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## Technical Assistance and Capacity Building for LDCs: *Time to Reconsider<sup>1</sup>*

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*In the run up to the Hong Kong (HK) Ministerial Meeting of the World Trade Organisation (WTO), growing attention has been paid to the needs of developing countries, especially the least developed countries (LDCs) many of whom face deep and persistent poverty and indebtedness. Judging from the draft Ministerial Text<sup>1</sup> submitted by Chairman of the General Council (GC) and the Director-General (DG) to the WTO members in anticipation of the HK Ministerial Meeting, the concern about the plight of the LDCs seems to have increased considerably. There is a need for initiating measures to improve the trade related technical assistance (TRTA) and trade related capacity building (TRCB). While calling for improved aid is laudable and urgently needed, at the same time member countries should take a step back and reflect on what has been done so far in the name of TRTA in order to reach an agreement on TRTA at the HK Ministerial Meeting which will have sufficient chances of actually leading to sustained improvement of living conditions in the LDCs.*

### Developments in TRTA/TRCB since the DDR

The WTO has been given the explicit mandate by its members to promote the development of developing countries and LDCs in its trade agenda. The WTO adopted a Work Programme in its Ministerial Declaration of November 14, 2001, known as the 'Doha Development Round' (DDR), conducive to the fulfilment of development objectives (WTO, 2001a).

The explicit mandate of TRTA at the WTO has led to the implementation of the DDR Declaration. What has been delivered so far is: a) a revised and enhanced Joint Integrated Technical Assistance Programme (JITAP), implemented in 16 countries (WTO, 2003b); b) the Integrated Framework for Trade-Related Technical Assistance to LDCs (IF); c) a Training Assistance Programme (TAP), containing the funding and allocation priorities and activities and a Doha Development Agenda Global Trust Fund (DDAGTF), which consolidates external funds and resources from donors for WTO TRTA and TRCB activities; and e) a WTO/Organisation for Economic Cooperation and Development (OECD) joint Trade Capacity Building Database (TCBD), documenting on all the TRTA/TRCB related activities (WTO, 2002c).

The WTO Committee on Trade and Development in October this year has adopted a new Technical Assistance and Training Plan (TATP) for 2006 (WT/COMTD/W/142). It promises to focus more on the quality of particular TA "products" e.g. courses, partnerships, financial support and physical infrastructure etc. However, there still is no quality assurance system in place which would safeguard return on investment of the TRTA activities even though such Quality Assessment systems exist such as ISO 10015.

### The IF for TRTA to Least Developed Countries

#### Overview

The IF for TRTA to the LDCs was initiated in late 1997 as a joint programme between the United Nations

Conference on Trade and Development (UNCTAD), the WTO, the International Trade Centre (ITC), the UN Development Programme (UNDP) and the Bretton Woods Institutions (World Bank and International Monetary Fund - IMF) to strengthen LDCs' trade capacities.<sup>3</sup>

Relaunched in 2000, after an exhaustive review of its first three years, the IF revised programme sought to resolve previous implementation problems in LDCs, by introducing 'mainstream trade'<sup>4</sup> into the national development plans of the beneficiary states. The preferred format of such development plans were called 'Poverty Reduction Strategy Papers' (PRSPs), developed by the Bretton Woods Institutions and used in the context of conditional debt financing. Under the IF, coordinated TRTA/TRCBCB was to be delivered in areas specified by LDCs in their development plans. This new approach of the IF, translated into an expanded work programme to include more countries and increased funding with a trust fund managed by UNDP.

The IF was endorsed in the Doha Declaration, setting specific tasks in the context of the WTO, as follows:

- the design of a work programme for LDCs;
- the increase of funding through donor members' contributions; and
- the delivery of an interim report by December 2002, as well as a full report by the DG on all issues affecting LDCs in the Fifth WTO Ministerial.<sup>5</sup>

#### The IF and LDCs

The progress in fulfilling the IF mandate raises several considerations worthy of mention. First, in terms of IF coverage of issues, the Sub-Committee on LDCs produced the 'WTO Work Programme for the LDCs' shortly after Doha, in February 2002 (WTO, 2002e). The programme highlighted the core systemic issues of relevance for LDCs in the context of the WTO. These issues were: market access, TRTA/TRCB, support to the agencies dealing with export and production diversification,

<sup>1</sup> This article is based on a more in-depth paper which has been accepted for publication in 2006 in the *Journal of World Business* under the title of "Technical Assistance to Least Developed Countries (LDCs) in the context the Doha Development Round (DDR): High risk of failure"

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mainstreaming trade into the LDC-III Programme Action, participation and accession to the multilateral trading system (MTS), as well as a follow-up to LDC related Decisions and Declarations.

