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Improving Trade Related Capacity Building in LDCs: Lessons from a Survey of Initiatives in Tanzania and Eastern Africa

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1. Introduction

According to the UNDP (1998): "capacity can be defined as the ability of individuals and organizations or organizational units to perform functions effectively, efficiently and sustainably." This definition underscores the multidimensionality of capacity. First, it indicates the evolving nature of capacity (i.e., is not a passive state but is part of a continuing process). Second, it shows the central role of human resources and the way in which they are utilized, in defining the term capacity. Third, it suggests that the overall context within which organizations undertake their functions is also a key consideration in strategies for capacity building initiatives.

In general terms, capacity building encompasses the development of a country's human, scientific, technological, organizational, institutional and resource capabilities. A fundamental goal of capacity building is to enhance the ability to evaluate and address the crucial questions related to policy choices and modes of implementation, based on an understanding of environment potentials and limits and of needs perceived by the people of the country concerned (cf. UNCED, 1992). Expressed otherwise, capacity building means establishing the necessary policy framework, and building the physical and software infrastructure for supporting a process of sustainable and self-propelled development. Invariably, its main components include:

- i. The development of **legal and regulatory framework**, with appropriate policies and laws. Usually this involves the making legal and regulatory changes to enable organisations/institutions at all levels and in all sectors to enhance their capacities.
- ii. Comprehensive **human resource development**. This refers to a process of equipping individuals with the knowledge and skills and access to information, in order to enable them to perform their tasks more effectively. This process is usually realized through education (formal and informal) and training.

- iii. Comprehensive **institutional (or organizational) development**. This involves the design/elaboration of management structures, processes and procedures within organizations, and relationship management (i.e., the management of relationships between the different organizations and stakeholders),
- iv. The development of **information systems**.

It is also worthwhile to note that capacity building has got several characteristics. Among other things, capacity building is continuing process. Besides, effective capacity building requires the involvement of various stakeholders (i.e., state actors and non state actors). Furthermore, capacity building is much broader than training.

Using Tanzania as a case study, this paper examines the status quo of trade and investment related capacity building in Least Developed Countries (LDCs). On the basis of the observations, it out-lines feasible strategies for improving the capacity of such countries to design, operationalize and sustain **integrated frameworks for trade and investment related capacity building**, with a special emphasis on education and training. Because, in practice, the situation in developing countries is not much better than that in LDCs, selected examples from Eastern African countries are used to elaborate on the situation.

2. Trade and Investment Related Capacity Building

Trade and investment related capacity building is not easy to describe and no clear, unambiguous, and broadly accepted definition of the concept exists. However, deriving from the above general definition of capacity building, it can be understood to refer to a range of measures that aim to support developing countries to improve their ability to participate more meaningfully in international trade and investments. Commensurate with the general definition, building trade and investment related capacity involves building physical and software infrastructure to facilitate trade and investments development, and creating a conducive environment through the establishment of the appropriate legal and regulatory framework. Its components include;

- i. The creation of an enabling environment through an appropriate **legal and regulatory framework**, including appropriate policies and laws, in order to stimulate trade and investment development. This may involve legal and regulatory changes to enable organizations/institutions at all levels and in all sectors to enhance their trade and investment capacities. The (umbrella) national investment and trade policies, as well as pertinent specific policies (e.g., on competition policy, policy on intellectual property rights, etc.), etc. are important elements of the framework.

- ii. **Human resources development.** This involves both the sensitization of decision makers on the essence of trade and investment for development, and the creation of a cadre of trade and investment experts. Senior decision makers can be initiated and sensitized about the pertinent issues through short duration seminar- or workshop-type events. In contrast, well blended education and training programmes are needed in order to create experts.
- iii. Establishment and enhancement of statutory and other trade and investment development **institutions.** The institutions should enable the country concerned to effectively manage the demand for trade and investment development services. Therefore, the institutions in question include education/training institutions, specialized trade development and investment organizations, trade and investment development advocacy institutions (including private sector institutions and NGOs), etc. Also, a country's negotiations machinery is part of the institutional framework that should be put in place.
- iv. Building **information systems** to support trade and investment development initiatives.

2.1. Context of the Analysis

In order to make a feasible assessment of trade and investment related capacity building requirements of developing countries, it is essential to comprehend the dynamic interplays between international trade and investment, and how this influences development.

In this regard, it is necessary to bear in mind that commodity production and trade are crucial for economies of Tanzania's caliber and will remain so in the foreseeable future, while the commodity sector attracts most of the strategic investments in a typical developing country, whose economy is largely extractive. Moreover, as we know from empirical lessons, industrial transformation is essential for the sustainable and substantial economic development. Thus, the dynamics and structures of commodity trade and investments have crucial influence on a developing country's prospects for development.

