



Agency for International Trade
Information and Cooperation

22 February 2007

Aid for Trade and the Enhanced Integrated Framework

Outcome of AITIC's Consultative Meeting with Potential Recipients

Thursday 22 February 2007, 10.00h – 13.00h
Room B, Centre de Conférences de Varembé, Geneva

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I. Introduction

1. The Consultative Meeting was attended by representatives of 37 delegations, including 32 resident and non-resident AITIC Participating Members. It provided an opportunity to discuss needs and concerns regarding the implementation of Aid for Trade (AFT) and the enhanced Integrated Framework (IF). Two information notes were circulated on the state of play and pending issues of each of these initiatives. The objective was to assess immediate challenges for recipient countries in contributing to a successful implementation of AFT and the enhanced IF. The meeting prompted a lively debate on outstanding tasks and a variety of proposals on concrete assistance measures which they would require in the process were offered by participants.

II. Shaping Aid for Trade and the Enhanced Integrated Framework

2. Mr Constantine Michalopoulos, an AITIC Consultant, presented a number of views on the issues that have featured most prominently in the recent debate on AFT and the enhanced IF in the context of the WTO, and the international trade and development community. His statement was followed by brief interventions from two discussants. Mr Vinod Rege, Multilateral Trade Advisor of the Commonwealth Secretariat, commented on AFT in the context of trade facilitation. HE Mr Marwa Kisiri, Head of the Geneva Office of the African, Caribbean and Pacific Group of States (ACP), identified some concerns of the ACP group, namely the conditions that would be attached to these initiatives and the issue of additionality. Delegates gave their views on what needed to be done and raised a number of questions.

3. Most delegates wondered about the actual resources that will be devoted to AFT. After the enthusiasm and the pledges of the Hong Kong Ministerial Conference, many are now sceptical whether AFT will indeed be additional to existing trade-related assistance. They also stressed that the aid needs to be more effective for it to make a difference with previous initiatives.

4. Establishing a baseline of existing AFT flows to assess additionality will be difficult as some of the AFT categories, referred to by the Task Force, are not clearly defined. Productive capacity is not only vague, as a wide variety of initiatives could fall under this category. Moreover, it does not distinguish between production of goods for the domestic market and those for export. Furthermore, trade-related infrastructure is a very broad concept and it is difficult to differentiate trade-related adjustment assistance from assistance for other purposes (e.g. balance of payments support or general effects of globalisation). This also poses considerable challenges for the WTO's task of monitoring and evaluation. Not only will the OECD/DAC database need to be refined as it does not apply some of the categories in the Task Force recommendations, but the categories themselves should be made more specific.

5. Another important concern is what mechanism will be used for disbursements. For example, no progress has been made on the Task Force's recommendation to consider a separate instrument to finance in-country needs

assessment for non-LDC-countries eligible for concessional loans from the International Development Association (IDA). Participants stressed the need for AFT to adequately address the particular trade needs of these “IDA-only countries”, which include low-income economies in transition. A debate took place on the practicability of separating general AFT financing from a mechanism to support developing countries' capacity to undertake trade facilitation commitments. Donors mostly oppose creating new bureaucratic structures. As regards trade facilitation, they have indicated that a “platform” within the WTO could be set up to coordinate aid linked to trade facilitation.

6. Some participants stated that channelling aid through multilateral means could be more effective than dealing with a wide range of bilateral aid agencies, each with its own programme and priorities. They argued that multilateral aid is generally less likely to be subject to political considerations.

7. Closely linked to AFT being disbursed bilaterally or multilaterally is the issue of conditionality. All participants reiterated that the provision of AFT should not be made conditional on recipients' subscribing to opening up their markets. As a result of previous experiences, developing countries are concerned with having to abide to unfavourable terms that run against national development objectives. However, it was agreed that to expect all forms of assistance to come in grant form and without any conditions attached is unrealistic. It was argued that recipient countries should elaborate their own “conditionalities”, that is that they mainstream trade objectives into their national development strategies and work out plans to utilise resources with a view to ensuring sustainable and equitable impacts in terms of poverty reduction and economic growth.

8. Multilateral trade organisations and development institutions differ in working methods and expertise. To cooperate on AFT, both sides may have to change their “cultures” and dynamics of decision-making. The WTO, though not a development institution, will need to strengthen its development dimension if it is to fulfil the role intended for it in the context of AFT (i.e. monitoring and evaluation, AFT in Trade Policy Reviews (TPRs), the supervisory role of the IF Steering Committee).

