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**CAPACITY DEVELOPMENT**

**Note by the UNCTAD secretariat**

1. This document has been prepared in response to the Board decision 472 (XLIX) requesting the secretariat to prepare a note “on a possible UNCTAD approach to capacity building for consideration at a future session of the Working Party”.
2. The Working Party, in its Agreed Conclusions in May 2003, took note “of the information provided by the secretariat in document TD/B/WP/161 and of the indication that a new draft strategy for UNCTAD’s technical cooperation will be prepared and presented to the Working Party at its forty-first session for consideration by member States”.
3. The draft technical cooperation strategy is contained in document TD/B/50/7 and TD/B/WP/167 of 11 August 2003.

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### Executive summary

Last year, various initiatives were taken in relation to the capacity-building goals that are at the core of UNCTAD's technical cooperation. In addition to the Trade and Development Board's decisions and consultations with member States, the evaluation of capacity building prepared by independent evaluators in June 2002 mentioned the need for an integrated approach in designing capacity-building programmes. This concern coincides with the ongoing discussions in many development agencies on the quality, impact and sustainability of technical cooperation, and the identification of developing countries' capacities to achieve development goals. This note aims at applying this concept to UNCTAD's activities in order to shape a coherent framework for the conduct of its technical cooperation work.

Three fundamental questions are discussed in this note: What does it mean to apply the ideas of capacity development to UNCTAD's work on trade and development? What is the purpose of UNCTAD's capacity development? And how is it achieved?

The note contains examples of ongoing UNCTAD's operations as well as indications of approaches that could be envisaged to enlarge the effectiveness of UNCTAD's work in future years. In particular, increasingly integrated approaches are suggested in three main directions: (a) deeper and more systematic articulation between UNCTAD's research work and capacity development operations, particularly in order to enhance the beneficiaries' endogenous research and training capacity; (b) more within-the-divisions and interdivisional interface in order to emphasize the links between different aspects of trade, investment and related development policies; and (c) utilization of different modalities and instruments, for example training, distance learning, networking, institutional building and dissemination, as required by the subject matters and the goals of each capacity development operation. These recommendations aim at stimulating consultations between the donors, the beneficiaries and the secretariat on further action.

### Introduction

4. Since the last decade, the issue of capacity building – or capacity development<sup>1</sup> – has become a crucial substantive topic at the core of development policies. The importance of trade and investment capacity development as an area per se of the international development agenda grows in parallel with the proliferation of trade and investment arrangements and their implications for the national economies of all countries. There is an increasing awareness of the role that building capacity on trade and development issues plays in shaping mindsets, approaches and decisions. We are aware that “getting right” economic conditions and policies for example regarding the investment environment, the monetary instruments or the tariff regime, is a prerequisite for growth and development; *we are becoming aware that the initiatives aimed at building local capacities to deliver development policies also have to be “right” in order to achieve development goals.*<sup>2</sup> To determine *what* capacity is developed,

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<sup>1</sup> In this note, we prefer the term “capacity development”. However, for practical reasons, “capacity development” or “capacity building” are used almost interchangeably.

<sup>2</sup> K. Malik, *Development, Trade Liberalization and Integration*, 19 November 2002, [www.netamericas.net/documents](http://www.netamericas.net/documents).

and *how* it is done, is as important as the various topics that are the content of trade and development issues.

5. The content and the modalities of capacity development in the trade, investment and related areas are determined by deep changes in national, bilateral and multilateral development agencies. The more trade-related capacity building has an impact on the economic behaviour of beneficiary countries, the more it will impose higher standards on the quality of the cooperation received. It is vital for UNCTAD to enhance its role in capacity development and to prepare for the future changes regarding its content and modalities. In this regard, it is important to define UNCTAD's conceptual framework for contributing to capacity development: this is the content of section A.

6. The evolving trade and development agenda is the starting point of this note. UNCTAD's role in contributing to capacity development is a mirror of that agenda, and evolves accordingly. UNCTAD's evolving role in capacity development refers to "what" capacity has to be developed, as well as to "how" to achieve it, that is, on one hand, the purposes of UNCTAD's capacity development initiatives, based on its mandates (this is the subject of section B); and on the other hand, the instruments that suit UNCTAD's capacity development objectives in the thematic areas (treated in section C). Section D focuses more specifically on the capacity development needs of least developed countries (LDCs) in trade and development. Finally, some concluding remarks and recommendations are included regarding the elements that are relevant for the preparation of a new UNCTAD technical cooperation strategy.

7. This note is part of a process of reviewing UNCTAD's capacity building/development operations in the context of the broader process aimed at making capacity development a central objective of UNCTAD technical cooperation strategy in order to enhance its impact, effectiveness and efficiency.<sup>3</sup>

#### **A. Definitions of capacity building/development: Elements relevant for UNCTAD's conceptual framework of capacity development**

8. The vocabulary of development assistance changes in parallel with the mindsets that guide development policies: nowadays, we are quite far away from the notions that sustained the "technical assistance" of the 1960s and 1970s. The conceptual frameworks and the tools of development aid are constantly being adapted to higher standards and objectives. Some 10 years ago, the notion of "capacity building" was the ultimate objective of any development assistance. Today, the United Nations Development Programme (UNDP) and other development agencies<sup>4</sup> are using the term "capacity development" rather than capacity

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<sup>3</sup> In this context, it is worth mentioning *inter alia*: (a) the evaluation of capacity building in UNCTAD's technical cooperation activities by an independent evaluation team, June 2002; (b) consultations with members of the Working Party in November 2002 and February 2003; (c) TDB decision 472(XLLX) on "Review of technical cooperation activities of UNCTAD"; (d) the note by UNCTAD's secretariat on technical cooperation (TD/B/WP/161) of 5 May 2003; and the (e) memorandum of the Secretary-General on capacity building, 15 April 2003, specifically referring to Recommendation 4 of the evaluation of capacity building on "an integrated approach ... over the conduct of isolated activities in the design of capacity building programmes". Informal consultations were held with delegates of developed and developing countries, staff members of UNDP and the World Bank, independent experts and academics, and UNCTAD staff.

<sup>4</sup> *Infra*, Box 1.

building. For the UNDP, this concept has a different starting point as compared with capacity building since it focuses on the existing local capacity and needs. *Capacity development is “an endogenous course of action that builds on existing capacities and assets”, and “the ability of people, institutions and societies to perform functions, solve problems and set and achieve objectives”.*<sup>5</sup> It is a process entailing human resource development combined with stronger institutions, and three cross-linked layers of capacity: individual, institutional and societal<sup>6</sup>. From UNCTAD’s perspective, it is worth noting that these three layers are particularly relevant for trade, investment and development policies.