On the basis of the foregoing arguments, a plausible departure point for a discussion of capacity building on the subject matter of interest is a brief recapitulation of political economy of international trade and investments, as well as potential of both (i.e., investments and trade) to contribute to development.

2.1.1. Political Economy of Investments, Production in a Developing Country: The Case of Tanzania

A country's political economy of investments, production and trade gives important clues about its economic performance and development. Reminiscent to the situation in most LDCs, the underlying political economy in Tanzania and many other developing countries is underscored by, inter alia:

- (i) The reliance of the economy on the primary sector, particularly farming and mining.
- (ii) The predominantly subsistent nature of both the farming and mining communities, which are typically widely dispersed and not organized. This explains in part, why peasants and artisanal miners do not strongly resist low prices for their products.
- (iii) The dichotomist structure of the commodity based economy, where large peasant communities exist alongside small commercial farmers, while large mining companies exist alongside artisanal miners.
- (iv) The dependence of developing countries on food imports, despite large farming communities. This is, at least in part, explained by the dominance of peasant farming and the poor infrastructure that make it impossible to transport food from surplus to deficient areas.
- (v) The substantially small percentage of population living in urban areas, compared to developed countries. It is estimated that worldwide, over 60 percent of the population in developing economies is rural-based. The estimates for Tanzania are over 80 percent. In terms of agricultural production and trade, this also means that there are few urban consumers, facing a large number of rural producers.
- (vi) The dominance of commodity production and trade of economic activity in a typical developing economy, despite the obvious lack of systematic commercial structure in the commodity sector. Commodities contribute a large share of the Gross National Product (GNP), Gross Domestic Product (GDP) and exports. They also present major and easily accessible tax base.
- (vii) The investments in the commodity sector, particularly in agriculture, are rather small. Moreover, the huge investments in the mineral sector are to a very large extent made by transnational companies from developed countries.

2.1.2. Potential of Trade and Investment to Contribute to the Development of Tanzania

The prospects for investments, production and trade to contribute to development are closely associated with the potential for the country's horizontal and vertical diversification of production and trade. In Tanzania, this potential can be very well demonstrated with assistance of the state of investments and production in the country's largest economic sector providing livelihood for approximately 80 percent of its population, i.e., agriculture.

2.1.2.1. Potential for Horizontal Diversification of Agricultural Production and Trade

Tanzania is a relatively large country covering a total land mass of approximately 947 000 square kilometers. Some 88 million hectares of this huge land mass are suitable for agricultural production. The country's varied climatic zones can support commercial level production of several agricultural products, such as, animal feed stuffs, dairy products, beef and veal, horticultural products, natural honey, rice, pig meat, poultry products; etc. However, agricultural investments are very low. Thus:

- i. Currently Tanzania exploits economically only 5.5 percent of its arable land for- farming, and food crop production accounts for some 85 percent of the country's agriculture economy. Thus, on the average, only 5.1 million hectares are cultivated.
- ii. Most of the country's farming community is made-up by small holder farmers, cultivating average farm sizes of 0.9 and 3.0 hectares each. A study by the Tanzania Chamber of Commerce, Industry in Agriculture published in 2002 revealed that about 70 percent, 20 percent and 10 percent of Tanzania's crop area is cultivated by hand hoe, ox plough and tractor respectively (TCCIA 2002: iii, 9).
- iii. The total number of agricultural and livestock projects approved by Tanzania Investment Centre (TIC) between September 1990 and September 2000 were 123, worth Tanzanian Shillings (TZS) 264 775 millions only. These investments created only 41 934 Jobs.

Therefore, investments in modern farming practices (mechanization, irrigation, etc.), would enable Tanzania to both increase its production of currently produced products and horizontally diversify into the production of other products. Overall, it would make the country a substantial agricultural producer and boost its export competitiveness.

In terms of trade-and investment related education and training interventions, at the strategic level, Tanzania's top decision makers need to be initiated and sensitized about the potentials and economic significance of the agricultural sector. In the same vein, the country needs to develop analytical expertise, as well as expertise to negotiate for international trade and investments

arrangements, which will enable it to participate store beneficially in international agricultural investment-, production and trade.

2.1.2.2. Potential for Vertical Diversification of Agricultural Production and Trade

Tanzania does also possess great potential for vertical diversification of production and trade, through domestic value adding. The country's manufacturing sector is very small and currently, the country exports most of its commodities (such as coffee, cashew nuts, etc.) products in raw or semi-processed forms. Through lateral, horizontal and vertical linkages; the agricultural sector should have a catalyzing influence on the development of the other sectors of the economy.

