines has made the issues more complex than they were when, say, Southeast Asian nations adopted export-led growth strategies.

The increasingly tangible need of these developing countries to strengthen their capacity to defend themselves against the risks, and seize the opportunities created by, worldwide trade liberalisation has pushed them to put formal requests for TCD to donors. In the course of 1999, for instance, the government of Senegal approached CIDA for support in developing a trade and investment strategy. Similarly, during annual development talks in August 1999, the government of Ghana made a formal request for UK assistance in developing a trade-related technical assistance project. In the first half of 2000, the Indian Ocean Commission asked the EC to continue the support granted under its five-year Regional Integrated Trade Development Programme (PRIDE). At the same time, these moves also reflect a fresh eagerness on the part of donors to deliver such assistance.

Donor countries' bolder emphasis on trade capacity building reflects a change in what their *development cooperation administrations* perceive as being the major trade-related challenges for development. Whereas special and differentiated treatment (e.g. preferential market access) formed the core of their efforts to address developing countries' trade-related needs in recent decades, today, most donors agree that:

- in the long run, there cannot be any alternative to enhancing the competitiveness of developing countries' exports,
- altering price signals and other incentives through trade liberalisation and other economic activities may generate opportunities that can be seized only if entrepreneurs have the capacity to do so, and that
- 'old-style' donor-sponsored market promotion activities (e.g. trade fairs) are too limited to build that capacity.

Perhaps more importantly, though, this new emphasis on TCD arguably also stems from donor countries' *foreign trade administrations*' eagerness to consolidate the multilateral trade system by embracing its poorest members. One of the lessons of the Seattle debacle at the end of 1999 is that poor inclusion of developing countries may form a spanner in the works of the World Trade Organisation (WTO). This second motive has caused some policy-makers in developing countries to fear that an increase in TCD assistance, as called for by the major trade powers during the Seattle meeting, might be used by donor countries as a substitute for improved market access.

So what exactly is trade capacity development? In spite of the growing recognition of its necessity, there is not yet a clear common understanding among donors, or among recipients, of the scope of TCD, or, even more importantly, of the objectives of this type of assistance. This is partly because the issues are diverse, complex and constantly changing. For a start, there is disagreement about the linkage between trade, development and poverty (through the former's impact on growth and income distribution).<sup>3</sup> Moreover, the technical aspects of trade policy-making in the context of the WTO and other fora are increasingly complicated - with 'new' issues such as services, intellectual property, TBTs, investment, e-commerce, etc. entering the picture. In most ACP countries, where for many decades trade policy consisted mainly of 'granting import licenses', coming to grips with these new aspects is a major challenge. In order to help clarify the scope and objectives of TCD, the following section attempts to sketch a 'road map' for donors and recipients.

## 2.2 TCD: looking from the Bottom Up

Although not ostensibly a 'cross-cutting issue' (such as, say, gender), TCD nevertheless cuts across several 'traditional' aid sectors, and is itself cut across by several others. Especially when it comes to enhancing export competitiveness, it is hard to distinguish between activities traditionally catalogued as 'private sector development' in general and TCD activities in particular.<sup>4</sup> More generally, the objectives and achievements of a given country in a wide variety of domains such as the environment, food security, public health, poverty alleviation, etc. all have implications for, and are affected by, objectives and achievements of governments in the area of trade (see Box 1). As a consequence, donors' activities in all these areas may have implications for trade, and their TCD activities will have an impact beyond trade. Finally, the fact that TCD involves a wide variety of actors (public and private sectors, within and outside the recipient country) means that its boundaries are all the more blurred.

Trying to define the scope of TCD by reference to the existing range of donors' aid instruments would therefore appear to be tricky, and hardly helpful. It may be preferable to adopt a bottom-up approach and start by visualising the needs of developing countries, before turning to possible donor responses. Simply put, the successful integration of a developing country into the world economy may be considered as requiring:

<sup>3</sup> Bussolo and Solignac Lecomte (1999); Winters (1999).

<sup>4</sup> This led the EU to eventually drop the distinction between trade development and private sector development, and merge the two departments when it adopted a new private sector development strategy. See Van Hove and Solignac Lecomte (*ibid.*).

- *policies* that actively favour trade (i.e. both exports *and* imports) in a way that is conducive to the achievement of the country's goals within its development strategy; and
- *competitive firms* exporting on foreign markets that can seize the opportunities created by trade liberalisation.

The aims of donor support for TCD may therefore be split broadly into two categories: support at the policy level, and enhancing the competitiveness of exporters. Based on the needs expressed by policy-makers and exporters, and on the review of donors' TCD projects in various countries, we have drawn up a rough classification of the potential levels of intervention for donors.

### **Box 1: The Elusive Scope of Trade Capacity Development**

Factors influencing both the quality of trade policies on the one hand, and the competitiveness of firms on the other, range from fiscal and macro-economic policies to public sector management for the former, and from access to credit to education for the latter. Eventually, therefore, the scope of 'trade capacity' may be so wide as to include virtually 'everything'. Trivial though this may sound, economic analysis and interviews with entrepreneurs inevitably lead to the conclusion that obstacles to trade itself are dwarfed by the constraints stemming from the macro-economic environment. Beyond donors' support in specifically trade-related areas (e.g. trade policy formulation and assistance to exporters), efforts to alleviate overall supply-side constraints are just as relevant for developing the capacity of poor countries to trade, and may even be a prerequisite before moving on to more specifically trade-related support.

At a policy level, for instance, TCD may make little sense in an unstable macro-economic environment. A case in point is Ghana, where USAID officials who have administered the main TCD programmes over the last decade reckon that macro-economic instability, fuelled partly by the government's monetary and budgetary policies, not only has been 'the fundamental problem hampering competitiveness', but also in the 1990s robbed the USAID-sponsored Trade and Investment Programme (TIP) of its purpose (OECD, 2000a). Similarly, it may be argued that talking about trade policy in Senegal only began to make sense after the CFA franc had been devalued in 1994 (OECD, 2000b). Efforts by the European Commission to support the capacity of entrepreneurs in the Seychelles to trade internationally have been more or less nullified by policies that penalise the creation and competitiveness of private firms, including an overvalued exchange rate and the continued dominance of state monopolies (Laporte *et al.*, 2000). Finally, private-sector actors in Jamaica have also argued that, despite a progressive trade regime and a constructive dialogue with the Trade Minister, the macro-economic environment has prevented any improvement in the trade performance.

Among firms, 'non-trade' factors also have a tremendous impact on trade capacity. The exporters interviewed underlined that the most difficult part of their job is producing the goods (i.e. dealing with 'supply-side constraints') rather than selling them: the most pervasive obstacles to competitiveness include an inadequate infrastructure, factor costs and limited access to credit, which may itself stem from inadequate collateral (in some cases linked to the absence of property rights, as in Senegal and Madagascar).<sup>5</sup> In that context, entrepreneurs often complain that the trade-related assistance they have benefited from merely tackles 'peripheral' issues.

<sup>5</sup> The issue of access to trade finance is no different from the overall question of firms' access to credit: credit lines for exporters usually benefit the bigger firms, which have the collateral required by lending institutions (usually commercial banks), but can do little for other firms. Where high interest rates are a constraint, credit lines for refinancing can do little, unless the proposed rates are below market rates, which donors are less and less keen to offer. It can however be argued that refinancing by donors is particularly valuable where it eases foreign exchange rationing - a key constraint in Ghana - since exporters may be more likely to depend on imported goods than other producers.

### 2.2.1 *Strengthening Policy-Making Capacities*

At the policy-making level, capacity building can take place in the following areas:

- *Analysis.* Capacity to monitor trade issues is needed so as to identify the strategic priorities of a trade policy and to respond to changes in the environment, including the policies and actions of trade partners. This includes building analytical capacity among policy-makers: first the government, but also actual and potential constituencies such as private-sector organisations, trade unions, consumers, etc. Very importantly, it also includes building independent capacity for analysis and research on international trade (universities, think-tanks, etc.). A key aspect here is the quality of the link between the two (i.e. how independent research feeds into policy-making).<sup>6</sup>
- *Formulation* of trade policy. Trade policy is (or at least should be) part and parcel of a country's overall development strategy:

*'(...) the first and most important question to be discussed [is]: what are [the ACPs'] policy objectives, for their development, for economic development as a part of this, and for trade as a part of that. Only when they have clarified their own objectives can they appraise what they need to negotiate in individual trade talks.'* (Page, forthcoming)

The identification of trade interests and the subsequent formulation of trade policy objectives, and strategies for attaining these objectives, has to be fed by the analysis referred to above. Additional information on this aspect is given further on in this paper.

- *Negotiation.* Trade agreements are a key aspect of trade policy, especially in the ACP countries (most of whom have had a large share of their overall external trade managed by the successive ACP-EU trade agreements) and more so today than in previous decades (when multilateral and regional disciplines enjoyed much less coverage). Donors can support the capacity of developing countries to promote their interests in bilateral, regional and multilateral negotiations. Such interests may be either 'defensive' (e.g. building alliances to curb the introduction of NTBs by trade partners), or 'offensive' (e.g. obtaining better access to important markets). Donor support in this area can be provided by supporting travelling budgets, or representation in the main fora (e.g. in Geneva), or again through specific technical assistance and training (e.g. in the preparation of negotiating rounds, such as the 1999 Seattle WTO Ministerial meeting), etc. (see annex 7).
- *Implementation.* It may be one thing is to enact a given policy (for example, establishing a common external tariff within a regional group, as Senegal did on 1 January 2000 in the context of the UEMOA). Ensuring that it is actually implemented in practice is a completely different matter. For instance, does the Customs and Excise Service have the capacity and the equipment that are needed to effectively collect duties on imported goods? Beyond support to customs, donors can also provide assistance to standards agencies, trade facilitation bodies, etc. Similarly, donors can support the capacity of a country to implement the multilateral, regional or bilateral agreements it signs up to. This includes (i) meeting contractual obligations (e.g. complying with notification requirements in the WTO) and (ii) exercising rights within the multilateral system,

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<sup>6</sup> A typical limitation is the fact that academic research institutes in the ACP countries - especially in the African countries referred to in this paper, an issue brought up in the discussions with IDRC in Senegal - find it difficult to publish material that tackles issues of immediate concern to policy-makers, and to present it in a policy-relevant, non-technical format.

