



Annex 1: Terms of Reference

Development Dimensions of Global Economic Governance

1. Background

UNDP is the global development network of the United Nations, advocating for change and connecting countries to knowledge, experience and resources to help people build a better life. UNDP is on the ground in 166 countries, working with them on their own solutions to global and national development challenges.

Poverty reduction, human development and capacity development concerns continue to occupy centre stage in both trade policy and trade negotiations at national, regional and international levels. The 2003 publication and launch of the UNDP co-sponsored publication “Making Global Trade Work for People”, and its wide dissemination, successfully positioned UNDP on the international trade map. UNDP believes that trade is a means to an end and can be a powerful source of economic growth and can help to reduce poverty. However, there is no automatic or inevitable relationship between trade liberalization and economic growth, let alone trade liberalization and poverty reduction and human development advances partly because market, institutional or political failures can prevent trade from contributing to growth. Moreover, growth on its own is not sufficient for either poverty reduction or human development as the latter also requires enlarging people’s choices and opportunities, especially those of poor and vulnerable people. The extent to which trade supports sustainable human development will ultimately depend on how resources are allocated, and whether people— especially women and workers in the informal sector-- are included in production and markets. As a result, trade policy choices and negotiation issues and agreements are hotly debated since they can and do have significant distributional and other impacts on both the real economy and lives of ordinary people,

UNDP’s substantive work on trade and development has increased significantly in the last five years. Emphasis has been placed on its human development mandate and niche. UNDP has prioritized capacity development for trade from the perspective of human development. UNDP’s country specific, regional and global trade-related projects seek to address three core capacity development needs:

- The capacity to compete internationally by overcoming institutional, human, and other supply side bottlenecks
- The capacity to negotiate, interpret and implement trade agreements in a manner which prioritizes poverty reduction and human development concerns
- The capacity to integrate pro-poor policies in national development strategies

UNDP attempts to support such capacity development through two main vehicles: the design of global, regional and country support programmes which aim at strengthening the analytical and operational linkages between trade, poverty and human development; and through its engagement in the Integrated Framework for Trade Related Technical Assistance for the Least Developed Countries. Moreover, UNDP’s work on trade and development aims at informing relevant stakeholders with a better understanding of the link between trade, poverty and human development concerns, including through advocacy and creation of innovative knowledge products.

In order to support this work, and building up on the messages of the UNDP co-sponsored publication “Making Global Trade Work for People” (2003), UNDP would like to commission a series of four papers assessing the development dimensions of global economic governance by focusing on four specific issues: the global trade regime from a human development perspective, the governance of financial regulation and adequacy of international institutions in managing and preventing crises, the Intellectual Property Rights regime and its implications for technology transfer, and the emerging global investment regime.

- 1) The **first paper** will assess the **development dimensions of the global trade regime from a human development perspective, including the most development-sensitive areas under negotiation in the WTO Doha Round and their current state of play**, such as agriculture, industrial goods, services and rules. In this analysis, special attention should be given to issues related to agricultural subsidies, industrial tariff escalation and peak, unskilled-labor intensive sectors and specific modes of services liberalization, abusive use of trade remedies and policy space available for formulation and implementation of industrial policy. Moreover, the paper should also look at cross-cutting issues such as the dispute settlement mechanism, special and differential treatment, and institutional questions surrounding multilateral trade negotiations, such as the effectiveness of developing countries groupings’ voice in negotiations. The analysis should, when relevant, take into account the regional dimension. The paper should also provide clear policy recommendations that help developing countries build up their capacities to set the agenda for and the pace of negotiations in the multilateral trading system and to negotiate effectively on issues of greatest concern to them.
- 2) The **second paper** will explore the **governance of financial regulation and adequacy of international institutions in managing and preventing crises**.

Effective, broad-based financial services are a crucial element of development policy. But as the East Asian financial crisis and others before and after it have shown, rapid liberalization of financial services is likely to cause instability in already fragile economies. Liberalization and deregulation of financial markets, especially in developing countries with weak regulatory capacity, can lead to instability, resulting in adverse human development outcomes. In addition, the legacy of financial crises in many countries is high levels of debt, which in the absence of orderly debt work-out mechanisms and/or arbitration procedures can prevent countries from making the investments needed in other key areas such as health, education, and infrastructure to reach the Millennium Development Goals.

As such, the role of international financial institutions, their ability to manage and prevent contagion to the rest of the developing world and their representation of the interests of developing countries should be revisited in this study, together with the appropriate instruments to cope with such crises. The complementary role of regional arrangements for crisis prevention and liquidity provision during crises should also be explored.

- 3) The **third paper** will assess the **development dimensions of the Intellectual Property Rights (IPRs) regime and what type of rules is appropriate for developing countries to guarantee adequate technology transfer and knowledge**.

The contentious introduction of the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement into the framework of the multilateral trade regime has probably aroused more controversy than any outcome of the Uruguay Round. This stems from the far-reaching implications of TRIPS for human development in the spheres of technology, public health, education, and conservation, stewardship and ownership of traditional knowledge and biological resources (UNDP, 2003).

Indeed, the relevance of TRIPS is highly questionable for large parts of the developing world. Its asymmetric nature makes it unsuitable to be included in a trade bargaining and negotiation context. While benefits can arise from protecting intellectual property, certain preconditions need to be in place before the gains can be expected. Indeed, countries at low levels of human and technological capability cannot benefit significantly from TRIPS. The experience of developed countries has also shown that strong patents follow industrial development rather than lead it (UNDP, 2003).