The Work Programme was further enhanced and narrowed by the 'New Strategy for WTO Technical Cooperation for Capacity Building, Growth and Integration', issued in the same month (WTO, 2002f). Concretely, the strategy consists of 10 points that are summarised below:

- Technical Assistance is seen as a mechanism for 'mainstreaming' trade into national development strategies, in particular within programmes such as the PRSPs.
- Joint application of the revised IF is foreseen by the six agencies, where supply side constraints and capacity deficits prevail, and where trade is 'mainstreamed'. Here, the WTO has clarified that providing trade related infrastructure falls outside its mandate and resources.
- Effective and sustained coordination is to be sought with bilateral donors under the Development Assistance Committee (DAC)/ OECD, in the context of the Integrated Framework Steering Committee (IFSC).

#### Shortcomings

An important shortcoming of IF seems to be the budgetary constraints. This has affected the extent, comprehensiveness and speed of implementation of TRTA/TRCB. For instance, even though funds have been made available for mainstreaming trade, one of the priorities in the context of the WTO DDAGTF, is the ability to guarantee sustainable financing remains a major concern.

Second, an earlier and very succinct report by the UNDP, responsible for the management of the Integrated Framework Trust Fund (ITF), drew attention on the importance of mobilising additional resources for capacity building programmes (UNDP, 2002). By the time the report was made public, the amount pledged by the 17 bilateral and multilateral donors was US\$10.5mn, of which only US\$6.9mn had been effectively disbursed in the ITF. Given the foreseeable growth in demand for TRTA/TRCB in LDCs, the DDR mandate of *effective coordinated delivery of technical assistance with bilateral donors* is, at best, off track and possibly impossible.

Another problem in relation to financing is the IF's conditionality. In order to become an IF beneficiary, countries have to fulfil three basic criteria: a) demonstrate sufficient commitment to streamline trade into the respective national development strategy (preferably PRSPs); b) the PRSPs process should be in a preparatory stage, when requesting IF assistance; and c) meetings with WB or UNDP should also be in a preparatory stage. The conditionality is present throughout the process and the subsequent high level of expectations on LDCs can be prohibitive towards those states suing for TRTA.

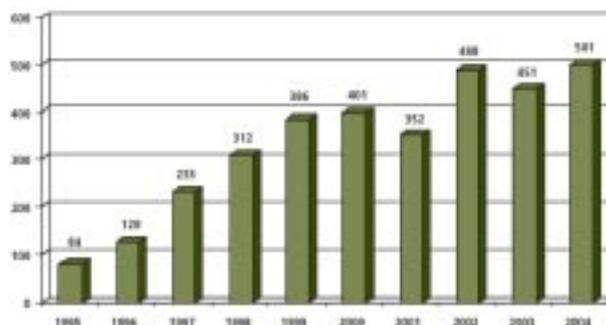
#### Box 1: WTO TRTA Activities Expenditure and Resources

In the two years following the clear mandate established by the 2002 Doha Development Agenda (DDA) proceedings, the WTO has published data indicating a slight increase near to stagnation of TRTA activities and expenditure, and a decline in the overall resources available for WTO TA. The charts illustrate the changes in WTO TRTA activities, expenditure and resources.<sup>2</sup>

In examining the chart below it is apparent that while there is an overall positive trend in TRTA activities and expenditure, the increase is marginal. Using 2002 (the year in which the DDA obligations were undertaken) as a starting point, one observes that TRTA activities increased from 488 to 501 or less than 3 percent, while actually falling from 2002 to 2003.

