

**PROCEDURAL AND TECHNICAL ASPECTS OF THE ENVIRONMENTAL  
PROJECT APPROACH**

Submission by India

Paragraph 31 (iii)

The following communication, dated 16 September 2005, is being circulated at the request of the Delegation of India.

**I. BACKGROUND**

1. In fulfilment of the Doha Mandate and to achieve the sustainable development goals as enshrined in the WTO preamble and the Millennium Development Goals, we have proposed an alternate approach to the present negotiations under Paragraph 31(iii). This alternate approach, called "Environmental Project Approach", provides for tariff reductions on goods and appropriate concessions on services included in specific environmental projects. The objective of the approach is to address the environmental as well as developmental goals of the Doha Development Agenda through trade liberalization. The approach is need-based and objective-oriented, and brings in positive measures like capacity building and transfer of technology. It also addresses diversity in environmental standards with common and differentiated responsibilities, giving policy space to the national governments. This framework is particularly crucial for developing countries in the present negotiations.

2. The approach envisages bringing environmental gains in a focused, direct and quantifiable manner through appropriate market access in environmental goods and services in a composite way. The project approach substantially deepens and enriches the mandate of the Doha Ministerial Declaration to not only include market access but also to provide scope for developing countries to develop capacities and achieve national environmental priorities. It also brings in synergy between environmental goods and services, crucial for the benefit of developing economies.

3. Two submissions have previously been made to the CTESS<sup>1</sup> explaining the key elements of the project approach. This submission, besides elucidating on some of the positive measures of the project approach, seeks to addresses some technical and procedural aspects of the approach.

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<sup>1</sup> TN/TE/W/51 and TN/TE/W/54.

## II. SOME POSITIVE ELEMENTS OF THE PROJECT APPROACH

4. One of the important elements of the project approach, as already stated, is the synergy between environmental goods and services. The project approach recognizes this market trend and builds on it. Environmental products and related technological services are frequently provided on an integrated basis commercially. Firms bring together "horizontally" the range of materials and expertise to undertake an environmental project. They also associate "vertically" with firms specializing in different sectors. In the project approach, firms can procure goods and services from wherever they can access them at reasonable prices, on a comparative advantage basis; thus ensuring a gain in market access for world trade. Further, since these goods and services are being procured for a particular environmental project, the objectives of environmental benefit are addressed in a cohesive, focused, direct and integrated manner.

5. The project approach has been built on developing the mutual supportiveness of trade and environment. It is not a question of being import oriented or export oriented; rather it is impact oriented. Such direct impact on environment would not only improve the environmental performance of local industries but would also increase a country's attractiveness for other foreign direct investment, while bringing benefits to the environment and health of the population.

6. Another important aspect of the project approach is to provide a framework for transfer of technology and for its adaptation by the developing countries. Development of technological capacity is a determining factor for building competitiveness of firms in developing countries; inextricably linked to this are the managerial or organizational factors and the management of technologies themselves. The project approach provides a framework by which these tools of technology transfer and adaptation (which can include design and manufacture, import of technical capital goods, management contractors, technical service contractors and other important methods) could be used to create forward and backward linkages with local firms and thereby increase their capacities for present and future market access. Such increased local capacity to produce goods and provide services under this multilateral negotiation would translate into increased export opportunities.

7. Non-tariff barriers are an important issue of the paragraph 31(iii) mandate. These are often intractable. The project approach can prove an effective mechanism for reduction or elimination of such barriers in respect of identified goods and services in an approved project.

8. In the project approach, goods and services required for the environmental project would be provided adequate market access. These goods and services will have direct use and can be related to the environmental objective for which they are being given market access. This brings in the crucial aspect of transparency in the market access. Since a project will be determined to have an environmental benefit at the national level, this approach also takes into account the diversity of environmental absorptive capacities of the WTO Members. The "list approach", in comparison, gives market access to a number of goods, which have dual or multiple uses. In most cases this aspect of dual or multiple uses is intrinsic to these goods and cannot be altered. This brings unpredictability to the outcome of the negotiations (whether we are able to achieve the environmental objective of Paragraph 31(iii) negotiations or not) and so, the results would not be transparent. The project approach, on the other hand, envisages reduction or elimination of tariffs on goods and services required for an approved project. Since these goods are required for the project which is aimed at addressing an environmental objective, the question of dual or multiple use of these items is either nil or, at least, minimized. Any subsequent appraisal can also establish the contribution of these goods in addressing environmental objectives, which in itself brings predictability and transparency to the exercise.

### **III. DNA TO FACILITATE TRADE AND ENVIRONMENT**

9. The project approach envisages the creation of a Designated National Authority in every Member country. The DNA may comprise, for example, representatives from government, private sector, civil society or any other entities deemed appropriate by national governments. While it is for each country to determine the actual functioning of the DNA, we have envisaged that the role of the DNA would be to appraise the proposals. This appraisal would be technical and would be done in a specified period of time. Details that would be provided in any proposal would include the quantity and the tariff line of each of the goods required for the project. Similar information for services can also be provided in the same proposal. The role of the DNA would be to see that the information provided in the proposal is appropriate for achieving the objectives of the project. In case of non-approval of a project proposal, reasons for the same would be conveyed to the proposer, along with appropriate details, to bring greater transparency and predictability to the exercise. A fast-track approval process could be devised for SMEs.

10. Over a period of time, the DNA could perform the function of a nodal information point for all aspects of trade in environmental goods and services involved in environmental projects. For the purpose, it could maintain a database of the approved environmental projects with a complete list of goods and services included in them. This would not only provide useful guidance to the project proposers but would also contribute to facilitating trade and building institutional memory. An effective consultation mechanism could be built into the process. The advantages of this approach in bringing into focus the environmental objectives would clearly outweigh any additional procedural requirements necessitated in achieving these transparency and predictability functions of the DNA.

### **IV. ORGANIZATIONAL AND FUNCTIONAL LINKAGE WITH THE WTO**

11. The Project approach envisages a definite and clear-cut role for the CTESS. The CTESS provides the negotiating forum for agreeing on the approach to achieving the mandate of Paragraph 31(iii). Common responsibilities of the Member countries can be in terms of the objectives of the WTO and the various MEAs<sup>2</sup>, for bringing in greater cohesiveness between trade and environment.

12. The issues and questions addressed above are intended to bring more clarity to the working of the project approach. We feel that the project approach addresses the mandate more appropriately than the "list approach". Member countries are invited to deliberate on both the structural and substantive dimensions of the project approach so as to fulfil the mandate of Paragraph 31(iii). We ourselves look forward to contributing further in this regard.

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<sup>2</sup> For examples of environmental objectives see Paragraph 14 of TN/TE/W/51.