

**WORKING PARTY ON DEVELOPMENT ASSISTANCE
AND ENVIRONMENT**

**WORKSHOP ON TRADE, ENVIRONMENT
AND DEVELOPMENT CO-OPERATION**

-- UNDERPINNING NEW OPPORTUNITIES FOR GREEN TRADE --

Paris, 2-3 July 1997

**Case Studies of Donor Activities at
the Trade-Environment Interface**



FOREWORD

The challenge of reconciling trade, environment and development policies has been high on the international agenda for several years. In 1992, the UN Conference on Environment and Development (UNCED) established a framework of principles and commitments aimed at making trade, environment and development policies mutually supportive. Preparatory work for the June 1997 UN General Assembly review of progress, five years after UNCED (Earth Summit + 5) further highlights the principles of an open and transparent international trading system that takes account of the specific needs of developing countries. Also underlined are the need to strengthen international co-operation, and to support capacity-building in trade and environment.

In this context, the Working Party on Development Assistance and Environment of the OECD Development Assistance Committee (DAC) has endeavoured to identify concrete ways for aid agencies to:

- help developing countries adapt to the widening range of increasingly complex and stringent environmental regulations in external markets;
- contribute to developing countries' efforts to pursue their comparative advantages in environmentally preferable goods, and to benefit from the new opportunities arising from the "greening" of international markets; and
- promote greater coherence among OECD Members' policies that will assist developing countries in achieving sustainable development objectives.

Work over the past few years has evolved considerably resulting in a major publication *Reconciling Trade, Environment and Development Policies: The Role of Development Co-operation*. Building on these efforts, the Working Party has agreed to take stock of progress to date, draw on lessons learned from aid projects in the field and launch work towards a set of donor orientations or good practices.

This report is presented as a basis for discussion at the Workshop on Trade, Environment and Development Co-operation, to be held in Paris on 2-3 July 1997. It is the result of work commissioned by the Working Party to draw together and analyse current donor experience in this area. Prepared by two consultants, Dr. Jill Shankleman and Dr. Tatjana Chahoud, the report provides a description and preliminary analysis of a range of donor projects in five broad areas of donor activity: capacity development; responding to environmental policies and measures in developed countries; institution building and eco-labelling; eco-certification, especially for food products; and environmental management systems.

The study suggests that while systematic approaches to elaborating development projects in this area are only just beginning, there is considerable scope for building on lessons learned for further progress.

The views expressed are those of the authors,
and do not necessarily reflect those of the Organisation or of its Member countries.

Case Studies of Donor Activities at the Trade-Environment Interface

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Study prepared for the
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Environment

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EXECUTIVE SUMMARY

This report builds on the 1996 OECD publication *Reconciling Trade, Environment and Development Policies and the role of Development Co-operation*. It provides a description and an initial analysis of a range of donor projects which address the trade-environment-development interface. The intention is thereby to assist donors in developing successful programmes and projects on trade and environment.

The report addresses five broad areas of donor activity. These include “re-active” projects which aim to assist developing countries deal with potential trade barriers arising out of environmental standards in OECD countries and to respond to the institutional framework of the multilateral trading system. The study also covers “pro-active” projects which seek to enhance commercial and environmental benefits arising out of the opportunities provided by environmental standards and systems in OECD countries.

Studies are grouped according to the following themes:

- capacity development;
- responding to environmental policies and measures in OECD countries;
- institution building and eco-labelling;
- eco-certification, especially for food products;
- environmental management systems.

Research for the case studies was carried out during January - March 1997. The approach was to request contacts in the donor agencies to identify possible case study projects and then to follow up a selection of studies in greater detail through document review and direct (telephone/fax) contact with donors and project organisers. The project methodology did not enable for direct contact with the developing country organisations involved in the projects and this is recognised as a weakness in drawing preliminary conclusions from the case studies.

Most of the projects identified in the study are at an early stage of implementation and there is limited information on which to base definitive conclusions. However, the following points are suggested for consideration by the DAC Working Party on Development Assistance and Environment.

Capacity Development

There are projects involving training, databases, institutional strengthening which focus directly on the trade and environment interface. It appears that demand for training and institutional strengthening is strong, and there are a number of apparently successful projects to serve as models or stimuli for project development. In terms of databases, there are strong models of sector specific information sources and less successful examples of attempts to build comprehensive databases that link trade categories and environmental measures.

Responses to Environmental Measures in OECD countries

A substantial number of projects aim to assist developing country suppliers conform to environmental requirements in OECD markets, e.g. relating to packaging, textiles and agricultural products. Clear models for projects linking technical and regulatory market information have been developed and tested in a range of developing countries. Two particular issues raised are (i) the importance of linking information on regulations with information, and perhaps technical support, on testing and certification and (ii) unresolved issues about to what extent, and through what mechanisms, projects can be targeted on small and medium enterprises in developing countries.

Eco-labelling

Whilst there are several projects to assist developing country suppliers meet OECD country eco-labelling requirements, efforts to support developing countries build their own eco-labelling systems are in their infancy. There appear to be gaps in supporting producers in applying eco-friendly production methods to goods destined for domestic markets. There are indications that labelling projects can be successful in building links between environmental and social concerns and in linking producers, developing and developed country NGOs and OECD distributors.

Eco-Certification

A number of projects are reviewed that support developing countries expand or promote environmentally friendly agricultural projects (e.g. organic produce). There are indications that these efforts are more complex than initially envisaged. These projects raise issues of supporting the associated testing and certification systems; of supporting farmers during the period of conversion to organic production and of penetrating markets dominated by competing products.

Environmental Management Systems

Projects are reviewed that help developing countries participate in international processes to develop environmental management standards within the ISO framework and to build domestic environmental management infrastructure. These projects appear to be well-received, but the study analysis suggests that interest in environmental management systems (1) should not substitute for activities to build a framework of enforceable environmental legislation (2) should not substitute for projects addressing general business management capacity-building and (3) should maintain awareness of the limited potential of the environmental management approach for small and medium enterprises in developing countries.

Overall Conclusions

The study suggests that systematic approaches to building projects at the trade and environment interface are only just beginning, as is evaluation of existing projects. It appears that a number of European donors are engaged in this area, even though there is no consistent approach among them. In particular, there are unresolved issues about focusing on environment only, or on trade, environment and social aspects -- through a comprehensive "sustainable development" approach.

There appears to be a tendency to focus on developing environmentally friendly production and products for the export sector only. There are a few "matching" projects that focus on strengthening demand for eco-friendly products in OECD markets.

The study suggests that the trade and environment focus provides an interesting entry point for donors to expand their experience in working with the private sector. Finally, the study raises a number of important issues for donors and highlights the need for further investigation as donor activities on trade and environment develop.

1. INTRODUCTION

1.1 Background to the Study

2. This report was commissioned by the Development Co-operation Directorate of the Organisation for Economic Co-operation and Development (OECD). It forms an input to the Trade, Environment and Development Co-operation work programme of the Working Party on Development Assistance and Environment,⁽¹⁾ which operates under the OECD's Development Assistance Committee (DAC). The progress made by the Working Party to date, on which this report builds, is outlined in 1.2 below.

It is now widely recognised that considerable attention needs to be focused on the interface between trade and environment issues if developing countries are to make best use of their comparative advantages in these areas. Otherwise there is a danger that these countries may fall victim to environmentally-motivated policies and measures with potentially adverse effects on trade and competitiveness. There is also a risk of environmental damage if donor efforts to assist production and exports from developing countries are carried out without adequate concern for the environment. Whilst considerable analysis of the interlinkages between trade, environment and development has now been done, there is a need to bring together and assess experience of positive measures that have been implemented in the attempt to improve the interface between environment- and trade-related policies and measures. This report, which brings together the parallel results of research by two separate consultants⁽²⁾, reviews a range of donor activities directly relevant to trade and environment issues and draws out preliminary conclusions for consideration by the DAC Working Party on Development Assistance and Environment.

The report examines the actions of donor agencies (both bilateral and multilateral), other international organisations (such as UN bodies), non-governmental organisations (NGOs) and others involved in this field. It aims to provide:

- examples of projects addressing different aspects of the trade and environment interface, and a preliminary assessment of their effectiveness; and
- a set of preliminary conclusions for discussion by the Working Party as an input into preparations for its workshop on Trade, Environment and Development Co-operation -- Underpinning New Opportunities for Green Trade -- to be held on 2-3 July 1997.

It is important to note that many of the projects covered in this study are at an early stage and there is limited information on which to base conclusions.

(1) The Working Party on Development Assistance and Environment is hereafter referred to simply as 'the Working Party'.

(2) Dr Jill Shankleman and Tatjana Chahoud.

1.2 Work to date by the DAC Working Party on Development Assistance and Environment

The Working Party on Development Assistance and Environment was set up in 1989 at a time of lively international debate following the publication of *Our Common Future*, the report of the World Commission on Environment and Development. Its mandate was extended in 1993 for a further five years.

In October 1994, a workshop was held with stakeholders from both OECD and developing countries with the aim of providing further operational guidance for donor involvement at the trade and environment interface. In December 1994, the DAC Senior Level Meeting identified the inter-related areas of trade, environment and development co-operation as a priority for coherent approaches to development assistance.

Responding to this mandate from the DAC, the Working Party initiated a major study⁽³⁾ on how development co-operation can promote greater policy coherence and help developing countries confront the challenges involved at the trade and environment interface.

Consequently, the Working Party has decided to organise a workshop on trade, environment and development co-operation on 2-3 July 1997. This report provides the case studies for discussion at this workshop.

1.3 Scope of the Study

This report presents case studies of bilateral and multilateral donor activities in the following areas at the trade/environment interface:

- *Capacity-building.* Developing countries often lack the institutional capacity to respond to the challenges of the trade and environment agenda. Donor assistance in this area aims to overcome this barrier by providing technical assistance, training, written materials, access to databases and so on.
- *Responding to environmental policies and measures.* Donor actions can assist developing countries in responding to specific environmental policies and measures in OECD country markets, which might otherwise present barriers to trade. Helping developing countries respond to bans or controls on the use of certain substances in products, and environmental restrictions on packaging are two important examples of the kind of donor activities in this area.
- *Institution building and eco-labelling.* Eco-labelling schemes provide opportunities for developing countries to adapt to environmental regulations in OECD countries and to improve access to these markets. How have donors facilitated this adoption?
- *Eco-certification* for organic food and other eco-friendly process and production methods (PPMs) provide an opportunity for export promotion by developed countries. How have such projects progressed?

(3) Published in OECD (1996), *Reconciling Trade, Environment and Development Policies - the Role of Development Co-operation*. The report is in three parts: the first part sets out the DAC's conceptual framework for approaching trade-environment-development questions; the second part presents the proceedings of the workshop in October 1994; and the final part is the report arising from a study submitted by the German Development Institute to the Working Party in April 1996.

- *Environmental management systems* (e.g. ISO 14000 series) are important tools for providing environmentally preferable process and production methods (PPM). What has been the experience of donors in promoting these approaches?

1.4 Study Methodology

The case studies have been compiled on the basis of a survey of the members of the Working Party on Development Assistance and Environment. Written material provided by donor agencies was supplemented by telephone interviews, to enable as much informal evaluation of the projects as possible. Preliminary conclusions have been drawn about the elements which contribute to successful - and less successful - projects; and a preliminary evaluation of the state of donor activities in each area is presented. However this is a field of donor activity in the early stages of development. Conclusions are tentative and provisional.

2. CAPACITY DEVELOPMENT

2.1 Introduction

Developing countries often lack the institutional capacity to respond adequately to the challenges of the trade and environment agenda. Donor assistance in this area aims to overcome this barrier by providing technical assistance in the development of domestic institutions, training, written materials and access to databases. Almost all of the case studies presented in this report have some element of capacity-building. The focus of this section is therefore on activities which aim primarily to develop domestic institutional capacity or which provide specific information to developing countries. Inevitably, however, most of the case studies presented here could be re-classified under one of the other project types presented in this report.

Three types of capacity building can be distinguished in the case-studies identified:

- training schemes;
- creation and maintenance of databases; and
- institutional initiatives.

2.2 Case Studies: Training

2.2.1 Workshops on Azo Dye Regulations for Developing Country Textile Producers: CBI, CREM

A series of workshops in seven developing countries were held between October 1996 and January 1997. These workshops, which were jointly organised by the Dutch Centre for the Promotion of Imports from Developing Countries (CBI) and a Dutch independent consultancy, CREM, were aimed at preventing European azo dye legislation from becoming a trade barrier to developing country exporters.

The workshops were targeted at small and medium-sized enterprises (SMEs) involved in textile production in Bangladesh, Pakistan, Sri Lanka, Egypt, Peru, Columbia, and the Philippines. They were partially based on the results of a previous project: a questionnaire sent to trade promotion organisations (TPOs) which

was used to gauge knowledge about and attitudes to azo dye legislation. The workshops, which were led by specialists in textile export and in environmental legislation, covered the following issues:

- current azo dye legislation in European countries and how this affects exports from developing countries;
- detailed technical information on azo products (e.g. the difference between azo pigments and azo dyes, and the restrictions on each of them in the legislation of different European countries); and
- technical guidance on how to comply with azo and other environmental legislation (e.g. details on alternative products and processes).

The CBI has not carried out any formal evaluation of the workshops, and feedback from participating countries has been mixed. The most positive response has come from Pakistan, where more than 200 textile producers attended the workshop, and have requested follow-up programmes. In Colombia, however, the response to the workshops has been more passive, with participants expressing resentment about their perception of the azo bans as a deliberate block by the West to the import of Colombian textiles, instead of making efforts to respond positively to the legislation.

According to CREM, the workshops have generally been successful. However, it is proving difficult to achieve participation from SMEs who are the intended target audience. Many participants are from large multinational companies, and there are concerns on the part of the organisers that this leads to their increased competitiveness, perhaps at the expense of SMEs. It is not yet clear how people other than targeted groups can be excluded from the workshops.

The project is set to continue into the coming year. Plans are being formulated for a second workshop in Pakistan, and two new countries, Jordan and Zimbabwe, have been targeted for future workshops.

2.2.2 ‘Train for Trade’: UNCTAD, ITC

In 1993, UNCTAD began developing a training course on trade and environment issues for trainers in industry, government and universities (see below). In 1994, ‘Train for Trade’ was launched with 10 or so pilot training courses. Initial feedback on the course was mixed, partly as a result of its very broad coverage aimed at three audiences with differing needs. The exploration of some of the underlying principles in the trade-environment debate was aimed at government negotiators but was of little interest to industry, for instance, who tended to find these aspects of the course too ‘dry’ and theoretical. The most popular material was that concerning the operation of, and developments at, the WTO; the module on multilateral environmental agreements was also particularly well received. In July 1995, a major regional seminar was held for 60 to 70 African countries on the same model.

There have been calls for the course to be regularly updated, which UNCTAD intends to do every two years. At present, it is working on developing the course into a handbook, which will be disseminated via UNCTAD’s country missions. UNCTAD is also responding to the feedback received on the first version of *Train for Trade* by developing training materials that are more focused on individual countries’ needs, and on particular audiences. UNCTAD will be working with the ITC on a series of workshops for exporters scheduled for later this year. In May, a workshop is planned to address the issue of bans on substances in developed country markets, and the products they affect.

Box 2.1. Modules in the 'Train for Trade' Training Course

The course consists of modules, as follows:

- *The Rio Declaration* - an explanation of sustainable development principles, and how the concept has been developed in various interpretations since Rio, together with some historical background to this process.
- *Environmental regulations in major markets* - an overview of environmental restrictions that may affect exports from developing countries into the US, EU and Japan, and was based on studies commissioned by UNCTAD for this purpose.
- *GATT and the WTO* - two modules, presenting an examination of each article of the GATT rules relevant to environmental issues in trade, and an introduction to the WTO. Particular attention is focused on the Committee on Trade and Environment (CTE), including a presentation of the discussions that the CTE has had, and changes anticipated in its operation. Also presented are the outcomes of the 18 or so panels on the environment, an explanation of why these outcomes were reached in terms of the interpretation of the GATT/WTO rules, and what selected commentators have said in relation to these outcomes.
- *The environment as an export promotion opportunity* - presentation of surveys and other information about the size and nature of developed country markets for 'environmentally-friendly' goods, including an analysis of the principal opportunities that these present for developing countries.
- *Case studies in environmental export promotion* - based on developing countries' experiences with cotton and hemp, and including exercises/games for the course participants.
- *Multilateral environmental agreements (MEAs)* - presentation of the principal MEAs, focusing on their trade provisions and positive measures aimed at facilitating compliance by developing countries.
- *Experience in formulating positive measures* - to support developing countries in responding positively to the trade-environment agenda.
- *Regional agreements* - a presentation of the trade and environment provisions of regional trade agreements such as NAFTA.
- *Residual issues* - a discussion of those areas where more work is needed before concrete conclusions can be drawn

The *Train for Trade* programme is estimated to have cost about US\$100 000 to date, and was funded by a number of countries including France, the Netherlands and Luxembourg.