**Box 1. Some common features in the definitions of capacity building and capacity development**

*All development agencies seem to agree that it is more important to build the capacity that will generate endogenous changes than to induce changes from the outside. All also agree that the more the content of capacity development is policy issues, the more capacity development is demanding, complex and long-term-oriented. Here some examples of definitions:*

- UN General Assembly Resolution 53/192 (December 1998): “strengthening national capacities in the fields of, *inter alia*, policy and programme formulation, development management, planning, implementation, coordination, monitoring and review”.
- World Bank Institute: “if development assistance is to produce lasting results, countries must be able to formulate and execute their own development strategies – and to evaluate the outcomes of those strategies. The ability to make and implement development strategies depends, in turn, on the capacity to access multiple sources of knowledge and to adapt what is learned to local conditions” (*WB Institute News*, February 2003).
- Department for International Development of the United Kingdom: “trade related capacity building should take place in the context of nationally owned trade strategies integrated within national development strategies. Donors and agencies need to learn about and commit to best practice on assistance in this area” (*DFID Tradematters Briefing*, March 2003).
- Canadian International Development Agency (CIDA): “capacity development is the process whereby individuals, groups, organizations and societies in developing countries enhance their abilities to identify and meet development challenges in a sustainable manner”.
- OECD/DAC: capacity development is “an endogenous process, to which development cooperation partners can contribute”.

9. The literature on trade-related capacity building/development (TRCB) is much more limited than the generic reflections on capacity development as such. A systematic effort in this regard was carried out by OECD/DAC,<sup>7</sup> whereby the trade policy-making process is put at the centre of TRCB, which is summarized as follows: (a) collaborating in formulating and implementing a trade development strategy that is embedded in a broader national development strategy; (b) strengthening trade policy and institutions as the basis for reforming import regimes, increasing the volume and value added of exports, diversifying export products and markets, and increasing foreign investment to generate jobs and exports;

<sup>5</sup> S. Fukuda-Parr, C. Lopes, K. Malik, Eds., *Capacity for Development*, UNDP, New York, 2003, pp. 9 and 20.

<sup>6</sup> See para.19.

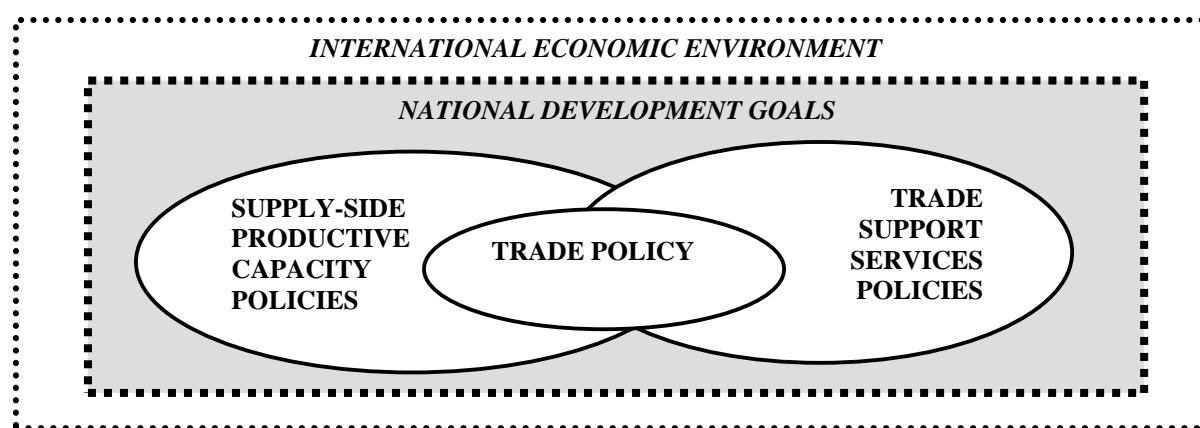
<sup>7</sup> OECD Development Assistance Committee (DAC), *Guidelines on Strengthening Trade Capacity for Development*, 2001.

and (c) participating in – and benefiting from – the institutions, negotiations and processes that shape national trade policy and the rules and practices of international commerce.

10. On the other hand, the UNCTAD conceptual framework should be seen within the context of the Millennium Development Goals: not only goal 1 on poverty reduction, but also – and particularly – goal 8 on “global partnership”. This is the only goal that specifically refers to the international economic environment; therefore, it entails numerous external factors that are not present, or not as relevant, in other Millennium Development Goals targeting national policies. The interface between trade policy and poverty reduction strategies should be seen in relation to the achievement of both goals 1 and 8. It is worth reflecting on what kind of capacity is required in order to ensure that trade policies support poverty reduction strategies, and what should be UNCTAD's role regarding this capacity development need.

### **B. Capacity development *on what?*: The goals of UNCTAD's capacity development**

11. In the light of all the above-mentioned elements and according to its mandate, UNCTAD's capacity development refers to enhancing developing countries' endogenous capacity to formulate, implement and evaluate home-grown policies for: (a) the development and diversification of their domestic productive sector; (b) the design and implementation of trade and investment policies and negotiating strategies; and (c) the development of trade support services, within the framework of their development goals and taking into account the evolving international economic environment. The role of UNCTAD is to provide to current and future policy makers and stakeholders of developing countries with the instruments they need to have these national-rooted policies. The Millennium Development Goals provide an overarching goal to UNCTAD's actions regarding capacity development – namely, the reduction of poverty, especially for the LDCs.