(e.g. instituting anti-dumping proceedings). The case of Ghana illustrates the difficulties encountered by many of the poorest WTO members in both areas.<sup>7</sup>

### 2.2.2 *Enhancing the Competitiveness of Firms*

Support with the aim of enhancing exporters' competitiveness may be split between the following four levels of possible intervention:

- *Infrastructure.* Communication systems, roads, airport and port facilities, including storage, handling, etc., are essential determinants of export competitiveness. There have been several cases of comprehensive TCD projects in which infrastructure has been an important success factor (e.g. horticulture and fish in Senegal, and pineapple in Ghana).<sup>8</sup>
- *Standards and technical requirements.* As the importance of tariffs diminishes, so quality standards and other technical requirements are becoming the main barriers to trade. Exporters cite the capacity to comply with these as being a key determinant of competitiveness, particularly in relation to food and agriculture, sectors in which a large proportion of the export potential of countries like Ghana, Madagascar, Namibia and Senegal is concentrated (e.g. phytosanitary measures). Support in this area should seek to enhance the capacity of both public institutions (i.e. standards agencies, as mentioned above) and firms themselves.<sup>9</sup>
- *Information.* The vast majority of exporters in developing countries, particularly small and medium-sized firms, find it very difficult to monitor changes in prices and consumer demand in export markets, as well importing channels, competition and business opportunities.
- *Marketing.* Until the early 1990s, the main area of TCD assistance - subsidies for undertaking market studies or sending delegates to trade fairs, training in marketing, etc. - had a negligible impact as it was delivered in the wrong macro-economic and regulatory environment (anti-export bias), through inappropriate channels (governments) and in the absence of a global strategy for private-sector development (i.e. it was targeted only at individual firms). Adverse reviews and evaluations prompted a number of donors to cut down on these activities. Now that the anti-export bias has been reduced, sometimes considerably, new forms of assistance for private-sector development, involving partnerships with private-sector institutions and a greater emphasis on strategic approaches, are making aid in this area more relevant than in the past.

Regarding both information and marketing services, while trade promotion organisations (usually with a parastatal status) have traditionally been the main providers, private suppliers - domestic and foreign - as well as local professional organisations should be seen as primary channels for the efficient dissemination of information and know-how.<sup>10</sup>

Table 1 attempts to sum up the above. It highlights the 'non-trade' policies and 'non-trade' determinants of competitiveness as key target areas for donors, and shows the variety of actors which trade capacity development assistance needs to target (see the right-hand column).

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<sup>7</sup> OECD (2000a).

<sup>8</sup> OECD (2000a) and OECD (2000b).

<sup>9</sup> A good example is the support provided by ITC, UNCTAD and the WTO to the countries benefiting from JITAP (Silva et al., 2000). See also a review of the EU's support to exporters in the Indian Ocean and ACP countries in Laporte *et al.* (2000).

<sup>10</sup> Bonaglia and Fukasaku, *forthcoming*.

**Table 1 : A Concise Donors' Road Map for Developing Trade Capacity**

Level of intervention		Objective	Main actors
<b>Policy</b>			
Macro-economic policies (other than 'trade')	Monetary, fiscal and exchange rate policies, legal business framework, investment regulations, etc.	<ul style="list-style-type: none"> <li>Stable and predictable macro-economic and legal environment</li> <li>Coherence in government policies</li> <li>Etc.</li> </ul>	
Trade policy	<i>Analysis</i>	<ul style="list-style-type: none"> <li>Monitoring of trade and trade policy issues</li> </ul>	<ul style="list-style-type: none"> <li>Government</li> <li>Independent think-tanks</li> <li>Universities</li> </ul>
	<i>Formulation</i>	<ul style="list-style-type: none"> <li>Coherence within development strategy</li> <li>Definition of strategic trade objectives and priorities</li> <li>Decision on ways of achieving them</li> </ul>	<ul style="list-style-type: none"> <li>Government (trade, finance, agriculture, foreign affairs, etc.)</li> <li>Professional organisations</li> <li>Civil society</li> </ul>
	<i>Negotiation</i>	<ul style="list-style-type: none"> <li>Promotion of the country's interests, reactively and actively, in various fora (WTO, regional organisations, etc.)</li> <li>Consultation and alliance building</li> </ul>	
	<i>Implementation</i>	<p>Actual and efficient implementation of trade policy:</p> <ul style="list-style-type: none"> <li>domestic (legislation, tariffs, etc.)</li> <li>international (complying with obligations, exercising rights)</li> </ul>	<ul style="list-style-type: none"> <li>Customs</li> <li>Standards agencies</li> <li>Trade facilitation bodies</li> <li>Judicial</li> <li>Etc.</li> </ul>
<b>Determinants of competitiveness</b>			
Factors other than 'trade-related'	Education, health, non-trade infrastructure, etc.	<ul style="list-style-type: none"> <li>Availability of human capital</li> <li>Access to production factors (credit, inputs, capital, etc.)</li> <li>Factor costs</li> <li>Etc.</li> </ul>	
Trade-related factors	<i>Infrastructure</i>	<p>Physical access to markets by:</p> <ul style="list-style-type: none"> <li>Road</li> <li>Air (airport facilities such as storage and handling)</li> <li>Sea (port facilities)</li> <li>Etc.</li> </ul>	<ul style="list-style-type: none"> <li>Government</li> <li>Professional organisations</li> <li>Firms</li> </ul>
	<i>Information</i>	<p>Monitoring of market information:</p> <ul style="list-style-type: none"> <li>Consumer demand</li> <li>Prices</li> <li>Import channels</li> <li>Competition</li> <li>Business opportunities</li> <li>Trade policies</li> <li>Etc.</li> </ul>	<ul style="list-style-type: none"> <li>Professional organisations</li> <li>Firms</li> <li>Consultants</li> </ul>
	<i>Standards and quality</i>	<ul style="list-style-type: none"> <li>Capacity to access export markets:</li> <li>Awareness of requirements</li> <li>Support for investment in upgrading</li> <li>Training of trainers</li> <li>Etc.</li> </ul>	
	<i>Marketing and management</i>	<ul style="list-style-type: none"> <li>Promotion of business contacts</li> <li>Funding for studies and consulting</li> <li>Etc.</li> </ul>	

All the above factors can explain the success - or failure - of developing countries in achieving satisfactory trade performance. Among them, country-specific supply-side constraints, the coherence and soundness of macro-economic policies, the quality of infrastructure, the ‘business-friendliness’ of policies, etc. have traditionally been the subject of many studies, and numerous donor programmes (such as structural adjustment programmes) have been aimed at addressing the related hurdles faced by poor performers. Business services for exporting firms have also been important features of bilateral aid programmes.

By contrast, the *efficiency of the trade policy-making process* (top half of Table 1 above, framed in bold) as such has seldom been studied, nor addressed in a comprehensive manner by donors,<sup>11</sup> even though I would argue that it could be considered as the object of TCD in its stricter sense. Support for triggering an efficient and sustainable trade policy process is thus the missing link between macro-economic support and support for individual firms.

## 2.3 Supporting the Trade Policy Process: the Missing Link in TCD

As evidenced by the experience of countries that have successfully used international trade as an important feature of their development strategies, such as Mauritius,<sup>12</sup> several East Asian developing countries, and indeed the developed countries, efficient trade policy-making may be best described in the context of this paper as a process which:

- identifies the country's *trade interests*, in the framework of its overall development strategy;
- translates these interests into *policies and negotiating goals*;
- distributes *roles* – either explicitly or implicitly – and allocates *resources* to implement these policies and promote these interests, reactively or actively, in the various negotiating fora (at multilateral, bilateral and regional levels).

Figure 1 depicts this process in a highly simplified manner. A study of best practice reveals that three elements are critical to an efficient trade policy process:

- *Leadership*. The government takes international trade issues seriously as part and parcel of its overall economic strategy for the country. It takes the strategic decision to involve the business sector in the policy process. It is able to bypass –or deal with – vested protectionist interests. By contrast, leadership on trade in unsuccessful countries is often weak, typically due to low awareness and influential anti-trade vested interests. It may be argued that, without at least a genuine commitment on the part of the government, donor assistance to trade capacity building may be of little use. A good example is the case of the Caribbean, where governments took the initiative of pooling their resources to set up a single Regional Negotiating Machinery (RNM) handling all external trade negotiations (see Annex 2).
- *Institutional capacity*. The institutions by which the trade policy process takes place are both formal (i.e. inter-ministerial coordination mechanisms, ‘platforms’ of public-private dialogue) and informal (i.e. lobbying and influence). In most developing countries, especially in Africa, formal institutional frameworks of this kind are either lacking or fail to genuinely translate the variety of interests into national trade policy goals. For instance, certain committees for public-private sector dialogue have been described as

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<sup>11</sup> The most notable exception is JITAP, as we shall see later.

<sup>12</sup> And to some extent by that of CARICOM’s Regional Negotiating Machinery (RNM).



‘empty shells’.<sup>13</sup> In Mauritius, by contrast, the Joint Economic Council has already been operating for a long time, and is an example of an institution through which consensus will not necessarily be reached, but in which all major stakeholders can voice their concerns, share information and contribute their own expertise (see Box 2).

### **Box 2: Inter-ministerial coordination and public-private sector dialogue in Mauritius**

Mauritius has been putting considerable effort into regional cooperation since it joined the IOR and SADC, in addition to its membership of COMESA and the IOC. Wishing to coordinate its commitments in these various fora, the government has developed an institutional framework in which representatives from different government departments as well as economic operators come together to define Mauritius' regional policies.

#### *The Regional Cooperation Division (RCD)*

This is answerable to the Ministry of Foreign Affairs,<sup>14</sup> and coordinates Mauritian activities connected with regional cooperation. It has the following tasks:

- Formulating a regional policy that is consistent with national strategy;
- Encouraging the implementation of policy designed to ensure that regional and international activities are compatible with each other;
- Developing an information base for strategic planning and for formulating regional policy;
- Promoting national dialogue between the sectors on regional matters.

In this context, the Division:

- acts as an observatory for regional cooperation;
- covers both developments affecting the members of the groups to which Mauritius belongs and more general aspects;
- acts as a secretariat to the Regional Cooperation Council;
- prepares technical notes, reports, strategic documents and the country's contributions to meetings of the IOC, SADC, COMESA and the IOR;
- coordinates regional cooperation projects;
- advises ministers on the preparation and implementation of regional projects;
- provides the Cabinet with regular reports on matters of regional cooperation.

#### *The Regional Cooperation Council (RCC)*

The role of this forum is to lay down national strategy in respect of measures taken on regional cooperation and economic integration worldwide. It brings political decision-makers and representatives from the business world into the decision-making process so that Mauritius can participate actively and consistently in regional groupings and on the international scene. It has a broad mandate:

- to identify, examine and debate regional matters;
- to promote the development of regional cooperation in general.

It acts as an adviser to the government and meets under the chairmanship of the Minister for Economic Development and Regional Cooperation. It includes representatives from the public and private sectors who are in contact with decision-makers and operators in the region, either professionally or in a personal capacity.

*Source: Indian Ocean Commission (1998).*

<sup>13</sup> See for instance the cases of Ghana (OECD, 2000a), Senegal (OECD, 2000b) and Ethiopia (Van Hove and Solignac Lecomte, 1999).