2.3 Case Studies: Databases

2.3.1 Database on Environmental Regulations Affecting Trade: UNCTAD, ITC

In 1992, UNCTAD began work developing a database of environmental regulations affecting trade. The aim of the database was twofold:

- to provide an analytical tool which could be used to assess the implications of environmental controls on products, by linking the database of regulations to UNCTAD's existing databases on trade flows; and
- to provide a database which could be used by individual developing countries to identify areas where their exports are particularly vulnerable to restrictions as a result of environmental regulations.

It is also envisaged that the database could be used as one of the transparency mechanisms currently under discussion within the WTO's Trade and Environment Committee.

The project began by sending a questionnaire to UNCTAD's 180 member countries, of which 28 were returned. However, it soon became apparent that classifying environmental regulations and linking them to the product groups that they would affect (classified by SITC code) was a difficult task. How, for instance, should a packaging takeback obligation be classified; and how is it possible to determine what products it might affect? Some three to four staff months were spent analysing the responses to the questionnaires and attempting to answer this type of question. One of the original aims of the database had been to assess econometrically the impact of environmental regulations on exports from developing countries, but this proved impossible - not only for the reasons outlined above, but also because even if a correlation between environmental regulations and trade flows could be identified, this could not be taken to imply causality.

However, the database has been helpful in identifying products affected by multilateral environmental agreements (MEAs) - such as ozone-depleting substances controlled under the Montreal Protocol - and has served as a crude analytical tool. Two years ago, for instance, UNCTAD reported to its member governments a 'vulnerability index' of the proportion of exports from developing countries potentially vulnerable to environmental controls. The figure of 60 percent, derived using the database,⁽⁴⁾ is recognised to be very approximate, but gives an indication of the potential importance of the issue. A similar exercise was undertaken for some of UNCTAD's Asian member countries last year, giving a figure of around 25 percent. Feedback from those countries suggested that this figure is likely to be an underestimate.

At present, UNCTAD is investigating with the International Trade Centre (ITC) the possibility of merging the database with the ITC's 'TREMS' database, which holds similar information. TREMS, however, was developed more recently than the UNCTAD database and holds more detailed information. There are also ongoing efforts to integrate the findings of UNCTAD's country studies (see *Section 2.4.6* into the database, although there are difficulties (similar to those reported above) about classifying accurately the types of products affected by particular regulations (e.g. the SITC code for 'footwear' does not correspond exactly to 'shoes'). UNCTAD is planning to disseminate the information collected in the database in joint workshops with the ITC (covering two or three countries at a time) involving exporters, export promotion agencies and others.

It is not known how the database will interact with the database of trade-related environmental measures that the WTO Secretariat was requested to compile, at the first WTO Ministerial Conference in Singapore in December 1996.⁽⁵⁾

(4) The main categories of products identified by UNCTAD as being affected by environmental controls are: timber, paper, textiles, leather goods, fish and similar products, toys, and some agricultural and horticultural products.

(5) The WTO database is to be compiled out of the Central Registry of Notifications and the resulting database will be accessible by all WTO Members.

2.3.2 Database on the Transboundary Movement of Secondary Materials: UNCTAD

The economic and environmental significance of secondary materials, which are destined for recuperation, re-use, or recycling, is a topic of importance to the international trade and environment community. However, in the past, discussions have been severely limited by a lack of accurate empirical data describing the nature and volume of flows of secondary materials world-wide.

The project to create a Database on the Transboundary Movement of Secondary Materials was requested by the Canadian and Australian governments, and various international industry associations as a tool for substantiating intergovernmental trade and environment discussions on policies and measures relating to secondary materials.

The Database is run primarily by UNCTAD, with assistance from technical experts in relevant trade organisations. The information contained in the Database has been extracted from the Database of International Trade. It covers all industries world-wide which produce secondary materials.

The Database has been created with three major objectives in mind:

- to make international discussions on the use and treatment of secondary materials more substantive by providing accurate and up-to-date international information;
- to facilitate the formulation of definitions of waste and scrap items from all industries;
- to give accurate data which look at both the environmental and trade aspects of secondary material flow, and therefore facilitates multi-disciplinary discussion.

The Database has not been formally evaluated, but informal feedback suggests that it has been considered very useful in facilitating and emphasising discussion and co-ordination between environment and trade ministries during inter-governmental meetings.

The principal barrier to the success of the Database is reported to be a political one: discussions have often centred around political perceptions and objectives and have ignored the information provided by the Database. This has impeded the project objectives to make international discussions more factually based.

The Database was set up in 1995 by UNCTAD and is scheduled to be completed later in 1997, although the deadline has already been extended once in light of further demand. Its cost to date has been US\$80 000, provided by both governmental and non-governmental organisations.

2.4 Case Studies: Institutional Initiatives

2.4.1 China Council for International Co-operation on Environment and Development (CCICED): IISD, NEPA

China is the developing country with perhaps the largest stake in trade and environment issues. Its exports are growing faster than those of virtually any other country and it will soon join the WTO system. It is a participant in all Multilateral Environmental Agreements.

The CCICED was set up in 1992 as a capacity-building organisation to provide information and recommendations to the Chinese Government about important problems that China faces in the field of environment and development. The council, which collaborates with China's National Environmental Protection Agency (NEPA) has 50 Chinese and international members. The Chinese members have been

encouraged to co-ordinate their activities in carrying out research. They provide all the necessary information from within China, since there is very little access to trade and environment information for researchers of non-Chinese origin. Chinese Council meetings are annual and discuss the findings and recommendations of the six Working Groups of the Council.

The six Working Groups, each jointly chaired and staffed by Chinese and international experts, are as follows:

- Trade and Environment
- Energy Strategies and Technologies
- Monitoring, Data Collection and Pollution Control
- Scientific Research, Technological Development and Training
- Resource Accounting, Environmental Economics and Pricing Policies
- Protection of Biodiversity

China Council Working Group on Trade and Environment

This Working Group was formally established in January 1995. It is co-chaired by Dr. Ye Ruqiu of NEPA and David Runnalls of the International Institute of Sustainable Development (IISD) in Canada, and has an annual budget of US\$150 000. It assists China in developing and implementing long-term, comprehensive and integrated trade and environment policies and measures that are supportive of sustainable development.

The Working Group is carrying out research in four key areas:

- examining potential sources of green protectionism in developed country markets, in particular the effects of eco-labelling, voluntary environmental standards (for example, ISO 14000), environmental product standards (for example, the 1994 German ban on azo dyes) and consumer boycotts;
- accelerating 'Greenfood' (ecologically labelled food) development in China;
- examining possibilities for joint implementation of greenhouse gas mitigation measures;
- challenging China's status as a pollution haven for ozone-depleting substances, for example, promoting measures to restrict the use of ozone-depleting substances in foreign direct investments.

Of these studies, the projects on 'Eco-labelling' and 'Greenfood' have been completed. A paper entitled 'Eco-labelling: its implications for China' was presented at the Fifth CCICED Conference in September 1996. This paper places emphasis on the opportunities and challenges that international eco-labelling schemes present to China, focusing on the long-term implications of eco-labelling for China's trade. The paper presents specific examples, for instance, of the negative trade impacts for China of the European Union's Eco-label criteria for refrigerators. Meanwhile, the First Report of the Working Group presented the following:

- recommendations for the development of China's national eco-labelling programme, focusing on the importance of working towards compatibility with developed country standards and criteria;
- recommendations for the development of China's 'Greenfood' industry emphasising the importance of strict controls in ensuring success in exporting to developed countries;
- plans for future research on Activities Implemented Jointly (AIJ) within the context of global climatic change initiatives;
- preliminary recommendations with regard to the control of Ozone Depleting Substances (ODS) in foreign direct investments).

There has been no formal evaluation of the project, although it is evident the Chinese response has been positive, as shown by their request to extend the project for another five years. Although the Trade and Environment Working Group recommendations were made too recently to have elicited a concrete response, the Chinese government appears to have responded practically to earlier recommendations made by other Working Groups within the Council. For example, major achievements have been reported in reducing atmospheric emissions, following the introduction of increased energy efficiency by desulphurising boilers and selecting clean coal in Chongqing. It is, however, impossible to verify the authenticity of the Chinese reports, since foreigners are not given independent access to any information from within China. The Council therefore relies on government feedback in the form of 'Chinese Responses to CCICED Recommendations' for all its evaluations of the project's success. The Council has completed its first five-year phase which was initiated in 1992. At the request of the Chinese Government, the programme will continue for another 5 years (Phase II). Funding comes primarily from the Canadian International Development Agency (CIDA), but contributions have been given from a variety of international organisations including: the British Overseas Development Agency; the Ford Foundation; the German Agency for Technical Co-operation; the Netherlands' Environment Ministry; and the Ministry of International Trade and Industry of Japan. Additional support has come from the World Bank, UNDP and the Asian Development Bank.

2.4.2 Donor Assistance for Meeting Forest Certification Standards in the Netherlands: The Dutch Government

Resistance to the use of 'unsustainable' tropical timber is an issue that has been growing in importance in the Netherlands for a number of years. NGOs' campaigns have ensured that the origin of tropical timber has a high profile in consumer consciousness, reflected in the actions of a number of municipalities who publicly stated that they would not purchase any products or finance any projects containing or using tropical timber. There are no official restrictions on the import of tropical timber; instead, the government has developed a set of minimum standards for certification schemes and is promoting them vigorously. The legislation establishing the standards was due to be presented to Parliament in mid-March 1997.

The Dutch government has also been active in supporting projects and programmes intended to enable timber-exporting developing countries to meet the certification standards. First, the Netherlands funds a significant aid programme supporting the sustainable management of timber exports from tropical rainforests. Under the programme, many projects aim to integrate conservation in protected areas with sustainable exploitation of so-called 'buffer zone' areas on the fringes of protected areas. Support for sustainable forest management improves the capacity of organisations involved in forest management to achieve certification for timber exports.

In addition, the Netherlands also supports numerous specific activities which have certification as their focus. These include:

- funding of around DfI 5 million (US\$2.6 million) per year for Tropen Bos, a Dutch research foundation working on tropical forests and certification;
- provision of core funding to the Forest Stewardship Council (FSC) as well as a specific budget for certification training;
- funding for the International Centre for Forest Research (CIFOR) in Indonesia, which is developing criteria and indicators for forest certification;
- negotiations with two large private logging companies in West and Central Africa (Cameroon, Gabon and Congo) concerning certification of their operations, and funding for survey work by SGS Forestry to establish their eligibility for certification under the FSC scheme;
- support for sustainable forest management with indigenous people and other communities in Bolivia, provided through the Dutch voluntary service organisation SNV; and
- support to the Pacific Heritage Foundation in Papua New Guinea, including their activities in village forest management and sustainable forest exploitation.

This linkage between bilateral and multilateral aid programmes funded by the Netherlands, and the impacts on exports from developing countries of domestic concerns about tropical timber, is a good example of policy coherence in donor activities.

2.4.3 *Eco-packaging Pilot Project in Five Developing Countries: ITC*

Eco-packaging is a system by which the manufacturers and users of packaging, along with environmental organisations and recycling organisations, co-operate towards promoting the reduction, recycling and reuse of packaging materials. A number of EC countries have developed their own eco-packaging schemes (such as the German 'Duale System Deutschland' with the Green Dot logo). However, these schemes have the potential to create 'environmental barriers' to packaged exports from developing countries.

The eco-packaging pilot project was initiated by the International Trade Centre (ITC) in January 1995, and is scheduled to end in June 1997. The principal aim of the project is to assist five developing countries in setting up their own eco-packaging schemes. These are intended to make developing countries less vulnerable to the eco-packaging regulations of developed countries by proposing them to take advantage of the mutual recognition of technical standards positions agreed during the Uruguay Round. The information obtained from the pilot will be used to extend the project to other developing countries.

The project has been initiated in five developing countries: Colombia (with the Colombian Packaging Centre), India (with the Indian Institute of Packaging), Jamaica (with the Jamaican Bureau of Standards), Malawi (with the Malawi Bureau of Standards) and Zimbabwe (with the Zimbabwe Association of Packaging). The five countries have been selected for the pilot project because they have pre-existing packaging organisations; and because they provide a range of different environmental and economic characteristics. For example, Colombia is a mid-level industrialising country with an active private industrial sector, with some packaging organisations already in existence, but with almost no cross-sectoral co-ordination between different packaging organisations. Meanwhile, Zimbabwe has little in the way of formal waste management systems in place.

The project operates mainly by providing legislative and technical advice and training to packaging organisations. The first stage in all participating countries has been to establish a national eco-packaging committee. This committee then attempts to stimulate the private sector to develop eco-packaging schemes. The nature of these schemes has varied considerably according to the specific socio-economic and industrial setting in each country. An outline of project activities to date is as follows:

- *Colombia*: setting guidelines for a national eco-packaging pilot scheme which integrates various pre-existing sector-specific schemes (e.g. in the plastics and paper sectors);
- *India*: municipal waste management in Mumbai which facilitates local 'rag-pickers' in collecting, sorting and separating household waste; and
- *Zimbabwe*: a scheme to place domestic 'dry waste' in separate plastic bags, and therefore facilitate garbage pickers in separating and collecting metal, paper and plastic waste from dump sites.

There has been less development in Malawi and Jamaica. The pilot project is still in its first stages in Malawi, with the development of a national eco-packaging committee still in progress. In Jamaica, three large companies are now collecting recovered packaging waste for recycling and reuse, but there are no national schemes to date.

No eco-packaging labels have been developed to date, but it is planned that exporters who are involved in these schemes and meet the relevant packaging criteria (of reusability and recyclability) will be awarded with labels in the future.

The project is evaluated annually and the final report of the pilot project will be prepared for June 1997, when the project is due to close. Responses from the developing countries have generally been positive, according to the ITC. One major negative factor has, however, been identified: many developing country exporters in the private sector question the longevity of these eco-packaging schemes, believing that eco-packaging legislation in Europe will not last a significant length of time. There have been difficulties in persuading developing country exporters that eco-packaging is likely to be a long-term global trade reality.

The total cost of the project to date is US\$200 000. If further funding becomes available, it is planned that the results of the pilot project will be extended to ten more developing countries, each neighbouring one of the five pilot countries. The long term aim of the project is to achieve co-operation and co-ordination between the eco-packaging schemes of different countries, so that the criteria of different schemes are compatible.

2.4.4 *Building a Common Position on Trade and Environment: Commonwealth Secretariat, CARICOM, UWICED, WTO*

In 1996 the Commonwealth Secretariat launched and completed the first project in a programme on trade and environment. The programme focuses on building policy coherence at a regional level amongst Commonwealth countries through a process which culminates in a regional workshop. The workshop involves senior officials in developing a common position in relation to negotiations on trade and environment within WTO.

The programme is managed by the Export and Industrial Development Division of the Commonwealth Secretariat. This division maintains close links with industrial companies and associations in member countries. It recognises that there are concerns in the private sector of developing countries about export

restrictions on environmental grounds. The Commonwealth Secretariat has a long history of projects on institutional capacity building and policy formulation and is therefore able to draw on a range of government contacts. Dialogue with industry, governments, regulatory bodies and academic contacts in the lead area, the Caribbean, led to the conclusion that the project priority was to build a regional position on the complex negotiations within the WTO Committee on Trade and Environment. This would enable the Caribbean countries (CARICOM) to play a more effective role at the First Ministerial Meeting of the WTO, held in Singapore in December 1996.

The project planning started in early 1996. The initial phase, leading to a CARICOM common position, was completed in November 1996. The total cost was approximately £60 000 (US\$97 000). In the case of the CARICOM project, the Commonwealth Secretariat project partners were the University of the West Indies (UWICED) and the Government of Trinidad and Tobago. There was also close contact with CARICOM during the project.

Future regional workshops are planned. The Commonwealth Secretariat process requires these to be requested by a regional organisation or by a group of countries.