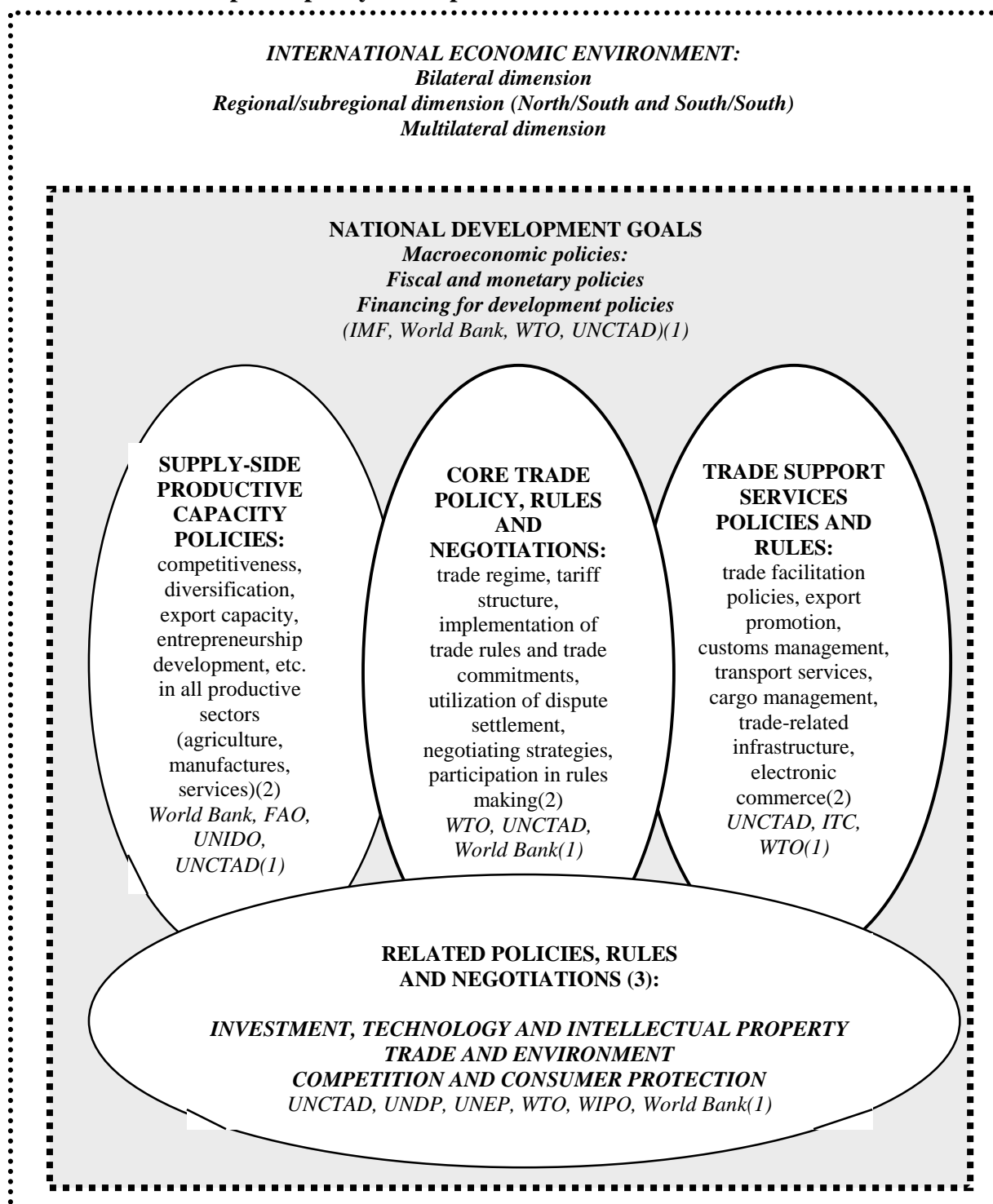
12. In each one of these three intertwined policy areas, there are several capacity development needs in terms of training, research, formulation and implementation of domestic legislation and regulatory frameworks, institutional framework, enterprise development and competitiveness, transfer of technology, participation of civil society and consensus-building, and so forth. According to its mandate, UNCTAD is developing capacity in the three policy areas, addressing various capacity needs with several modalities. Other bilateral and multilateral development agencies provide assistance in only one of the three

areas, or on some specific topics within them, sometimes with a single instrument of capacity development (training, for example), or with one main focus (the implementation of trade rules, for example). The comparative advantage of UNCTAD lies in its comprehensive approach to trade and development policies that is reflected in the broad thematic scope of its work and in the variety of its modalities for supporting capacity development.

13. The linkages between these three policy areas are complex and have direct implications on the way in which capacity development is designed and implemented. By “linkages” we refer to a diversity of connections, feedback and causalities that appear in the policy-making and law-making processes and/or in the economic activities. The “Map of capacity development on UNCTAD-related issues” (see below) elaborates on the content and the linkages between them by showing, from the UNCTAD perspective, the basic components integrating each policy area. Obviously, this scheme is not exhaustive: social policies such as labour laws, poverty reduction strategies, and educational and cultural policies should be added. Each one of the policy areas entails different capacity development needs and instruments: the needs generated by an efficient export promotion, for instance, are different from the legal skills required in order to use the dispute settlement mechanisms in the trade, investment and intellectual property areas. Likewise, to participate effectively in the trade-rules-making process, or to negotiate an investment agreement compatible with competitiveness goals, requires both economic and legal skills that do not have similarities with those required by an efficient debt management system. To identify how a trade regime impacts on poverty implies analytical tools and planning capacity that do not match those needed by the interface between intellectual property and transfer of technology, for example. *The overall capacity to formulate and implement a home-grown coherent trade and development policy has to take into account all the elements of this map, and ideally, the country should develop its own capacity in all of them simultaneously.*

14. The map indicates which agencies have expertise in developing capacities in each area – without pretending to present an exhaustive list. This provides an overview of the kind of inter-agency cooperation that may be relevant in each area, as well as the different UNCTAD Divisions and units that are or may be involved and need to work together on one given topic. *The internal as well as the external coherence that is a key goal in the delivery of capacity development should be based, as a starting point, on the substantive links between the various policy areas mentioned in them map.* From the operational point of view, the linkages between the different aspects shown in the map imply that when designing a project, the first step should be to determine which capacity has to be developed according to the nature of the targeted area(s); then to identify what area(s) have to be taken into account to ensure sustainable and comprehensive results; and finally, to determine which agencies and/or UNCTAD units can provide complementary expertise with the instruments that match the capacity development goals. (Section C discusses the issue of the appropriate instruments.) *This does not mean that all UNCTAD capacity development operations have to – or should – enlarge their scope.* But it is important to keep in mind that if the objective of an operation is to enhance capacity in one area, then, as a minimum, awareness of the links with other areas has to be taken into account when designing the operation.

**Map of capacity development on UNCTAD-related issues**



(1) Main agencies involved in capacity development in this area.  
 (2) These lists are not exhaustive: they only provide some examples of UNCTAD's areas of work and technical cooperation.  
 (3) This category is called here "trade-related policies" insofar as it shows the recent extension of the traditional trade agenda – but UNCTAD has been working on all these topics since the 1970s. This "map" is a schematic synthesis only intended to facilitate the visualization of the linkages and overlapping between the policy areas.

**Box 2. Examples of UNCTAD operations for enhancing developing countries' research and training capacity**

- The programme on investment agreement negotiations aims at transferring to selected universities of developing countries the training capacity to enable local trainers to gradually provide training on their own.
- The UNCTAD/UNDP Viet Nam project targets the “customization” of UNCTAD training materials on trade negotiations by Vietnamese academics, with a view to their conducting their own training activities.
- The University of Campinas (Brazil) launched the postgraduate course on “economic diplomacy” whereby the UNCTAD model syllabus on key issues of the international economic agenda is adapted and delivered by local professors.
- From 2001 to 2003, a TRAINFORTRADE project for Benin, Burkina Faso and Mali trained 300 economic operators and 28 trainers on trade and environment, competition law, trade and logistics.