<sup>14</sup> Until 2000, it was answerable to the Ministry of for Economic Development and Regional Cooperation.

- *Inclusiveness*. In most countries studied that perform relatively badly, the trade policy process is characterised by a fundamental dichotomy, with decisions being taken at the highest level (i.e. by ministers and other Cabinet members), more often than not outside the trade ministry.<sup>15</sup> At the same time, lower-ranking officials and specialists, especially at trade ministries, have very little influence over the process. This situation is largely the result of inward-looking economic strategies in the decades following independence coupled with a reliance on trade preferences rather than negotiation.<sup>16</sup> By contrast, a successful trade policy process is one that brings together a variety of actors.

The government is ultimately in charge of policy formulation, implementation, and of negotiations. As indicated in Table 1, the term 'government' covers more than just trade ministries: trade policy is also made within other ministries (the Ministry of Finance in particular, mostly because of the fiscal implications of customs tariff policy), whilst other ministries are directly concerned by some or all aspects of trade policy (e.g. Foreign Affairs, Agriculture, Transport, and sometimes Forestry), and ancillary bodies play a key role in implementation (customs, trade promotion organisations, standards agencies, etc.). As the trade agenda expands from border to non-border measures such as intellectual property and competition, the case for mainstreaming trade across the board of governments' activities becomes stronger.

Outside the government, the business sector has a key role to play: firms and their umbrella associations<sup>17</sup> inform, lobby and assist the government on trade policies and international negotiation priorities, comment on standards and regulations notified to the WTO by other WTO members, etc. Trade unions and consumer associations also act to protect their members' interests.

Finally, 'civil society' outside the productive sphere has also come to play a role in trade policy-making. Independent think-tanks and universities analyse trade issues, disseminate information and findings, and comment on trade policy. The media analyse and report on trade-related issues. NGOs defend their interests and advocate their causes by lobbying both the government and businesses (e.g. on human rights and labour conditions, the environmental impact of investment and trade, etc.). However, it should be stressed that this higher profile is more in evidence in industrialised countries, and has only come about at a relatively late stage of their development.

Donors should seek to support the structuring and the sustainability of this process –in countries where it is either inefficient or close to non-existent. The various reports that constitute the background of this paper show that, whilst they indeed do so to some extent, they generally operate in a fragmented manner, and very rarely adopt a comprehensive approach. Capacity-building initiatives in the area of trade policy often aim primarily at *helping them to cope with the obligations* they have undertaken under the trade agreements

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<sup>15</sup> The finance ministry, which traditionally sees trade as an income-generating activity, typically has the upper hand.

<sup>16</sup> This applies particularly to trade policy in Africa. A case in point is the first phase of the negotiation of post-Lomé ACP-EU trade agreements (1998-2000). The negotiation on trade aspects was fudged in the overall renegotiation of the ACP-EU cooperation framework, including financial and political aspects. In most African countries, consideration of the latter at Cabinet minister level almost systematically overshadowed trade issues themselves, and middle-ranking African trade officials and experts had very little input in the final national and all-ACP negotiation positions on trade. The case of the Caribbean and Mauritius, however, is somewhat different, as trade-related issues figured more prominently on their respective agendas - because of their greater openness to trade in general and high dependence on Lomé commodity protocols in particular - and although problems occurred, they were on the whole much more prepared to give consideration to technical aspects (see the boxes on RNM and on Mauritius). South Africa - a developed country in the WTO - is another exception, with capacity levels relatively close to those of OECD countries.

<sup>17</sup> Organisations representing firms and individual entrepreneurs who trade in goods and services both internationally and domestically.

they have signed; they also mainly involve *technical assistance and training*; and are largely directed at *trade administrations and officials*. This is not enough.

Firstly, it is restrictive to equate developing countries' needs in the area of trade policy with the set of information and know-how that is necessary in order to implement commitments made under the multilateral system, or as part of other agreements (e.g. within the ACP-EU cooperation framework). As has already been mentioned, any trade agreement is necessarily a subset of a trade policy, which itself is part and parcel of a country's own development strategy. The purpose of TCD therefore necessarily depends on the country's own objectives, which means that particular attention needs to be devoted to ownership and context-specificity.

Secondly, it is inadequate to consider capacity needs as merely a sum of absent information and know-how, which TCD would merely transfer from donors to recipients. Poor trade performers need not only to learn the theory of trade policy-making, but also to engage in the practice of managing information, networking with stakeholders, conducting negotiations, etc. In this context, trade-related technical assistance programmes targeted at middle-ranking officials will have little impact as long as awareness at higher levels and the institutional setting for trade policy-making are both inadequate. At best, they will enhance the capacity of individuals, who may then be tempted to leave the civil service for more lucrative positions in the private sector, for instance as consultants. At a recent meeting, African trade civil servants were reported as saying that they were being 'seminared to death' by donors.<sup>18</sup> Year on year, strings of seminars and training sessions bring together officials who may benefit individually, but who are most likely not be listened to when they go back to their capitals, and who have few incentives to share the knowledge they have acquired within their institutions, let alone beyond them (i.e. with other ministries and the private sector). The ODI's feasibility study of a temporary outplacement scheme for raising the capacity of African trade officials has highlighted the risks associated with detaching *individual* capacity development from *institutional* capacity development (see Annex 3).

Finally, as has already been stressed, the potential beneficiaries and targets of TCD aid at a policy-making level include more than just the government, although the latter obviously forms the main target group. Indeed, 'trade policy-makers' have arguably ceased to be a confined group – if they ever were – ever since international trade has begun to affect virtually every aspect of social and economic life.<sup>19</sup>

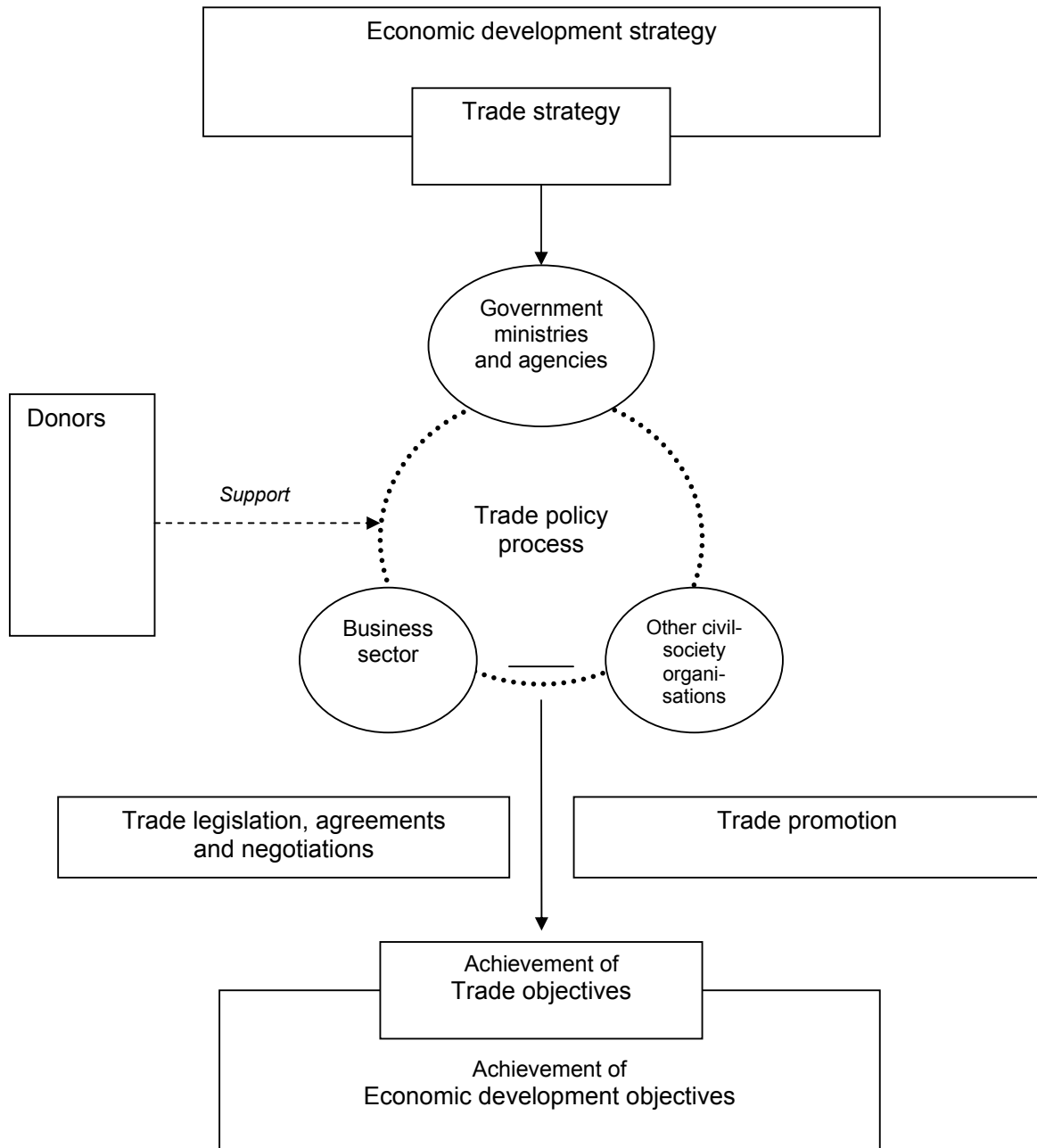
Helping to engineer an efficient, sustainable and inclusive policy process is no easy matter. Chapter III highlights some of the main success factors, as well as the common limitations, affecting trade capacity development, based on the experiences of donors and recipients in Africa and the Caribbean.

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<sup>18</sup> INZET meeting organised in preparation for UNCTAD's LDC III conference, The Hague, 8 May 2001.

<sup>19</sup> The main reason for this is the gradual shift of trade regulation from border issues (mostly tariffs) to non-border issues (including TBTs, TRIMs, etc.). This point was made by A. Dunkel at the OECD DAC's workshop on good practices for donors on capacity development for trade (Paris, 29-30 May 2000).

**Figure 1: The Trade Policy Process, a Simplified Sketch**



Notes:

Trade strategy is part and parcel of a country's economic development strategy.

The process requires input from a variety of actors, and brings about a permanent adjustment of objectives, negotiating goals, roles and resource allocation.

Donors do not interfere with strategies, objectives, legislation or negotiations.

Support is focused on institutional capacity-building, so as to help structure the process and make it sustainable, rather than simply strengthening the capacity of individuals.

### 3 Success Factors and the Limitations of TCD

This chapter sums up some of the observations made in ACP countries in studying donors' TCD activities. It focuses on the risk of donor bias that is inherent to TCD; the importance of donor coordination and capacity; the need for a comprehensive approach; the difficulty of assessing TCD projects; and the issue of the legitimacy of TCD vis-à-vis other aid sectors. Finally, it stresses the need not to overemphasise the objective of integration in the world economy at the expense of other development priorities.