The project took the following form:

- Dialogue between the Commonwealth Secretariat and UWICED to develop the outline, scope and programme for the project. This was followed by UWICED commissioning a series of papers by regionally-based experts.
- Dialogue with regional bodies and government representatives to agree on the scope and programme for the project. This resulted in the Government of Trinidad and Tobago making a contribution to the project.
- Use of an external expert to establish contacts in selected Caribbean countries; identify key participants at the workshop; build up understanding of the complexities of the WTO structure and activities; and prepare briefing papers.
- A two and a half day regional workshop involving senior government officials from both industry and environmental ministries plus some industry representatives. The workshop was comprised of presentations and break-out sessions and resulted in the productions of a draft Common Position for the CARICOM countries for the WTO Singapore Ministerial Meeting.

The project provided financial support for the workshop and for preparation of papers by local and international experts. The project is judged informally by the Commonwealth Secretariat to have been successful and there are plans to duplicate it in future for other regions. The participants' evaluation of the workshop was very positive, and the project succeeded in meeting its primary objective of producing a CARICOM position paper.

2.4.5 Capacity Building Towards Policy Coherence in Ghana and Kenya: FIELD

The Capacity Building project towards Policy Coherence was initiated by the Foundation for International Environment Law and Development (FIELD) in November 1996. The project has been designed as a partnership between FIELD and several other organisations. In Ghana, the project partners are Friends of the Earth (FoE Ghana) incorporating Environmental Protection Agency (EPA) personnel. In Kenya the project partner is the Centre for Environmental Law and Policy in Africa (CEPLA), while in Europe, FIELD collaborates with the International Coalition for Development Action (ICDA).

The aim of the project is to address two major issues perceived as prevalent in Ghana and Kenya:

- the lack of accurate data available to policy makers in trade and environment; and
- the fact that local expertise is often neglected or ignored in favour of foreign-led and funded research.

The main components of the project are, therefore, to:

- provide financial support to partners in Ghana and Kenya to undertake case study research; and
- disseminate the results of this research to policy makers in trade and environment.

The case studies are being carried out in two major areas:

- how national policies shape soil and forest management projects in Ghana and Kenya; and
- the impact of international trade on these national policies.

It is hoped that the results of these case studies, taken together, will provide a comprehensive picture of the relationship between international trade, national trade and environment policies, and the management of forest and soil resources at local level. The results of the case studies will be presented at workshops to which a number of interested parties are invited including trade and environment policymakers; NGOs who interact with policymakers; participants in soil and forest management projects; and local communities who are directly affected by national policy concerning the management of their land. These groups will be invited to comment on and contribute to the discussion on future trade and environment policy.

The project, which is still at too early a stage to be evaluated, will run until February 1998 at a total budget of 142 000 ECU (US\$162 000), financed by FIELD.

2.4.6 Building Policy Coherence: UNCTAD, UNDP, UNEP

One of UNCTAD's major contributions to date at the trade-environment-development nexus has been the series of country studies that it has co-ordinated and funded, in collaboration with other agencies, notably UNDP and UNEP.⁽⁶⁾ These have provided, in particular, estimated costs for the impacts in particular developing countries (or countries in transition) of environmental policies and measures in developed countries, and of MEAs. In this way they have improved transparency in the global trade-environment debate, by making more information available about the impacts of these measures. They have also formed an important input into UNCTAD's analysis of:

(6) Under the joint UNCTAD/UNDP project on 'Reconciliation of environmental and trade policies' (ref. INT/92/207), research institutes in developing countries are analysing country-specific experiences in order to understand better trade and environment linkages. A joint project in collaboration with UNEP (ref. INT/93/A48) is also developing a series of country case studies in Africa, Asia, Latin America, Central and Eastern Europe.

- eco-certification schemes and the question of mutual recognition; and
- equivalency of environmental standards, e.g. the question of whether two different national standards can be regarded as equivalent for the purpose of implementing MEAs such as the Montreal Protocol and Basel Convention.

Finally, they represent an important form of capacity building, by improving understanding in developing countries about environmental requirements, and measures that can be taken in response to them.

The 25 or so country studies and 10 or so issues papers have cost about US\$500 000 to produce. They have been disseminated published and in a number of regional workshops, as well as in published form; and they have provided much of the basis for UNCTAD's synthesis reports to the interministerial Ad Hoc Working Group on Trade, Environment and Development.

2.5 Discussion and Preliminary Conclusions

From these case-studies, a number of preliminary conclusions can be drawn. It appears that demand for training is strong: both training for policy-makers on how WTO systems work, and, more widely, training for a broad audience of exporters, export promotion bodies and others on specific environmental measures in OECD country markets. Feedback from such training schemes is generally but not universally positive: the strongly-held view that environmental controls are a form of protectionism prevented a positive response to donor initiatives in at least one case.

In relation to the compilation of databases of environmental measures, the UNCTAD experience suggests that a universal information source on potentially trade-restrictive measures may be of little assistance to exporters in developing countries, whether directly or indirectly. In this respect, it will be interesting to monitor the development of the WTO database of trade-related environmental measures. More targeted, sector-specific approaches (such as the Dutch CBI's GreenBuss initiative - see *Section 3.2.4*) may be more successful. Capacity-building initiatives which facilitate a dialogue between trade and environment professionals may also provide an alternative approach.

The operation of the China Council for International Co-operation on Environment and Development, and its Working Group on Trade and Environment in particular, provides an interesting and cost-effective model for the capacity-building process. This form of partnership between domestic and foreign experts appears to work well, and its replication potential seems worthy of further investigation.

It seems likely that considerable further development of work in the institutional capacity development field will be needed. Relatively few projects have been identified, and the experience of the Caribbean countries indicates that - without external assistance - it is difficult for many developing countries to participate in the work of the WTO's Trade and Environment Committee. The FIELD project indicates how a lack of understanding by policymakers of the trade-environment interface is perceived as an important issue in the countries concerned. Initiatives to build internal policy coherence by donor agencies appear also to be at an early stage.

3. RESPONDING TO ENVIRONMENTAL POLICIES AND MEASURES IN OECD COUNTRIES

3.1 Introduction

Donor actions can assist developing countries in responding to specific environmental policies and measures in OECD country markets, which might otherwise present barriers to trade. These include, for example, bans or controls on the use of certain substances in products and environmental restrictions on packaging. This section focuses on donor agency projects and programmes to assist developing countries to respond to this kind of measures and to other environmental policies and measures in OECD countries which 'threaten' developing country exports.

The case studies identified provide support to developing country exporters and others in the following forms:

- information and analysis about OECD country policies and measures;
- training about these measures; and
- technical support to test facilities, to enable developing countries to conduct their own tests on exports subject to environmental restrictions by importing countries.

3.2 Case Studies: Information and Analysis

3.2.1 *Eco Trade Manual: CBI, DIPO, NORAD, Sida*

The Eco Trade Manual is designed to respond to the growing need in developing countries for objective, relevant and practical trade-related information. It was first published in 1996 as a joint production between: the Dutch Centre for the Promotion of Imports from Developing Countries (CBI); the Danish Import Promotion Office (DIPO); the Norwegian Agency for Development Co-operation (NORAD); and the Swedish International Development Co-operation Agency (Sida). The majority of the research for the manual was contracted to a Dutch consultant by CBI.

The 200-page manual focuses on the environmental issues faced by current and potential exporters to the European Union. It covers the following specific topics:

- sustainable development;
- environmental regulations;
- product orientation;
- process orientation; and
- trade incentives.

The sustainable development section of the manual outlines trade and environmental policies that are aimed at sustainable development. Information is given at the global level (for example, the obligations set out in the 1987 Montreal Protocol); the European Union (EU) level (for example, details of the EU's Fifth Action Programme on the Environment); and national level (for example, the Netherlands National Environment Policy Plan, NEPP). Particular emphasis is placed on product-oriented policy in EU Member States, such as the prohibition on the sale of products coloured with azo dyes in Germany.

The section on environmental regulations provides a thorough review of EC environmental regulations. These regulations include Quality Management Standards (for example, the ISO 9000 Standard) and Environmental Management Standards (for example the ISO 14000 EMS). There is a strong focus on environmental labelling, both at EU and country level (e.g. the Nordic Swan).

The chapter on product orientation focuses on issues in environmentally conscious product development, ranging from research and development to the treatment of workers. The chapter also discusses key issues related to five major product groups: leather; textiles; wood and wood products; agricultural products; and paper and cardboard. Finally, the section on trade incentives gives exporters guidance on how to apply to and benefit from environmental subsidies and support programmes, both at EU level (e.g. the European Development Fund, EDF) and national level (e.g. the Norwegian Environmental Grant). It also provides addresses of relevant fund-giving institutions.

The Eco Trade Manual, of which around 2 000 copies have been published, has been distributed free of charge to various types of organisations within developing countries including National Export Promotion Bureaux, Ministries of Trade and Commerce and Chambers of Commerce. Information from the manual is regularly disseminated at workshops and seminars in developing countries. The manual has also been made available to developing country embassies in Denmark, the Netherlands, Norway and Sweden.

Although there has been no formal evaluation of the manual, DIPO suggests that it has been well received. Requests for more copies have been made by ministries and export promotion bureaux in a number of countries. As a result of this demand, discussions are taking place between CBI, DIPO, NORAD and SIDA for the development of an updated manual to be produced later this year. It is not known how long the project will continue for but no time limit has been set so far. The manual has been jointly funded by CBI, DIPO, NORAD and Sida at a total cost of approximately US\$40 000. It is not yet known what the annual cost of updating the manual will be.

3.2.2 *Environmental Quick Scan: CBI, SIDA, VIVO*

The Environmental Quick Scan documents have been in production since 1995. They are published by the Centre for the Promotion of Imports from developing Countries (CBI) and the Swedish International Co-operation Agency (SIDA), in co-operation with the Far East Importers Association (VIVO). The information in the bulletins is compiled by a Dutch consultancy, CREM. The objective of the 'scans' is to provide information about developments in the health and environmental field in the EU, Germany, the Netherlands, and Sweden, that may affect the export activities of manufacturers in developing countries. The bulletins encourage exporters to adopt a pro-active attitude to these developments.

The bulletins, which are distributed free of charge to developing country exporters, are produced for the following product categories:

- building materials (including ceramic and stony products);
- fresh fruits and vegetables;
- textiles;
- machinery (including equipment and parts);
- workwear and personal safety products;
- toys and handicrafts;
- writing materials for offices and schools;
- paper products for offices and schools;
- cosmetic ingredients;
- wood products;

- furniture;
- leather products;
- textiles;
- rubber car parts and accessories; and
- pumps and compressors.

As an example, the textile bulletin covers the following topics:

- general environmental aspects of textile production;
- trade-related environmental policy (including process-oriented, product-oriented, and waste management policies in the European Union, and how they affect trade);
- product standards for textiles (including country-specific information on restrictions and standards in relation to particular substances, for example azo dyes and cadmium);
- eco-labelling (including details of EU and national eco-labels for textiles, as well as organic eco-labels);
- cleaner production (including advice on how to reduce environmental impacts at all stages of the life-cycle, for example, reduced pesticide use during cultivation); and
- working conditions and occupational health (including guidelines on improving labour conditions in the textile industry).

There has been no formal evaluation of the project. However, according to CBI, informal responses from developing country exporters have generally been positive. Future plans for the continuation of the project include updating the bulletins via the GreenBuss on-line Internet service (also produced by CBI - see *Section 3.2.4*) rather than updating via written documents.

3.2.3 Market Briefs: Sida

The Market Briefs are a series of manuals compiled by Sida and distributed to exporters and trade organisations in developing countries. These manuals contain a basic overview of the Swedish import market, and cover 45 products, including foodstuffs, leather goods, wood and wood products, and textiles. These include information on environmental controls in Sweden, but do not focus exclusively on this issue.

Two Market Briefs cover explicitly environmental issues:

- *Trade and Environment*, which provides an overview of Swedish eco-friendly products, eco-labelling and environmental management schemes; and
- *Organic Food Products*, which gives information on the Swedish market for organic food products, including general market trends, means of supply and distribution, regulations on labelling and additives, plus guidelines for handling, processing, wrapping and packaging organic foods.

Approximately 2 000 copies of each Market Brief are distributed per year, free of charge, to developing

countries. Each Market Brief has been formally evaluated, and, according to Sida, the results have been very encouraging, with positive feedback from developing country exporters and numerous requests for further information concerning trade and environment issues. Those exporters requesting more information about environmental issues in general have been provided with the 'Eco Trade Manual' (see *Section 3.2.1*).

Sidahas also organised a seminar on Trade and Environment for trade attachés from developing countries. It was received with considerable interest and a further workshop is planned for later this year. Sida reports that many of the attendees were surprised and somewhat depressed by the seriousness and importance attached to environmental issues by Swedish importers. Sida is also exploring with the national textile importers' organisation the possibility of running joint seminars to inform textile exporters about environmental demands in the Swedish market.

3.2.4 *GreenBuss Database: CBI*

The GreenBuss is a computer database set up by the Dutch Centre for the Promotion of Imports from Developing Countries (CBI), and developed and managed by external consultants (KommaNet). The database contains information for developing country exporters about trade, environment and technology issues.

The GreenBuss is accessible through a modem or through the Internet, and is supported by a helpdesk staffed by experts in the fields of trade, regulations and environmental technology. Specific requests for advice or information can be made through the helpdesk. The topics covered in the database are as follows:

- regulations (including Environmental Management Standards, hallmarks and eco-labels);
- process orientation (including coverage on cleaner processes, waste water treatment, packaging and storage);
- information (e.g. relevant addresses, trade fairs and on-line databases);
- sustainable development (including global, EU and national policies);
- product orientation (including information on working conditions, energy efficiency, waste treatment and cleaner production); and
- trade incentives (including subsidies and support programmes).

There is debate as to whether use of the Internet reduces the inequality of global information distribution and accessibility, or augments it. The fact that businesses require a compatible computer and a modem to subscribe to GreenBuss means that many smaller and less technologically developed enterprises will be automatically excluded. The service does, however, facilitate an unprecedentedly rapid flow of information between CBI and its subscribers, which was previously impossible.

3.2.5 *Eco-Packaging Factsheets: International Trade Centre*

Disseminating information about packaging requirements - not just environmentally-motivated ones - is a core function of the Division of Trade Support Services (DTSS) at the UN International Trade Centre

(ITC) in Geneva. In the early 1990s, the DTSS produced a publication giving information on packaging legislation in general for the European Union. Following the passage of the EC Packaging and Packaging Waste Directive in 1994, it became clear that significant national differences in eco-packaging⁽⁷⁾ legislation would remain.

At the end of 1995, the DTSS therefore employed an intern for three months to develop guides to national eco-packaging legislation, based on in-house information supplemented by further research where necessary. The guides present a concise overview of the main features of the legislation together with a brief analysis of how it is most likely to affect exporters in developing countries, and a list of contacts for further information. The countries initially covered were those EU Member States known to have significant eco-packaging legislation either in force or in preparation: Austria, Belgium, France, Germany and the Netherlands. Within the EU, further publications are under consideration for Denmark, Italy and Spain.

The factsheets are disseminated primarily by sending them to the 1300 organisations on the DTSS's packaging-related mailing list. These include (in both developed and developing countries): packaging and standards institutions and universities with schools of packaging; and (in developing countries) trade promotion organisations, chambers of commerce and industry, and commercial banks. Further demand results from coverage in other publications, notably the newsletter produced by the Dutch Centre for the Promotion of Imports from Developing Countries (CBI).

The factsheets are also disseminated via trade fairs, such as the three-yearly Interpack trade fair in Germany. Demand arising from this form of dissemination, however, is mostly in developed countries, where concise and up-to-date information about eco-packaging legislation is also in strong demand. Funding for the factsheets is, however, tied to their dissemination in developing countries, and the DTSS makes efforts to limit the number that are disseminated in developed countries.

The ITC is currently considering a report which discusses supplementing traditional means of distribution with electronic dissemination of information (using the Internet). This has raised the issue of whether electronic dissemination, on balance, makes information more or less available to target groups in developing countries - the Dutch CBI already uses the Internet for providing access to its GreenBuss database, and the same question has been raised in that context also (see *Section 3.2.4*). The increased availability of information to developed country interests as a result of Internet dissemination is also the subject of debate, given that funding for the factsheets is tied to their dissemination in developing countries.

There has been no formal evaluation of the eco-packaging legislation factsheets. However, there is a steady stream of enquiries from developing countries, both of a general nature ('What is going on in Europe?') and more specific ('How should I find out more about the legislation in Austria?'). These appear to indicate that there is considerable demand for this information.