15. Some ongoing UNCTAD operations are inspired by the goal of achieving an integrated capacity – that is they encompass several areas at the same time. The broader example is the UNCTAD Training Course on the International Economic Agenda (p. 166 of the Bangkok Plan of Action), whose syllabus includes all main areas of work of the secretariat. Other programmes or projects are also based on integrated approaches, including several policy areas, such as – by definition – JITAP and the IF. On a different scale, BIOTRADE operations are also designed in order to integrate the trade, environmental and social aspects of biodiversity. Trade facilitation “packages” are being implemented by UNCTAD so as to include all the aspects and instruments required for mastering this area. The Task Force on Sustainable Tourism is based on an analogous approach. A new integrated programme on capacity building on trade and investment for sub-Saharan countries is being prepared by UNCTAD, involving UNDP, the ECA/AU secretariat and three developing countries' research centres. Other interfaces that are already part of UNCTAD's work and will become increasingly visible in the future requests for capacity development include, for instance, the interfaces between competition and trade in services; the interfaces between trade, investment and cultural flows; the impact of changes in science and technology on trade and environment rules; the implications of regional trade agreements for the coordination of macroeconomic policies; the role of energy in trade and investment policies; and many others. *Inter-agency, interdivisional and inter-unit work, leading to integrated capacity development initiatives, will grow in UNCTAD's future operations as a natural response to the evolving international agenda.*

16. As happens to the evolving content of trade and development issues, the content of the capacity development on UNCTAD-related issues has to evolve accordingly, shifting from “old” or “traditional” topics to “new” topics, as required by the dynamics of reality. What kind of capacity will be needed in coming years to respond to tomorrow's international economic system? Can we forecast what will be the trade and development topics that may be a priority for the next generation of policy makers of developing countries? Are we sure that the modalities of building capacity on trade and development that we are using today will be effective to address future needs? These concerns are not theoretical, since the process of

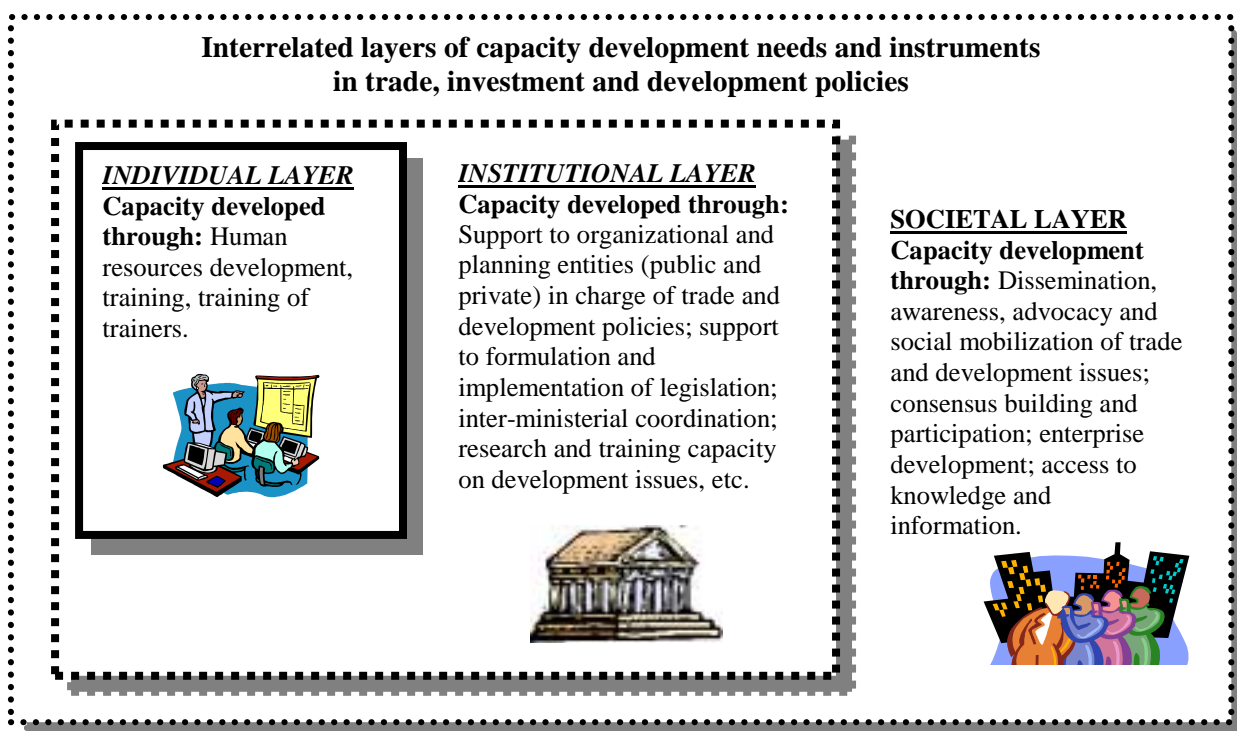


developing capacity is a long-term process. One key requirement in designing capacity development strategy is to take into account the changing international and domestic environment where it evolves. This means (a) incorporating, insofar as possible, in the scope of the capacity development operation the potential areas of new knowledge related to the development topics that are targeted; and (b) introducing flexibility in to the design of the operation so that it can be adapted to new topics or new modalities as required.

17. UNCTAD's agenda and capacity development initiatives encompass both "traditional" (i.e. topics that are part of UNCTAD's agenda since its inception, such as commodities) and "new" topics related to trade, investment and development strategies (i.e. topics reflecting recent and evolving concerns, such as electronic commerce). UNCTAD XI will determine the scope of UNCTAD's future agenda, therefore determining by the same token the scope of its capacity development. However, in the light of several UNCTAD experiences in the design and implementation of technical cooperation, some areas appear as new concerns of both donor and beneficiary countries, mirroring changes in the international environment – such as the interface between trade policy and poverty reduction strategies, and between trade and financing for development, and the articulation of bilateral, regional and multilateral trade and investment regimes.

### **C. How to ensure capacity development: The instruments of UNCTAD's capacity development**

18. In each one of the three layers of capacity development – individual, institutional and societal – there are some instruments that are more appropriate and effective than others in achieving the goals corresponding to each layer's needs. Rather than establishing theoretical typologies of instruments, it is important to make progress in applying this UNDP conceptual framework to UNCTAD's capacity development goals by examining what instruments suit the needs of UNCTAD areas.



## 1. The individual layer: Training and training of trainers

19. Since the first layer refers to individuals (in the case of UNCTAD, basically government officials in charge of economic policy-making and trade support services), training is the main instrument that can develop their professional capacity. Training is different from education – as universities and higher educational bodies provide it. However, at UNCTAD, the term “training” is usually used to refer to professional training for practitioners as well as academic education for students. Several ongoing UNCTAD projects and programmes are largely based on training. *This is the most widespread capacity development instrument in UNCTAD’s operations.*<sup>8</sup> UNCTAD training activities are frequently part of specific projects, usually short-term (3-4 days on average), and in general focused on one specialized topic for a specific audience. Others are longer (for instance, in the case of training on investment agreements and the courses on dispute settlement) and comprehensive (as in the courses on the international economic agenda of paragraph 166). In cooperation with TrainForTrade, distance-learning techniques are being used in some areas (trade and environment, competition law, investment and trade negotiations). In all these cases, the training materials are prepared by UNCTAD. The capacity developed by these training activities is usually highly appreciated in spite of the limited long-term impact of any short training of this kind.<sup>9</sup> From UNCTAD’s point of view, the design and the delivery of training on policy issues, such as the implications of globalization for development policies,<sup>10</sup> are particularly demanding because the training materials have to be regularly updated on the basis of UNCTAD’s analytical work.