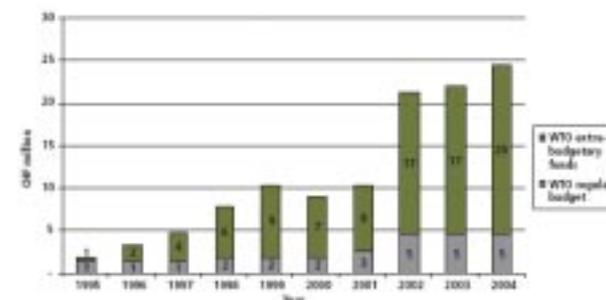
The data on TRTA expenditure, at first glance, appears more hopeful, but must be considered carefully in the light of two shortcomings. First, entire increased spending post DDA was part of WTO extra budgetary spending. In fact, no permanent increase was made in WTO regular budget spending for TRTA after the DDA commitments were made. This information is particularly damaging to WTO commitments to TRTA after considering the resource information illustrated by the final chart. As a result, TRTA was linked to voluntary contributions from member states. Second, If the violent swing from CHF25mn in 2003 to only CHF15mn in 2004 is any indication of a common trend, then TRTA may face a very uncertain budgetary future.

Chart 1: Number of TRTA activities



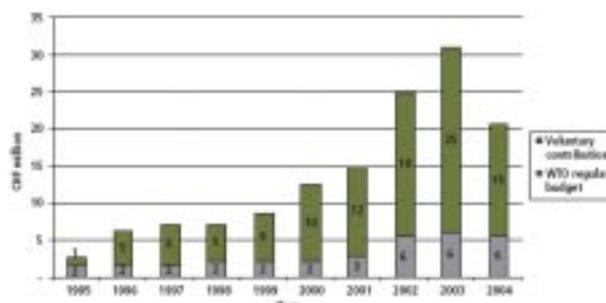
Source: WTO Annual Report 2005, p. 158

Chart 2: WTO Technical assistance-expenditure



Source: WTO Annual Report 2005,p.158

Chart 3: WTO Technical Assistance-Resources



Source: WTO Annual Report 2005,p 159

### Box 2: The Revised and Enhanced JITAP

The JITAP was originally a joint initiative between UNCTAD, ITC and the WTO, dedicated to enhancing the export capacities of African developing countries and promoting their active participation in the MTS.

In 2002, two independent evaluators issued an evaluation report of the JITAP, which was based on their interface with the involved organisations, donors and recipient countries at all levels. Though the evaluators recognised the value of the JITAP contribution to the MTS, they also drew attention on the shortcomings of the programme, citing asymmetrical application, a lack of sub regional scales of TRTA, a focus on national rather than local institutions, and most importantly, a focus on market access and market issues while supply-side issues dominate LDC concerns.

To address these issues, the report recommends: "A future JITAP should focus on building HRD capacities, through extensive engagement of local institutions; and through assistance to the development of export-sector strategies, focusing on supply-side issues. Greater emphasis on trade and poverty issues is essential in these three areas" (De Silva and Weston, 2002).

What follows is a more extensive analysis of the Integrated Framework (IF) instrument, as it was created with a specific aim of helping LDCs.

In practice, the demands of IF conditionality require many of the human and financial resources that LDCs are applying for as TRTA/TRCB. For example, conditionality requires the elaboration of a Diagnostic Trade Integration Study (DTIS)<sup>6</sup>, the organisation of national workshops to discuss the trade policies of the DTIS, and the design of a Technical Assistance Action Plan containing a so-called 'TA matrix' (see chart 2). All these activities need to be endorsed by the government of the beneficiary country, as well as the stakeholders, and subsequently need to be approved by the donors. It is contradictory to demand lengthy processes requiring coordinated skills, resources and technical capacity often beyond the possibilities of LDCs in order that those same states might qualify to receive aid.

IF conditionality is also present in the type of policy reforms undertaken by countries in their DTIS. There seems to be a bias favouring those strategies that focus on compliance with WTO commitments and on the Singapore issues. Taking Cambodia as an example, two of the main areas addressed in its IF were trade facilitation (notably a Singapore issue) and accession to the WTO, with a particular focus on achieving WTO compliance through legislative reform and institutionalisation of trade protection (The Royal Government of Cambodia, 2002). The same observation has been made in relation to DTIS of other countries. As with JITAP, critics feel that supply-side constraints have not been sufficiently addressed in the IF.