9. Participants referred to some of the questions that have been left unanswered by the Task Forces on AFT and the enhanced IF. Some delegates enquired on the various new implementation and administrative structures of the enhanced IF, for example what exact functions the new IF Secretariat is to perform.

10. Some participants reported on their experiences with South-South cooperation, for example, through the use of consultants from developing countries in AFT implementation. Delegates from countries in accession to the WTO expressed their concern with being sidelined from activities under AFT. The Task Force has not recognised the enormous challenges faced by acceding countries in adjusting their institutions as well as trade and economic policies to implement their accession commitments.

III. Assistance Needs in the Implementation of Aid for Trade and the Enhanced IF

A. Needs Assessment

11. Recipient countries are at different stages of their needs assessments. One representative presented a preliminary overview of measures envisaged under the four AFT categories¹. Governments need support in the form of research and analysis on their countries’ economic structure to facilitate the identification of needs and possible responses. A delegate recommended that work to this effect could also be carried out on the “raw data” contained in the various WTO submissions. Some of these proposals spell out the priorities of developing countries and low-income transition economies, for example regarding trade and transfer of technology, trade, debt and finance, subsidies and countervailing measures, sanitary and phytosanitary measures (SPS) and technical barriers to trade (TBT).

B. Strengthening Supply-side and Trade-Related Infrastructure

12. All participants agreed that ensuring adequate resources to overcome supply-side constraints and build trade-related infrastructure will be the most challenging task. Some reported on preliminary needs assessments conducted to date. However, it was also emphasised that this should be complemented with appropriate policy frameworks for promoting trade as an engine of economic growth and development.

C. Assistance on Trade Policy and Regulations

13. Recipient countries’ assistance needs on trade policy and regulations are expected to vary greatly depending on their export orientation, existing capacities and newly emerging trade opportunities. Participants highlighted the potential of flexible assistance programmes tailored to the individual country context, such as offered by AITIC and partner organisations. Others outlined priority areas, including sequencing, marketing, introduction of tax reform measures; designing and implementing trade policy based on sound analysis, following best practices in standards legislation, developing productivity-promotion policies; and improving fiscal management capacities.

D. Involvement of Non-Residents

14. It was acknowledged that effective in-country implementation of AFT and the enhanced IF will strongly depend on active participation in the Geneva-based administration and policy guidance process. However, some delegates raised the obstacles associated with not being represented in Geneva and suggested that AITIC’s Non-Residents’ Unit and other organisations extend their programmes to cover this aspect.

¹ See Annex.

E. Private Sector Participation

15. AFT and assistance under the IF needs to be primarily geared towards private sector needs to foster economic growth and development. Participants noted that the amount of documentation on AFT available is overwhelming them, and even more so the private sector stakeholders in developing countries with scant acquaintance with the WTO. Information on best practices, lessons learned and national case studies needs to be compressed and “distilled” to adequately involve the private sector. AITIC’s experience with presenting information on complex issues in a concise and reader-friendly format would be of assistance in facilitating the elaboration of concrete suggestions for responses to private sector needs.

F. Setting Up Implementation Units

16. Recipient countries will establish in-country structures for the coordination, implementation and monitoring of AFT. Many participants expected that governments would need assistance, in particular the LDCs, in setting up the new IF implementation units. They felt that it was important to avoid duplications or the creation of new and heavy bureaucratic institutions which would impede the speedy delivery of aid. For example, the National AFT Committee, which the Task Force recommended recipient countries to establish, could also perform functions related to assistance in trade facilitation. A delegate suggested that “blueprints” for good institutional frameworks at the in-country level could be helpful. Others added that institutional support needs to continue during the implementation phase, when specific challenges and obstacles emerge.

G. The Trade and Development Interface

17. A majority of participants reported on the difficulties with reconciling different approaches to trade and development policies, be it within governments or between recipients and donor agencies. Ministry officials with trade expertise are often unfamiliar with the “language” and methods of development agencies, who in turn accord too little priority to trade. Delegates highlighted the resulting problems with obtaining funding due to insufficient project formulation capacity or lack of awareness on the role of trade in development. Recipient officials need to build their capacity to mainstream trade into development policies and elaborate project proposals to implement such integrated approaches. Many delegates were in favour of improving the intermediation process between recipients, bilateral and multilateral donors. Support from partner organisations could foster exchanges between recipients and donors and address constraints on both sides. Some suggested that training on the trade dimension of development should be extended to donor officials.

H. Aid for Trade in the Trade Policy Review

18. An overview of AFT measures carried out will become part of both donor and recipient countries’ TPR at the WTO. Some participants suggested that the TPR chapter on AFT should indicate whether AFT flows have been additional to those of previous years. They expected that their governments may require the

assistance of AITIC and other organisations supporting developing countries in the TPR process.