20. UNCTAD's knowledge and expertise do not guarantee that the secretariat has automatically the capacity to transform the analytical inputs into capacity development tools. For instance, the technical support provided by UNCTAD to the Group of 24 (in cooperation with the Center for International Development of Harvard University) contains very rich potential training inputs; likewise, if more resources were available, the training on the utilization of UNCTAD's trade databases on market access and commodities could be enlarged. The training on legal issues such as trade, investment or environment rules raises different methodological challenges as compared with the dynamic political economy of commercial diplomacy. The training on science and technology<sup>11</sup> requires wider interdisciplinary tools as compared with the training on customs management. Training has to match the academic and professional backgrounds of the trainees, which are sometimes difficult to determine, even when a careful selection is made. Different audiences (parliamentarians, businessmen, journalists) require different training tools and approaches. Similarly, different training tools apply to different situations: simulation and modelling exercises are the most effective methodology in the area of trade negotiations; the discussion of national or sectoral studies is particularly useful for identifying specific economic

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<sup>8</sup> See UNCTAD, *Report and Recommendations of the First Advisory Group Meeting on Human Resources Development*. Geneva, 10-11 December 2002. TRAINFORTRADE works with all UNCTAD Divisions to develop training materials and train trainers.

<sup>9</sup> “African trade civil servants were reported in a recent meeting as saying they were being 'seminared to death' by donors. Year on year, a string of seminars and training sessions for officials appear to bring together people which 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 acquired knowledge within their institutions, let alone with other Ministries, private sector associations, etc.”, Henri-Bernard Solignac Lecomte, *Building Capacity to Trade: What Are the Priorities?* OECD Development Centre, March 2003, p. 5.

<sup>10</sup> As in the UNCTAD/UNDP Joint Global Programme on Globalization and Human Sustainable Development.

<sup>11</sup> In cooperation with the Science, Technology and Innovation Program at Harvard University.

problems; the comparison of different country experiences enlarges the understanding of domestic development policy options. *Finally, in spite of a limited impact as compared with the overall needs and long-term goals, training will remain a key tool and the starting point of any other capacity development initiative, since individual knowledge is a precondition for institutional building and for societal development.*

21. The *training of trainers* is a more difficult endeavour, but is certainly a more effective instrument from the point of view of capacity development than the traditional training. Academic teachers are a priori good potential trainers in UNCTAD's topics; however, the great majority of university syllabi related to international law and economics are not updated and are largely theoretical, while UNCTAD's training targets the practical aspects of policy-making and specific professional skills. The best training of trainers may be one where local teachers are themselves adapting UNCTAD's training materials and analytical work to national and regional concerns. The training of trainers that refers to specific technical skills is usually easier to design and has visible and immediate results as compared with the training related to policy-making. Finally, the quality control of both training and training of trainers cannot be standardized: UNCTAD cannot replace university requirements, and in many cases, the training only transfers some knowledge but not all the skills that are required in a specific area.

22. The utilization of *distance-learning techniques* is increasing in several UNCTAD training activities.<sup>12</sup> It ensures cost savings, larger audiences and flexible delivery schedules as compared with traditional training events. The impact and effectiveness of distance-learning techniques are enlarged when they are integrated into a comprehensive programme, where various training instruments (such as study cases, practical exercises, simulation, debates and the like) are used in parallel. Distance learning is also a powerful tool for supporting networks of training institutions that are interested in using UNCTAD's materials and in organizing joint training activities with UNCTAD and other institutions. In this sense, distance learning is at the same time a tool for individual resources development and an engine for developing institutional capacity.

## **2. The institutional layer: Support to the institutional capacity of public and private entities in charge of trade, investment and support services**

23. While training targets the individual layer of capacity development, institutional capacity refers to the role of governmental bodies, business associations and any other entity intervening in policy-making. The addition of trained individuals does not lead to an effective institutional performance, particularly in view of the complexities of trade and development policies; but individual training is usually a precondition for the success of any change at the institutional level. *Governments are responsible for ensuring development-oriented trade-related policies: this can only be achieved if the network of public and private institutions involved in the shaping of these policies is developed and working properly.* It is at the institutional level (more than at the individual and societal levels) where UNCTAD's knowledge can have a greater and more sustainable impact: an increasing number of UNCTAD's projects are based on, or incorporate, various approaches targeting institutional capacity. Unfortunately, the difficulties entailed by economic-related institutional development are by far greater than those generated by the training of individuals. Difficulties

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<sup>12</sup> See UNCTAD, *Distance Learning Strategy*, 25 June 2002.

increase according to the target: improving an institution's performance in a specific technical function (such as delivering certificates of origin to national exporters, or using a debt-management database as in the DMFAS programme) has a limited scope and specific goals, while improving the strategic and organizational skills of a planning ministry implies a different approach.

24. There are three main conditions to ensure the success of institutional capacity development in UNCTAD-related issues:

- *A solid, visible ownership by local authorities.* This is even truer than in other institutional development areas because of the sensitivity of many trade and investment decisions, which are linked to economic interests, debatable arguments and options, and political or sometimes ideological positions. It is often forgotten that trade and investment policies are the core of the economic foreign policy of all countries – developed and developing alike. In this context, ownership also means the explicit willingness of the Government to introduce changes into its policies and support services;
- *The application, by relevant institutions, of the skills acquired by individual training* in order to upgrade the functioning, procedures and decision-making process of the targeted institution (box 4); and
- *Producing visible improvements in the institution's performance at the societal level,* for instance by improving its dialogue with producers concerned by the impact of new technologies, by enhancing the consultations mechanisms leading to decisions on the trade regime, or by empowering rural communities so that they can benefit from the economic value of traditional knowledge.