Third, the IF has not been as comprehensive or far-reaching as originally envisaged. It was initially conducted in 3 pilot countries (Cambodia, Madagascar and Mauritania). Learning from the pilot countries' experience, an adjusted IF sought deeper and more meaningful achievements, and was extended to another 11 LDCs<sup>7</sup>. Still, only 14 out of 50 recognised LDCs received aid under the second round of the IF.<sup>8</sup> Interestingly, the report on the IF only recommended the extension on the pilot phase to countries with a PRSP or I-PRSP, or to countries, which

were in the process of implementing one. Again market driven considerations trump supply-side issues in determining IF eligibility.

Currently, requests from an additional 12 countries are being considered, namely: Angola, Benin, Burkina Faso, Chad, Lao PDR, Maldives, Mozambique, Rwanda, Sao Tome and Principe, Sudan, Togo, and Zambia. Of these, only Mozambique has been recently admitted to the IF. The extension of IF to the other countries is "...subject to the outcome of the second evaluation of the IF, that is currently being undertaken..." as the WTO has clearly laid out in its TATP for 2004 (WTO, 2004b: Par. 95).

Agreements have been completed among the six IF agencies to make the IF accessible to as many LDCs as possible prior to the end of the Doha Round, beginning in 2005 (WTO, 2002d). However, only 20 countries<sup>9</sup> have received or are receiving IF, leaving 30 LDCs still waiting for support,<sup>10</sup> Are the original objectives of TRTA/TRCB too ambitious in the light of what the organisations and donors were willing or able to offer? Or has the ability of LDCs to respond with a more enabling trade environment been overestimated by these institutions?<sup>11</sup> The institutions of the IF extol the successes of TRTA/TRCB and assert that the programme can remain effective with reform (2005 WTO annual report). Yet the final and most pessimistic scenario suggests that the conditionality and market focussed approach of the IF (rather than a supply-side approach to TRTA/TRCB) may be simply inappropriate to reducing poverty in LDCs.

### The WTO/OECD joint TCBD

Considerations on the standing of the TCBD

In another TRTA/TRCB forum, the OECD has been working in close relation with the WTO on TRTA/TRCB. In the context of fulfilling the DDR mandate, both organisations have developed the Trade Capacity Building Database (TCBD). The database contains important data on TRTA and TRCB collected through surveys, as well as other information gathering tools and techniques (WTO/OECD, 2003). Many of these findings reflect important trends of Official Development Assistance (ODA) in the context of TRTA/TRCB, since OECD members represent 95 percent of the international donor community. This allows for a comparison of the importance given to TRTA/TRCB in relation to other fields of development assistance.

For instance, TRTA/TRCB receives 4.8 percent of the total ODA, which only amounts to US\$2.1bn. Though it may seem small, the sum originally allocated to the multi-donor TRTA/TRCB programmes increased by over 40 percent in the period 2001-2002, indicating a positive but modest shift in absolute terms (Carey, 2004).

The increased emphasis on TRTA/TRCB is part of an effort to reactivate the DDR by the OECD membership, following the failure at Cancun. It reflects some recognition of the concerns of developing and LDCs in trade agendas, in order to prevent a repetition of the Cancun disaster.

Despite these efforts, the current OECD/WTO database illuminates the qualitative aspects of TRTA/TRCB delivery. For instance, there is no data or survey

reporting whether delivered TRTA/TRCB is commensurate with the needs of the recipients, nor whether it has had an effect on trade in LDCs and on their participation in the WTO (Carey, 2004). As a consequence, the current standing of TRTA/TRCB delivered so far does not allow for a clear assessment in terms of its effectiveness for improving LDCs' conditions.