2.2. Trade and Investment Related Capacity Building Interests of Developing Countries

In general terms, the trade and investments related capacity building of a typical developing country should pursue clearly articulated objectives. These objectives should articulate the trade and investment development interests, including the needs **to promote international trade, develop domestic markets, promote economic transformation, encourage domestic economic participation, and allow sufficient policy space** (so that a country can steer its development). Invariably, investments into productive activities and the trade structure generated by such investments should aim at transforming the economy by building their value adding capacities.

Corollary, a comprehensive capacity building programme is needed. It should aim at putting all the beacons for **trade and investments development** in place. The strategy propagated by the South Institute for Trade and Development (SITRADE) Foundation is one of systematically "closing the loop" by creating one beacon after another. These beacons include: trade and investment related **institutions**, a pool of **experts, programmes** (education, training, etc.), and **policies**.

Conspicuously, commitment by a person or several persons (as promoter or promoters of trade and investment development ideas based on this approach) is a necessary condition for the achievement of such an ambitious agenda as experienced in Tanzania, it is not a sufficient condition. Instead, there is need for institutional support and commitment. Ideally, the achievement of the agenda requires commitment by the stakeholders (particularly the government) and appropriate networking and collaboration with development partners.

2.3. Trade and Investment Related Capacity Building Concerns

The status quo of trade and investment related capacity building in developing countries is a source of many concerns. There is a clear **lack of an integrated approach** for capacity building as whole, as well as for specific components of capacity building. The other true concerns are related to the **adequacy of the methodologies** used, and the **partial targeting of the interventions**. Probably as a consequence of everything, there are **limited gains**, despite the substantial amounts of resources being used for trade and investment related capacity building. Therefore, it is not surprising that the overall situation is epitomized by glaring **capacity gaps**.

2.3.1. Lack of integrated approach

The lack of an integrated approach articulates a strategic deficiency. Thus, on the whole, capacity building initiatives tend to be partial and usually concentrate on human resources development. Accordingly, they fail to consider the other beacons of an integrated approach to capacity building (such as building institutions, establishing policy frameworks, establishing information portals, and building coalitions and networks of individual experts and institutions).

Another manifestation of the deficiency in the strategy is that the scope of interventions (of each beacon) is limited in many ways. For instance, there are hardly any programmes that target to influence the decision makers at the strategic level.

2.3.2. Methodological Inadequacies

The methodology used to impart knowledge and skills within the context of human resources development programmes demonstrate at best the methodological inadequacies. Notably, such programmes tend to concentrate on short duration training interventions, mainly through training workshops, to try and impart complicated knowledge and skills on trade and investment development. The concentration on short duration training workshops also limits the prospects for dynamic interplays between them and (the long duration) foundation education programme.

3. Building Education and Training Capacities for Trade and Investment

3.1. Essence of Building Education and Training Capacities for Trade and Investment

In addition to the interest and concerns outlined in the previous sections 2.2 and 2.3 respectively, the essence of developing the capacity for trade and investment related capacity building **incorporating training** -- in LDCs is underscored by several reasons.

First, while trade and investment related **capacity is critical for development**, the **scale of need** is in an average developing country is enormous. In Tanzania, for instance, this is evidenced by the findings of the trade-related capacity building survey, carried out by the Trade and Integration Studies Programme (TRISP) of the University of Dar es Salaam, Tanzania. The surveys indicated that most individuals entrusted with managing Tanzania's trade policy lack trade-related expertise. To underline the seriousness of the situation, the results of a survey of 14 members of Tanzania's National EPA Technical Team (NETT) responsible for negotiating Tanzania's trade arrangements with the EU within the framework of Economic Partnership Agreements (EPA) are presented in table 1. Notably, capacity building is required in all areas. Overall, the scale of deficits underscores the dire need to train and sustain a critical mass of experts in trade and investment development.

Second, despite the conspicuous and enormous need for capacity building, the **appreciation of the problem is apparently low**. Consequently, local supply of education and training in this area is weak. The education and training institutions with a capacity to design and deliver trade and investment related capacity building programmes are either non existent, or are very few, or do not have adequate capacity. Besides, the potential role of such institutions is either not known or not appreciated. They tend to be marginalized or overseen among a country's capacity building initiatives.