25. *UNCTAD is involved in institutional capacity in the three areas of trade-related policies that were mentioned above.* For example, the capacity to participate effectively in the making of trade rules requires both well-prepared individual trade officers and the capacity of the trade ministry to identify negotiating interests on the basis of national research, in the context of the domestic development strategy and in consultation with the economic sectors concerned: this is the target of various UNCTAD projects in the area of trade. The support given to national “WTO cells” in projects such as JITAP, or the activities supporting the investment promotion agencies, for example, specifically focused on the institutional layer. Other institutional development activities undertaken by UNCTAD concern small- and medium-sized enterprises (EMPRETEC), customs authorities (ASYCUDA) and or transport operations (ACIS), all implying different methods of institutional support. Some programmes integrate various dimensions of institutional development, as in the project on Building Capacity for Improved Policy Making and Negotiation on Key Trade and Environment Issues, encompassing policy coordination, negotiating capacity, legal and policy initiatives, and regional cooperation. The Climate Change Programme also has an integrated approach targeting various institutional needs. One of the programmes that is particularly “institutional-intensive” is Competition Law and Policy and Consumer Protection, since it also includes assistance in the drafting of national competition legislation. A similar feature is found in the programme for the Development of Competitive Insurance Markets and in the activities on FDI statistics, and in many other UNCTAD operations in the area of investment policies,

promotion and facilitation. Further expansion of these kinds of activities should be explored, taking into account the human and financial resources they require.

**Box 3. From analytical work to institutional capacity: UNCTAD Programme on Good Governance in Investment Promotion and Facilitation**

In this programme, the research and analytical inputs provided by the Investment Policy Reviews constitute the framework for developing the institutional capacity of investment promotion agencies of LDCs. Advisory services and training aim at enhancing an agency's capacity to meet the “good governance” criteria (accountability, participation, predictability and transparency) required for effective investment promotion.

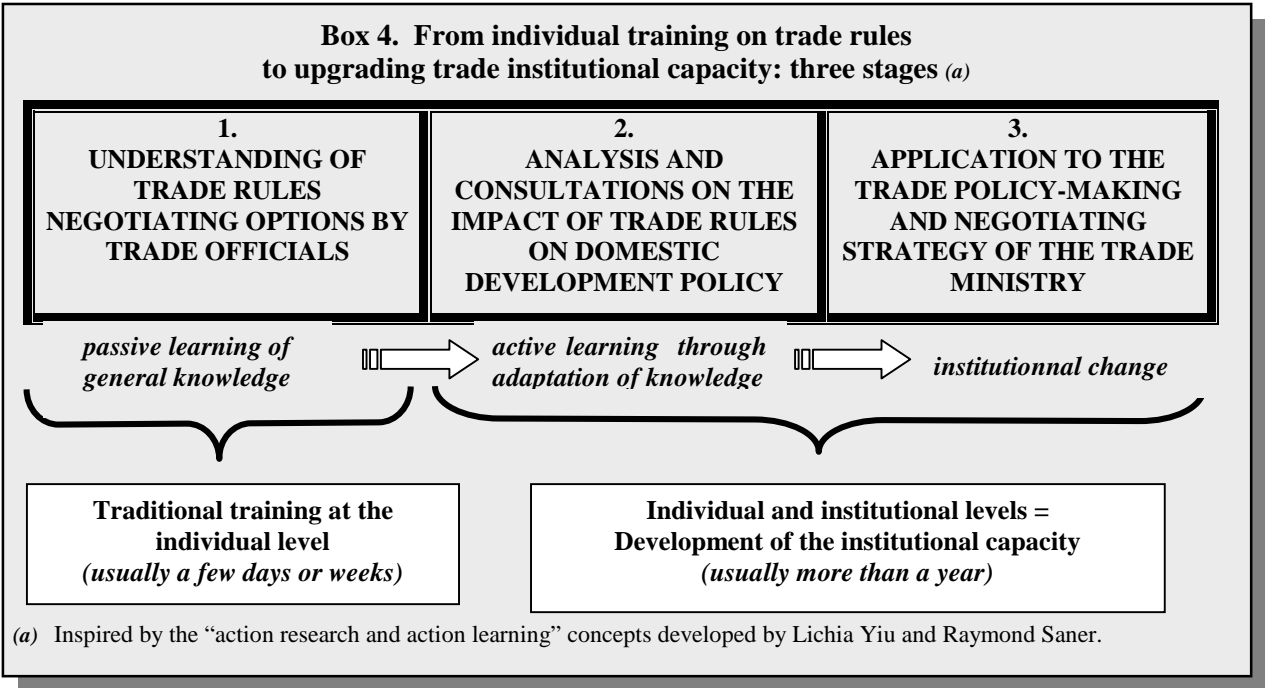
26. As mentioned in box 2, academic networking and partnerships are increasingly being used in several UNCTAD operations, with different formats according to needs. *The institutional support given to an academic research and training institution targets a crucial long-term goal, namely the research capacity for current and future policies, and training of students who will be tomorrow's policy makers and business people.* UNCTAD's support to developing countries' academia is also a way to integrate the analytical work done by the secretariat into the backstopping provided by academia to national policy makers. The participation of UNCTAD in the existing academic networks on trade and development issues should be increased. Whatever the area covered by the network, the content and scope of partnerships between academia or professional schools and UNCTAD have to be determined according to each institution's nature and goals. Universities usually have rigid curricula and heavy bureaucratic structures; changes in or additions to their content imply long processes.

27. Sometimes the establishment of “centres of excellence” for training is mentioned as a way to disseminate UNCTAD's knowledge, improve the quality of training and enlarge the capacity of selected academic institutions of developing countries. The first precondition ensuring that a training institution is a reliable disseminator of UNCTAD's knowledge is *an already well-established local capacity* in that institution in the topics that are being targeted for the training. In other words, UNCTAD can enhance but not create the local training capacity by enlarging and updating the scope of the existing training, and by providing limited backstopping through UNCTAD staff within available resources. Again, *distance learning* is as a cost-effective tool for dissemination and training. The long-term sustainability of the “centre of excellence” has to be provided by the institution itself – that is precisely the goal of capacity development.

28. We are witnessing a proliferation of *networks* on trade-related issues, linking governmental bodies, private entities, academic institutions or non-governmental organizations. They have various objectives, from the simple exchange of information to joint activities and advocacy – but they all represent different facets of institutional capacity. The effectiveness and sustainability of a network largely depend on the similarities between its members and their shared interests in the goals of the network; this is especially true in the area of trade and development policies. But sustainability and effectiveness also depend on the support provided by a “focal point” that supplies the network with ideas, contacts, updated information, joint initiatives and leadership; without such support, the network tends to be diluted and may ultimately disappear. *In the training and research networks launched by UNCTAD, it is important to identify the goals of the network from the point of view of capacity development, which institution has the role of focal point, and what are the*

*resources allocated to this purpose.* In an area of work as broad as UNCTAD’s mandate, the range of institutions potentially interested in networking activities with UNCTAD is extremely wide. Even if the target of a network is “confined”, for instance, to training centres for development issues, potential partners encompass business and professional schools, postgraduate courses of faculties of economics, law or international relations, foreign service academies, NGOs delivering training, public or private foundations, and so forth. The UNCTAD networks of investment promotion agencies (WAIPA) and on commodities (INFOCOMM, in cooperation with the Cyclope research centre) are examples of successful targeted networks, with clearly defined capacity development goals.