There is also demand for information on eco-packaging legislation in North America (especially from South America), and in Japan, Australia and New Zealand (especially from South-East Asia). The rise of eco-packaging schemes in developing countries such as Thailand also raises the need for similar information. Given the size of their markets, however, factsheets for the USA and Japan are currently seen as the priorities.

(7) The term 'eco-packaging' is used here to refer to environmentally-motivated policies and measures related to packaging.

The work was funded as part of a wider German-funded project on eco-packaging, but the DTSS are confident that funding can be found from the Centre's main budget when this three-year project comes to an end.

It seems likely that there will be a continuing need for further work in this area by the DTSS (and others), to update the countries for which factsheets exist, to develop new guides for important developed-country markets, and to produce new guides in developing countries which are beginning to put similar schemes into place.

3.3 Case Study: Training and Testing

3.3.1 *Quality Control of Agricultural Products in Egypt (QCAP): Finnish Department for International Development Co-operation, Egyptian Ministry of Agriculture and Land Reclamation*

One of the greatest challenges for developing country exporters in producing goods is adequate testing to meet environmental regulations in the EU market. Testing techniques are generally expensive, and require expert knowledge. In order to become competitive, developing countries need to acquire adequate testing facilities which allow them to monitor and control the quality of their exports.

The QCAP project was established in 1993 and its first phase came to an end in 1996. The second phase began in March 1997 and is scheduled to continue for two years. The project is a collaboration between the Finnish Department for International Development Co-operation (under the Ministry of Foreign Affairs), and the Egyptian Agricultural Research Centre of the Ministry of Agriculture and Land Reclamation. This project is a small part of wider plans by the Ministry of Agriculture to achieve self-sufficiency in producing key agricultural products. The main aim of the project is to establish and accredit a well-equipped laboratory for testing food products destined for export to Europe, particularly herbs and spices. The laboratory is equipped to analyse approximately 70 agricultural food residues, including pesticide ingredients, heavy metals (e.g. cadmium, lead and copper) and aflatoxins.

At the end of its first phase, the QCAP project appears to have produced positive results. Of the food shipments passed through the laboratory for inspection and certification, a number have been found to contain levels of pesticide residue which would be unacceptable in the importing country. This means that the export of products which would previously have been shipped abroad and rejected at in the importing country has been prevented. However, the project has shown serious limitations:

- the laboratory does not have microbiological testing facilities, and this has resulted in chemically inspected shipments being rejected after analysis in importing countries; and
- the laboratory is currently under-used by exporters, and more publicity and education is therefore thought to be needed.

As part of the second phase of the project, proposals have been made to build a microbiological unit connected to the chemical inspection unit. This would make the quality assurance process more complete and would remove the need to subcontract microbiological analysis to other laboratories. Meanwhile, it is planned that emphasis will be placed on awareness-raising among exporters through the use of newsletters, leaflets, educational materials, television productions and workshops for exporters, customs officials, traders and other target groups (e.g. pesticide manufacturers). Emphasis will be placed on informing exporters and other target groups on how to improve product quality by conforming to European environmental standards.

The project has a total budget to date of FIM13.23 million (US\$2 600 000). Of this total, FIM9.24 million (US\$1 800 000) has been received by Egypt, while FIM3.99 million (US\$800 000) has been used by Finland.

The Indo-German Export Promotion project is another example of a project including a training and testing component. (*See Section 4.2.1.*)

3.4 Conclusions for Discussion

In this review, a substantial number of projects have been identified which aim to respond to environmental measures in OECD countries - some of the projects listed in *Section 2* under the heading of capacity development also aim to assist developing countries in responding to environmental measures. A high proportion of these projects include the provision of analysis and information to developing country exporters; and the projects identified focus particularly on packaging, textiles, leather, agricultural products and eco-labelling schemes.

Providing Information

For those projects which aim to provide information and analysis, an important issue arises in the need to target information to the intended audiences. Of these projects, only Sida's market briefs have been formally evaluated; there may therefore be a role for greater evaluation of the effectiveness of information dissemination, to ensure that users' needs are being met and that potential users are not being missed.

Although the organisations responsible for information provision report enthusiastic feedback from their clients in developing countries, a formal evaluation of the effectiveness of these projects in raising awareness is difficult. For instance, in a small survey of industry groups in India to investigate the impact of the German azo dyes ban on manufacturers, no reference was made to the activities of the Indo-German Export Promotion project (IGEP). (*See Section 4.2.1.*) However, this does not necessarily mean that the project was ineffective in raising awareness.

The other question arising in this context is the conditions under which interested groups from OECD countries should have access to the market information. The ITC's eco-packaging factsheets are a good example of information in strong demand in developed as well as developing country producers. There may, therefore be, scope for developing more sophisticated pricing mechanisms to ensure that the information is used to its maximum potential without prejudicing access from developing countries. Revenue from sales in OECD countries could also contribute towards the cost of providing the information in developing countries.

In this context, research on the implications of electronic dissemination of information using the Internet may be useful. At present, it appears unclear who gains and who loses when information is disseminated in this way, and especially if it is *only* made available electronically.

From Information to Action

A second issue arises in the need to move from information to action. Analysis of both the IGEP (*see Section 4.2.1*) and the Finnish project on the Quality Control of Agricultural Products in Egypt (QCAP) suggests that the provision of adequate testing facilities is an important part of an integrated strategy to minimise the trade impacts of environmental measures in OECD countries. In India, because of the high level of awareness of the requirements of the azo dyes ban, demand for testing appears to outstrip the

ability of laboratories to provide. In Egypt, where awareness of the importance of environmental standards in agricultural produce is lower, the reverse is the problem. Thus, it might be concluded that, where laboratory testing is needed to monitor compliance, provision of appropriate facilities must go hand in hand with awareness-raising.

Beyond testing, however, a further issue arises of environmental management to avoid product failures at the testing stage. It seems likely that the most effective strategy would be to co-ordinate efforts to improve environmental management in industry and agriculture, with dissemination of information about environmental product requirements in export markets, and, if necessary, with the provision of testing facilities. Coherent policies, promoting an integrated package of capacity-building efforts, are likely to provide the greatest benefits in responding to environmental pressures on exports, and in the exploitation of developing countries' competitive advantages in 'eco-friendly' production.

4. INSTITUTION BUILDING AND ECO-LABELLING

4.1 Introduction

Environment improvement can be achieved through the use of a number of policy tools, alone or in concert with others. Very specific instruments which are under lively discussion at present are eco-labelling schemes and eco-certification. While eco-labelling initiatives have often been discussed as potential barriers to trade, this chapter shows that pro-active donors' activities could be helpful to developing countries in overcoming existing constraints and, by doing so, possibly strengthen their competitiveness in international trade.

The following types of assistance can be distinguished in the case studies identified:

- information, training and analysis about OECD country policies and measures;
- institution building /capacity building and development of environmental criteria; and
- technical assistance and institution building in developing countries and developed countries to enhance new trade relations for social and environmentally friendly process and production methods.

4.2 Case Study: Information, Training and Analysis

4.2.1 The Indo-German Export Promotion Project and the Challenges of New Environmental Regulations

The Indo-German Export Promotion Project (IGEP) is a German-aided development assistance project which aims at increasing India's exports, particularly to Germany and the European Community. The concept and plans of this project were elaborated in the middle of the eighties; in 1988 the joint GTZ/MoC (Ministry of Commerce, India) project could take off.

To achieve visible results, IGEP concentrated its efforts on industries with a comparative advantage, e.g. the export sectors of leather shoes, gold jewellery and silk. In the meantime, the programme has been

extended. It now additionally comprises leather garments, handbags and other leather goods, all types of silk fabrics and products and also includes industrial castings and computer hardware.

The activities of German experts include market information, assistance in trade fairs, establishment of direct trade contacts, product improvement including technical collaboration and joint ventures.

Strong emphasis is also laid on continuous and systematic information. IGEP provides a constant flow of information about new environmental regulations, e.g. the German PCP decree, the packaging ordinance and the German legislation banning the use of specific azo dyestuffs.

The IGEP project, which is expected to end in December 1999, will provide technical assistance for environmental activities (including the organisation of workshops, seminars, training and education, information material and the provision of two laboratories) amounting to DM250.000 (US\$144 000).

IGEP Activities in Reaction to the German PCP Ban

In 1989, for environmental concerns, Germany imposed a total ban on PCP (pentachlorophenol) which is widely used for leather tanning. The PCP ban would have caused a severe set-back to Indian exports of leather goods to Germany which were expected to be in the range of about DM500 million (US\$288 million) per year. Against this background IGEP started a number of activities by:

- launching a concerted information campaign also for the use of alternative chemicals;
- imparting specialised training to technicians in laboratories in testing and certifying;
- providing special training through the PFI Institute in Pirmasens (Germany);
- installing two gas chromatographs.

In 1991, the Government of India banned the use of PCP and the leather industry is now adhering to the prescribed norms.

IGEP Activities in Reaction to the German Ordinance on the Avoidance of Packaging Wastes (Packaging Ordinance)

Another example are the activities of IGEP in connection with the German Packaging Ordinance. The ordinance laid down that packaging material be taken back by the distributor for reuse or recycling. This implies that sales and secondary packaging materials which are contaminated by substances constituting risks for health and environment, must be disposed of in prescribed ways. To minimise any adverse repercussions of the packaging ordinance for Indian exporters, IGEP initiated various activities:

- the text of the ordinance was sent out to Indian companies for appropriate appreciation and action;
- an information campaign was launched;
- information was disseminated through the media.

In co-operation with the Government of India, Chambers of Commerce and Industry (IGCC), a series of seminars and workshops were organised in important centres of India.

Finally, a ban was placed on the use of specific azo dyestuffs for colouring articles for clothing (textiles, leather, shoes) and bedlinen, etc. Although the date of implementation of the ban was deferred twice, ultimately the use of azo dyes has had to be phased out.

As Germany is one of the most important markets for these products from India, this ban was, and still is, a big challenge for India's textile and leather exporters. IGEP again has been disseminating information about the banned dyes, including alternative dyes (where possible). Apart from these activities, to ensure azo-free textile production, IGEP also started to develop "truly ecological" textiles, which implies textiles made from organic cotton or other natural dyestuffs and textiles which can be fully recycled without producing any harmful residues.

Furthermore, IGEP has been working in close co-operation with the industry (especially textile and leather), the Government of India, German agencies (PFI) and dyestuff manufacturers in order to ensure that India's exports would not suffer on account of environment-related issues. In this context IGEP is helping to set up the necessary testing infrastructure in India. A well-equipped testing facility at FDDI (Footware Design and Development Institute) in Noida, near Delhi, is a prime example of IGEP's efforts.

IGEP has also established a close co-operation with the Central Leather Research Institute (CLRI) in Madras and the Council for Leather Exports (CLE) by sending experts from PFI to their establishments. These meetings the dialogue between German technical experts and Indian manufacturers about azo dyestuffs, their substitutes, the testing infrastructure and the need for training and technical personnel in industry and laboratories.

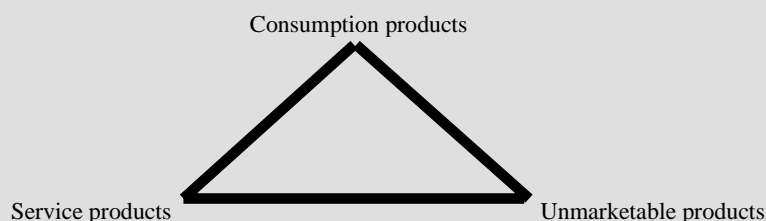
In close conjunction with the Government of India, Chambers of Commerce and Industry, industry and trade associations, IGEP has been actively involved in generating the awareness of the implications of new norms, standards and legislative provisions in respect to the environment. A practical and pragmatic approach has generally been preferred for disseminating the newly emerging framework conditions on the European markets and also to adequately help Indian trade and industry to cope with the provisions. Besides these activities, IGEP has published numerous booklets to keep the industry and the consumer aware of the latest developments in these respects.

For the successful export promotion of environmentally friendly textiles IGEP recommends the "intelligent product approach". This concept has been developed by the Hamburg-based Environment Protection Encouragement Agency (EPEA). This approach is increasingly adopted by parts of the textile industry. It certifies a product as "intelligent" if it is profitable, does not cause damage to health and environment and is made according to good manufacturing practices. This concept is analogous to "Total Quality Management". A special project in conjunction with EPEA for the cultivation and promotion of organic cotton is already implemented (see *Box 4. 1*).

Box 4.1. The Main Concept of EPEA the "Intelligent Products System" (IPS)

The IPS is a concept towards an environmentally sound, product life cycle oriented economy. It was developed by Prof. Michael Braungart and has been awarded the Océ van der Grinten Prize in 1993.

The IPS is based on the assignment of products into three different product groups.



Prerequisite for the environment capability of goods is their ability to run in cycles.

Consumption products like detergents or shampoos change their form after fulfilling their function. Therefore they have to be able to circulate in biological cycles without impairing the ecological system.

Service products like televisions or personal computers have to be designed in a way that the quality of the materials used stay on a high level for further usage. The target would be to circulate these materials in technical cycles.

Unmarketable products usually have no economic value. They consist mainly of hazardous wastes from industrial production, dangerous to health and the environment. These are goods for which no safe recycling technology currently exists. EPEA developed a "Parking Lot Concept" for interim storage of hazardous wastes in specific buildings. Unmarketable goods should be stored nearby their producers until an environmentally safe treatment is possible. Charges should rise relating to time of storage. This should lead to a high motivation for the producer to develop solutions for the problem.

For all kinds of product group EPEA has established specific criteria which have to be fulfilled to establish their corresponding cycles. As a result material resources are handled in a sustainable way

Future activities at the Indo-German Export Promotion Project

As IGEP points out most difficulties in the Indian textile production are to be found in the decentralised sector. For example, 64% of total weaving is done in decentralised power looms. Here the awareness of new eco-standards is generally low. Similarly, interaction with suppliers of dyes and auxiliaries is equally limited. Hazardous substances in dye and auxiliaries are unknown. Most of the units buy their inputs from the local market. The decentralised sector lacks detailed information about eco-standards and possible substitutes, technical know-how and, of course, financial resources. A well-defined strategy and an action plan would therefore necessarily encompass additional steps:

- interaction with suppliers;
- interaction with support systems;
- pre-empting major problems of the adjustment process.

However, as IGEP emphasises, it is difficult to supply the textile industry in India with guaranteed pesticide-free cotton. Processing of raw cotton is mainly done by small farmers and co-operatives which are oblivious of new eco-standards concerning residual contents of pesticides. Of course, national and international laboratories could not only offer their services to buyers of textiles, but also serve internal quality control.

To start the adjustment process in the decentralised sector, the first activity would be to create awareness of the new requirements. Assistance and services should be strengthened for information, testing, eco-quality control and technical assistance. Moreover, a requisite awareness has to be generated among cotton growers to guarantee control of the residual content of pesticides in cotton and high-quality dyestuff and auxiliary suppliers have to provide "clean input".

Donor efforts should focus on short-term as well as long-term measures. Important **short-term** measures would be:

- commitment of the top management for eco-friendly production;
- investigation of the residual content of hazardous substances in textile production;
- motivation of suppliers to specify the inputs and provide data sheets for dyes and auxiliaries.

Long-term activities would be:

- intensification of R & D in respect of environmentally sound textile production;
- analysis of the pesticide content in cotton;
- education and training of staff in regard to environmentally acceptable textile production.

For the implementation of environmental management systems eco-quality systems are becoming an important part of total management.

4.3 Case Studies: Capacity Building for Eco- Labelling and Development of Environmental Criteria

4.3.1 *Eco-Labelling and Ecological Standards for Indonesian Exports*

Since the beginning of the 1990s eco-labelling and ecological product standards have been on the agenda in Indonesia. In 1992, further inputs came also from the Environmental Agency (FEA) in Germany. As a consequence of these activities the Indonesian-German Technical Co-operation Project *Advisory Assistance to the Ministry of Trade* (1994) was implemented, the executing agencies were GTZ/PEM. For this advisory assistance two basic studies were presented:

- *Environmental Labelling Schemes and Ecological Product Standards for Indonesian Export Products;*
- *Ecological Product Standards and Environmental Labels for Indonesian Textile Products.*

The first report contains a comprehensive overview on the current state of eco-labelling throughout the world as well as product standards for Indonesian main export products. The latter is a follow-up document to the first.

The standard document was presented in Indonesia in August 1994 and concerned working groups of the Ministry of Trade as well as the association of the selected product sectors. The interest from the Indonesian side was much higher than expected.