Table 1: Trade Related Capacity Building Requirements for Members of NETT

S/N	Areas for Intervention	Weight of Participants in Percentage		
		Major Requirement	Minor Requirement	Intervention Not Required
1.	Trade Provisions of the Cotonou Agreement	75.0	25.0	0
2.	Market Access for SADC EPA Negotiations	100.0	0	0
3.	Agriculture for EPA Negotiations	100.0	0	0
4.	Services for SADC EPA Negotiations	100.0	0	0
5.	Non-Agricultural Market access and Fisheries for SADC EPA Negotiations	100.0	0	0
6.	Development Issues for SADC EPA Negotiations	100.0	0	0
7.	Rules for SADC EPA Negotiations	100.0	0	0
8.	Singapore Issues	75.0	25.0	0
9.	WTO Agreements on Trade Related IPRs	100.0	0	0
10.	Formula Approach to Trade Negotiations	75.0	25.0	0
11.	Special and Differential Treatment Provisions of the WTO	100.0	0	0
12.	WTO Provisions non Regional Trading Agreements	100.0	0	0
13.	Negotiations Theory and Practices	90.9	9.1	0
14.	Trade Theory	66.7	33.3	0
15.	Trade Policy	91.7	8.3	0
16.	Trade Policy Review	83.3	16.7	0
17.	Trade Data Bases and Modeling	91.7	8.3	0

Source: Matambalya, 2004b.

3.2. Status Quo of Trade and Investment Human Resources Development: Scenarios in Tanzania and Selected Eastern African Countries

3.2.1. Main Types of Trade Related Human Resources Development Programmes

The pertinent human resources development programmes aim to enable developing countries to acquire knowledge and skills related to trade and investment development, and develop the appropriate institutional and legal frameworks to facilitate capacity building. In this context, there are two common types of capacity building initiatives in developing countries, i.e., short duration training programmes and long-duration education programmes. The first type of programmes is mainly delivered through training workshops of various durations. The

programmes propagated by most international intergovernmental institutions belong to this category. In the recent past, most countries in Eastern Africa have notably benefited from programmes from such institutions as United Nations Conference on Trade and Development (UNCTAD), International Trade Centre (ITC), and Institute for Training and Technical Co-operation (ITTC) of the World Trade Organization (WTO). Measures in this category are funded through both multilateral and bilateral resources, and often delivered by consultants. Typically, they attract most of the resources that an average developing country receives for trade and investment related human resources development.

The second type of human resources development measures, i.e., those involving foundation education, are delivered through institutionalized certificate, diploma and degree programmes. They are largely lacking or underdeveloped in developing countries, because of lack of domestic capacity (in terms of institutions and expertise). Traditionally, measures of this category have attracted relatively less resources for human resources development, causing a vicious cycle.

By the nature of the trade and investment related training and education measures, the strategic level is largely not addressed by either local or foreign and international interventions. In Tanzania, for instance, the only education institution with measures targeting the strategic decision making levels (i.e., Ministers, Permanent Secretaries, Chief Executives, etc.) is the Centre for Foreign Relations (CFR) of the Ministry of Foreign Affairs and International Co-operation (MFA & IC). However, its programme deals with governmental protocol issues only.

3.2.2. Overview of Institutionalized Education and Training Initiatives in Eastern Africa

3.2.2.1. Regional Level

Very few institutions in developing countries have designed and operationalized trade and investment-related training and education programmes. Among the member countries of the East African Community (EAC), the only two running programmes is the professional Master of International Trade (pMIT) degree programme at the University of Dar es Salaam (UDSM); and the Postgraduate Diploma in Economic of the CFR.

The University of Nairobi shall soon launch a Master of Arts (M.A.) on the Multilateral Trading System (MTS), designed with assistance of ITTC/WTO.

3.2.2.2. Country Level

The scenario across countries is quite similar, with most countries having no trade-related capacity building programmes. Thus, in the broadly defined East African region, including the EAC member states plus Rwanda, Burundi, Ethiopia, Eritrea, Somalia, Djibouti and Mauritius, and Madagascar,

and Reunion; only two countries have more than one specialized programme in trade offered at the University level. These are Mauritius and Tanzania (cf. table 2).