#### 3.1 The Risk of Biased Aid

TCD is not just an aid sector like any other. As the development objectives of developed countries (as donors) overlap with their commercial interests (as trading powers), they may be prone to decide *what type of assistance* to provide according to their own interests rather than those of the recipient countries. There are four types of bias that apply more or less exclusively to TCD.

- *Negative discrimination.* Donor countries may be reluctant to provide assistance in areas they perceive as being detrimental to their own interests. (e.g. support for counteracting anti-dumping measures taken by other countries, including donor countries).<sup>20</sup> In the various countries studied, no instance was found of a donor project that promoted trade interests of the recipient country that were diametrically opposed to those of the donor.
- *Positive discrimination.* Donors may be tempted to 'positively discriminate' in favour of trade-related assistance which they see as generating benefits for their own economies and firms (e.g. the implementation by developing countries of their commitments under TRIPS). One of the most successful TCD projects in Senegal was the upgrading of fisheries production processes to safety and quality standards imposed by the EU. This may be interpreted as donors giving priority to projects that help to accommodate the restrictions they themselves impose on access to their markets (see Annex 4).<sup>21</sup> The case of agricultural exports from Maghreb countries (e.g. Morocco and Tunisia) to the EU is even more telling: the EU has imposed quota restrictions on vegetable imports from these countries during the European growing season, while at the same time earmarking part of its financial aid and technical assistance for building greenhouses for out-of-season production.<sup>22</sup>
- *Tied aid.* 'Classical' aid-tying issues arise in the case of activities that are designed to promote trade and investment links with the donor country, and presented as development projects, e.g. schemes promoting 'North-South' partnerships between firms, subject to a requirement for a certain amount of equipment to be purchased from a supplier in the donor country. Similar situations arise in policy-focused projects involving a high proportion of technical assistance from the donor country. ODA funds are still used by individual donors for such activities on the assumption that they serve the 'mutual interests' of both parties. Although some short-term benefits may accrue to recipients (for example, a firm may benefit from technology transfer), the

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<sup>20</sup> 'Political and commercial interests within OECD countries can potentially undermine the delivery of technical assistance for trade. [...] Awareness of this potential tension would seem helpful in assistance design.' (Whalley, 1998)

<sup>21</sup> It is worth noting that aid programmes aimed at ensuring compliance with health and quality requirements for products exported to OECD markets usually leave the question of *domestic consumer protection* untackled. Minimum safety and hygiene requirements for imported and domestically traded goods are largely absent from donors' trade-related assistance objectives. For instance, food products (or pharmaceutical products, etc.) sold and consumed locally are subject to hardly any regulations or controls. There is no national capacity to monitor these issues: although consumer associations have been set up by individuals, they lack representativity, and hardly any research findings, data or indicators are available (OECD, 2000b).

<sup>22</sup> See Fontagné and Périody (1997).

evidence suggests that the overall impact on the economy remains very limited and most benefits are captured by technical assistance ‘contractors’ in the donor country (i.e. either NGOs or consultants) and equipment suppliers (e.g. as a result of the French ‘clause d’origine’, or purchasing requirements in Dutch or German projects).

- *Buy-off*. Another, less direct, potential impediment to aid efficiency in TCD is the fact that the support granted by donors for enhancing the recipient’s negotiating capacity may alter the negotiator’s goals and incentives. For any country, effective negotiating capacity means the ability to formulate and defend its own trade interests. Being supported in this by a donor country who happens to be sitting at the same negotiating table (for instance, in the WTO) is a contradiction in itself.
  - *Training*. In the run-up to the Seattle Ministerial meeting in 1999, a US-funded training package for policy-makers and private-sector actors in Senegal strongly emphasised issues in relation to which the donor country had set its own priorities (i.e. the need to do away with agricultural subsidies), and overlooked issues such as intellectual property rights in which Senegalese interests may well have conflicted with those of the US. Similarly, the promotion by EU members of the ‘multi-functionality’ concept (a catch-all phrase used to gather support against proponents of agricultural trade liberalisation) in the seminars arranged for aid recipients illustrates how blurred the borderline can be between assistance and propaganda.
  - Whilst *technical assistance* to administrations in charge of trade policies may well be necessary where capacity is weak or absent, direct support for or involvement in drafting negotiating positions contradicts the basic principle that trade policies should be owned by the country, and defined in coherence with its overall development strategy (see the case of Namibia described in Annex 5).
  - *EU financial support* for the ACP Secretariat in Geneva may arguably shift the accountability of the secretariat away from ACP countries towards the EU. Here again, the argument that the interests of EU members (soon to be both greater in number and more diverse as the Union expands) in the WTO are identical to those of the 77 ACP countries (which already represent very diverse interests in many trade areas) seems, at best, extremely weak.

By contrast, there have also been cases in which assistance has clearly strengthened the capacity of the recipient country to adopt an independent line on trade issues. For example, the report on the impact of the setting up of a common external tariff among UEMOA members on Ghana – which was very critical of the UEMOA initiative – was commissioned by the EC, which is the strongest supporter of the UEMOA regional integration process. Also, the material provided by the French delegation in Senegal to prepare for the Seattle meeting was put together by independent researchers and did not reflect France’s positions or interests. Finally, in the run-up to the ACP-EU negotiations, the ACP countries found that EU-commissioned research conducted by independent institutions had performed a useful purpose, due to its demand-led and neutral nature.<sup>23</sup> While some bias in TCD may be unavoidable, there may be scope for reducing, or at least monitoring, it.<sup>24</sup> For instance, in DFID programmes, the material produced to support negotiating strategies is confidential and is intended only for the recipient government. Similar provisions remain to be defined on technical assistance content, or on rules for the use of ODA funds in TCD projects.

At the end of the day, a consensus needs to be built among donors on the purpose of TCD. There can be only one ultimate objective: to *empower* developing countries in the multilateral trade system, and to help their products penetrate OECD and other world markets. It is in the interests of donors to be able to negotiate with informed trade partners, as it is in their interests that developing countries trade

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<sup>23</sup> Tekere, M., ‘Helping the ACP Integrate into the World Economy: Setting the agenda for practical research and support’, in Gonzales, Page and Tekere, *forthcoming*.

<sup>24</sup> Although, as a general rule, multilateral agencies would seem to be less likely than individual donors to ‘buy’ support from poor countries while supporting their trading capacity, the picture painted by the evidence is not quite as clear-cut.

more. As for the recipients, several trade officials argued that the best antidotes to biased TCD assistance are awareness and leadership: the more successful a country is in clearly identifying its own trade interests and related objectives in the first place, the less scope there is for third parties to unduly influence trade policy.

### 3.2 Donor Coordination and Capacity Bottlenecks

Because of the overlap between development objectives and trade interests, some observers have argued that donor coordination may be (even) more difficult than in other aid areas. The OECD guidelines on trade capacity development stress this aspect (OECD, 2001). The evidence from our survey suggests that (i) whilst dialogue does take place among donors in various consultative groups, (ii) there is little coordination on specifically trade-focused projects, mostly because few donors are involved in such projects in the first place. There are no consultative groups on trade. Although such consultative groups do meet on private-sector development, international trade does not seem to emerge as a regular topic.<sup>25</sup>

The mixed results of the first phase of the Integrated Framework (IF) seem to reinforce the point that donor coordination in TCD is particularly complex.<sup>26</sup> Interestingly, limited donor *capacity* may well have played an important role there. The review of the IF in 2000 concluded that its main problem lay in differences in expectations: whilst donors sought better aid coordination, recipients expected more funds. However, observers in the field added that the method was flawed from the start. To some extent, national round tables – which aimed to list the country’s needs and match them with donors’ proposals – brought the wrong people together. On the recipients’ side, the interlocutors of the six agencies were ministries of trade who rarely sought to genuinely involve the other actors in the trade policy process (i.e. other relevant ministries, the business sector, etc.). Among donors, locally based agencies had very few trade specialists to represent them. Indeed, relatively few donors actually engage in trade capacity development projects. If more emphasis were placed on such activities, many agencies would not be in a position to identify and start projects due to inadequate incentives and capacity, especially in the field. Policy-makers in the capitals do not always have access to sufficient trade expertise, whilst the agencies responsible for actually implementing trade policy very rarely have access to such expertise. The tendency of many donors to concentrate on basic needs has reinforced this ‘anti-trade bias’.

Several donors are developing new internal mechanisms to remedy this situation, among them the EC and DFID. In the context of the Lomé Convention, and its successor, the Cotonou Agreement (signed in June 2000), the EC has put in place a range of new instruments to promote private-sector and trade development in ACP countries. One of the ‘upstream’ instruments, DIAGNOS, based in Brussels, is dedicated entirely to preparing projects, either for specific countries or for a specific region, that take account of the macro-economic environment, the structure of the private sector, and the situation of private-sector firms (i.e. it operates at macro, meso and micro levels). DIAGNOS is lightly staffed, with only a small number of permanent staff, and engages an external agency to conduct its studies. The UK Department for International Development’s ITD (International Trade Department), based in London, provides technical and financial support to aid managers for the design of TCD projects, e.g. the Ghana Trade Policy Project (still in its inception phase at the time of writing), and for monitoring these projects once they have been launched. Based on the wide experience accumulated, a detailed

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<sup>25</sup> Interestingly, the survey revealed a case of ‘bottom-up’ donor coordination in private-sector development in Senegal: the EC’s Senegal antenna for the CDI (Centre de Développement Industriel) is fully integrated with the IDA-sponsored FSP (Fondation pour le secteur privé). The two organisations share procedures, forms, data, clients, and channel recipient firms to either of the funds.

<sup>26</sup> An Integrated Framework targeted at the LDCs was established in 1996 by six multilateral agencies (i.e. the IMF, ITC, UNCTAD, UNDP, the World Bank, and the WTO), with the aim of boosting the effectiveness of trade-related technical assistance through better donor coordination ([www.ldcs.org](http://www.ldcs.org)). Following a review conducted in 2000, which revealed rather limited success, the initiative was given fresh impetus in 2001, with coordination in the field in the context of poverty reduction strategies (see OECD, 2001).

and practical manual for planning TCD programmes in developing countries and economies in transition was produced at the time when the DAC TCD guidelines were prepared (see Pengelly & George, 2001).

