

AID-FOR-TRADE: CASE STORY

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION (UNIDO)

Trade Capacity-Building (TCB) in UNIDO: Supporting AfT through the publication of the TCB Resource Guide 2008 & 2010

Date of submission: 31 January 2011

Region: Global

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Executive Summary

The increased availability of 'aid for trade' is a welcomed opportunity, but it also brings challenges and risks for countries trying to use it effectively. The large number of donors and service-providing agencies, both bilateral and multilateral, can make it difficult to design a holistic problem-driven trade development programme supported by various inputs from multilateral and bilateral agencies. At the same time, the sizes of such programmes are growing as available funding increases. A country which faces many problems in trading may find it difficult to identify which are the most urgently needed support services. If it has little experience in trade capacity building and related development policy decision making, it may find it difficult to identify which of the possible suggested measures will be most effective and which agencies can deliver them.

To address this, UNIDO coordinated an inter-agency effort to map available trade-related support services and activities of UN System organizations and in 2008 presented these in the form of a comprehensive resource guide. The first TCB Inter-Agency Resource Guide covered the trade-related support of 21 multilateral agencies and five inter-agency cooperation mechanisms.

UNIDO has now published an updated and expanded edition of the Resource Guide, focusing in particular on the WTO-led Aid for Trade Initiative. The 2010 edition of the Guide extends its coverage to 25 multilateral agencies, the five regional development banks, and seven inter-agency cooperation mechanisms and 24 OECD Development Assistance Committee (DAC) bilateral donors and their programmes,

The Guide has so far been widely used as a reference within the UN system, by countries, and by other agencies, including for the training of UN System Resident Coordinators. In addition to providing information on what assistance is already available, it has greatly facilitated collaboration among agencies and at the same time helped to identify where more assistance is needed.

1. Issues addressed

The new development priority for aid for trade has significantly increased the funding available for trade capacity building. It has put new emphasis on the importance of the diverse set of technical assistance services available with multilateral agencies. Their experience and expertise has been recognized by many bilateral donors as a valuable complement to bilateral development efforts. Combined with the efforts to ensure that there is explicit discussion of the role of trade and trade capacity building in formulating national strategies, this may lead to a more coherent approach to trade capacity building needs.

As the world economy revives from the economic crisis of 2008-2009, some of the declines in trade are being reversed but with different countries leading the revival; countries will need the capacity to adapt to changes in the direction and composition of demand. Even in favourable conditions changes in trade policy alone have not been enough to stimulate an increase in trade, especially in Least Developed Countries (LDCs) whose export base often remains narrow and who face high trading costs. Exporters trying to export new products and penetrate new markets need access to technical support in order to develop and produce their products, to transport, and legal and commercial services to reach the markets. But poor countries with small export sectors lack trading infrastructure, both physical, such as transport and communications, and institutional, such as organizations to implement international trade rules or offer efficient financial services. Therefore they are strongly in need of systemic support for their trade-related efforts.

2. Objectives pursued

UN organizations and bilateral donors have expertise and experience and can offer assistance to countries in many of the specific areas where they want to build up their trade capacity, and in helping them identify their priority needs. However, because there are so many organizations offering assistance, some with a general mandate to assist development or trade, others with more specialized services, the governments of developing countries and the donors trying to assist them may find it difficult to know exactly what is available, from which agencies, and their eligibility rules. It therefore becomes difficult to know how to combine the services into an effective strategy for trade development. The TCB Inter-Agency Resource Guide was designed to address this challenge. In addition to the immediate objective of providing a classified list of assistance available, the process encouraged agencies to use the information contained in it to improve their collaboration and to fill any gaps in provision. It may thus help donors to identify whether trade capacity building is focused adequately to the new needs. In some cases, where services are or should be, closely complementary and increased information about who provides what service may facilitate coordination or joint programmes among agencies.

The grouping of technical assistance services facilitates the design of a coherent approach to trade capacity building, drawing on various expertise,

programmes and donors. It also responded to a more general wish for improved coordination of aid programmes and, in particular, with the “Delivering as One” UN coherence initiative.