Table 2: Sample of International Trade Related Programmes in Selected African countries

S /N	Institution	Name of Programme	Status
1.	University of Dar es Salaam	(i) Master of International Trade	Implemented
		(ii) Postgraduate Diploma in Economic Strategy and Diplomacy	Planned
		(iii) Postgraduate Diploma in World Trading System	Planned
		(iv) Postgraduate Diploma in International Trade in Agriculture	Planned
2.	SITRADE Academy University of Dar es Salaam State University of Zanzibar	Postgraduate Diploma in Economic Strategy and Diplomacy	Planned
3.	SITRADE Academy University of Dar es Salaam Centre for Foreign Relations State University of Zanzibar	Induction and Sensitization Training Workshop for Senior Professionals on Economic Strategy and Diplomacy	Planned
4.	University of Mauritius	(i) M.Sc. in International Trade and Economic Diplomacy	Implemented
		(ii) M.Sc. in International Trade and Business	Implemented
		(v) Postgraduate Diploma in International Trade and Economic Diplomacy	Implemented
		(vi) Postgraduate Diploma in International Trade and Business	Implemented
5.	University of Nairobi	Postgraduate Degree Programme in Multilateral Trading System	Planned
6.	Centre for Foreign Relations (Tanzania)	Postgraduate Diploma in Economic Diplomacy	Implemented

Source: own table.

3.2.2.3. Institutional Level

In EAC region, the institution with the most ambitious trade-related capacity building programme is the University of Dar es Salaam. Table 3 presents an overview of these programmes.

Table 3: Trade Related Programmes of the University of Dar es Salaam

S/N	Programme	Partner Institution	Status
1.	Professional Master of International Trade Degree Programme	-	Implemented
2.	Professional Postgraduate Diploma in Economic Strategy and Diplomacy	SITRADE Academy State University of Zanzibar	Planned
3.	Postgraduate Diploma in World Trading System	World Trade Institute Switzerland	Planned
4.	Postgraduate Diploma in International Trade in Agriculture	FAO	Planned

Source: own table.

3.2.3. Main Challenges in Building Education and Training Capacities

In order to build capacities in trade and investment related education and training, a country needs appropriate **institutional, policy, individual** anchors. Moreover, the local and worldwide **dynamics of the education/training industry** in relation to trade, investments have a great bearing on what a country can achieve. Invariably, many African developing countries face immense institutional, policy and individual barriers. These are exacerbated by dynamics in the wider industry.

3.2.3.1. Deficits in Policy Framework

The success of trade and investment related capacity building depends also on the existence of policies that encourage and offer the necessary space/flexibility for the education and training institutions and particularly to experts in those institutions, to be innovative and design and implement programmes to produce the right cadre of experts (specialists).

However, in practice, there are conspicuous deficits. Some of the empirical lessons are:

- (i) The educational/training policies tend to be rigid, conventional and geared at offering the "known" generic education/training. They do not always favor innovations.
- (ii) It is apparent that less known disciplines are marginalized, regardless of how important they are. Trade, investment and development appear to belong to this category of programmes in many developing countries. This explains why the first University level programme in trade, the pMIT in Tanzania was introduced as recently as July 2005, and became the first such programme in East Africa. Kenya (University of Nairobi) is still working on such a programme.

- (iii) Even where some local subject matter experts are available, there are no institutionalized measures for the mobilizing and mainstreaming them into pedagogically viable capacity building initiatives.

3.2.3.2. Deficit in Expertise in Trade and Investment Development

An equally significant challenge is the capacity gap evidenced by the narrow domestic base of trade and investment expertise. In practice, this challenge is exacerbated by the costs and/other challenges associated with getting international trade and investment experts, in order to backstop local education/training capacity. In the following sections, the situation is highlighted with assistance of lessons from the implementation of the professional Master of International Trade (pMIT) of the University of Dar es Salaam. The deficit in human resource base is evidenced by lack of in-house and in-country tailor made experts, and over-reliance on foreign facilitators.

For instance, Tanzania lacks tailor-made in-house expertise (e.g., at the University of Dar es Salaam) and in-country expertise (i.e., in the country as a whole), to teach several trade-related courses at various professional levels, including the highest professional level. For instance, although the country has several statisticians, none of them has the combination of appropriate educational background and practical experience in trade statistics. With respect to some of the courses offered in the pMIT programme, there is a conspicuous lack of the critical mass of in-house and in-country expertise, consequent to which the design of capacity building programmes and development of teaching materials is inefficient. This is the case, for instance, with the capacity to teach specialized trade courses, such as integration economics, regional trading arrangements.

Also, as pointed out in the preceding subsection, trade is a specialized and highly professionalized discipline, in which Tanzania as a country does not yet have sufficient human resources base. Therefore, in order to build and protect the image and reputation of the pMIT, its delivery currently rely on the availability of foreign and international facilitators and will do so for a foreseeable future. For at least two reasons, this in itself is not an immediate and threatening problem. First, it is the route taken by most institutions in the developing world, which wished to establish credible human resources development programmes in trade. Second, through the Trade and Integration Studies Programme (TRISP), the Faculty of Commerce and Management (FCM) has managed to build a network of supporting institutions. The challenge is that unforeseen circumstances can and have indeed prevented some of the engaged Facilitators to come to Dar es Salaam. In such cases, the programme promoter/manager identified alternative facilitators where this could be done, or was compelled to personally step in to deliver the course as an alternative of last resort.