29. *The development of institutional capacity in the area of UNCTAD-related policies requires a wide variety of instruments, according to the nature of the institution and its functions.* For instance, ICT solutions are crucial for improving the institutional capacity of transport monitoring (ACIS), customs authorities (ASYCUDA) and or debt management (DMFAS), while theoretical and practical knowledge of specific legal rules is required for the functioning of an antidumping authority. The support to the national institutions responsible for supply-side policies (planning ministries, for instance, but also business entities) is totally different: their institutional needs are systemic, interdisciplinary and long-term-oriented. As in training, the wider the scope of the trade and development subject, the greater the institutional weakness to be addressed, and the greater the complexity of the instruments and methodologies to be used. This observation also applies to the third layer of capacity development needs: the societal layer. Finally, it is important to highlight that institutional development can be achieved only through long-term, resource-intensive and country-based operations.



### 3. The societal layer

30. Institutions such as economic ministries have a key role to play in the quality of the participation of civil society, productive sectors and legislators in the formulation and implementation of trade and development policies. Therefore, the link between the second and the third layer of capacity development is obviously the most effective for ensuring that all the stakeholders are involved in the decision-making process – more precisely, to ensure that the stakeholders have the capacity to be proactive in this process. However, changes can also be produced at societal level thanks to individual training: for instance, an entrepreneur trained in the area of competitiveness and technology can have a “demonstration effect” on other business people without any institutional support. UNCTAD can provide direct or indirect support to the societal level by acting on the individual business person, who may become a leader in his or her sector, as well as by improving the institutional capacity of the governmental bodies to mobilize social and economic actors.

31. The capacities required to ensure that the first two layers are acting in harmony with the societal context include, for instance: the generation of awareness among several stakeholders, for example in the dissemination of the goals of a trade and investment agreement; the training of journalists on WTO rules; and support to consultation mechanisms with parliamentarians, businessmen and civil society. JITAP includes some of these goals, as do some country-based UNCTAD projects, such as the project for assisting Algeria in its accession to the WTO. Awareness needs to happen in the opposite direction also: policy makers need to know and understand the civil society and productive sector concerns. The UNDP/UNCTAD Joint Programme on Globalization and Human Sustainable Development aims at enhancing the capacity to integrate the three layers and consolidating the feedbacks among them in the formulation of trade and development policies.

32. *If training methodologies have to be adapted to each topic, and if institutional capacity requires several instruments, the support to the capacity of society to be a proactive player in trade and development policies is even more multifaceted.* To explain the implications of agriculture negotiations to a rural community requires a type of dissemination that has few similarities with the dialogue requested by parliamentarians for the purpose of to understanding the links between intellectual property and transfer of technology. This latter topic is an illustration of the challenges that will face the second phase of the UNCTAD/DFID/ICTSD project on intellectual property and technology, which targets *inter alia* the dissemination of analyses done within the project. The transformation of UNCTAD's analytical inputs into “user-friendly” products is even more challenging at this level than in the preparation of training materials for individual government officials.

33. When dealing with the society-wide level, *ownership and demand-driven* initiatives appear, again, as basic requirements in any UNCTAD operation aimed at enhancing the role of the various stakeholders in the area of development issues. In this context, “ownership” also means intensive consultations with the Government in the process of designing the UNCTAD activity intended to involve civil society, journalists, NGOs or the private sector. Finally, while individual training can be delivered in groups encompassing trainees from different countries (as in regional courses, for instance), *capacity development targeting institutional and societal levels can only be country-based.*

#### **4. Country-based integrated approaches to optimize the effectiveness of capacity development operations**

34. The role of UNCTAD is important in shaping the international thinking on trade and development, but its impact on developing capacity in this area depends on how its actions enhance the country's economic performance. Development agencies realize that country-intensive operations are the most effective way (if not the only one, in many areas) of ensuring local capacity. In this regard, UNCTAD faces one main obstacle, namely the lack of UNCTAD country offices that would provide direct contacts with the local authorities so as to identify their needs and achieve regular monitoring of UNCTAD's operations in the field. This weakness contrasts with the core element of capacity development, namely ensuring an endogenous, country-based capacity in trade and development policies. The need to customise UNCTAD technical cooperation activities is increasingly appearing in many requests of both beneficiaries and donor countries, all aware of the national specificity of trade, investment and competition regimes, market access opportunities, supply and competitiveness weaknesses, legislation and policies that determine the shape and the results of any project. *The more the required capacity entails policy issues stemming from purely national development conditions, the more the activity needs a tailor-made country approach.* Likewise, the more an activity has to be tailor-made to country needs, the more it departs from standardized training, and thus belongs to the realm of country-based technical assistance.

35. The need for country-based approaches ensuring the effectiveness of capacity development in the area of trade and development policy is embedded in the design of the IF and the JITAP, as well as in the World Bank, UNDP and CCA/UNDAF operations. It is important to note the current trend observed both among donors and in the UN system as a whole towards a strong integrated country-level approach in all development operations (from design to final assessment). The role of the UN Resident Coordinators is being reinforced accordingly.

36. In view of the obvious constraints faced by UNCTAD in increasing its "presence" at the country level, alternative solutions have to be found to ensure the impact of capacity development activities in the field. For example, practical and cost-efficient means could be explored: (a) closer links with the country-based Resident Coordinator and UNDP offices should be established, in particular by ensuring wider UNCTAD participation in the design and the implementation of the CCA/UNDAF national and regional planning of operations;<sup>13</sup> (b) there should be more joint UNDP/UNCTAD projects (such as the recent project to improve Vietnamese local capacity in training on trade rules); (c) regarding the IF, it would be important for UNCTAD to enlarge its role in the formulation of DTIS, so as to ensure that its expertise on the interface between trade and development is reflected in those studies and therefore in the Poverty Reduction Strategy Papers; (d) UNCTAD experts could be assigned to field-based monitoring of UNCTAD's institutional development operations at the subregional or regional level, maintaining regular contacts with the national institutions involved; and (e) UNCTAD all-inclusive national projects – that is, integrating several thematic areas in one single project – should be considered.

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<sup>13</sup> Regarding UNDP regional programmes, UNCTAD is participating in some of the activities of the Asia Trade Project, and is designing a new UNDP sub-Saharan capacity-building project.



**Box 5. Examples of recent UNCTAD integrated national projects**

**Uganda:** the Division on Investment, Technology and Enterprise Development is applying an integrated approach in a national project that involves all aspects of investment policy and various instruments, including strong local coordination, in order to maximize the impact of the operation.

**India:** the Division on International Trade in Goods and Services, and Commodities is implementing an all-inclusive project on several trade policies, with interrelated actions and country-based coordination..