Activities at the Federal Environmental Agency (FEA)

Besides these two projects to assist Indonesia on her way to the introduction of eco-labelling schemes in the beginning of 1996, the Federal Environmental Agency (FEA), Germany, started another initiative. The project is entitled: *A concept for assistance of developing countries to increase their production and exports of environmentally friendly products by awarding the German "Blue Angel"*.

This project intends to prepare a pilot programme for the assistance of developing countries to increase environmentally friendly PPMs by awarding the German "Blue Angel". At that time, the "Eco-Label" jury, the independent panel of representatives from industry, associations, environmental and consumer organisations in Germany, asked the FEA for a test order to establish ecological criteria for rattan and jute products.

During the first working phase FEA has taken the decision to consider not only these two product categories, but also bamboo, coconut and sisal. FEA hopes that these activities will be the initial point in a Cupertino between FEA, on the one hand, and developing countries' institutions, including industry and non-governmental organisations, on the other hand.

So far, no final decision about specific environmental criteria has been worked out. Only the following general aspects can be presented for general information:

- Only value-added products will be taken into account. In the case of jute these are jute sacks, jute floor coverings and geotextiles. In the case of rattan these are rattan furniture, baskets and mats.
- It is in the interest of FEA to co-operate with international organisations as well as experienced institutions and experts in the developing countries during the preliminary work for the development of criteria for the label.

The following general requirements have been found important for the establishment of ecological criteria for products from developing countries:

- easy methods and low-cost analysis;
- tests should be carried out by independent test institutions in the country itself.

More specific guidelines are the following:

- A product report should be attached to give information about the country of origin and the region of production of the raw materials, the methods of production and harvesting as well as the processing steps;
- For renewable raw materials from plantations the production process should meet the requirements for an integrated pesticide management or for organic agriculture;
- The analysis for harmful substances should be restricted to three tests at most. The analysis should be carried out in the country of origin.
- No transportation of the product by plane.

Finally, after having received the feasibility study for rattan, the jury has to decide in which framework and with which intention the work on the procedure to set environmental criteria for rattan and jute products should be carried out.

Decisions of financial funding in order to make the projects successful still need to be discussed.

GTZ-Project "Development of an Eco-Labeling Programme in Indonesia"

A most recent project supported by GTZ is entitled *Development of an Eco-Labeling Programme*. The target group of this project are enterprises in the textile, leather and paper industry. The project is located in Middle and Western Jakarta. The project started in 1996 and will end in July 1999. For this consultancy the GTZ provides one long-term consultant for BAPEDAL, the state-owned environmental agency. The project costs are DM1.5 million (US\$865 000).

This project has close connections with other projects of technical Co-operation by GTZ as well as by other bi- and multilateral donors. Among the most important activities of other donors is the *Environmental Management Development Indonesia (EMD)* which is supported by CIDA, Canada, the *Environmental Management Center (EMC)* financed by Japan (US\$22 million) and the *BAPEDAL Development Technical Assistance Project* (World Bank US\$10.6 million) which includes technical assistance for "Certification and Training".

The project provides important elements for the development of an eco-labelling scheme:

- strengthening the institution building for a product-related environmental policy;
- elaborating instruments such as life-cycle analysis and eco-criteria;
- establishing an information service for the industrial sector.

As the policy for introduction of environmentally friendly product and process standards is completely different from "command-and-control" type policies, there is a need for intensive co-operation and dialogue among the relevant groups in Indonesian society. BAPEDAL, being a part of Indonesian administration, has so far only been used for policies based on "command-and-control" measures, whereas the new "pro-active-approach" which is oriented towards dialogues among the various actors is rather unknown.

Against this background the training and learning process for BAPEDAL to become a moderator for processes of social change and for the management of risks and conflicts will be very important from a mid-term perspective. This aspect will be the main point of the advisory activities of the project.

Besides the support for capacity building/institution building for BAPEDAL to implement product balances for textile, leather and paper, the project will establish an information service about environmentally friendly PPMs and provide information about world-wide existing eco-labelling schemes for the Indonesian industry.

Until the end of 1998 the most important parameters for eco-labelling of the 20 most important trade partners will be registered, in particular for textile, leather and paper.

Within the same time-frame ecological standards for the 50 most important export products in the 10 most important markets for Indonesian industrialists will be registered.

Finally, at the end of the project a "voluntary agreement" of the producer association on environmentally friendly PPMs for textile, leather and paper is expected to be worked out.

4.4 Case Study: Institution Building to Enhance New Trade Relations for Social and Environmentally Friendly Production Methods

4.4.1 Switzerland's Financial Assistance for the Max Havelaar Foundation

Since the middle of the eighties several Swiss aid agencies have made the call for a label to distinguish fair-traded tropical products. Finally, in February 1992, with the support of the Federal Office for Foreign Trade, six major Swiss aid organisations established the Max Havelaar Foundation (Switzerland). Actually, the Max Havelaar concept originated in the Netherlands where its foundation has successfully been operating since 1988.

According to their own declaration the objective of the Max Havelaar Foundation is:

"...to promote trade with disadvantaged producers in developing regions, assuring them a living income at the same time as helping to protect the environment and to inform about associated development questions. In concrete terms, the non-profit making Max Havelaar Foundation awards its quality label as a mark of distinction to fair-traded products." ⁽⁸⁾ .

Shortly after the establishment of the Max Havelaar Foundation (MHF), the Swiss Federal Office of Foreign Trade approved financial assistance for MHF as a pilot project (1992-1996). The volume is SF1.6 million (US\$1.11 million). In March 1997, another SF1.2 million (US\$831 000) (1997-2000) were approved as a final support. Both projects focus on institutional support of the activities of MHF to give specific assistance to producers in developing countries and to improve the access of their products to the Swiss market.

Activities and Mode of Operations at MHF

Coffee was the first product for which the MHF awarded a label. As MHF does not itself engage in trade, the Foundation has the function of an intermediary between trade in Switzerland and the producers' organisations in developing countries. It is intended to provide the latter with direct access to the Swiss market through other channels besides the traditional alternative trade. The Foundation grants licenses in return for a fee. Such a licence agreement lays down the conditions for the import of the product and the use of its label. In this respect the Max Havelaar Foundation sees itself as a certification body as well as a control organisation.

(8) The Max Havelaar Foundation, Switzerland, Portrait Document, 1997

Box 4.2. The Max Havelaar Conditions and Achievements

The Max Havelaar conditions for the imports of coffee, honey, cocoa and sugar are tailored to the problems and structures of small farmers and their co-operatives. These conditions are precisely defined in the licence agreement which is concluded between the Foundation and the licensee. The following examples show the trade criteria as they are applied to coffee:

- the coffee originates from selected small farmers' co-operatives
- the purchase of a fixed quantity of coffee is guaranteed, with partial pre-financing of the harvest
- the coffee is grown and processed as ecologically as possible
- the coffee growers receive a price which assures them a living income (e.g. the Max Havelaar minimum price is US\$ 1.26/lb (FOB) for ordinary and US\$ 1.41/lb for biologically certified coffee. If the world-market price is higher than the Havelaar-guaranteed price, the farmers' organisation or co-operative receives an additional premium, with no upper limit, of US cents 5 for ordinary coffee and US cents 15 for organically produced coffee).

The certification of tea resulted in extending the Havelaar concept that had previously been limited to small peasant farming structures. However, this extension of the concept to include plantation products has not affected the principle of fair trade. It still benefits the people who do the work. In the case of tea these are the pickers and other plantation workers.

To obtain recognition from Max Havelaar a plantation must fulfil a number of requirements. It must, for example, give an understanding to observe all minimum wage (according to ILO) and other standards by law and to maintain absolute transparency in all fields. To ensure conformity with the Havelaar conditions regular on-the-spot checks are made.

The achievements of Max Havelaar should be measured not only in quantitative but also in qualitative terms. Besides the quantitative improvements in the producers' income, the following qualitative benefits have been realised:

- Max Havelaar create a market opening for producers. The direct trade contacts between the producers' organisations and the European importers lead not only to contracts under Max Havelaar conditions, but also make possible the conclusion of contracts on normal market terms.
- As a result of the biopremiums and the requirement for diversified production, greater consideration is given to the environment. More and more Havelaar partners are changing over to biological production with the aim to obtain eco-certification. As a general rule, production structures based on small farmers (mixed cultures) are by far more environmentally friendly than monocultures.
- Because of the minimum price guarantee, importers and roasters expect first-class quality. This stimulus to improve quality (instead of producing greater quantities) results in better sales at the microeconomic level. At the same time this makes macroeconomic sense because it does not increase the structural surplus on the world market.
- Both on the producer and the market side, the Fair Trade concept has also stood up well during the period of high world-market prices for coffee, because Fair Trade means more than just a price premium (e.g. pre-financing is often a more important consideration than a higher price).

New Dimensions on the Swiss Market for Bananas

Since in March 1997 Migros and Coop (both important retailers) started their offensive with a Max Havelaar banana label, the "fruit trade AG" has become a third licensee. These bananas receive a minimum price and a fair trade premium for social and ecological improvements. The sales price will be in the same range as the bananas from transnational corporations. The Max Havelaar Foundation expects a market share of at least 10 percent.

After a long period of preparation with producer associations, trade representatives and a Dutch aid organisation it was possible to establish a direct trade chain. Farmers and small producers who intend to export Havelaar bananas oblige themselves to improve the ecological and the social situation. On the plantation social minimum standards must be accepted. Small farmers who are organised in co-operatives and associations must commit themselves to transparency and participative organisations. For the environmental protection it is intended to introduce an IP-standard. (See *Table 4.1*) Activities to avoid water pollution and erosions, to stop the use of herbicides and to protect the workers from fungicides will be of first priority.

Table 4.1. Social and Environmental Sustainability

To determine a minimum for registration as a Fair Trade producer the following issues are relevant:

Core Package of Minimal Labour and Environmental Standards Concerning Sustainable Banana Production

Labour Standards

<i>No</i>	<i>Issue</i>	<i>Short description</i>
1	ILO conventions 87 and 98	rights to freedom of association and collective bargaining
2	ILO conventions 100 and 111	anti-discrimination, and equal remuneration
3	ILO conventions 29, 105, 138	against forced and child labour
4	labour conditions and ILO conv. 10	minimal social and labour conditions and maternity protection
5	working conditions	rights to safety and healthy working conditions

Environmental Standards

<i>No</i>	<i>Issue</i>	<i>Short description</i>
6	biodiversity	protection of natural areas
7	erosion/water pollution	coherent policy and practice of prevention
8	pesticides and coadjuvants	documenting, controlling and reducing pesticide use
9	fertilisers/soil sustainability	documenting, controlling and reducing fertiliser use
10	waste	controlling, reducing and composting waste material
11	other criteria	education

The International Banana Producers' Register committee can allow exceptions if certain criteria due to special circumstances, particularly for small organisations, are not achievable, or can request that a Fair Trade partner signs a written commitment to fulfil the initially missing elements indicating the precise measures and time limits.

World-wide Co-operation

The success of the legally independent Max Havelaar Foundation in Switzerland, the Netherlands and Belgium led to the establishment of fair trade organisations in other European countries (in some cases named Trans-Fair or Fair Trade Foundation). In the meantime a close co-operation has been established among these like-minded organisations which now exist in Austria, Belgium, Britain, Denmark, France, Germany, the Netherlands, Italy, Luxembourg and even Canada, the USA and Japan.

On the other hand, the Havelaar concept embraces producers in Latin America (bananas, coffee, cocoa, honey and sugar), Africa (coffee, cocoa and honey) and Asia (tea and sugar). In Europe alone Fair Trade generates an export volume for the producers of well over US\$30 million and benefits more than 100 000 small farmers' families.

In Switzerland, since the establishment of the Max Havelaar Foundation, premiums amounting to more than SF8 million (US\$5.5 million) have been paid to the producers. Taking into account the market share of individual products, Max Havelaar Switzerland is the most successful European labelling initiative for "fair trade"

Challenges and First Evaluation

A first evaluation of this project has been done by IUED (Institut Universitaire d'Études du Développement). The study pointed out several critical problems, in addition to the positive impacts mentioned above. According to this assessment the most severe problems are:

- The policy of diversification to extend the number of new products might increase the risk of dispersion, which could have negative effects on those products that are already on the market. According to their assessment it would be more important to increase the market share for a few products instead of offering additional products without arriving at new categories of consumers.
- There may be a danger in considering the financial support for Max Havelaar as "normal" and this would mean "Fair Trade" will result in a very costly project. Therefore, it is proposed to limit public support to a certain amount of the total budget (e.g. 15% as it is the case in the Netherlands and Germany).

As Max Havelaar can be considered as a specific form of "infant industry", a timely limited support to ensure survival on the market should be agreed upon.

Furthermore, the following proposals are recommended:

- concentration on alimentaries (foods);
- very careful introduction of new products;
- concentration of monitoring on existing contracts;
- concentration on the marketing of already labelled products;
- no absorption and administration of other labels.

In any case, these experts argue for a reduction of financial support, and according to their recommendations, self-financing should become priority. In the eyes of IUED, financial support should be phased out by the year 2000. This should be done by progressive retirement.

4.5 Discussion and Preliminary Conclusions

From the case studies presented here a number of preliminary conclusions can be drawn.

- It appears that the demand for information about and analysis of existing environmental regulations in OECD countries is strong. The provision of information on ecological standards and on relevant eco labelling schemes as well as training in this field meets an urgent demand. In all cases information and training for eco-labelling requirements are seen as a chance to ensure or even improve access on OECD markets.
- Various activities for capacity building and institution building to support economic and political actors in their response to international eco-labelling schemes were included in most cases. However, technical assistance for the development of eco-labelling schemes in developing countries are in the state of infancy, the use of labelling schemes from donor

countries (e.g. the German Blue Angel) for exporters from developing countries are still in the planning stage. Here, the measures for the introduction of environmentally friendly criteria and requirements showed that partners in developing countries must be fully integrated in this process in order to ensure that the demand side of the project is strong enough.

- The provision of testing facilities for the Indian leather industry was an important input for Indian exporters to meet the environmental requirements in the EU and in Germany. The fact that the government of India has in the meantime banned the use of PCP and that the leather industry is now adhering to the prescribed norms in Germany is a good example of the successful activities by the Indo-German Export Promotion Project (IGEP).
- In some case studies project assistance was at least somehow co-ordinated among the donors. In the case of IGEP, however, there is no co-operation or co-ordination with other donors (e.g. CBI from the Netherlands or from Swiss Aid agencies)
- Particularly in India, but also in other projects, export promotion activities to enhance the production of environmentally friendly products is primarily focused on the modern export sector, while the need for environmentally friendly PPMs for domestic markets is not taken into account. The impact of this approach might be twofold:
 - * further segmentation of the economies in developing countries ,
 - * a life-cycle approach is undermined.
- The financial assistance Switzerland gives to the Max Havelaar Foundation (MHF) for institutional support is a very interesting example at the interface trade/ecological standards and social standards. This is particularly due to the Max Havelaar conditions which are tailored to the problems of small farmers and their co-operatives. The MHF has the function of opening up markets in donor countries for small holders who produce agricultural products under socially and environmentally friendly conditions. As these projects strengthen the co-operation between NGOs and private enterprises from the donor side, on the one hand, and NGOs and small holders and co-operatives from developing countries, on the other hand, the projects might have a long-term impact on institution building to enhance self-reliance of small producers and their co-operatives. Moreover, this project gives an impetus to new forms of partnership between donor countries/consumers and developing countries/producers.

However, as the evaluation by IUED points out, donors' assistance for this kind of project should avoid the provision of unlimited subsidies after the pilot phase. Cost effectiveness and self-finance should have priority.

5. ECO-CERTIFICATION FOR ORGANIC FOOD AND ECO-FRIENDLY PROCESS AND PRODUCTION METHODS (PPM)

5.1 Introduction

At present there is no universally adopted definition or concept of eco-friendly products. The EU Council Regulation (20.92/91) is a certification scheme. The US Organic Food Production Act are still under

preparation. While the EU regulation (20.92/91) covering plant products, the US regulation covers animal products as well. Both schemes are mandatory. Other certification schemes, e.g. the *International Federation of Organic Agricultural Movement (IFOAM)*, are voluntary. The general expansion of "green markets" and changing consumer behaviour in developed countries can be a barrier for exports from developing countries and are the reason for additional activities of donors to support developing countries to adapt to new requirements.