### 3.3 Comprehensiveness

Whilst most trade capacity development projects address specific aspects or stages of the trade policy process, very few take a comprehensive approach. Of all the programmes reviewed, the Joint Integrated Technical Assistance Programme (ITC/WTO/UNCTAD) stands out as a particularly interesting response by the donor community and the multilateral trade institutions to TCD needs in Africa.<sup>27</sup> While the coordination aspect is often cited, we believe its process-oriented approach, which aims to trigger an inclusive trade policy process encompassing all the various stakeholders, is an equally unique feature. The architecture of JITAP in itself provides an enlightening perspective on the scope of trade-related technical assistance (i.e. the clusters) and who the actors are (see the graph in Annex 6). The key features of JITAP are:

- An integrated approach to capacity-building, addressing a wide range of issues (the 15 'clusters' of activities) that are critical to the active and productive involvement of the programme countries in the multilateral trade system.
- The inclusion of a wide variety of stakeholders both as actors and beneficiaries: all the various ministries, trade promotion offices, private-sector bodies, civil society, etc.
- A combined process-oriented and output-oriented approach. On the 'process' side, the dynamics of managing the programme by distributing responsibilities among several actors within a national steering committee (instead of appointing a single manager) promotes an on-the-job, inclusive trade policy process. Policy is the result of consultation and joint implementation.
- A unique joint endeavour by the three leading multilateral trade agencies to address these issues, drawing on their complementary strengths. A key success factor is the explicit siting of management in one of the agencies (ITC).
- A hybrid approach, i.e. a blend of country and inter-country (sub-regional) activities, to the design and implementation of programme activities, thus creating economies of scale.<sup>28</sup>
- Extensive donor participation in the funding arrangements for JITAP; the overall figure is expected to be over USD 7 million, raised from 13 donors, over a three-year period.
- A multi-layered management model consisting of a central base in Geneva, where the three agencies and the donor community are represented; a sub-regional layer based in Kampala and Abidjan respectively for East and West Africa; and coordinating mechanisms in individual countries.

Although the mid-term evaluation of JITAP in 2000 did reveal certain limitations and identified several areas in need of improvement (see Annex 6), it also provided interesting insights into the concrete results of a comprehensive approach, as in the case of Burkina Faso:

*The establishment of the National Steering Committee and the day-to-day operation of JITAP itself by its members has a visible 'on-the-job' pedagogical value: by making people from various institutions (other ministries, including customs, TPO, CCI, professional organisations, etc.) work together within a set of interwoven activities, on issues of common interest that have traditionally been dealt with separately, the programme promotes a comprehensive and inclusive approach to trade policy. This forms a contrast with centrally managed, trade-related technical assistance programmes involving either a single local or international focal point, usually endowed with higher financial incentives [...]. The*

<sup>27</sup> See [www.jitap.org](http://www.jitap.org) and the mid-term review of the scheme by Silva *et al.* (2000).

<sup>28</sup> For instance, an expert is sent to the region to run several training sessions in several countries in a row (or a single regional session) instead of going on separate missions to the various countries.



*programme therefore has an added value in addressing the issue of integration in the multilateral trade system more comprehensively than any other TA programme does, by helping to trigger a process of trade policy formulation and implementation and supporting dialogue between actors (Silva et al., 2000).*

The mid-term review recommended that the extension of JITAP to LDCs not yet benefiting be considered, and many of them have actually asked to be included. It concluded that JITAP ‘should be seen as a country-level catalyst for trade-related technical assistance by donors.’

### **3.4 Assessment**

DAC analyses have emphasised that the results of TCD assistance are likely to have a less *tangible impact* than in ‘spending’ sectors such as health or education.<sup>29</sup> This may be a handicap, as donor agencies are often under great pressure to spend funds quickly and with visible impacts. Evidence from Senegal and Ghana only partly supports this statement. TCD actually includes – at the policy-making and competitiveness levels – both output-oriented projects (which should generate tangible results, albeit not systematically) and process-oriented projects (where impact assessment is more problematic).

The impact of TCD on the recipient country's capacity to formulate and implement a coherent trade policy, or to negotiate in international fora, may be assessed by means of indicators such as the fulfilment of WTO notification obligations, the preparation of background papers for international negotiations, the preparation and eventual achievement of a set of goals by the government in international negotiations, etc. As for projects aimed at strengthening the competitiveness of exporters, some deliver tangible results over a limited period of time, such as the successful project that sought to bring the quality of Senegalese fisheries into line with EU requirements. Others, such as support for specific sectors (e.g. horticulture in Senegal and in Ghana), may produce quantifiable results in terms of export growth, but such indicators should be treated with circumspection, since they are largely determined by factors other than donor assistance (e.g. movements in international prices).<sup>30</sup> Finally, private firms in all countries, developed and developing alike, are reluctant to disclose figures on their commercial and financial performance (see Box 3), which means that traditional impact assessments of donors’ projects need to be adapted.

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<sup>29</sup> Whalley, J. (1998).

<sup>30</sup> It is indeed difficult to gauge the impact of ODA targeted at individual firms (e.g. subsidies for partnerships between a local firm and one originating from the donor country) with the aid of the usual indicators (such as export turnover). However, it is clear that most of these projects have had a negligible impact at national and regional levels.

### **Box 3: Private-sector organisations and donors: do's and don'ts**

Donors are making more and more use of private-sector organisations as partners for implementing their trade and private-sector development strategies. This creates both risks and opportunities for these organisations. Below follow a number of unedited comments made by the coordinator of one such organisation in Africa:

- 1 "Private-sector organisations should aim primarily at promoting contacts between business people within a certain region or group, and provide them with services. They may also play a mediating role in disputes between some of the business partners."
- 2 "Although the social role of the private sector (e.g. its contribution towards poverty alleviation, employment creation, etc.) may well be overemphasised for reasons of political correctness in order to please potential funders, social motives are not the primary driving force of private-sector organisations."
- 3 "Good formal or informal dialogue with government – without losing independence – can contribute to more sustainable development."
- 4 "Private-sector support and trade development programmes that are devised by people with no direct experience of doing business in Africa are at risk of becoming talking shops and hence being a waste of time."
- 5 "Private-sector organisations should not allow donor agencies to fund their recurrent costs. This creates interference and dependence. As a matter of principle, membership fees are the only way of guaranteeing an organisation's sustainability and independence. Donors can provide initial seed funding or funding for certain parts of a work-plan *already* developed by the organisation, but they should refrain from interfering with the internal organisation of a private-sector association."
- 6 "Donors should not ask for impacts or results. They have a tendency to constantly check the results of their contributions, but it is difficult to assess the resultant business agreements, since information on private business deals must remain confidential. The only criterion by which to judge an organisation's effectiveness is the growth in its membership fees. If members pay their subscriptions, this demonstrates that they see a value in it, and that it has been useful."

Investing in the institutional capacity of public and private actors to engage in a constructive dialogue on trade-related issues cannot produce visible, let alone quantifiable, results in the short run. Although the fact that meetings take place may be considered as a result, it does not imply that the objective of genuine consultation on trade policy has been achieved. Moreover, even if it is achieved, this too is hard to measure. Similarly, impact measurement can also be tricky with regard to competitiveness. Most donors find it difficult to devise mechanisms for working efficiently with the private sector, mostly due to the following chicken-and-egg dilemma. Support for the private sector can be efficient only if it is demand-driven. Structured professional organisations rather than individual firms can best voice that demand in a dialogue with donors and governments. However, most of these organisations first need the support of donors so as to organise themselves and articulate their concerns and priorities.<sup>31</sup> This is a tricky process, in which the success of donor assistance depends on many factors beyond the control of donors, especially the response of private-sector organisations themselves.

A final point on institutional memory: knowledge of best practice needs to be constantly updated if it is to provide useful guidance for action. Building an institutional memory would benefit from some harmonisation, upstream, of evaluation criteria for private sector and trade development projects, possibly using DAC policy guidelines; and a regular comparative analysis, downstream, of the performance of similar projects across donors and across countries.

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<sup>31</sup> At national as well as at regional and global levels.

### 3.5 Legitimacy: the Case for TCD still needs to be made

With poverty alleviation heralded as the overarching goal of international cooperation, TCD assistance arguably has a 'legitimacy problem'. Over recent years, most donors have attempted to re-focus their activities, and have done so largely by concentrating them on basic human needs,<sup>32</sup> sometimes cutting trade or private-sector development activities. This is partly because bad experiences in these areas during the 1970s and 1980s (e.g. participation in trade fairs with little or no impact, import subsidies that helped sustain unviable public firms, obvious cases of inefficient tied aid, etc.) have tended to give the sector a bad name, as several donors observed.

Moreover, although the general case for more open economies has undeniably been increasingly accepted, the link between trade development and poverty alleviation is still far from clear for developing countries' policy-makers, or within donor agencies, especially in the field. At best, mixed perceptions of the social impacts of trade liberalisation policies under SAPs, as well as concerns over the actual and potential impacts of multilateral trade agreements on food security and poverty, suggest that TCD should not be prioritised. At worst, they continue to fuel suspicion that it may conflict with aid programmes targeted at basic human needs. A gap seems to exist here not only among the various donors, but also between their policy units in capitals on the one hand and their agencies in the field on the other hand.

Most donors are therefore struggling to reconcile TCD programmes with the development and poverty alleviation agenda. Although DFID claims to have 'made the link' between the two,<sup>33</sup> and the EC has been taking a strong stand on the beneficial role of regional integration (including through trade) in development and poverty reduction, donors in the field may hardly claim to have reached a consensus on a strategy for development-focused TCD assistance. This suggests that a case needs to be made within the donor community, and also among the implementing agencies, for a positive link between trade and investment on the one hand, and the wider development and poverty reduction agenda on the other. Seeking immediate returns in terms of poverty alleviation is not the answer, and may even be counterproductive. Indeed, in some cases, attempts to introduce a pro-poor bias in a trade promotion project aimed at private exporters have failed:

*In the case of one EU-sponsored horticultural project in Senegal, financial support had been provided to big and small producers on condition that they would all get together in a single professional organisation, so that the small producers would not be left out. Eventually, many of the smaller producers failed to comply with quality requirements, which negatively affected the image of the whole sector, and depressed prices for all (See OECD, 2000b).*

It is therefore important to address the mixed feelings about the role of TCD. Provided attention is paid to certain critical risks and success factors, of which this paper has tried to highlight a few, TCD can legitimately help poor countries to improve the coherence and impact of their development policies. Conversely, although counterfactual analyses are not easy, it is crucial to consider what effect *not* strengthening poor countries' trading capacity might have on the poor.

However, for this case to be made convincingly, it must be recognised that, while the positive impact of trade liberalisation and export promotion on growth and income distribution in the medium to long term are fairly well established, the direct and indirect links between trade policy and poverty at a micro-economic level, in the short run, are less clear. The literature remains largely inconclusive as to how trade-induced change affects the many categories of poor groups and individuals, and further field research is needed.<sup>34</sup> In other words, sceptics are right to assume that trade development projects

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<sup>32</sup> For example, Canada in Ghana, and Germany and the Netherlands in Ghana and Senegal.