3.2.3.3. Deficits in Funding Modalities

There is a lack of realistic funding of trade and investment related capacity building. The issue of financial resources has got two dimensions, i.e., lack of budgetary allocations by the government and complications associated with donor support.

Thus, in many developing countries, education/training programmes do not get budgetary support from the government. For instance, the professional Master of International Trade of the University of Dar es Salaam is seen as source of income by the University. It operates as parallel/private programme, which does not enjoy direct budgetary support from the Government. The Government does not directly use its own resources sponsor students to do the programme, or to facilitate trade related capacity building in general. In addition, the University demands to be paid 20 percent of the fee, regardless of whether the programme breaks even or not.

Concerning inherent technical hitches of donor financing, there are several inherent challenges. One of the most common problems is protracted delay in the disbursement of funds (fees, other funds).¹ A more serious problem can arise if the partnership between the donor and recipient is not properly managed, either because of interpersonal differences or vested interests. The potential challenge is exacerbated by the fact that donor funds are usually managed by consultants (e.g., Trade Policy Advisors, Investment Policy Advisors); therefore provide a source of lucrative employment. In practice, depending on the personalities involved, a lot of skill and humbleness may be needed by the Programme Promoter/Manager, in order to ensure smooth the management of the partnership where the donor has financial leverage. Finally, a common salience of the donor funded programmes is lack of clarity of the mandates of the stakeholders. This is because the donor conditionality may impinge on and conflict with the operational practices of the recipient.

3.2.3.4. Lack of Appreciation of the Discipline

One reason why the support and consciousness about the virtues of trade and investment related capacity building is low is because of the apparent lack of appreciation of the disciplines. For instance, one of the main challenges that the pMIT has faced in its evolution is the apparent resistance by some stakeholders, to recognize, appreciate and respect trade as a specialized discipline; and that, like in other disciplines, the pertinent competence and expertise is acquired through focused foundation education and practical experience, and not through ad hoc measures.

¹ For instance, contrary to the agreement that 60 percent of the fees and 100 percent of direct support to the University of Dar es Salaam (for purchase of equipment, books and furniture) will be disbursed in 2005, by 3rd February 2006, only 60 percent of the fees could be collected from the Danish Agency for International Development (DANIDA).

Moreover, as awareness about the significance of trade and investments is rising, the situation is changing in favor of a professional approach to trade and investment related capacity building.

3.2.4. Consequences of the Shortfalls in Building Education and Training Capacities

3.2.4.1. Deficient Institutional Framework for Capacity Building

Many developing countries exhibit serious deficits in institutional framework for trade, investment related capacity building. The main institutional deficits refer to **appropriate specialized institutions, pedagogical relevance of programmes** (type of education programmes, mainstreaming in curricula of relevant issues) **institutional networking and network management**.

A. Lack of Specialized Institutions and/or Poor Institutional Anchoring of Programmes

Institutions are a key to capacity development. Hence, in order to ascertain the evolution and sustainability, as well as safeguard the quality of trade and investment related capacity building measures, a country needs both specialized institutions, and proper institutional anchoring of capacity building programmes. The basic problem in many developing countries is that, the education and training institutions with a capacity to design and deliver trade and investment related capacity building programmes are either non-existent, or are very few. Besides, the potential role of such institutions is either not known or not appreciated, and therefore they tend to be marginalized or overseen in a country's capacity building initiatives.

However, a serious setback related to the basic challenges lack of strategic anchoring of the trade and investment related capacity building programmes. In a number of cases, such programmes are dumped in institutions, with a different and/or broad agenda. Such arrangements become serious liabilities. Among other things, they deprive the capacity building programmes the autonomy they need to building strong profiles and images in order to enjoy easy *entrée* to resources available from various trade and investment related capacity building programmes.

B. Difficulties in Institutional Networking and Network Management

In order to build relevant networks, institutions in developing countries need to have in-house experts in the subject matter programmes. However, the situation elaborated for Tanzania applies even more severely in most Universities and other institutions of higher learning in the developing world. This status makes it virtually impossible for these institutions to build national and international networks.

Also, even where an institutional network exists, their management is not necessarily smooth. Neither is it institutionalized in terms of formalization.