The case studies identified fall into one or more of the following categories, providing support to developing country exporters and others in the following forms:

- advisory assistance for private enterprises for strengthening the potential for ecological/organic products;
- capacity building and training programmes for eco-certification;
- launching information campaigns and providing instructions in donor countries to enhance the demand side for environmentally friendly products;
- certification of tropical timber and alternative programmes and initiatives to achieve sound and sustainable forest management.

5.2 Case Study: Product And Marketing Consultancy For Ecological Products

5.2.1 The GTZ/Protrade Programme and Country Cases

The German GTZ/Protrade Programme, *Product and Marketing Consultancy for Ecological Products*, covers activities for production, processing and marketing of eco-friendly export products.

This advisory programme includes the following elements:

- consultancy for private enterprises
- training for local experts
- consultancy for administration and institution building.

After identification of suitable enterprises consultancy for production, manufacturing and marketing is organised. These activities include the establishment of contacts to importers and support for enterprises at trade fairs. The selection of enterprises is made according to specific criteria (export potential, infrastructure, management, quality of products, scale of enterprises etc.). An important criterion for selection is the expected potential of enterprises, e.g. after a promotion phase of 3 years they should be able to market their products without further consultancy.

Moreover, some other aspects are taken into account, e.g.:

- food security for the people in the region where the enterprises operate; and
- local or domestic demand for the specific products.

From the very beginning consultancy for producers and firms is provided for:

- the change towards controlled/certified environmentally friendly production methods;

- legal requirements for the export of environmentally friendly products;
- the actual trend on the international "green" market;
- the required inspection and certification;
- the establishment of a national producer organisation.

A very important element of the consultancy for firms and producers is the promotion of exports, e.g. establishing long-term trade relations with potential importers. The support of presentation of products and the participation of firms and producers on trade fairs, particularly at the BIOFACH, which is the most important international fair for organic products, is equally important.

At present, PROTRADE is implementing this programme in various countries. This programme started in 1991 approximately DM1.5 million (US\$865 000) were approved.

Selected country examples illustrate what PROTRADE is doing at the trade/environment interface with special reference to organic products:

Madagascar

In 1990, the first producers in Madagascar, in co-operation with German and French firms (Rapunzel/Mantimex), started to change production towards organic products. First certification was started for palm oil, coconut oil, cashew nuts and spices, including vanilla.

In 1993, the ecological farmers association PROBIOMAD, now PROMABIO, was established to do lobbying for organic producers. In the beginning of 1994, the potential of the eco-sector was evaluated on behalf of PROTRADE. Seven producers were selected for a consultancy programme. As the standard of living of the people on Madagascar is rather low, there is no domestic market for (expensive) organic products. Therefore, organic products are meant only for export. Small farmers are the beneficiaries of this programme as they can charge a higher price from the exporters.

Ten farmers/producers are by now controlled and certified by Exocert; six firms already started exporting their organic products. Among these firms there are small and medium-sized enterprises (SMEs) as well as large plantations; some firms are in the public sector, some are private. It is expected that approximately 1000 farmer families are benefiting from the production of organic products. The premium ranges from 10% to 100% compared to conventional prices.

Mauritius

In Mauritius organic sugar has been grown since 1991, certification is done by OF & G, a British certification association.

In 1995, 650 t of organic sugar were exported, which had been grown on three plantations. However, high production costs due to additional activities for mechanical weed eradication and reduced income raised the issue of economic efficiency. As a result the acreage for organic production was reduced and for the next year only 300 t of organic sugar are expected. Some time ago the Mauritius Organic Food Standards Institute (MOFSI), which is supported by the sugar industry, applied for accreditation at the European Commission.

So far no other products have been certified. However, there are several firms that are interested in diversifying agricultural production which at present is extremely concentrated on sugar. Organic products might become an alternative.

In 1996, on the occasion of a seminar organised by COLEACP, CDI and PROTRADE to improve the quality of fruit and vegetables, a workshop was held about the bio-market (green market). A final evaluation on behalf of PROTRADE about the organic production potential showed a promising perspective for further activities. Four firms were identified which showed an interest in shifting over to organic products and further consultancy. In the near future PROTRADE intends to start a product and marketing programme for organic products from Mauritius. Potential products would be: sugar, dried fruit, tinned fruit and vegetables (pickles) as well as "red pepper".

Zimbabwe

In Zimbabwe the idea of organic production has been well received by NGOs. There is already a network (Natural Farming Network of Zimbabwe) of ten NGOs which are actively co-operating in this field. However, the products are hardly marketed, but grown and produced in private gardens for private consumption.

Since 1995, PROTRADE has been assisting this sector with its consultancy programme. Meanwhile the land certified amounts to 985 ha. The following products are produced here: volatile oils, herbs, soya beans.

Most firms no longer export their products wholesale, but sell them to the buyer with their own label on. Around 50% of the certified production is exported, the rest is sold on the domestic market. Besides Europe, Australia, the USA and Canada, South Africa is an important market for organic products from Zimbabwe.

Malawi

Until recently organic production was rather unknown in Malawi and there was only one project executed by an NGO. However, since 1993 there are some commercial firms, managed by Europeans, that have started to certify their organic products.

In the mean time many activities have been developed in organic agriculture and in September 1996 SHOGA (The Shire Organic Growers Association) was established. Production is mainly for export. Environmental awareness of local consumers has only just started to develop. A domestic market for ecological products does not exist as yet.

Since 1996 PROTRADE has been providing a consultancy. So far national institutions have not supported this sector. There are only six producers whose organic products for export are certified (coffee, sesame, lemon verbena, lemon grass).

There is no further processing of these products and export is organised by the producers themselves. It is planned to extend organic production, e.g. tea, spices as well as volatile oils and fatty oils.

Uganda

Uganda offers good conditions for organic production. The natural conditions are positive for the growth and production of various crops. The main part of the countryside is farmed by smallholders without any use of chemicals and traditional forms of mixed cultures are still very well intact.

In 1993, PROTRADE started supporting the organic sector. Financial and technical assistance has been provided for firms, for institution building and for certification. Since 1993, one firm has been exporting certified fresh tropical fruit and vegetables which are grown by contracted smallholders. Meanwhile, dried fruit and vanilla have been added. Further products, such as coffee and spices, are envisaged.

Since 1994 Sweden has been supporting another project for the export of organic products. A central challenge for export is the lack of firms with sufficient financial resources to buy and certify organic products.

Kenya

In Kenya several NGOs support organic production. They provide training, establish demonstration farms and support research as well as various other activities. The target groups are smallholders and trainees as well as local advisers. Organic production is intended to improve the food sector and to make smallholders independent of expensive inputs. Up to now there has been no certified organic production for export in Kenya. According to a fact finding mission in 1994 there is a clear lack of firms which are able to build up the required marketing structures and organise export.

There is only one exception, a tea plantation in the west of the country which was certified by a British Soil Association, but in 1994 controlled production stopped.

A new initiative for organic products was started by certifying Macadamia nuts by a German control office in the beginning of 1996.

In September 1996, the potential for organic cotton production was evaluated on behalf of PROTRADE. According to this evaluation there is a good potential for the production of organic cotton and textile. In 1997, PROTRADE will start its consultancy. Kenya has also potential for organic production of sesame, dried fruit, the processing of which could be done by the same firms.

Dominican Republic

In the Dominican Republic, initiatives for organic production have been in existence since 1982. Commercial production which is certified and exported has existed since 1989. The organic products are very important on the European "bio-market". Approximately 70% of fresh bananas traded in Europe are grown in the Dominican Republic. The domestic market for organic products is only marginally developed. These are mainly vegetables, bananas for cooking, manioc and various fruits. According to an evaluation on behalf of PROTRADE, the potential for organic products is rather good. PROTRADE will soon start with a consultancy programme.

In the Dominican Republic, various products have already been certified for export (e.g. bananas, coconuts, mango, coffee, sugar). A further potential would be cocoa.

Additionally, there is a potential for medical plants, spices and aroma, e.g.

- neem and neem products;
- aloe vera and aloe gel;
- lemon peel oil.

Neem products have already been introduced on the German market, but additional markets are needed.

Romania

Romania is a traditional producer and processor of hemp fibres and linen. Both crops are extensively grown. Organic production and processing methods according to IFOAM Guidelines or EU Regulation 2092/91 do not yet exist.

Due to the structural crisis and the collapse of textile markets, Romania is confronted with a decreasing production and a continuous trend to reduce acreage for hemp and flax. But according to an evaluation on behalf of PROTRADE Romania has a good potential for organic hemp fibres and linen. Three testing farms for organic production have been established. The Ministry for Industry is planning the elaboration of national guidelines for the certification of environmentally friendly products.

Romania is in urgent need of consultancy in quality management. Furthermore, there is an essential need for the provision of seed and new investments. Therefore, direct contacts with foreign firms are supported.

5.3 Case Study: Capacity Development and Training Programmes for Eco-Certification

5.3.1 *Eco-Certification for Organic Agriculture in Bolivia*

In Bolivia organic agriculture is closely linked with the traditional agriculture in the various eco-systems. The production areas are very sensitive and require careful management of the resources. These are ideal conditions for ecological sustainable production processes. The process of mechanisation and the introduction of high yielding varieties depend upon the use of chemical inputs. These are only partly used and therefore the ecological agriculture can relatively easily be implemented and within a rather short time-span.

The introduction of ecological agriculture in Bolivia is the result of the increasing demand for a complementary supply in the light of organic food produced in Europe.

As certification of agricultural products according to international norms is a basic condition for access on the European and the German market, the GTZ enhanced its activities in strengthening capacity building and institution building in this field. In this context the project *Integrated Consultancy for the Private Sector in Partner Countries (IBD)* is very important. This GTZ-project implemented in co-operation with the Icon-Institute and a German control institute for organic food, aims at strengthening Bolivia's capacities for organic agriculture.

The partner organisation in Bolivia is the FIDES-Foundation (Fundacion Integral de Desarrollo). FIDES is dealing with the development of sustainable systems for ecological agriculture in the Santo Cruz region. At present, FIDES is supporting and supervising approximately 600 family/farmers.

The project started at the end of 1995 and will be finalised at the end of 1998. The project costs are ± DM180 000 (US\$104 000).

Objectives and Activities

A German control institute provides several short-term consultancies towards FIDES. Its main objectives are:

- Assistance and qualification of the Inspectores Internos from the FIDES-Foundation for certifying additional producers as a precondition for export promotion to Europe and Germany.
- The strengthening of the institutional structure for ecological food production in Bolivia. This will be an important contribution to improve the competitiveness of Bolivian companies.

The implementation requires various activities:

- the process and procedure for integrating more producers for certification;
- the inspection of about 40 new producers and one processing enterprise;
- the follow-up inspection of producers that have already been certified;
- carrying out laboratory testing;
- examination of new and old companies that were or should be certified;
- consultancy for the development of an internal control system to ensure the compatibility to international norms in ecological agriculture;
- education and training of internal inspectors at FIDES;
- provision of an evaluation report in Spanish.

The consultancy for the development of an internal control system and for education and training would include two phases, one in theory, e.g. basic information on guidelines, international norms, control systems, introduction into various control areas, processing and trade and the organisation of inspections. The practical phase covers concrete organisation of inspection in the control area, follow-up of inspections, pre-analysis and reporting and final inspection which includes independent inspection with revision by a German control institute.

The interest of Bolivian enterprises, producer associations [which are organised in the Asociacion de Organizaciones de Productores Ecologicos de Bolivia (AOPEB)] and those who cooperate with FIDES is very high. They participate actively in fair seminars, pay a remarkable share to investigate at eco-fairs such as Biofair (Costa Rica) and Biofach (Frankfurt). Furthermore, the follow-up of trade fairs is done very intensively in Bolivia.

The project will end in 1998, by that time it is expected that FIDES is able to carry out certification on its own. Then Bolivia would only need external supervision by a German or European control institution. Accreditation requires an inter-governmental contract between Bolivia and the European Union.

The next steps for 1997 and 1998 will be:

- continuation of direct activities for inspection and certification;
- evaluation of the internal control system on the level of inspection and expansion of the internal FIDES certification system to ensure equality with EC norms;
- education of inspectors and certification personnel;
- preparation of external supervision of a German control institute in the context of the import ordinance of the EU.

5.4 Case Study: Support for Organic Cotton Farming

5.4.1 *The Uganda Lango Organic Cotton Project: Sweden*

When SwedeCorp in 1994 became aware that the Ugandan government was liberalising and revitalising the cotton sector, it was seen as an opportunity to develop organic cotton production in Uganda, primarily for export to Sweden.

The pilot phase of the Uganda Lango Organic Cotton Project ran from October 1, 1994, until March 31, 1995. During this phase the project involved 200 farmers in four villages. Today, after three years of operation, the project comprises 5500 farmers/families. SwedeCorp provides assistance in project organisation, research and extension, initial inspection and certification and in marketing contacts. Its present annual budget for the Lango project is US\$ 45 000.

According to international standards, organic cotton should be grown from organic seeds. A time-span of three years is usually allowed for arriving at such a situation. During this period, in which investments are made to initiate the conversion, the products have to be sold on the normal market at the conventional price. This is generally an important bottleneck for the development of organic products. The Lango project assists in overcoming these bottlenecks by providing various incentives:

Cotton-Growing Incentives

- Marketing - Guaranteed purchase, cash on delivery, premium price of 20%.
- Inputs - Timely supply of good seed material, supply of hand tools and equipment at cost-price, help in the maintenance of tools.
- Pest management - Education of farmers in pest recognition, sufficient control where black ants are not sufficient.
- Animal traction - support of ox-traction training, ploughing, weeding, transport.
- Advisory service - advise and support from field officers in growing cotton.

Box 5.2. SwedeCorp's Export Promotion of Organic Products from Africa (EOPA)

In 1994, SwedeCorp, now part of SIDA (Swedish International Development Agency), realised the potential for African countries to export organic products to Europe. At the same time there was an increasing interest among Swedish importers to engage in organic trade. A first project was started in Uganda which produces organic cotton and oilseeds such as sunflower, sesame and soya. Given the initial success of this project and the potential for more, SwedeCorp decided to initiate a specific programme, called *Export Promotion of Organic Products from Africa (EOPA)*. The objectives of the programme are to develop the export of organic products in Africa, thereby giving African countries an opportunity to increase and diversify their exports while exposing the agricultural sector to environmentally sound farming techniques.

In Sweden, the export promotion of organic products means they should be certified by KRAV. KRAV is recognised by the Swedish government to certify organic products entering the Swedish market. Its standards comply with EU Regulation 2092/91 which guarantees European-wide acceptance of this certification.

The administration and co-ordination of the EOPA-programme lies with the Dutch Agro Eco Consultancy. This agency provides for consultancy to convert a conventionally grown product to organic. Furthermore, in each country a local co-ordinator is employed.

The programme works via advertising among potentially interested parties. In case the Swedish side is interested, the marketing consultants can help locate suitable exporters with the aid of country managers. When African exporters offer certain products, they can get in contact with importers through the Country Managers and the Marketing Consultants. The programme assists in sending samples, in residue testing, in the exchange of product specifications and in general information on sources and markets.

When a product is promising, a feasibility study is made and the market potential and the expected difficulties to make a product organic are analysed. This includes proposals for trade quality control systems and an agreement among producers, exporters, importers and the EOPA assistance in the procedure to be followed. The business partners are requested to make a clear commitment to develop the product by submitting a plan of action.

Indirect incentives

- General farming improvements. Advise, training and support for improvements in general farming activities.
- Animal health care. Veterinary check-up, animal health programmes.
- Marketing cash and excess food crops. Assistance in marketing of other organic products, suggestions for local marketing of excess crops.
- Environmental promotion. Programmes such as tree planting, garbage handling, organic waste utilisation.
- Community development such as road maintenance, water wells, health care and education.

Besides these incentives, the project includes a comprehensive training programme for the trainers and the farming community.

Once the farms are certified for growing organic cotton, all products from that area are organic and can be marketed as such. Thus, the project assists the farmers in achieving a premium price for some more crops as is necessary to grow all crops organically. Three product groups are to be distinguished here: seeds, fruits and honey. The market outlook seems promising for all of these.

Despite various initial problems at the Uganda Lango Organic Cotton Project, organic cotton growing was very successful. According to the evaluation by Agro Eco all pests were kept under economic injury levels

through natural controls except for the cotton stainer. Although crop finance was arranged to buy organic cotton from the farmers, paying a 20% premium, more than half of the crop was lost to private buyers who paid at times more cash for unsorted cotton. This was a serious shortcoming mainly due to the limited capacity of the management of the Lango Co-operatives Union. The Lango Co-operatives Union has to follow the market price and, in any case, the farmers have to be paid 120% in hand cash instead of having to pay the premium paid after the cotton has been sold.

