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Development Assistance Committee (DAC)
Developing countries as partners in the global trading system: a priority objective for the donor community

OECD Ministers have in recent years given prominence to:

• Better elaborating the links between trade, investment and development,
• Promoting more coherent policy making towards developing countries, and
• Enhancing the role of the OECD in helping to integrate developing countries in the global trading system.

In the context of the Development Assistance Committee (DAC), Development Ministers have expressed the more specific objective to better understand the opportunities and constraints faced by developing countries as they strive to become more prominent players in the world trading system, and to work actively to help them do so through the instruments of development co-operation.

Efforts must be stepped up, particularly in light of Seattle, to identify effective instruments and approaches for building capacity for trade with a view to:

- implementing WTO agreements and,
- ensuring effective developing country participation in trade negotiations.

The purpose of this note is to describe development co-operation work in relation to these topics, bearing in mind that the focus on capacity development for trade is one element among a broader set of activities related to trade and development issues in the OECD.

Trade Reform and Poverty Reduction: connecting trade and development to comprehensive partnership frameworks

The Issues Paper on Trade, Development and Poverty Reduction prepared by the World Bank and IMF staffs shows clearly that attaining the International Development Goals for 2015 depends upon a breakthrough in the speed at which less advanced developing countries are able to integrate successfully in the world economy. Since the publication of the DAC’s 1996 Report on “Shaping the 21st Century: The Role of Development Co-operation” these goals, drawn from UN Conference outcomes, have been widely adopted throughout the international development system. For less advanced developing countries, integrating in the global economy and benefiting from the global trading system implies a comprehensive agenda, including: creating the conditions for private sector-driven development, liberalising trade and investment regimes,

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1 See Box 1. Development Goals for 2015, Development Committee Issues Paper DC/2000-06
building supply-side capacities and enhancing the competitiveness of the private sector. Substantial progress with political and economic reforms is necessary, but not sufficient, to generate strong supply side capacities. Requests from developing countries for support to strengthen their basic capacities in the trade area have therefore increased significantly.

Benefiting from the global economy depends fundamentally on institutional and human capacities. This is clearly a development challenge rather than a trade challenge. The suggestion in the Issues Paper for the Development Committee that the trade capacity-building agenda needs to be part of comprehensive approaches to development is therefore of central importance.

**What do we mean by capacity development for trade?**

Trade liberalisation and market access are critical elements of a strategy for trade expansion. However, market access is only one of several challenges to address. Successful trade development must consist of a concerted, multi-dimensional approach that engages numerous actors, institutions and processes at the same time in an integrated and comprehensive manner.

The Integrated Framework for Trade-Related Technical Assistance for Least Developed Countries which was endorsed at the WTO High Level Meeting in November 1997 is one concrete response to the growing and trade-related needs of LDCs. The emphasis given in the Integrated Framework to demand-led and locally owned approaches is fully in line with the orientations reflected in the DAC’s Development Partnership Strategy. The follow-up process to the Integrated Framework has demonstrated, however, just how difficult it is to operationalise partnership approaches, perhaps especially in the area of trade capacity.

The DAC has been working to understand the particular challenges in this area, to identify the appropriate scope of the trade capacity building agenda, and ways to ensure effective field level implementation. There is still a great deal more to be learned in this emerging area. However, there is fairly broad agreement that capacity development for trade should concentrate on strengthening human and institutional capacity building at the level of the public sector and its interface with the private sector:

*Trade policy formulation and implementation*: Build the capacity to understand, monitor and formulate trade policies; participate effectively in trade negotiations; and implement multilateral, regional and bilateral trade rules and systems requirements (which can be technically demanding and expensive in areas such as customs valuation and standards etc.).

*Enterprise competitiveness*: Establish an effective interface between the Government and private sector actors to put in place a trade-friendly policy environment at home; and to collaborate on trade reform and trade strategy; improve capacities to access information and adjust to international trade requirements and rules; foster appropriate legal, commercial and physical infrastructure to promote trade expansion and diversification; strengthen the capacity of trade services institutions to support private sector efforts; and bring entrepreneurs into regional and global markets through forward-looking regional co-operation and integration, clusters, etc.
The DAC can make a particular contribution in these areas by seeking to identify good practices in designing and implementing effective development co-operation efforts; promoting consultations between the public and private sectors and with donors; improving the division of labour, effectiveness and co-ordination among bilateral and multilateral donors; and enhancing local ownership, in-country implementation and monitoring capacity.

Towards good practices for donors in capacity development for trade

Given the importance of trade and development linkages, many bilateral donors are now striving to be more effective in their efforts to support the less advanced developing countries in strengthening their capacity to trade. The DAC has organised two workshops on capacity development for trade and made a contribution to the WTO High Level Meeting in 1997 on the activities of bilateral donors in this area. Bilateral donors are also trying to work more closely with the core multilateral agencies to make the Integrated Framework a fully effective tool in developing countries.

Against this background, the DAC is now working to formulate a set of good practices for donors in this area. Four country case studies have been carried out for El Salvador, Ghana, Senegal and Vietnam with a view to:

- gaining insights into factors for success or failure in the trade capacity-related activities of donors; and
- providing relevant and practical guidance for donors who wish to expand or improve their trade capacity-related development activities and strengthen co-ordination and implementation in the field.

These case studies help to bring out the concrete challenges and opportunities which arise in specific contexts as well as the strengths and weaknesses of various strategies and instruments. They also underline the need to build South-South co-operation into the approach and to look at the connections between foreign direct investment and trade diversification. Finally, the case studies provide important indications of how social and environmental dimensions of trade can be treated.

On the 29-30 of May, the DAC will host a workshop in Paris at which the findings of the case studies will be tested with representatives from both donor and partner countries. This will provide a key component towards the preparation of good practices. The guidance for donors will include:

1) Identification of the needs and constraints to capacity development for trade;
2) A roadmap for effective donor policies and instruments to overcome those constraints in policy formulation and implementation, and in the interface with the private sector;
3) Recommendations for improving delivery and implementation of donor activities in the field;
4) Preliminary guidance on impact evaluation indicators for trade capacity building programmes.
It is anticipated that a set of good practices for donors will be submitted to the DAC’s Senior Level Meeting in December 2000, following wide consultation with the relevant multilateral agencies and soundly-based on concrete experience in developing countries.