3.2.4.2. Pedagogical Inadequacies of Human Resources Development Programmes

Many programmes are not of the appropriate pedagogical relevance. In particular, there is no proper blending of long duration education programme and short duration seminar type training programmes. In fact, one of the factors that reduce the utility of human resources development programme is that very often, fundamental issues that in practice require foundation education are taught in short duration training workshops.

3.2.4.3. Lack of Quality Safeguards

The challenges outlined above have a direct bearing on the ability of institutions in developing countries to offer capacity building programmes of the desired quality, considering the existing and emerging competition in the trade-related human resources development industry in particular, and trade related capacity building in general. The needed quality safeguards (e.g., to ensure that the programmes are taught and managed by competent experts, having a human resources development programme, etc.) are usually not properly institutionalized.

3.2.4.4. Limited Effectiveness of Trade and Investment Related Aid

The limited effectiveness of trade and investment related capacity building initiatives is attributed to several methodological weaknesses. For instance, the generic nature of research in the area erodes their utility in identifying the education/training needs of the countries concerned. Second most of the funds tend to be channeled into short duration training interventions, despite inconsequential outcomes of this approach to capacity building.

3.3. Ways Forward

Several measures can be used to redress the challenges facing the trade and related capacity building programmes. These measures include: diversification of sources of financing, staff recruitment and human resources development, expansion and consolidation of the capacity building in initiatives in at the national and regional levels, ascertaining appropriate anchoring of the programmes, and building international networks (with partners from the north, south and international intergovernmental organizations).

3.3.1. Ascertaining Long Term Institutional Funding and Diversification of Sources of Financing

The ascertaining of long term institutional funding is central to the sustainability of education and training programmes, as is the question of diversification of the sources of funds. This can be achieved through appropriate advocacy and institutional networking with local, foreign and international development partners. For instance, the diversification of the sources of financing was already integrated in the design of the pMIT financing strategy, thus enabling the programme to attract substantial resources from UNCTAD. Also, appropriate strategic arrangements made it possible for UNCTAD, WTO and ITC to contribute to the implementation of the programme.

3.3.2. Developing Expertise in International Trade and Investment Issues

In order to develop the needed expertise, developing countries need to recruit and develop human resources. In Tanzania, for instance, in order to create a cadre of professional staff, capable of building and consolidating the image and reputation of the pMIT, the University of Dar es Salaam has engaged in a bold staff recruitment and human resources development campaign. As a result of this, so far three young Bachelor graduates have been recruited and are now pursuing the programme. Several others will be recruited in 2006. The initial proposal is to recruit 2 assistant Lecturers and 6 Bachelor Degree Holders.

Also, funds have been obtained to send two members of staff to PhD programmes.

3.3.3. Appropriate Institutional Set-Ups and Anchoring of the Programmes

Education and training activities will benefit greatly from the set up of appropriate, specialised institutions, and the anchoring of capacity building programmes in such institutions. In Tanzania, for instance, the programmes have benefited from fast-tracking the operationalisation of appropriate institutions, as part of an integrated strategy. Through this approach, apart from designing and launching the pMIT, Tanzania has in the past two years achieved the following:

- (i) Designing of the professional Postgraduate Diploma in Economic Diplomacy (PDED).
- (ii) Launching of the Private Sector Trade Forum in November 2005. This forum is hosted by the Tanzania Private sector Foundation.
- (iii) Launching of the Civil Society Trade Forum in November 2006. This forum is hosted by the Tanzania Association of NGOs.
- (iv) Incorporating the SITRADE Foundation.
- (v) Preparing of proposals for the establishment of the Centre for Trade Studies at UDSM.
- (vi) Preparing of proposals for the establishment of the Centre for Tourism and Commercial Studies (CTCS) at the State University of Zanzibar (SUZA).

3.3.4. Mainstreaming Universities and Other Institutions in Capacity Building Initiatives

In most developing countries, local institutions play no or only a minimal role in trade and investment related capacity building. Thus, the building of capacities in Universities and other institutions of higher learning, and mainstreaming them in trade and investment related capacity building is unquestionably a feasible approach for achieving sustainable results. Therefore, development partners with capacity building programmes should form and consolidate partnerships with Universities and other institutions of higher learning. Unfortunately, only a small part of resources denoted by development partners is allocated to University-based capacity building programmes

3.3.5. Systematic Expansion and Consolidation of Capacity Building Initiatives

The sustainability of capacity building programmes will also depend on efforts made to give the trade discipline a deserving profile in the country in question. This in turn depends on such factors, as the creation of critical mass of trade experts, including those who are capable of teaching in programme of this caliber; and the promotion of appropriate institutional framework and integration of more institutions in the process. The involvement of more institutions creates opportunities of complementarities and synergies.