### Towards a More Adequate Delivery

The extent to which TRTA/TRCB may be facilitated in the WTO, depends very much on the current financial resources, capacity and mandates of the WTO Secretariat. The TATP 2004 states:

“The findings that were presented to the Members in the Technical cooperation Audit Report for 2002 (WT/COMTD/W/111, 28 March 2003) have been taken on board. For example, the report notes that the very short duration of many TA activities, and the often great number of participants, allow more for dissemination of information, sensitisation or awareness creation rather than real skill development and capacity building.” (WTO, 2004b: Par. 8)

The role of the WTO, perceived by the Secretariat in the context of TRTA/TRCB, appears to be determined by the need for a greater rationalisation of TRTA/TRCB, given the existing constraints. There is a clear preference for generating awareness of trade issues through TRTA/TRCB, rather than generating actual capacity. The role the WTO should exercise does not appear to be determined by the needs of developing and LDCs, as further clarified in the document:

“The report states that the WTO TA activities could more effectively contribute to building lasting capacity if they were planned and designed on the basis of a thorough assessment of the Members' needs and problems. Assessing needs is generally recognised as an essential element in designing a Technical Assistance and Training Programme. The Secretariat has, however, never been requested to undertake country by country needs assessment.” (WTO, 2004b: Par. 9)

The significance of the final sentence of the previous quote cannot be over-emphasised. “The Secretariat has, however, never been requested to undertake country by

country needs assessment.” LDCs are distinct units. It should be obvious that programmes cannot be adopted as *carte blanche* measures to be applied indiscriminately to states as widely disparate as Chad, Yemen, and the Democratic Republic of the Congo.

Another problem confronting TRTA/TRCB are the dissenting opinions of the involved parties. At most, there is consensus on its shortcomings, namely, lack of coordination, the inability to agree on the scope of TRTA/TRCB, and task sharing and role division among the agencies, donors and beneficiaries. Further, there is agreement on the need for more funds, and the value of concepts such as ‘partnership’ and ‘country ownership’ in programmes of TRTA/TRCB, such as the IF. Even so, countries are wary of partnerships with the IMF and WB and there is considerable criticism on the extent of ownership under the existing conditionalities.

### Conclusion

Since the Uruguay Round, LDCs have become a central part of trade negotiations. The current DDR implies that special attention must be given to the needs of the developing and LDCs.

Taking into account that poverty has only marginally been reduced and the socio-economic conditions of most LDCs worsened, it is imperative that OECD members and large developing countries make special efforts to strengthen the supply of goods and services of LDCs. Otherwise, poverty in LDCs will deepen resulting in secondary problems such as increase in armed conflicts, flows of refugees, possible increase in terrorism and environmental and social degradation.

Technical assistance in all forms discussed in this paper are needed to ensure minimal conditions for the positive integration of LDCs to the multilateral trading system. Many promises were made at the outset of this negotiation round, and quite a number of bilateral and multilateral efforts to provide TRTA/TRCB have been initiated. However, it seems that neither the quantity nor the quality of the different initiatives is sufficient to help LDCs grasp the benefits of trade liberalisation, and reduce poverty. Further efforts are necessary in terms of efficiency, effectiveness and sustainability of TRTA/TRCB for LDCs.

### Endnotes

- 1 Revised draft Ministerial Text, WTO, 1st December 2005, points 41 to 48.
- 2 See WTO annual Report 2005 for complete graphs p. 157-158
- 3 For complete information on the IF, please visit: [www.integratedframework.org](http://www.integratedframework.org). Also see WTO, 2000a.
- 4 For a complete analysis of the elements and conditions of mainstreaming trade see WTO, 2001a.
- 5 See Paragraphs 42 and 43 of the Doha Declaration, WTO 2001a.
- 6 The DTIS consists of the design of a plan of action containing trade policy reforms and measures to be executed by the LDC, and which lays out the scope of TRTA/CB delivery.
- 7 Burundi, Djibouti, Eritrea, Ethiopia, Guinea, Lesotho, Mali, Malawi, Nepal, Senegal and Yemen.
- 8 For the complete listing of LDCs, visit: [www.un.org/special-rep/ldc/list.htm](http://www.un.org/special-rep/ldc/list.htm)
- 9 This includes Bangladesh, Gambia, Haiti, Tanzania and Uganda, prior the restructuring of the IF programme.
- 10 According to the condition and criteria of the IF, it is presumed that all LDCs in the official UN listing are potential beneficiaries of the programme.
11. See: IMF/WB “Doha Development Agenda and Aid for Trade”, September 19, 2005.