Bookkeeping practices at store level was another shortcoming: they did not allow quantity checks of the products on their way from the farmers to the ginnery which are necessary to obtain certification. During the next phase this could be solved by strengthening training and education.

UNEX, the Ugandan Export Service, needs more assistance in developing a marketing strategy for organic cotton exports and it also needs much more determination to explore the international organic cotton market itself. The failure to market organic cotton at a premium price seriously reduced the profit potential of the pilot phase. As Agro Eco points out, the project has an excellent potential for being highly profitable. To put this potential into practice good management will be of great importance. Better management practices would be needed to strengthen internal quality assurance and to improve direct contacts with importers aiming at organising the distribution of organic cotton more efficiently thus benefiting from economies of scale.

Box 5.2. Problems and challenges for organic cotton growing in Uganda

A central problem of the Lango Organic Cotton Project is the refusal of banks to provide crop finance to the exporters. Therefore, the EPOPA programme applied to the HIVOS/Triodos Fund in the Netherlands. This is an initiative to provide funds for environmental and social projects in developing countries from the Humanistic Development Agency (HIVOS) and the Triodos bank. The crop finance itself is a commercial loan at current rates, but the risk is covered by the HIVOS/Triodos Fund. The crop finance is provided through a joint venture of African Fair Trade Association (AFTA) in the Netherlands which is linked with Farmers Trade Ltd. in Uganda, and the Lango Co-operatives Union. AFTA provides this kind of crop finance and arranges marketing for farmers organisations in a number of African countries. It is supported by the Dutch Government Development Agency (DGDIS). Fair trade in this case means that before business is done, all the partners list their costs and claim a fixed margin based on open books. AFTA then looks for the best possible price on the market

The fact that organic cotton is sold at a much higher price than the conventional (organic cotton from Uganda is 50% above the conventional price) raises the question whether this situation would preclude the flow of organic cotton into more mainstream markets and condemn organic cotton to niche markets. According to an UNCTAD/IFOAM study on the cost building of organic cotton in comparison with conventional cotton growing and processing in selected developing countries it can be shown that the cost of organic fibre represents less than 10% of the retail price of the garment. A 20% higher farmgate price for cotton results in a 2.5% increase of the retail price and a 30% increase of (organic textile) processing costs results in an 8% increase of the retail price of a garment. If all factors of the price building remained the same, organic textile products would need only a 10% higher retail price. The fact that organic cotton is a niche product is obviously due to the relatively small trade volume and the high overheads. If organic cotton were able to increase its market share, its retail price would decrease as a result of economies of scale effects.

Other challenges to the project are the trends in the international markets and the difficulties that will arise as a result of the long production chain. The most important markets for organic cotton are the USA and Europe. The USA is an important cotton producer and also an important organic cotton producer. All of the US-grown cotton is marketed in the US. Only very little of organic cotton is imported. US clothing companies which start with an organic line base their supply on US farmers.

In Europe the situation is different. Hardly any cotton is grown here and only very little organic cotton. European companies which wanted to start with organic clothes had to initiate their own projects for supply. This is why there is a Swedish company having a project in Peru, an English one in Austria, a German one in Egypt and a Dutch one in India. Most of these projects are rather small, no more than 200 t each. These companies have often heavily invested in these projects and have established firm relations with their suppliers. Because of this commitment they are not so willing to buy from other sources.

Since there are hardly any open markets for organic products, Uganda must develop an effective marketing strategy and must find additional buyers. There is still an other risk. As many new initiatives are started in organic cotton growing in various countries there is an increasing danger of oversupply.

Finally, one has to realise that cotton has a very long production chain involving many different companies in different countries. All this entails a great amount of organisation. Following cotton growing and ginning, the lint is spun into different yarn. After spinning bleaching is done. Chlorine bleaching is not possible in organic textile processing, but there are alternatives. The yarn can be woven or knitted into different kinds of fabric. The fabric is then cut and sewn into clothes or any other textiles. Often the cloth is treated with all kinds of additional substances to make it water- or mold-resistant etc. The cutting and sewing operation is done on contract for the endbuyer. In case they want organic cotton textiles, the whole line of spinners, weavers/knitters and dyers "have to be brought into line".

5.5 Case Study: Enhancing the Demand Side for Environmentally Friendly Products

5.5.1 *The ITC Environmental Logo to Support Exporters of Sisal*

In the light of the conflict between farmers and growers of sisal and jute in developing countries, on the one hand, and the petroleum industry whose products are polypropylene and polyethylene, on the other hand, the United Nations, through its International Trade Centre (ITC), entered the scene with the financial backing of the Swedish Government in supporting sisal producers. For decades sisal twine had essentially reigned alone. But in the late 1960s, synthetic substitutes were developed which have now taken over 50% of the market. In addition, new silage methods using plastic sheeting directly in the field have further reduced the use of sisal twine. Recent years have also seen the introduction of machines that prepare giant high-density bales which require the elasticity of synthetic twine. Both sorts of twine can, however, be used in the large variety of small and medium-sized machines, including those for big round bales, and it is here where the struggle is now going on. According to a life-cycle analysis of sisal twine and synthetic twine the German Environmental Protection Encouragement Agency, EPEA came to the conclusion that sisal twine is the obvious winner when it comes to being safer for the environment.

Against this background of the serious problems faced by the sisal industry in developing countries a three-year pilot promotion campaign was implemented by ITC. Core financing of the project of US\$450 000 was obtained from the Swedish Government and this was complemented by US\$20 000 from ABEMS, Brazil, as well as additional support from the London Sisal Association, the trade industry and co-operative movements in the countries where the campaign was implemented.

Objectives of the project were:

- to increase the awareness of farmers' co-operatives and agricultural machinery manufacturers in selected Western European countries of the ecological and technical advantages of using sisal harvest twine in lieu of polypropylene, and in this respect to obtain the support of opinion leaders for each target group;
- to reassure importers, distributors and end-users in importing countries of the availability, consistent quality and continuing competitiveness of sisal harvest twine;
- to increase the natural solidarity between farmers in developed and developing countries, and awake them to the need for joint promotion efforts.

Besides these market promotion activities for sisal harvest twine, farmers were to be convinced of the technical and environmental advantages of sisal harvest twine in respect of:

- biodegradability;
- sisal twine is better for agricultural machines;
- it is user-friendly to farmers (it does not cut their hands by handling);
- sisal has a greater knot strength;
- it is particularly well-suited for conventional baling;

- since it is recognised that the use of hay instead of silage for cattle feed has a positive effect on the quality of milk, increased use of hay will accordingly increase the use of baling of hay, as well as the use of twine;
- the price of sisal harvest twine, on a metre by metre basis, for conventional baling is almost identical to that of synthetic competitors.

At the outset an overall strategy for the implementation of the project was developed and contacts were established with the trade and industry and suitable advertising companies in the target markets (France, Germany, Finland, Sweden, Denmark, the United Kingdom). The project started in 1990; its main activities were:

- development of an overall strategy in collaboration with trade and industry;
- the introduction of a sisal logo;
- strengthening the activities for the use of the logo by sisal twine trade and industry in Brazil, Tanzania, Kenya and Cuba;
- provision of instructions on the Western European target markets;
- initiatives to influence manufacturers of harvesting machines to adapt their machines so that farmers can use either polypropylene twine or sisal twine;
- preparation of technical articles to highlight the environmental benefits of using sisal twine; these articles were to be published in target countries in the respective farming magazines.

This promotion campaign in the Western European countries (France, Germany, Denmark, Sweden, Finland) was well supported by the farming country and/or farmers' co-operative movements. The United Kingdom was not included in the first year, but joined in the next year. However, it must be noted that here the campaign was mainly supported by the London Sisal Association.

The following achievements can be highlighted:

- In spite of the difficulties in measuring the effects of the campaign, there is evidence that the campaign has had a positive effect on consumption in France and Finland.
- Farmers were increasingly made aware of the environmental benefits of using sisal through technical messages and folders. Co-operation received from the farmers' co-operatives provide evidence of their concern as well as willingness to participate in the promotional campaign.
- The campaign created improved solidarity between farmers in producing countries and the consuming countries. A broader understanding has been created for the impact that consumption of sisal will have in the producing developing countries. The co-operative movement and trade and industry in the target markets have fully joined in the campaign.

5.6 Case Study: Options and Constraints for Timber Certification

5.6.1 *France's Strategy and Activities in Development Co-operation for Safeguarding Tropical Timber in Africa (Congo Basin)*

Since the beginning of the 1990's there have been increasing environmental concerns in developed countries about the link between international trade in tropical timber and deforestation. In this situation demands were made for the use of trade measures as an instrument to influence production processes in developing countries were made. Calls for consumer boycotts and for bans of tropical timber proliferated. More recently the idea of timber certification has been identified as a potential instrument to promote sound forestry practices.

Today the certification of timber is attracting considerable attention from bilateral donors, multilateral institutions and NGOs. One of the arguments in favour is that it can be designed as a market-based instrument. Furthermore, it is said that this approach is less likely to initiate trade disputes in the WTO than unilaterally imposed trade restrictions (e.g. import prohibitions). Last but not least, it is pointed out that it can reward timber-producing countries which adopt better forest management practices and will thus contribute to the conservation of tropical forest. ⁽⁹⁾

Arguments at France's Ministry of Co-operative Position vis-a-vis the Actual Discussions on Timber Certification

According to international experts the impact of timber certification will generally depend upon the portion of tropical timber produced that enters international trade and that is imported by those countries that have been involved in developing specific norms and guidelines. However, taken on an aggregate, exports of industrial roundwood, sawnwood and wood-based panels from developing countries account for about 25% of the production. Thus, most of the timber produced in developing countries is consumed locally. While this is an average, the situation might be different in individual countries.

Considering the concrete conditions in Central Africa, the certification of tropical timber would hardly be able to ensure sound forest management practices. France's experts at the Ministry for Co-operation emphasise the following aspects:

- Certification is a voluntary initiative which is only motivated by the fear of a ban of tropical timber and of consumer boycotts in several developed countries.
- Similar to the average figures for all developing countries, only 20% of tropical timber that is exploited in Central Africa is traded internationally. The percentage of fuel wood in the same region is 84%. Therefore, the interest for voluntary certification or eco-labelling schemes is very low.
- Due to the specific private and public property relations in Africa, e.g. land in Africa is state-owned while the administration is in the hands of private concessionaires. The concessions are given only for a limited period which undermines any long-term reflection and calculations on sustainable forest management practices.

(9) Crossley, Rachel, Primo Braga, Carlos A. and Varangis, Panayotis N: Is there a commercial case for tropical timber verification? UNCTAD 1997 (Draft)

Box 5.4. French Aid for Safeguarding Tropical Forests in Africa - to date

The French aid for the African tropical forests includes numerous programmes and projects in a large variety of fields:

France is providing a large amount to the Global Environmental Facility as well as to the Fonds Français pour l'Environnement Mondial [FF 807 million) (US\$137.5 million) and FF440 million (US\$75 million) in 1995] for the conservation of biodiversity and for the equilibrium of the international climate. In this context the conservation of tropical forests has a high priority.

- France is assisting African forest institutions on a national as well as on a regional level to support and to strengthen their capacity and their expertise to participate in the great debates on forestry and on international environmental issues in particular.
- Assistance is provided for the planning and co-ordination of the *Programme d'Action Forestier Tropical (PAFT)* especially for Gabon, after having finished these activities in the Congo.
- Assistance is contributed in co-operation with the Centre International de la Recherche Forestier (CIFOR) for the establishment of an African regional network for the research on forests supported by the Departement Forestier du CIRAD (project FORAFARI).
- France provides assistance for the identification and the implementation of activities in sustainable forestry to improve the national income of states if this is impeding the industrialisation of the wood sector, furthermore, it is promoting the diversification of the forest production (non-wood resources) and supporting the rational exploitation of these resources. Moreover, France is working about an international regulation on commercial aspects of wood (this includes studies and educations on eco-labelling of African wood).

Against this background experts of France's Ministry of Co-operation come to the conclusion that timber certification in Central Africa is only a very limited approach and is not a substitute for more comprehensive activities. For the protection of tropical forests in Central Africa a focus on isolated forests and isolated administration would be insufficient. Therefore, a need for a more comprehensive and a more global strategy is recommended. An important step would be to concentrate on elaboration of definitions on sustainable forestry and the management of natural resources. Further important activities would be the preparation of an international forest convention. Despite the fact that the elaboration of such a convention would require a long procedure which, has to take into account the differing biological conditions, the variability of administrations and differing controlling structures and the stages of development in the individual countries it is only in this broad perspective that sound forestry practices could be implemented.

In order to avoid the risk of elaborating a general framework without taking into account the real world it would be necessary to include precise obligations for the participants. This would be an important step forward, but not yet sufficient. Moreover, it is pointed out here that these activities should be added by subregional initiatives which are able to take into account the ecological, human, economic and political differences.

France's Initiative for Central Africa (Congo Basin)

According to France's experts the benefit of a coherent strategy which is based on precise obligations and which would be compatible with the basic principles of a potential forest convention, on the one hand, and the biological and institutional reality in Africa, on the other hand, could be demonstrated in Central Africa. Such a coherent approach should be signed in the form of an agreement by all relevant parties. These would be the political authorities of each country concerned, the donors, private industry and the international NGOs.

This proposal for an agreement for the Congo Basin has been discussed for quite some time among major donors (e.g. EU and the World Bank), but there are still diverse opinions on concrete forms due to different concepts, including cultural and semantic differences.

As a consequence of the various international or regional initiatives which are based on the principles, criteria and indicators (PCI) for sustainable forest management which were elaborated by the ITTO (OIB) at various stages in Helsinki, Montreal, in Tarapoto and in the drought zones of Africa, the Conference of Ministries of the African Timber Organisation has had the mandate to elaborate on PCIs for sustainable management of tropical timber in Africa since 1993. This regional approach is considered to be very valuable and promising and has been supported by France from the very beginning.

After testing in the Cote d'Ivoire and in Cameroon with further support by CIFOR this work will be continued in Ghana, the Congo, Gabon and Zaire in order to refine the actual proposals and to make them valid. Against this background the French co-operation will provide financial assistance for testing in the Congo. The PCIs, which will be approved by those countries that are members of the African Timber Organisation (ATO), should become an interesting basis for the preparatory work on an "Agreement for the Congo Basin".

According to France's position the "Conference sur les Ecosystèmes de Forêt Dense Humide d'Afrique Centrale" (under the umbrella of IUCN), which took place in May 1996 in Brazzaville, could become the "Chamber" for arrangements and accreditation for the Congo Basin Initiative. However, as it is stated here, this would require a certain restructuring in order to include governmental representatives, economic actors, representatives of the national civil society (social and ecological) and, last but not least, from the important NGOs, the bi- and multilateral donors and international research institutions as well.

5.7 Discussion and Preliminary Conclusions

From the case studies discussed in this section the following conclusions can be drawn:

- The GTZ/Protrade project "Product and Marketing Consultancy for Ecological Products" covers activities for production, processing and marketing of eco-friendly products. This includes consultancy for private enterprises and administrations on institution building and advisory services for legal requirements on both the national and international level in selected countries.

As the evaluation of the potential in organic agriculture is the main prerequisite for eco-friendly farming in the selected countries, the project is contributing to the long-term objective in ensuring sustainable production patterns in agricultural export sectors.

However, these activities do not include measures to implement eco-friendly production processes for domestic markets. In order to ensure sustainable development on a country-wide level, future donor activities should take this shortcoming more into account.

This project as well as other projects comprise important activities for capacity building and institution building for organic food production. Most projects include comprehensive assistance for the training of internal inspectors. Thus, it can be expected that the developing countries concerned will become less aid-dependent to carry out the certification of organic food.

- Conversion to organic agriculture raises several problems. As the conversion from conventional agriculture to organic agriculture requires a period of several years, the income

of producers must be subsidised (e.g. a premium of 20%). This premium must be paid immediately and not only when the cotton has been sold. As projects for organic cotton showed that there is no open market access, an effective market strategy is required. Furthermore, it has to be taken into account that an increase in growing organic cotton in various countries might increase the danger of oversupply.

On the other hand, if donors are able to strengthen their activities to improve the access to OECD markets, the share of organic agricultural products could increase and the retail price could decrease as a result of economies of scale. Thus, organic cotton would no longer remain a niche product.