In Tanzania, some of the initiatives undertaken to achieve this include:

- (i) Consultations with Zanzibar stakeholders to establish a Centre for Tourism and Commercial Studies at SUZA. This idea, which also originated from TRISP, has been discussed and endorsed by the Cabinet of the Revolutionary Government of Zanzibar.
- (ii) Actively backstopping the creation of trade-related institutions, addressing the interest of all stakeholder groups in Tanzania. They include TRADEXA, the South Institute for Trade and Development (SITRADE) Foundation, the Private Sector Trade Forum, and the Civil Society Trade Forum (launched in November 2005).
- (iii) Designing of more trade related human resources development programmes and integrating them in institutions of higher learning in Tanzania. In order to simplify the logistic arrangements, SITRADE Foundation has taken a lead role in this matter, and designed a professional postgraduate Diploma in Economic Diplomacy (PDED) for Senior professionals (Permanent Secretaries, Ambassadors, Legislators, Chief executives, etc.). The programme shall be jointly offered by UDSM (under the auspices of FCM/CTS) and SUZA (under the auspices of CTS). The PDED will be presented to the Executive Committee of FCM in this month (i.e., February 2006).

Further joint programmes at the **Certificate, Diploma** and **Postgraduate Diploma** levels, proposed to be jointly delivered in collaboration with the World Trade Institute (WTI), University of Carleton (Canada), University of the West Indies at Cave Hill (Barbados) and the United Nation's Food and Agriculture Organization (FAO); will soon be submitted to FCM/UDSM and SUZA for consultations.

- (iv) Searching for more donors to finance a broader agenda in trade related capacity building. Several donors have been identified, one of them being the International Lawyers and Economists Against Poverty and the Project Management Unit (PMU) of ACP/EU. ILEAP has already pledged US \$ 50 000 to support the PDED. Pledges have also already been made by other institutions, and need follow-up.

3.3.6. Integrating Non-Governmental Institutions in the Capacity Building Efforts

Experiences from Tanzania suggest that institutional rigidities, which are apparently common in many institutions in developing countries, are a major hindrance in the promotion of trade and investment related capacity building initiatives. One feasible way is to work with non-governmental institutions from the private sector and civil society movement to design and implement capacity building programme, and this way, show a way for the public sector institutions.

In Tanzania, for instance, a faster creation of the CTCS at SUZA as well as the design of the PDED is fully credited to the fact that the force behind the initiatives was (an organization more flexible) SITRADE Foundation, rather than the more rigid University of Dar es Salaam. Therefore, the same team of experts, all of whom are based at the UDSM, found it easier to pursue the trade related capacity $\frac{2}{0}$ development goals through SITRADE than through UDSM.

3.3.7. Broadly Targeting the Beneficiaries

Logically, a country's education and training institutions are the prime targets of an integrated strategy to develop a country's capacity in trade and investment related training. Moreover, the needs for training capacities are pervasive and therefore developing the capacity for trade and investment related capacity building should also target Trade Development Organizations, Investment Promotion Organizations, Trade Experts (Members of the Academia Researchers, Consultants, Policy Makers, Trade and Investment Activists). Having more "multipliers" is advantageous, because of the implicit synergies and complementarities.

4. Questions for Discussions

In many LDCs, and even non LDC developing countries, there is a lack of capacity (institutional, policy, expertise) to manage the trade and investment development issues in an adequate and sustainable way. Many projects, including those supported by development partners, have been established to respond to these deficits. Therefore, in Tanzania and many other developing countries capacity building is taking place in many ways. Through these capacity building efforts, institutions and policies have to adjust to new trading and investment prospects.

However, experience shows that responding to the pertinent challenges is not a simple and straightforward undertaking. This is partly due to the broadness of the trade and investment development agenda, which touches many other issues, as well as lack of emphasis of an integrated framework for building capacities for trade and investment development.

The understanding provided above should be further developed into a conceptual framework for trade and investment related capacity building. Accordingly, capacity building measures should be conceptualized within a wider context and include, development of institutional infrastructures, adoption of an adequate trade and investment policy framework, education and training (to meet short, medium and long term trade and investment development needs). Development partners should devise feasible approaches for integrating capacity building in curricula and identify and integrate local expertise in the process. Also, in order to ascertain the pedagogical relevance of the programmes, it is important to ascertain an appropriate mix and complementarities between short duration training programmes and long duration education programmes.