<sup>33</sup> See the speech made by Clare Short on 29 November 1999: 'Seattle: how to make the next trade round work for the world's poor' ([http://www.dfid.gov.uk/public/search/search\\_frame.html](http://www.dfid.gov.uk/public/search/search_frame.html)), and DFID (2000).

<sup>34</sup> See Bussolo and Solignac Lecomte (1999) and Winters (1999).

are not intrinsically good for growth and poverty alleviation. The potential positive and negative impacts of a given project on poor producers and consumers should be monitored from the inception phase, drawing on both local and international trade expertise.

More importantly, given that these countries face a wide variety of development challenges, it is crucial to pay attention to the balance of resources that recipient countries need to mobilise in order to meet them. There is indeed a risk of overemphasising trade and investment at the expense of other sectors:

*“By focusing on international integration, governments in poor nations divert human resources, administrative capabilities, and political capital away from more urgent development priorities such as education, public health, industrial capacity, and social cohesion.” (Rodrik, 2001).*

A much quoted figure in this regard is the cost that poor countries would have to bear in order to implement the requirements under three WTO agreements,<sup>35</sup> which World Bank trade economist Michael Finger has estimated at USD 150 million, i.e. the equivalent of a year's development budget for many LDCs. Clearly, this is neither feasible nor desirable. As summed up by another World Bank official, ‘the aim is not to overemphasise the importance of trade, but to make sure it is not neglected.’<sup>36</sup>

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<sup>35</sup> On customs valuation, sanitary and phytosanitary measures, and trade-related intellectual property rights (Rodrik, 2001).

<sup>36</sup> Presentation of the Integrated Framework at the Business Round Table organised by ITC, during the LDC III conference in Brussels (16 May 2001).

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## **Annex 1**

### **Trade Capacity Gaps in Ghana**

Ghana has taken a clear decision to adopt an outwardly oriented economic development strategy, of which a liberalised trade environment, active export promotion and integration into the world economy under multilateral, bilateral and regional agreements are important aspects. In implementing this strategy, it faces important challenges over the coming years. Ghana's weak point is arguably to be found in the poorly structured 'trade policy process' by which this strategy is to be implemented, i.e. the process of identifying trade interests, translating them into positions and negotiation tactics, allocating resources, and so forth. The following sections describe some of the main gaps that remain to be filled if Ghana is to be successful in meeting these challenges.

#### *Resources*

A key constraint is the general lack of resources at the Ministry of Trade and Industry (MoTI), readily observable from the limited (or non-existent) degree of access to telephones, computers, e-mail and other communication equipment. Although information on trade issues relevant to Ghana may be abundant outside the country, actual access within the country remains extremely limited. Because of inadequate distribution methods and the quasi-absence of Internet access, hard copy remains the main vector. However, papers are often sent to the wrong people or disseminated in inadequate numbers, and photocopying capacity is also often a problem.

Moreover, there are not enough resources for communication and coordination across ministries, especially between MoTI, the Ministry of Finance and the Ministry of Foreign Affairs, on multilateral and other trade issues. The same problem affects any attempts to raise awareness and invite stakeholder participation in the formulation and implementation of trade policy, as well as to commission research (e.g. on the impact of current or future commitments under the WTO, Lomé and regional trade agreements). To illustrate this point, ambitious projects such as that for a Ghana-Nigeria Free Trade Association (to be set up within a few months) or for a common currency for the two countries (to be adopted by 2003), are now starting to move down the government's list of priorities even before any proper study of the feasibility and impact of either has been conducted. Lack of resources is also one of the major obstacles preventing Ghana from exercising its rights in the multilateral system. As a result, it is impossible, for example, for officials to investigate dumping cases.

As for external representation, Ghana has only one trade attaché in Geneva for WTO negotiations. With no trade specialist in Brussels to attend to its relations with the EU, Ghana has been described as a 'silent partner' in the Lomé renegotiations, in spite of the potentially very considerable impact that the successor agreement is likely to have on it. In addition, Ghanaian officials have very limited resources to fund travel either in Ghana itself or within the region, and thus have few opportunities to promote Ghana's interests by participating in discussions or building alliances in various fora. Similarly, inadequate resources and communications also make it extremely difficult for Ghana to actively develop negotiating positions and tactics.

#### *Capacity*

Related to the above is the general issue of capacity among trade officials. Firstly, few of the people working in the area of trade development - either in the administration or in private-sector firms - have

had any basic training in trade economics or international trade. Secondly, the scarcity of resources means that officials are dependent on international organisations and/or donors for their supply of information, and most of them are not aware of the many technical and economic aspects of the various agreements signed by Ghana. A case in point is the number of notification obligations under WTO Agreements. Not only are trade officials not familiar with them, they are also frequently unaware of their implications for Ghana. They lack the professional skills that are required to interpret them and respond to them by gathering and formatting the relevant information. There is no WTO reporting system, nor any formal coordination mechanism for notifications between ministries and with external representations. More generally, the trade policy priorities of sustained trade liberalisation (including reducing tariff escalation and tariff peaks) and export growth and diversification need to be fully understood by officials during trade negotiations in order to secure better market access, improved differential and special treatment, or trade facilitation at a regional level.

### *Coordination within the Administration*

As explained above, the current architecture of trade policy-making in Ghana requires intense consultation between a number of ministries (i.e. MoTI, Finance and Foreign Affairs) if coherent positions are to be developed. However, linkages between these ministries are fairly poor, no formal mechanism exists for coordination between officials, and the very division of responsibilities between ministries is a matter that remains fraught with tension.

Trade officials in the MoTI feel that, as they are in charge of trade policy, they should be given the means to attend meetings and negotiations in the region or overseas, which are now very often attended by officials from the Ministry of Finance and the Ministry of Foreign Affairs. For example, although the delegation in Seattle included the Minister of Trade, with delegates from embassies in the US and in Switzerland, no officials from the MoTI were present. At the Santo Domingo summit of ACP heads of state, ahead of the final ACP-EU negotiating session on Lomé, Ghana's delegation was comprised exclusively of officials from the Ministries of Foreign Affairs and Finance. This means that Ghana is not making the best use of its (limited) capacity in the area of trade, and occasionally mandates staff who are not well-equipped to deal with the technical aspects of trade negotiations.

The establishment of a new Ministry of Integration would not appear to be a step towards clarification and greater efficiency. Although its function was still unclear at the time when the interviews were conducted, it seemed likely that it would be taking the place of the existing ECOWAS Unit in the Ministry of Finance. This would require MoTI to establish links with a third ministry so as to adopt a coherent approach to trade negotiations in the region and with the EU.

Formally speaking, the Inter-Ministerial Committee on Competitiveness is the forum for common decisions on improving policy and the regulatory environment. In reality, however, the Ministry of Finance does not exercise a great deal of leadership on this point. More generally, there are few if any 'operational' staff below the rank of Chief Director at the ministries, and the latter often have more pressing priorities (some of which are linked to political activities).

Finally, links with other relevant government departments (such as the Ministry of Agriculture, Customs & Excise, embassies abroad and the Ghana Standards Board) or with the business sector and civil society are also underdeveloped. Although an inter-ministerial committee was established for implementing the results of the Uruguay Round, it failed to meet more than four or five times.



## *Consultation with Stakeholders*

In spite of its formal inclusion in public-private consultation processes, the business sector still plays a very limited role in the process of trade policy formulation and implementation. To a large extent, private exporters and the various structures representing their interests (i.e. PEF, AGI, etc.) have only a limited capacity to *independently* identify those of the obstacles to their competitiveness that stem from Ghana's macro-economic policies (e.g. on monetary policies), or to assess the risks and opportunities emanating from processes at regional, post-Lomé and multilateral levels. There is a great deal that they can do, however, in helping to identify Ghana's defensive and offensive interests in the various trade negotiating fora. For example, associating the business community in the debate over the path towards regional integration (both in Ghana and in neighbouring countries) would probably help develop more pragmatic ways of reconciling the ECOWAS and UEMOA processes than would leaving the issue purely to politicians.

Similarly, as regards the WTO, the business sector should be pushing the Ghanaian authorities to actively participate in the setting of standards (SPS, TBT), for example by reacting to draft proposals put forward by their WTO partners, before they become barriers to Ghanaian exports, or to use anti-dumping or trade remedy measures when a case of unfair trade practices by another WTO member arises. However, limited awareness and capacity prevents the private sector from playing this role.

## **Incentives**

A key obstacle to several projects stems from the incentives available to beneficiaries (especially civil servants): very low salaries make participation in donor-sponsored activities dependent on the fringe benefits that are attached to them (e.g. training and travel). Some donors have responded by paying 'participation/sitting fees', for example, for attendance of coordination meetings. By contrast, USAID's difficulties in getting major actors around the table have been worsened by its refusal to pay such 'sitting fees'.

Obviously, the risk of an *ad-hoc* approach is that it will foster competition among donors 'bidding' to attract participants, and also that it will encourage beneficiaries to choose to participate because of the expected immediate personal benefits rather than because of a project's inherent relevance. In the long run, better salaries are the only answer. In the short run, explicit coordination among donors, in the context of an open dialogue with the government, may help to clarify issues and harmonise practices. In addition, some immediate improvement in the working environment (in the form of a limited budget for communications and the supply of IT equipment), as proposed in the DFID project, can improve the credibility of projects. Civil servants also suggested that temporary postings to better paid positions (e.g. one year within a project, or in a parastatal agency benefiting from donor support) could form a means of improving prospects and incentives.

*Source: OECD (2000a).*

## **Annex 2**

### **Pooling Resources:**

#### **The Caribbean Regional Negotiating Machinery (RNM)**

Facing a continuously expanding agenda of trade negotiations, the member states of CARICOM decided to set up a body that could assist them in the negotiations and guarantee coherence among the arrangements as well as in the internal integration process. The RNM was mandated by the heads of government to enhance the coordination and execution of external negotiations with a view to adopting a coherent regional standpoint on these varied talks. The services provided by the RNM include research, consultancy, negotiations, training, communications and mobilisation of technical assistance.

The countries of the Caribbean are facing a complex range of negotiations at various levels, which Anthony Gonzales has interestingly classified and prioritised according to their political, commercial and strategic interests. At an international level, the WTO, the Cotonou Agreement, the Caribbean Basin Initiative and CARIBCAN are considered to be the most vital. However, regional negotiations are also important and various potential agreements are looming. All these negotiations are very complex and include areas such as market access, intellectual property rights, standards and TBTs, investment, SPS, subsidies, procurement, competition, dispute settlement, rules of origin, services and so on. The importance attached to the negotiations varies from one member state to another, according to the nature of their economies and the importance of external markets for the latter.