37. Country approaches make it possible to apply the principle of “active learning” as well as the goals of institutional building, namely the adaptation of global knowledge to local conditions. As noted by Joseph Stiglitz, the process required in order to adapt global development knowledge to local conditions and culture needs to be implemented by locals themselves: “*many ‘visiting economists’ have painfully discovered that the ‘devil is in the (local) details’. It is the local component of knowledge that requires adaptation – which in turn requires active participation of those who know and understand the institutional environment. Local adaptation cannot be done by the passive recipients of ‘development knowledge’; it must be done by the ‘doers of development’ in the course of their activities.*”<sup>14</sup>

**D. Specific capacity development needs of LDCs**

38. In general, in all LDCs the content of capacity development as described in previous sections matches their needs like those of all developing countries and transition economies. It is rather the intensity of some capacity development needs that increases as compared with the overall needs of developing countries and economies in transition. LDCs usually greater wider weaknesses in their supply capacity, trade strategies and trade-support services. Similarly, they have multiple training demands in all areas of trade and development policies, and their institutional capacity is fragile and sometimes has to be established from scratch – as in the case of competition authorities or investment promotion entities. *Some aspects of the capacities required in order to formulate and implement endogenous trade, investment and development policies seem to be recurrently weak and limited in LDCs, such as the following:*

- National-owned capacity to formulate productive and export strategies adapted to commodity-based supply, including the diversification of supply;
- Local research and training capacity, particularly regarding trade policy and poverty reduction strategy in the framework of the IF;
- Regulatory capacity in view of the implications of trade liberalization, particularly in the area of services;
- Capacity to maximize the potentialities of tourism as a development catalyst and to put in place development policies in related services such as transport;
- Competition and consumer protection laws and policies;

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<sup>14</sup> J. Stiglitz, “Scan globally, reinvent locally.” *1<sup>st</sup> Global Development Network Conference*, Bonn, December 1999, p. 9.

- Investment promotion and capacity to negotiate investment, scientific and technology agreements;
- Capacity to disseminate information on trade and development among stakeholders and to establish consultations mechanisms with the sectors concerned;
- Coordination between capital-based economic ministries and missions abroad, and overall capacity to participate effectively in international forums; and
- Capacity to identify research and training needs in trade, investment and development policies.

39. In the majority of LDCs, the demand for comprehensive capacity development initiatives (i.e. encompassing several areas of economic policies) is greater than in developing countries, which tend to ask UNCTAD, for instance, for more specialized training in specific topics, particularly in “new” topics of the international agenda. Several LDCs’ demands combine the traditional individual training needs with institutional needs. Even more than in developing countries in general, the economic, finance and trade ministries of LDCs are congested and understaffed. Individual skills and utilization of information are not optimized, and the inter-ministerial coordination required by the overlapping of trade and development policies is more fragile than in developing countries in general. Institutional weaknesses appear in several components of the trade and development policy-making process, particularly regarding the interface between institutional and societal layers, namely between the governmental entities and the various stakeholders.

40. *Networking and partnerships with LDCs’ research and training institutions* are useful for enhancing their local capacity. For instance, during and after the Uruguay Round, UNCTAD launched the CAPAS (Capacity Assistance Programme for Africa in Services) research network, linking several African LDCs and developing countries’ researchers. The LDCs’ researchers benefited from the exchanges and joint work on trade in services with the network members. Many national services studies and sectoral studies conducted in that network would not have been realized by the LDCs without that support. In general, the existing capacity of academia in LDCs’ is confined to some universities or centres and to some topics of the trade and development agenda. The training provided by industrialized countries’ universities to students from LDCs is usually insufficient because the theoretical knowledge acquired needs to be adapted to the economic and social realities of those countries.

41. In the light of its knowledge of LDCs’ economies, UNCTAD will continue to play an important role in developing their policy-making capacity, particularly regarding trade and poverty reduction policies. UNCTAD’s analytical work on LDCs’ economies (such as the report on LDCs) should be systematically used as an input for capacity development activities.

## Concluding remarks and recommendations

42. “Relying more on nurturing national professionals” is one of the main recommendations of the UNDP work on capacity development. With a view to the application of this goal to UNCTAD's mandate and operations, the following general suggestions may be considered, particularly when revisiting UNCTAD technical cooperation strategy:

- *General objectives and guidelines to achieve capacity development goals:*  
Promoting *integrated approaches* in the design and implementation of UNCTAD operations, namely operations that ensure coherence by effectively including and linking:
  - *Research and training;*
  - *Different aspects of trade, investment and development policies;*
  - *Different modalities and instruments.*
  
- *Specific recommendations:*
  - Expand, insofar as additional resources are available, UNCTAD *training* activities, in particular:
    - In those topics where UNCTAD Divisions and units have unique international expertise, as well as in “new” thematic areas according to the evolving international agenda, through short-term training events;
    - Comprehensive training courses such as the UNCTAD Course on the International Economic Agenda (P166), focusing on the interface between trade and development policies;
    - Transformation and dissemination of UNCTAD's analytical work into training materials, paying special attention to the training needs of LDCs;
    - Improving academic networking and partnerships (involving developed and developing country research and training institutions), whose scope and content should be determined according to the nature of the training activities involved in each case;
    - Increased utilization of distance-learning techniques in the training areas where they are effective and to support networking activities.
  - Identify areas and programmes where additional and new *institutional building* can be introduced and implemented in UNCTAD's technical cooperation, according to resources, in order to:
    - Enhance the endogenous capacity of developing countries, transition economies and LDCs' public and private institutions involved in the trade, investment and development policy-making process, in particular the research and training capacity;
    - Give specific attention to the LDCs' institutional capacity needs regarding UNCTAD-related policy-making in consultation with LDCs' national authorities and stakeholders.

- Identify areas, modalities, resources and specific projects that would allow UNCTAD to intensify *capacity development operations with a subregional and country focus*, in coordination with UN Resident Coordinators and country-based development agencies, and using the local planning mechanisms for coordinating technical cooperation;
- Take advantage of the diversity of development policies and experiences to implement *South/South capacity development*, by facilitating exchanges, research and training by and among developing countries' policy makers from different regions;
- *Explain and disseminate* among beneficiaries and donor countries the concept of capacity development and the need for inclusive approaches, and how these can be operationalized in UNCTAD technical cooperation as well as in inter-agency operations.

43. Capacity development is a process. Learning how to support capacity development is also a process that requires time, humility and deep changes in the mindsets of donors, beneficiaries and agencies. In his foreword to the new UNDP book on capacity development<sup>15</sup> the Secretary-General of UNCTAD noted that "it is easier to send an 'expert' to a developing country for a few days or weeks than to figure out how to help a national-based institution cope with new issues". UNCTAD will not escape from the difficulties entailed by the evolving nature of development assistance. But it has the technical expertise and the willingness to play a prominent role in that process.

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<sup>15</sup> UNDP, *Ownership, Leadership and Transformation: Can We Do Better for Capacity Development?* New York, 2003.