The key areas into which the Guide classifies multilateral and bilateral technical assistance in trade capacity building are:

- **Global advocacy** for trade as a tool for development;
- **Trade policy development**, including competition policies;
- Design and implementation of **legal and regulatory frameworks** that allow for the implementation of WTO and other international agreements, or facilitate accession to them;
- **Supply capacity** development, including the improvement of the business environment and the investment climate, the provision of business services and access to financing, and private sector development in general;
- **Compliance support infrastructure and services**, in particular for standards, accreditation and certification bodies, testing and calibration laboratories, and inspection services;
- **Trade promotion** by the development of export promotion strategies and the strengthening of trade promotion institutions;
- **Market and trade information** structures and services;
- **Trade facilitation** to assist import and export mechanisms and processes by the streamlining of customs procedures and border and transport management;
- **Physical trade-related infrastructure**, such as ports, rail transport, roads, cool chains, and harbours;
- Trade and export financing, international payments and other **trade-related financing**.

3. Problems encountered

There were both conceptual and practical challenges. Trade and aid for trade are broad concepts with clearly defined boundaries. This made choosing both the agencies and the activities to include difficult. For some agencies and programmes, trade capacity building is the core objective. For others, trade capacity building may be a result of a programme whose objective is development more generally or making trade more efficient. The choice was guided by the question: what would be directly relevant for a developing country or its advisers to know about when designing a trade-related development strategy? Initially agencies had to be convinced that the best value for developing countries comes from structuring the Guide around trade capacity building intervention areas rather than agency mandates. Also, at the same time some agencies found it difficult to relate their services to those of other agencies active in the same intervention area.

Programmes can be directed at more than one of the categories above, and the agencies themselves have their own preferences for attribution. It was

therefore necessary to reach a common understanding on the classification of agency services.

Finding ways to deal with the different approaches and definitions was thus one practical challenge. A second challenge was to encourage some organizations to join the Guide. Timely submission of updates and validations from participating agencies needed intensive follow up and monitoring. To stimulate interest and cooperation from participating agencies, UNIDO drafted initial profiles based on open source information and shared with the agencies and donors for improvement, finalization and validation. Even when agencies were enthusiastic about participating, the varying cycles of agencies' planning and programming meant that it was difficult to get all agencies 'up to date' at same moment. At the same time, significant inputs were provided by participating agencies to ensure that the profiles fully and accurately reflected the aid for trade intervention of each agency or donor. A follow up with focal points minimized the risk of missing new programmes.

4. Factors for Success/Failure

A guide is only useful if it provides comprehensive coverage and gives reliable and balanced information. The first and most important challenge was to define the categories or intervention areas for the Guide in a problem-driven, neutral, and not agency partisan manner. Therefore, a core group of three agencies was mandated at a kick off meeting to propose such categories. A further challenge was to interest a core group of key agencies to actively buy into the idea of the Guide and to provide information on their services. UNIDO therefore, engaged in intensive consultations with this core group as to well understand their interest and aspiration for the Guide. The target agencies had to be convinced of the usefulness of the Guide. While the UN coherence objective provided strong justification to the project, agencies with long histories of involvement in trade capacity building did not all immediately recognise that the new prominence for trade and trade capacity building in development implied new demands and new needs, and in some cases new development partners. One of the requirements for the first edition was to show to the agencies to be covered what they and the countries which they assist could gain from such a Guide.

In the second, 2010, edition, the task of convincing both the original participating agencies and new other multilateral agencies of the usefulness of the concept had been largely accomplished by the success of the first edition. Although a major exercise involving 21 agencies can hardly be called a 'pilot', limiting the first edition to the most committed agencies and then extending it, most likely contributed to its success.

A major challenge of the 2010 edition was the expansion to bilateral donors. In order to motivate bilateral donors, UNIDO engaged in a strategic partnership with the OECD, in particular, the Development Assistance Committee (DAC) who has all the main federated bilateral donors. Jointly

approached by OECD and UNIDO all 24 DAC members agreed to contribute to the Guide.

There were clearly more costs and risks involved by more than doubling the number of participants, as each participating organisation brings different challenges of classification and presentation, but gains in comprehensiveness of the Guide compensated for the increased costs and risks.