- The promotion of sisal harvest twine is a worthwhile activity, in particular in traditional markets and for traditional baling. Sisal twine might become the winner if increasingly stricter laws regarding waste disposal like the German packaging waste ordinance and/or environmental taxes based on the "Polluter-Pays-Principle" (PPP) were introduced in the OECD countries. However, if developments are to favour sisal twine, production methods in the producing countries which are very antiquated must be modernised, e.g. more financial resources to develop production are required.

According to the assessment by ITC, the critical mass for the promotional activities in some target markets have not been reached. Therefore, visible results are difficult to discern. According to this assessment this was mainly due to limited resources. Measuring the effect of the information campaign is generally difficult. A profound assessment has to take many factors into account, e.g. general shrinkage of the agricultural sector and the shrinkage of baling and hay and straw in general due to new techniques.

On the other hand, the project had several positive results. The orientation on the demand side in development co-operation for environmentally friendly process and production methods is a rather new approach. Thus the promotion campaign for sisal created new forms of co-operation and solidarity between farmers from producing countries and farmers from consuming countries. This could be the basis for a new partnership concept not only in the case of sisal but for other eco-friendly products as well. As much of the basic promotional material (information folders, posters, advertisements for newspapers and professional magazines) was developed during the pilot phase, the availability of this basic information would facilitate a further larger campaign at a more cost-effective level.

- France's position towards safeguarding tropical timber in Africa shows that the certification of timber does not fulfil the necessary requirements. This approach will not be able to promote sound forestry practices to the extent which is needed in this region. Against this background the proposals made for a regional agreement for the Congo Basin as well as the additional programmes are more appropriate. However, it should be noted that for some countries in this region, in particular the Congo, timber certification might have an important positive impact on better forestry management practices. The potentially positive impact can be explained by high export shares, e.g. in 1993 the export share of timber products reached about 60%. Furthermore, as Congo's export markets are more than 80% in the USA and the EU, countries where demand for certified timber appears to be strong, certification might be able to promote sound forestry practices.

6. ENVIRONMENTAL MANAGEMENT SYSTEMS (ISO 14000) AS A TOOL TO PROMOTE ENVIRONMENTALLY PREFERABLE PROCESS AND PRODUCTION METHODS

6.1 Introduction

Legislators and enforcing authorities in OECD countries increasingly rely on self-regulatory instruments for improving industry's environmental records. At present there are three main international schemes for environmental management: the British System BS 7750, the European Management and Audit System (EMAS) and ISO 14000 which has the advantage of being an international world-wide standard.

Environmental management systems (EMS) can be considered as the most systematic approach to addressing environmental process requirements relating to the energy intensity of production, emissions and effluents caused by PPMs and water generation.

When EMS schemes become dominant and an informal requirement for commercial transactions with other companies, non-participation could affect the competitiveness of firms, e.g. from developing countries, which are not registered.

To assist developing countries to adapt to these challenges and to use the new opportunities for improving environmental process and production methods (PPM), the International Standard Organisation (ISO) established a special programme for developing countries. This programme, known as the ISO Programme for Developing Countries (ISO DEVPRO), was established for a three years period and includes the following elements:

- publication of development manuals in the areas of standardization and related matters;
- training in standardization and related matters;
- sponsorship of participation in ISO standards committee meetings;
- assistance and guidance in the establishment of International Standards needed by developing countries;
- assistance in documentation, information and promotion of standardization.

Funding for elements of the ISO Programme for Developing Countries comes from sources external to the ISO budget.

At present, the most important project in the environmental areas is the project for *Assisting Developing Countries to Achieve Sustainable Development through Creating Awareness of and Training in Environmental Management and Eco-Labeling Techniques*. This project was proposed by the ISO Programme for Developing Countries (ISO DEVPRO) to governments and donor agencies in some ten OECD countries. The Dutch, Finnish and Swiss Governments have agreed to make donations to implement the project.

De facto, there are two projects. The Dutch and Finnish Governments have agreed to make donations to implement Output 2 of the project, that is *Sponsorship of Developing Country Representatives to the Meetings of ISO Technical Committee 207 - Environmental Management*.

Output, which was approved by the Swiss Government, includes the holding of six itinerant training seminars on Environmental Management and ISO 14000 to be held in regions of the developing world. In addition, seminars were held by DEVPRO in collaboration with the Assistance Francaise de Normalisation (AFNOR), the ISO member from France, in Jakarta, Manila and Beijing in 1996.

Donor assistance in promoting Environment Management Systems (ISO14000) focuses mostly on the following areas:

- promoting awareness and training in Environmental Management and Eco-Labeling Techniques;
- promoting capacity building and contributions to institution building for the introduction of EMS in developing countries.

6.2 Case Studies : The ISO Programme for Developing Countries (DEVPRO)

6.2.1 Creating Awareness of and Training in Environment Management and Eco-Labeling Techniques

The implementation of Output 1 of the ISO Programme concentrates on efforts to create awareness among developing country eco-practitioners, industries and populations in general about environmental issues and techniques and to provide specialists in those countries for basic training in the implementation of environmental management and eco-labelling techniques. It also includes efforts to enhance the participation of practitioners from developing countries in the formulation of international guidelines and standards for environmental management and eco-labelling which could permit harmonisation world-wide.

In short, the project aims at transforming developing countries into "owners" of efforts to protect the environment instead of being spectators looking passively on the global environmental situation and the eco-movements in other countries.

The main project activities and outputs include the holding of seven regional itinerant training seminars in so many regions of the developing world and in economies in transition. In each seminar a group of two to three international experts would travel to the three most important capital cities in one geographical region. The seven regions are: Africa, the Arab countries, the Caribbean, Eastern Europe, Latin America, South Asia and South East Asia.

In each venue about 100 participants would receive training for three days, 80 participants from the country of venue and 20 from neighbouring countries. In all, training would be offered to about 2100 persons.

The tentative list of countries where seminars will be organised is as follows:

Africa	Ethiopia, Ghana, Mozambique
Arab region	Egypt, Jordan, Tunisia
Caribbean and Central America	Costa Rica, Jamaica, Panama
Latin America	Bolivia, Brazil, Colombia
South Asia	Bangladesh, India, Pakistan
South East Asia	Philippines, Thailand, Vietnam.

The participants in the training seminars are invited from major environmental agencies/ministries, national standards bodies, non-governmental organisations active in environmental matters and from the different sectors of industry. It is expected that many of the participants will later act as information disseminators who will pass on the knowledge obtained during the seminars to others in their companies and organisations and through public fora. Those who show particular interest can be trained in a second phase of the project to become trainers.

Furthermore, it is expected through media coverage to deliver the message about the importance of environmental issues to millions of people in the venue countries.

For the second phase it is planned to include further training to prepare trainers and auditors of environmental management systems to provide fellowships and consultants to assist in establishing environmental auditing and certification and eco-labelling programmes.

The project started in 1996 and will end in 1998. It receives assistance from Switzerland (US\$300 000).

6.2.2 Sponsorship of Developing Country Representatives to the Meeting of ISO Technical Committee 207 - Environmental Management

The second element of this programme was initiated in 1993 after ISO established its Technical Committee TC 207 - Environmental Management. Since then, this technical committee has been working hard on the preparation of important international agreements on matters such as environmental management, environmental auditing and eco-labelling which could have a profound impact on the global environment and also on trade between industrialised and developing countries. However, the participation of developing countries in these important debates has been, until recently, disappointingly weak.

For these reasons, the Governments of Finland and the Netherlands have agreed to finance the participation of representatives of developing countries to the meetings of ISO/TC 207. This project is entitled *Sponsorship of Developing Country Representatives to the Meeting of ISO Technical Committee 207 - Environmental Management* (Output 2).

The meetings in 1995 and those in 1996 had the same agenda, e.g. plenary meetings of the technical committee and meetings of the 5 subcommittees (SCs) as follows:

- Environmental management (plenary) (ISO/TC 207)
- Environmental management systems (ISO/TC 207/SC 1)
- Environmental auditing (ISO/TC 207/SC 2)
- Environmental labelling (ISO-TC 207/SC 3)
- Environmental performance evaluation (ISO/TC 207/SC 4)
- Terms and definitions (ISO/TC 207/SC 6)

For the first meeting, 21 delegates representing 11 developing countries were sponsored and during the second meeting 23 delegates participated. Two delegates were sponsored per country; one from the national standards body, and the other from the national environmental agency/department.

This part of the project was financed by grants from the Governments of Finland (US\$94 000) and the Netherlands (US\$182 500). The project was started in 1995 and will end in 1997.

Achievements

At present it is very difficult to make a clear assessment of the impact of the various activities and inputs of both projects. However, according to written questionnaires which were sent to delegates from developing countries after participating at Meetings of ISO/TC 207 these given answers show the following trends:

- In Argentina the participation of the delegation led to increased interest in environmental management (EM) and a national committee was established in this field which meets monthly.
- The delegate from Colombia said that his country's interests were well represented and that subsequently, a Forum on ISO 14000 was organised in Columbia for more than 100 representatives from industry and environmental organisations.
- In Cuba a national committee on EM was established and five international standards were in the process of being adopted as Cuban standards.
- In Indonesian working groups were established corresponding to the subcommittees of TC 207 and seminars were planned for October and November 1997. A pilot project for introducing environmental management in nine major companies was in preparation.
- The delegation of Mauritius was able to represent their country's interests in voting of important issues and played an important role in representing developing countries in the special task group on eco-labelling symbols in which the participation of developing countries helped resolve important issues. Presentations were made and a seminar and a workshop were planned to inform interested circles in Mauritius about EM.
- The delegate from Trinidad and Tobago mentioned that he represented the interests of his country by pressing for a guidance document for small and medium-enterprises (SMEs) which he considers important for a small country like Trinidad. The proposal was adopted by TC 207. A seminar was planned for October 1996 to inform interested circles in Trinidad about environmental management.
- In Vietnam a national committee on environmental management was established and had held one meeting. Vietnam has decided to upgrade their membership in TC 207, SC 1 and SC 2 to participating membership and to become observers of SC 3, SC 4 and SC 5. Five ISO standards were planned to be adopted as Vietnamese standards. An awareness campaign for industry and the general public was planned, lecturers, brochures and consultants were in preparation and several awareness courses were already held.

According to an ISO survey the following actions were undertaken since the start of the sponsorship:

- Awareness-raising and actions through technical press and mass media by 65% of the delegates
- Setting up of a national committee on EM in 55% of countries

- Participation in TC 207 debates by 45% of sponsored delegates
- Training in EM organised with involvement of the delegate in 45% of cases
- Relation established with EM experts from other countries in 20% of cases
- Publication of national EM standards in 15% of countries
- Actions undertaken to assist SMEs in 10% of countries
- Setting up of a national EM certification in 10% of countries

Some negative aspects that were revealed during the survey were:

- Concern was expressed about multinational certifiers by 5% of delegates
- Concern was expressed about political issues blocking consensus in TC 207 and Scs by 5% of delegates
- Complaint about non-reception of TC 207 documents by 5% of delegates

6.3 Discussion and Preliminary Conclusions

It is difficult to determine with certainty whether the sponsorships have actually caused the positive changes noted above or whether these changes would have happened anyway.

However, since for many countries the participation of their delegates at the TC/SC meetings was their first contact with the subject of EM standards, it is reasonable to conclude that the sponsorships played an important role in making these changes happen or at least in speeding up their realisation.

The financial assistance of donors to the ISO Programme for Developing Countries in the Environmental Area (DEVPRO) is a good example of co-ordinated donor support of in this area. The sponsoring of developing country representatives at the Meetings of ISO Technical Committees 207 - Environmental Management and the promotion of the awareness and knowledge of environmental techniques and practices among eco-practitioners and the general public in developing countries through training seminars in the area of environmental management, auditing and eco-labelling will be an important contribution to the development of human resources in these countries.

According to the answers of participants at the Meetings of ISO Technical Committees 207 - Environmental Management there is a considerable impact of this project for initial steps towards institutional building and capacity building in developing countries on these issues.

As this programme is targeting the private sector as well as improving the functioning of governments and civil services, it fulfils basic principles of technical co-operation. However, donors as well as

representatives from developing countries should be aware that the Environmental Management Systems (EMS) ISO 14000 is not a substitute for environmental legislation nor for sound management systems. In particular it has to be taken into account that ISO 14000 is not a performance standard but a system standard. Environmental norms and principles must be defined first, only then would EMS controlling and monitoring procedures be meaningful. Furthermore it has to be pointed out that EMS would be meaningless for enterprises which do not have any management system at their disposal. As this is true of most small and medium-sized enterprises in developing countries donor assistance for this target group would require special activities.

7. SUMMARY AND CONCLUSIONS

From the compilation of the case studies covered in this report on past and current efforts by donors to integrate trade and environment issues into their development co-operation programmes the following summary conclusions can be drawn:

- Most of the projects identified to date have just started, only very few had been finalised at the time of writing, while several other very interesting projects are still in the planning stage. Against this background it is not surprising that with the exception of very rare cases, the projects presented here have not yet been evaluated. Consequently the discussions of the projects could not so much focus on the output/results, but more on the input/objectives. This gap may also suggest that evaluation could form a stronger feature of both current and future work. These facts should be taken into account when discussing the case studies as a basis for the formulation of Good Practices.
- So far, there appear to be few systematic approaches to achieving coherence between donor programmes at the trade-environment interface. Several donors are, however, beginning to consider how to address this issue. Some specific programmes regarding forestry in which trade and environment issues have a high profile, are leading, in a 'bottom up' way, towards the achievement of greater policy coherence.
- It appears from the case study research carried out so far that European countries have generally taken the lead in donor activities at the trade-environment nexus - the only non-European funded project was the Canadian support for the China Council for International Co-operation on Environment and Development. Many projects also appear to be funded jointly by several donors.
- Among the various European donors different approaches could be observed. A significant difference is, for example, the fact, that some donors emphasize the need to integrate environmental and social standards at project level while others focus on ecological PPMs only.
- Several projects that have been discussed here show similar characteristics, e.g. the activities for the implementation of environmentally friendly PPMs are mainly concentrated on the more dynamic modern export sector while the issues of ecological PPMs in domestic markets have not been included. This is the case for most assistance for organic agriculture, projects for timber certification, training and awareness promotion projects for Environment Management Systems such as ISO 14000.

- In order to avoid a further segmentation of the economies in developing countries future donor activities should try to strengthen incentives for institution building/capacity development for ecological PPMs for local production and consumption as well.
- There are a number of well-developed projects to inform developing countries about environmental restrictions in some OECD country markets. Some of these projects have a broad span and are able to address different problem areas as they arise; others are targeted at specific environmental pressures in OECD markets. Nevertheless, there are clearly still significant information gaps in developing countries in relation to environmental restrictions and pressures in OECD markets. The case studies point to significant confusion concerning 'voluntary' eco-labelling schemes, and to the need for technical assistance to adapt to environmental requirements. Specifically, information on requirements is immediately followed by requests for information on testing and certification. Further support may then be needed to develop local testing and certification facilities, and to assist in adapting production methods and product design.
- Some projects provide financial and technical assistance not only for developing countries, but try to strengthen the demand side in OECD markets (ITC, CBI, Max Havelaar Foundation). These activities and the parallel measures for institutional support to enhance the demand in OECD countries might become an innovative form or even a model of development co-operation for other environmentally friendly products from developing countries.
- Several of the projects considered in this report emphasize the central role of developing countries in project planning, designs and management, as set out in the DAC Principles for New Orientations in Technical Co-operation. In particular, the experience of the China Council for International Co-operation on Environment and Development indicates that a well-designed project based on a partnership between local and donor expertise can achieve significant progress at relatively low cost.
- Donor programmes for supporting developing countries to implement Environmental Management Systems (EMS), in particular ISO 14000, are a very important tools for ecological PPMs. These activities will be an essential step to ensure future access to OECD markets. However, as ISO 14000 is not a performance standard but a system standard, these activities will not be a substitute for legislative norms and regulations. Environmental norms and principles must be defined first, only then EMS controlling and monitoring procedures would be meaningful. Furthermore, it has to be taken into account that EMS will be meaningless for enterprises which do not have any management system at their disposal. As this applies to most small and medium-sized enterprises (SME), donor assistance for this target group would require support for a wider range of activities.
- Programmes and projects addressing the trade and environment interface have the potential for assisting donors and developing countries to take into account private sector needs and interests, since it is ultimately producers that are affected by environmental restrictions and issues. There are indications in some of the projects reviewed in this report of the tensions involved in this approach. In particular, to what extent should projects targeting the private sector focus on small scale, locally owned companies? And if this is the aim, how can it be ensured?

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