In the context of the Doha Round, the “Declaration on TRIPS Agreement and Public Health” is an important step towards making the TRIPS Agreement more development friendly as it has clarified the need to interpret TRIPS from a public health perspective. However, one issue that remains unresolved in Doha and is of deep interest to developing countries is the need to address problems countries may face in making use of compulsory licensing if they have insufficient or no pharmaceutical manufacturing capacity. Regarding technology transfer, an important issue for developing countries is to ensure the actual use the system set up by the WTO General Council Decision on the Implementation of Paragraph 6 of the Declaration on the TRIPS Agreement and Public Health to promote technology transfer and capacity building in the pharmaceutical sector.

The analysis should, when relevant, take into account the regional dimension. The paper should also provide clear policy recommendations that help developing countries build up their capacities to set the agenda for and the pace of negotiations in the multilateral trading system and to negotiate effectively on issues of greatest concern to them.

- 4) The **fourth paper** will assess the development dimensions of the **emerging global investment regime and whether, in light of past failures, global rules of any sort should be developed**. Attempts to reach international agreements on investment have a long history. In the last few decades, the issue of international investment surfaced at the UN, where developing countries sought international approval for their sovereign aspirations and tried to alter the international investment standards that had prevailed in the colonial period. One outcome was the UN GA’s Charter of Economic Rights and Duties of States (1974). Efforts to conclude a Code of Conduct for Transnational Corporations failed because most industrial countries opposed a legally binding status for the code. In addition, the Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Practices, negotiated under UNCTAD, which covered investment and competition policy issues, suffered the same fate. Investment was a major issue in the Uruguay Round and attempts were made to incorporate this and other ‘Singapore’ issues in the current Doha Round of multilateral trade negotiations, but was opposed by developing and some developed countries. As such, major differences remain on the issue of bringing investment under the multilateral trade regime.

A growing number of bilateral and plurilateral investment agreements have burgeoned in the last few years that aim at protecting foreign investors against expropriation, unfair and discriminatory host state conduct should lead to increased investor confidence and encourage more investment, particularly in countries where domestic legal systems are weak. This pursuit for FDI inflows has primarily propelled the proliferation of bilateral and plurilateral investment agreements. The most important factors in attracting sustainable, development-friendly FDI do not include the nature of the legal regime (whether bilateral or multilateral). If the presence of a multilateral investment agreement is not a major factor in attracting development-friendly foreign direct investment, the case for such an agreement will rest primarily on whether it is able to increase government autonomy in policy-making, particularly in directing FDI towards human development goals.

2. Goals

- 1) To assess the extent to which the current global trade regime is human development friendly and to contribute with policy recommendations that ensure its developing country members have the capacity to both negotiate international trade agreements and extract benefits from them that are in their interest;
- 2) To assess the extent to which financial regulation can contribute to managing and preventing financial crises, assess the adequacy of the international financial architecture and provide proposal on how the governance of the global financial architecture could be reformed to increase stability;
- 3) To assess the extent to which the IPRs regime can contribute to human development, as well as identify appropriate rules for developing countries to guarantee adequate technology transfer and knowledge;
- 4) To assess the extent to which a global investment regime can contribute to human development, as well as identify the prerequisites and flexibilities needed for a multilateral investment agreement.

3. Outputs

- Four 30/40-page papers, excluding annexes, that assesses the dimensions of global economic governance by focusing on the global trade regime, the governance of financial regulation and adequacy of international institutions in managing and preventing crises, the Intellectual Property Rights regime and its implications for technology transfer, and the emerging global investment regime.
- Language of the papers shall be English
- First Draft of the four papers is required to be submitted to UNDP within 9 calendar weeks from the date of award.
- Final version of the papers, after incorporating the comments and suggestions from the UNDP and its reviewers, should be submitted within 3 calendar weeks of UNDP providing such consolidated comments to the bidder.
- All submissions (draft and final) should include one paper copy and one electronic copy in Microsoft Word in a CD-ROM.

4. Qualifications and Experience

- Renowned research institution involved in trade-related policy research and analysis with a global network of researchers and civil society representatives and practitioners from developed and developing countries;
- Body of experts/ researchers with extensive experience and expertise in international trade-related topics and wide recognition at the international level;
- Practical experience in producing cutting edge knowledge products on trade-related topics from a human development perspective;
- A conceptual understanding of multidimensional poverty; and
- Knowledge of UNDP corporate priorities, including the Millennium Development Goals.

5. Selection Criteria

Institutions will be selected on the basis of technical (70%) and financial (30%) assessments. The technical assessment will evaluate: (a) a 2-page research proposal for each paper; (b) experience in the area of specialization and seniority of the human resources put forward for the task (including individual publications record); and (c) profile of the research institution (reputation of the organization

and staff, experience in undertaking similar projects, experience in producing cutting edge knowledge products).

6. Submission requirements

Those who wish to submit a quotation for this task are invited to present:

- a) Completed UNDP RFQ form.*
- b) a 2-page technical proposal of how the research for each paper would be approached*
- c) CVs of authors put forward to for the task (including their publications record)*
- d) a summary of the institution's profile (mission, specialized work and experience in producing cutting edge knowledge products, including record of relevant publications sponsored by the institution)*
- e) a financial bid*

7. Payment

The payment shall be made in the following manner:

- First tranche of 40% on satisfactory submission of the four drafts
- Second tranche of 60% on satisfactory submission of the four papers incorporating comments from peer reviewers

8. Reporting

The research institution shall liaise with Ms. Luciana Mermet, Policy Specialist, Inclusive Globalization Cluster (IGC), Poverty Group, UNDP/BDP, for any queries and assistance on a day-to-day basis.