*Mode of operation:* In principle, the RNM is responsible for international negotiations (FTAA, Lomé and WTO), whereas the CARICOM Secretariat (CS) negotiates on regional Caribbean agreements. The role of the RNM is to develop, along with the technical advisory group, a position on the agenda, initial draft, and the basic objectives to be pursued by CARICOM. RNM also negotiates on the basis of briefs which have been approved by the CARICOM prime ministers and ministers of trade. The Chief Negotiator reports back to these bodies. During the preparations for negotiations, there is a continuous process of consultation between national ministers and the RNM in the form of strategies, position papers, reports and briefs. A communication structure has been set up with the private sector and civil society using regular briefing reports as well as specialised consultation meetings with sectoral interest groups.

*Strengths:* Cost effective. Good opportunities for pooling expertise. National governments have perceived the benefits in terms of the sharing of expertise, financial savings, access to data and documentation collection, reduction of workload and additional time for bilateral initiatives.

*Weaknesses:* Ineffective coordination between the RNM and the CS. Bureaucratic hassle. Turf war. The slowness of internal negotiations influences the strategy that the RNM is able to pursue for external negotiations. Constitutional confusion as to whether the RNM is a subsidiary organ of the CS or whether it takes precedence over existing organs. Links with civil society and private sector are relatively weak.

*Structure:* Four offices. One in London, responsible for Brussels and Geneva (although there is now one full-time employee based in Geneva covering the WTO). One in Washington responsible for FTAA and links with international bodies. An office in Jamaica is responsible for research and advice and a Barbados office liaises with donor agencies and the CS. There are currently nine professional members of staff, supported by call-down experts and at times voluntarily by specialists from the member states. However, due to financial constraints and political pressure, Jamaica's Prime Minister Patterson has been asked to draw up a proposal for restructuring the RNM. His proposal entails the

appointment of three senior advisors who are to be responsible for FTAA negotiations, WTO negotiations and the ACP-EU negotiations.

*Funding:* Core budgetary resource from CARICOM member states and programme funding from bilateral donors (mainly CIDA, CDB, IDB, DIFD and Commonwealth Secretariat)

*Source: Gonzales (2000).*

## Annex 3

### **Making sure TCD does more Good than Harm: the Trade Placement Network Feasibility Study**

The UK Department for International Development invited the London-based Overseas Development Institute to explore the feasibility of a new capacity-building initiative to complement its Fellowship Scheme (<http://www.odi.org.uk/fellowsh.html>). This was to be called the Trade Placement Network (TPN). The concept built on that of the ODI Fellowship Scheme, its benchmark being (i) direct work experience (as opposed to training and study tours), and (ii) mutually beneficial postings. This TPN would be geared specifically to improving the capacity of governments *in Africa* for developing and implementing *international trade* policy. It would do so by organising the placement of African trade policy practitioners for a period of several months (e.g. three to six months) in relevant institutions in Europe. ODI assessed the relevance of the project and its potential role in international trade capacity-building, by conducting interviews in Europe and in Mozambique, South Africa and Ghana (Amoaten and Solignac Lecomte, 2000). The conclusions follow below:

- Interest, at both the receiving and the sending ends, is substantial. Trade and trade capacity are high on the agenda of donors and recipients, though actual awareness and commitment on the part of the latter are arguably slightly lower in some cases. There is widespread acceptance of the need for innovative, on-the-job capacity-building schemes. Trade capacity in Africa is weak, affecting individual countries' economic performance, as well as limiting the effectiveness of organisations of which they are members, such as the WTO, and the Multilateral Trade System (MTS) as a whole. A programme which can address this weakness, by mutually agreed terms of reference, was seen as a potentially valuable, neutral approach to capacity-building in the highly sensitive field of trade and development.
- At the sending end, the concept was seen as a method of building up technical skills among staff, increasing knowledge of how European organisations work, and developing much needed contacts in Europe. To the extent that it could target very senior officials, it was also viewed as a way of rapidly creating awareness of MTS-related issues. At the receiving end, interest was in awareness-raising and the opportunity to develop good professional relations internationally. There was a demand for schemes that can enhance the ability of developing countries to constructively engage in trade negotiations and relations.
- Beyond this stage, the actual degree of readiness to put money into the scheme proved substantially smaller. In general, apart from a few exceptions (such as the Swiss government), all parties were very interested as long as they did not have to pay for it themselves. Other obstacles relate to the 'strategic' nature of trade: it is a tricky area for aid projects, both for recipients (as support is almost inevitably biased towards donors' own commercial interests) and for donors (there is a confidentiality issue, as illustrated by a born-dead placement scheme attempt by the EC's DG Trade).
- As for the potential impact of the TPN, the feasibility study suggested that this is an issue that should be approached with extreme care. Although TPN could raise the capacity of individuals, the prospects for strengthening institutions were slim. Where capacity in government institutions is very weak to start with (i.e. in virtually all sub-Saharan African countries except South Africa), outplacements would often risk weakening capacity even further. Middle-ranking officials in charge of trade are already few in number. In the coming years, with trade negotiations already ongoing within the regions (e.g. SADC, ECOWAS and COMESA), at the WTO (on agriculture and services), and soon with the EU (post-Cotonou), taking them away from their administrations

for several months is - in the words of an African trade official - 'the last thing you would want to do'. As a matter of fact, middle-ranking officials have taken part in numerous training sessions in Europe, in the US and in regional and national workshops: JITAP, WTO training seminars, ITC's TA, UNCTAD's Trainfortrade, UNDP activities on standards, the EU support for regional integration, bilateral TA, etc. The real problem is not the capacity of individuals: saturating officials with information and capacity-building does not help them make a difference when they return home. What African countries need to put in place is a process of trade policy-making, of the kind that prevails in developed countries and in a few successful developing ones (e.g. Mauritius). That means a process that is:

- inclusive, i.e. involving all stakeholders, including a range of ministries - and not just the Ministry of Trade - private-sector representatives, customs, standards agencies, academics, consumers, other 'civil-society' groups, etc.; and
- sustainable, i.e. based on adaptive institutional mechanisms driven by a strong political commitment. This is where donors should look for areas in which they can help.

In this context, the report concluded that, as currently envisaged, the Trade Placement Network was not the most appropriate response to African countries' needs.

*Source: Amoaten and Solignac Lecomte (2000).*

## Annex 4

### The Benefits and Limitations of TCD: Quality Standards in Senegal

Quality standards are major potential obstacles for exporters. Although donors have been helping African exporters overcome them, they have not always succeeded in helping them fully address these issues. Here are two examples from Senegal: one in which assistance has helped exporters to comply with EU phytosanitary requirements, but left them exposed to other types of market-led restrictions (in relation to fish), and another in which serious risks induced by new EU requirements have been left untackled (in relation to fruit and vegetables).

*Fisheries.* The 1993 European sanitary regulation on quality standards for fish products, based on the French model, not only requires that the characteristics of (both domestic and imported) products conform to specified standards, but also that the latter be produced and manipulated in accordance with methods and under premises which themselves conform to standards specified in detail by European directives. EC inspection missions are required to confirm that regulations and control departments in exporting countries are equivalent to their European counterparts. With support from EU donors, Senegal obtained its certification in 1996, and this was renewed in 1999.

However, Senegalese fish producers have reported non-tariff barriers to the EU market in the form of restrictions imposed by importers on the use of certain appellations. For instance, in France, *mostelle* must be called *brotule*, and *turbot tropical* must be known as *ronclavele indo-pacifique*. An appellation that is less well-known than the traditional European equivalent gives importers an argument for paying lower prices to Senegalese exporters, and avoids potential conflict with European producers. Senegalese exporters thus:

- get a lower price;
- have to make an extra marketing effort - implying additional cost - to promote their non-traditional appellations; and
- may find themselves facing a form of unfair discrimination.

These requirements have been imposed by European private operators, rather than by law, reflecting the gap in negotiating power between the former and Senegalese exporters. These practices are not unified across the EU: they were reported as having been applied by France, but not by, say, Italy.

Donor assistance has therefore been efficient in delivering what it promised: actively supporting the restructuring of the fisheries in Senegal and ensuring that producers can supply the EU market with competitive and safe products. However, it has not explicitly sought to strengthen the *bargaining power of exporters*, nor to help them diversify their markets away from the EU. Whilst it is clear that strengthening the capacity to *comply* with technical requirements and quality standards is key to improving competitiveness, improving the capacity to monitor the design and implementation of such requirements (both at a multilateral level and in bilateral fora such as the ACP-EU cooperation framework) is also necessary, as well as strengthening the capacity of exporters to monitor their insertion in the export chain. The case of Senegal shows that, in the absence of robust government leadership on trade, donors tend to put stronger emphasis on the former than on the latter two.

*Fruit and vegetables.* As part of the process of harmonising pesticide limits among EU members, the EU decided that the maximum residue levels (MRL) applying to the use of most pesticides by countries exporting fruit and vegetables to EU markets were to be harmonised at minimum levels by July 2000. All exporting countries that had not supplied information establishing a positive MRL for their products would see the latter set automatically at zero. This was the situation applying to most products, as many exporting countries, including Senegal, failed to supply the relevant information in

time. The implication is that all ACP producers will henceforth be banned from using pesticides, practically preventing them from attaining the quality standards required for substantial export volumes.<sup>37</sup> Any failure of ACP exporters or European importers to comply with the new requirements will result in the imposition of heavy fines.

*Source: OECD (2000b).*

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<sup>37</sup> PPEA, Bulletin I-Flex No.1, January 2000, Dakar, p.7.

## Annex 5

### EU Support for Trade Policy-Making in Namibia

As part of the process of preparing the EU's Country Strategy Evaluation for Namibia, at the end of 2000, the following assessment was made of Namibia's most immediate needs for assistance.

#### *Current Challenges*

*Regional integration.* Namibia needs to be part of a bigger group so that its voice can be heard in international fora (e.g. the WTO). However, it lacks a clear regional strategy (it is a member of several groups, some potentially conflicting) and must strengthen its capacity to make its voice heard within these groups. Although there is more to regional integration than the free circulation of goods and services, *trade* has so far been the main vehicle for regional processes through SACU and - with less impact - in COMESA [because Namibia belongs to the Southern Africa Customs Union, its obligations in terms of tariff dismantling for the setting up of a COMESA free trade area have been waived]. SADC, although less 'trade-focused', has just started implementing its free trade agreement. Support for regional integration, where the EU arguably has a comparative advantage as a donor, is therefore a relevant area of support.

*Other trade agreements.* Beyond regionalism, Namibia also faces important trade challenges in the WTO (with agricultural and services negotiations under way) and in its relations with EU, which grants preferential treatment for some key export products (i.e. fish and beef). In both negotiating fora, it makes sense for a small country like Namibia to be part of a bigger regional group. In order to square up to these challenges, the country badly needs to strengthen its institutional capacity for trade policy-making. Aid in this area is therefore relevant, *except* when it comes to directly supporting negotiations with the EU itself.