5. Results achieved

The TCB Resource Guide provided the first single volume resource for countries and donors of comprehensive information on trade capacity building technical assistance services. The principal feedback on the 2008 Guide was that developing countries and donors were enthusiastic about the Guide that for the first time, made visible and accessible a diverse range of technical assistance services.

The TCB Resource Guide has become a reference within the UN System for Trade Capacity Building activities and is used as reference material for training UN Residence Coordinators.

The 2010 Guide with its second volume on bilateral donors and technical assistance adds a completely new dimension to the available information and the use for developing countries. The engagement of bilateral donors has been welcomed by the OECD DAC, and has led to the promotion of the Resource Guide beyond the UN System to bilateral development partners.

The Resource Guide has become a major tool for the development of country and regional technical assistance programmes, including the United Nations Development Assistance Framework's joint programmes. The Resource Guide has also proven useful for the UN agencies themselves, to show clearly in which areas of trade capacity building each agency works, the specific types of services provided, and sources of additional information about those services, thereby making it easier to coordinate activities and avoid overlap. The Guide summarized the importance of trade as a part of development strategies. It enables developing countries to support their comparative advantages by directing technical assistance towards those productive activities that provide the highest returns.

The Guides, allow agencies to analyse how far different needs for trade capacity building are being met, and identify areas where there is a need for more assistance. While it is good that donors have taken on board the lessons that trade policy is not enough and that trade competitiveness is impossible in the absence of good supply capacity and physical infrastructure, marketing is also an essential element of trade. Within supply capacity, there appears to be a neglect of new sectors, in both goods and services.

In general, assistance by the bilateral agencies has been more likely to be private-sector-related. Among the multilaterals, the new focus on the private

sector suggests a greater role for the specialist agencies with more experience in this area. The private sector has an important role to play in identifying the barriers that traders face and monitoring whether aid programmes actually remove these barriers. Some of these barriers will need action on trade policy and legal frameworks, and therefore aid programmes targeting the public sector. But barriers, for example, in transport, standards, and accreditation require aid which provides direct help to private sector organizations. The summaries in the Guide of the types of service different agencies provide show that some are becoming more aware of this need and moving beyond broad areas of trade policy.

6. Lessons learned

A first step to provide coordinated trade capacity building is to understand the variety of objectives and mechanisms found in different agencies and donors. The second is to interpret these for the countries which need to use these in their trade and development strategies. Trade and aid for trade can involve all aspects of development, so this cannot be an exact process.

Compiling a multi-agency guide requires commitment by all the participants, not just enthusiasm and effort by the organising agency. Building this commitment requires that this agency demonstrate the usefulness of the guide and its own competence in editing and organising what others submitted. This effort relies on trust between the agencies.

7. Conclusions (applicability to other programs)

Due to the strong demand from developing countries, technical and donor agencies, researchers and others in the trade development arena, UNIDO has published a second edition which now includes main bilateral development partners and their Aid for Trade-related strategies and technical assistance. The Guide now covers the major part of total trade-related technical assistance. It is, however, important to note that a significant number of developing countries and economies in transition provide valuable trade related technical assistance, as part of an increasingly important volume of South-South cooperation. It is foreseen that the 2012 edition of the Resource Guide will cover activities on South-South cooperation initiative.

The 2010 edition of the Resource Guide is a significant enrichment of the first edition in several ways. The Guide reviews how donors have responded to two of the overarching themes of the Aid for Trade Initiative: responding to regional needs and recognizing the importance of strengthening the private sector. The Guide remains relevant to the new world environment as it describes some of the mechanisms used to ensure coherence across the different donors and reviews the donors operating in each of the categories of trade capacity building, with examples of the type of assistance they have provided.

UNIDO is most pleased to see that the Resource Guide has attracted the interest of a wide range of development partners and actors, now reaching far beyond the UN System. The principal conclusion may therefore be that the Guide will stimulate demand for further efforts, to include new donors: non-traditional donor countries, NGOs, even the private sector. Maybe the Guide can even generate interest in similar guides for other types of assistance (e.g. climate, finance) where there are new flows, many participants and many approaches.