I. Accessing IF Funding

19. LDC representatives reiterated the obstacles they encounter in accessing the resources available under the IF. Some LDCs have been excluded altogether, while others have not succeeded in attracting funding for projects submitted. Trade and development policy coherence remains a major problem for LDCs. Apart from mainstreaming trade and project formulation they require assistance and capacity-building on effective IF governance at the in-country level.

Acronyms

AFT	Aid for Trade
ACP	African, Caribbean and Pacific Group of States
IF	Integrated Framework
IDA	International Development Association
LDC	Least-developed country
SPS	Sanitary and phytosanitary measures
TBT	Technical barriers to trade
TPR	Trade Policy Review

Annex: Preliminary List of Aid for Trade Needs presented by a Delegate at AITIC's Consultative Meeting

I. Policy Support

1. Policy support should be a joint effort based on requests from beneficiaries. These could include the following:

- a. Appropriate sequencing, marketing and implementation of tax reform measures
- b. Developing and implementing trade policy based on sound analysis
- c. Implementing best practice in standards legislations including international labeling requirements
- d. Improving on policies, tax reward systems to promote production efficiencies among all resources of production
- e. Managing fiscal spending in a way that promotes investment, growth and enterprise innovation. The IMF could be useful in this area.

II. Support for infrastructure development

2. There is clearly a difference of definition on this issue. Some bodies such as the OECD avoids including public utilities such as water supply and sanitation systems as Aid for Trade. For the OECS these issues cannot be totally excluded although limitations are recognised. We operate on the basis that if the infrastructure can be determined to be a particular trade need in a country, then it falls under aid for trade. For some of the OECS countries, there are infrastructural needs:

- a. Assistance in setting up a metrology laboratory
- b. Provision of regional fish toxicology expertise
- c. Support for a regional (CARICOM) body for food and plant health standards (SPS) – Caribbean Agricultural Food Safety Standards Organisation. This could include assistance regarding labelling standards for export markets as well as quality control.
- d. Under energy and generation supply², some OECS countries need technical and/or financial assistance in the implementation of energy saving policies and facilities such as infrastructure for wind generation and greater innovations to utilise the sun for energy

² OECD "purpose code" in the Creditor Reporting System 2.3

- e. Improved and greater transparency in requirements of business in setting up and operating in the OECS
- f. In some countries the upgrading of sea ports to support mega cruise ships and yachts
- g. Upgrading of airports and in at least two cases actual investment in an international airport to promote greater tourism arrivals.
- h. Disaster relief support where it has affected trade flows both imports and exports
- i. Access to cheaper international credit for small enterprises as domestic rates are often prohibitive for SMEs
- j. Assistance for continued collective representation and participation in regional trade bodies, the WTO and UN trade-related bodies, international standards making bodies including international financial institutions
- k. Under transport and storage³, OECS countries need access to ships with cooling facilities for agricultural exports
- l. Hospitality training especially for service sector
- m. Technical support to improve customs administration

III. Adjustment support

3. These support measure should aim to cushion the effects of shocks from trade liberalisation as well as provide mechanisms for gradual adjustment to a full economic growth path. These include the following:

- a. Assisting with plan and mechanisms for re-education and redeployment support, reallocation of resources
- b. Severance finance for workers
- c. Training of stakeholders on changes in standards on SPS and TBT that could affect trade
- d. Reorienting land use to prevent environmental degradation
- e. Support for economic reform programmes;

³ OECD "purpose code" 2.1

IV. Supply-side support

4. Some areas of support under supply-side issues for some OECS countries include creating mechanisms to maximise the benefits of trade agreements such that clear linkages could be found for SMEs in the export sector. The aim in the OECS is to help entrepreneurs to export their goods and services to international markets. Projects that could be included under this heading are the following:

- a. Development of linkages between the tourism sector and small enterprises;
- b. Assistance in diversifying agricultural sector
- c. Assistance in diversifying further the services sector to note changing export market situations
- d. Assistance in creating an enabling environment for the small enterprise sector
- e. Updating old or creation where needed an Electronic Investor's Guide for individual OECS countries
- f. Support for marketing and research as well as building capacity to utilise international supply chain linkages, for private sector
- g. Trade awareness programmes that allow the private sector to better able to analyse the effects of trade agreements and contribute to trade negotiations, and support implementation of trade agreements, thus advocating domestic trade policy.
- h. Development of national export strategy plans
- i. Support for local, regional and international trade network development

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