#### *The Specificity of Namibia's Assistance Needs*

Unlike most other African countries, Namibia's trade-related needs are arguably more heavily weighted towards capacity-building than other traditional problematic areas such as macro-economic policy coherence or infrastructure.

*Big capacity gaps.* Namibia is a 10-year old country. Its capacity for trade policy-making, as in most other areas, is extremely thin not only in terms of it having only a small number of qualified people, but also in the sense that there is only a very limited institutional memory in the country. This may justify the 'gap-filling' of posts at ministries with expatriates (other countries, including Mauritius, had expatriates in their administrations for many years in the 1960s and 1970s).

*A trade policy process in its infancy.* Apart from the problem of capacity, the process of making trade policy is all the more in its infancy given that Namibia has since its independence continued to form part of the South Africa-dominated Southern African Customs Union (SACU, along with Botswana, Lesotho, South Africa and Swaziland). As such, it shares sovereignty on trade policy with other SACU members, and therefore does not have its own tariff policy, etc.



Awareness of current and forthcoming trade negotiation challenges is very low. Namibia lacks the basic processes to:

- *identify its interests;*
- *formulate adequate policies* to defend them; and
- *implement* these policies.

For instance, inter-ministerial consultation prior to the signing of the WTO TRIPS agreement on intellectual property rights seems to have been unsatisfactory. There are also a number of overlapping consultation mechanisms on the various trade agreements (SADC, SACU, EU relations, etc.) where a single coordination institution for trade policy as a whole might well prove to be more coherent.

*Source: Bird, Solignac Lecomte and Wilson (2000).*

## Annex 6

### Comprehensiveness and Coordination: the Example of the Joint Integrated Technical Assistance Programme (JITAP)

While there tends to be increasing cooperation and collaboration among UN agencies, joint programming is still very rare. The ITC-UNCTAD-WTO Joint Integrated Technical Assistance Programme (JITAP, see [www.jitap.org](http://www.jitap.org)), which has been in operation in eight different countries since mid-1998,<sup>38</sup> therefore constitutes an innovative approach. The experience to date offers a number of insights into the methodologies and mechanisms for trade-related technical assistance (TRTA).

The October 2000 Mid-Term Evaluation report concluded that JITAP was making a valuable contribution to the more active involvement of beneficiary countries in the multilateral trade system (MTS), and provided the most comprehensive framework for TRTA at a national level. In most cases, it was in fact the only effective attempt at enhancing a country's capacity to handle the *various aspects* of participation in the MTS. The report concluded specifically that:

- Response from beneficiaries had been good in most cases.
- Implementation had been a bit slow in the early stages, mostly due to the requirements of an elaborate programming exercise, but impact was already tangible, particularly in terms of awareness of MTS-related issues, human resource development, capacity-building in the various national agencies and enhanced dialogue among stakeholders.
- Coordination among the agencies had been good, especially in the programming and in the early stages of implementation. This was seen as proof that an integrated approach can work, although continuous attention and regular boosters may be necessary.
- There were areas where improvement and consolidation were needed: more flexibility overall; a more active involvement of entrepreneurs (which meant finding new ways of understanding their concerns and perceptions, as well as of reaching them); a more active involvement of universities, academics and professional trainers, including private consultants; and the establishing of partnerships in the field with bilateral and multilateral donors.
- Among the many bilateral and multilateral TRTA experiences, JITAP stood out because of its unique process-oriented approach, based on a comprehensive analysis of the various aspects of trade policy-making, and its attempt at not just merely creating 'static' capacity, but at triggering an inclusive trade policy process, bringing the various stakeholders on board.

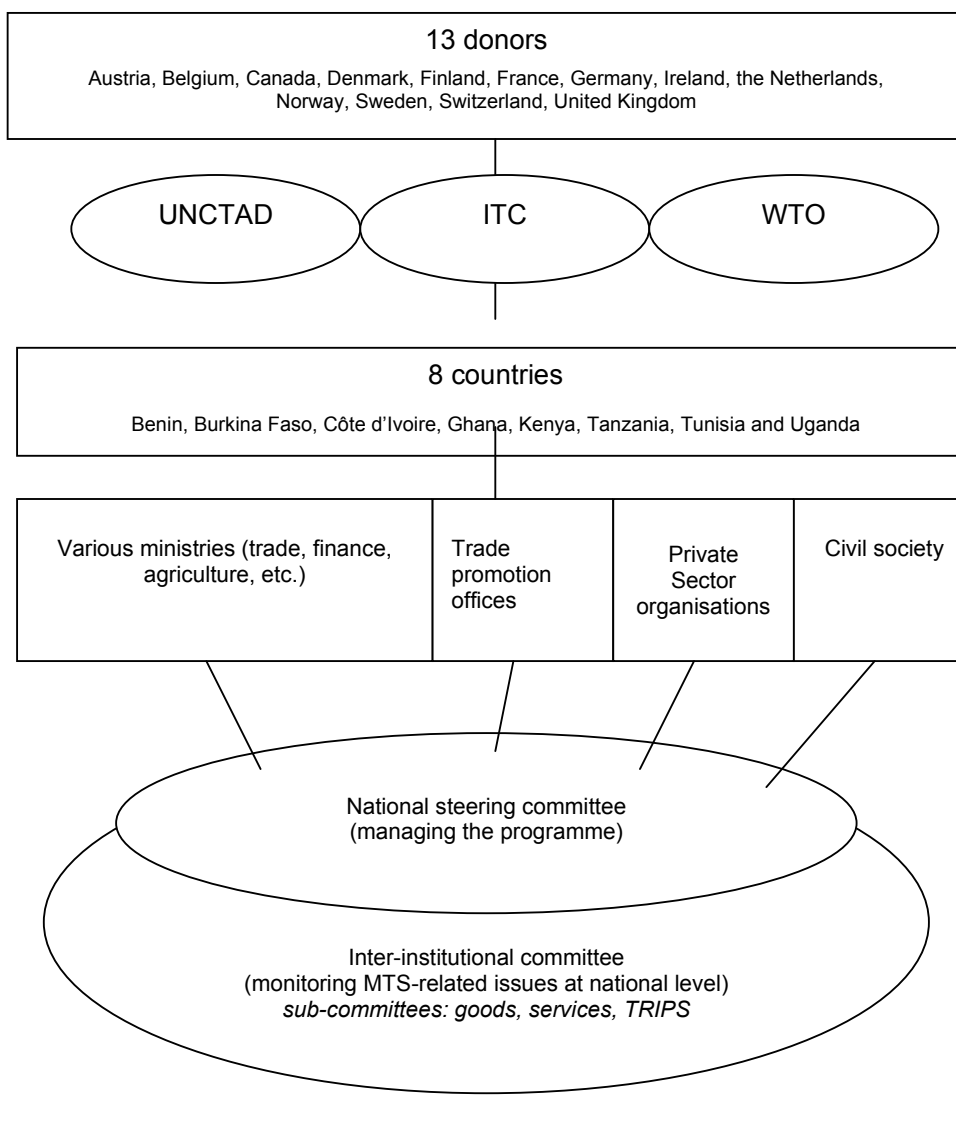
The report concluded that JITAP should be seen as a country-level catalyst for TRTA by donors. It recommended that a follow-up be considered in current JITAP countries, and that it be extended to new countries, based on a careful analysis of the realities of policy-making in each country.

*Source: De Silva, et al. (2000).*

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<sup>38</sup> Benin, Burkina Faso, Côte d'Ivoire, Ghana, Kenya, Tanzania, Tunisia and Uganda.

## The JITAP Scheme



Clusters	Objective	Activities
3	Assistance to customs	Demand-led TA for implementation of CVA, etc.
4	Legal adjustment and business environment	Demand-led TA
5	Resource centres on MTS	Documentation and Internet access for administration, businesses and academics
6	Trade information management	Review of national trade information services, development of a national network of trade information producers and providers
7	Networks	Internet-based discussion facility for programme partners and national networks
8	Human resource development; improvement of MTS knowledge	Training of trainers in MTS
9	Analysis of MTS impact on national economy and trade policy adaptation	Study + symposium
10-12	Formulation of sectoral export strategies	Human resource development; assessment of export and market potential; formulation of specific strategies to take advantage of MTS opportunities
13	Formulation of export strategy for individual firms	Trade secrets, the export answer book for SMEs
14	Export financing	Generic manual on how to approach banks; analytical studies on export financing arrangements
15	Quality management and export packaging	Support for National Enquiry Points (NEPs) within National Standards Bodies

## **Annex 7**

### **Programme for Capacity-Building in Support of the Preparation of Economic Partnership Agreements**

In December 2000, EUR 20 million of the European Development Fund (EDF) was set aside to support preparatory work for the talks on future trade agreements between the ACP and the EU, which were set to start in September 2002.

This capacity-building programme aims at improving the trade policy formulation and negotiation techniques of the ACP countries, particularly for the purpose of negotiating Economic Partnership Agreements (EPAs). Among the activities eligible for funding are studies to underpin negotiating positions, training in negotiating tactics, and technical assistance for regional economic groupings, for example on trade policy or to consolidate regional integration initiatives.

Requests for specific programme activities can be made by ACP governments, ACP institutions and regional integration organisations, as well as ACP trade associations or chambers of commerce in association, where relevant, with other interested groups such as academic institutions, consumer groups, etc., through their respective governments or regional integration organisations.

An ACP-EU steering committee and a Programme Management Unit (PMU) are to be responsible for approving and implementing individual projects. Requests for preparatory assistance will be channelled directly to the PMU by Regional and National Authorising Officers. The programme will endeavour to ensure participation by ACP consultancy firms and experts, so as to contribute to capacity creation and mobilisation in this field in the region.

In the light of the tight negotiating timetable, the original idea was for the funds to be made accessible almost immediately. However, despite a specially designed 'rapid disbursing mechanism', the facility has since run into some implementation delays. The PMU is planned to be in place by December 2001.

The process of formulating a project proposal before submitting it to the PMU is lengthy and requires considerable human and financial resources. It is particularly demanding on ACP trade associations and other interested groups, which must first identify their capacity needs and then present a project proposal for approval at national and regional level. Only once these steps have been taken can the national or regional authorising officers submit the proposal to the PMU. Even in the 'best case scenario', where a project proposal is submitted to the PMU by December 2001 and the contract process is launched immediately thereafter, organisations are not likely to obtain funding until the first quarter of 2002 for negotiations that are set to begin in September of the same year.

The ACP secretariat already organised four regional preparatory meetings and commissioned a couple of impact studies, financed from the programme, even before the establishment of the PMU.

In addition to the programme described above, the EC has set up a further EUR 10 million support programme for helping the ACP integrate into the multilateral trading system. The programme focuses on more effective participation in global trade negotiations, as well as on the implementation of these agreements. This programme is aimed at public officials as well as private-sector representatives, and will be run in collaboration with multilateral organisations.