



**Agency for International Trade  
Information and Cooperation**

March 2007

## **Aid for Trade and the Enhanced Integrated Framework**

### **Perspectives from the Donor Community**

Tuesday 27 February 2007, 10.00-12.00  
Room B, Centre de Conférences de Varembé, Geneva

#### **I. Introduction**

1. As a follow-up to the Consultative Meeting with potential recipient countries (22 February 2007), AITIC hosted an informal discussion with representatives of the donor community engaged in Aid for Trade (AFT) and the enhanced Integrated Framework (IF). After a briefing on the issues raised and specific proposals made by recipient country delegations at the 22 February meeting, participants presented their views on the state of play and the challenges in making AFT and the enhanced IF operational. By conducting stakeholder consultations, AITIC seeks to identify potential measures of assistance and cooperation which would support the less-advantaged countries in harnessing the benefits of AFT and the enhanced IF.

#### **II. The Enhanced Integrated Framework**

##### **A. Finance, Administration and Governance**

2. Representatives of donor countries reported on work under way on the funding details of the enhanced IF. They remarked that donor commitments are yet to be finalised and confirmed. The advantages of complementing IF funding channelled through the multilateral Trust Fund with bilateral aid were stressed. It was argued that this would ensure that funds disbursed were used effectively and according to the priorities of the bilateral agencies.

3. In general, the representative of Canada felt that work in the Transition Team on the enhanced IF is progressing well and noted a very active involvement of least-developed country (LDC) representatives. However, more could be done to ensure a better participation of non-resident capital-based officials and experts. They highlighted the need for more input from them to the Geneva process in order to address or avoid eventual problems with IF implementation at the country-level.

4. The Transition Team is stepping up work on some of the finer details of outstanding issues. The new IF Secretariat needs to be staffed and its relationship with the other IF institutions more clearly defined, in particular that with the IF trust fund managing agency. Moreover, delegates explained that establishing a functionally independent IF Secretariat housed by the WTO administratively had posed a number of legal challenges, which had slowed down the process. The central problem in this context had been that the WTO is a member-driven organisation, while the new IF Secretariat is the managerial unit of a more autonomous institution.

## **B. In-Country Implementation**

5. It was acknowledged that more efforts are needed to improve coherence and coordination of donor activities in the IF countries. Although some examples of good experiences were cited, insufficient country ownership and implementation capacities were identified as important hurdles for an enhanced IF.

6. Achieving more IF ownership requires training government officials on trade mainstreaming and enabling trade ministry officials to take the lead in the IF process. There seems to be a lot of room for improvement in the cooperation of trade ministries with other parts of governments (both in developing and developed countries). Moreover, Poverty Reduction Strategy Papers (PRSPs) still vary considerably in quality and especially in the extent to which they incorporate the trade dimension. In most LDCs, a new generation of PRSPs has been completed or is under preparation.

7. Participants acknowledged the deficits encountered by the LDC governments when it comes to identifying needs and crafting adequate responses in the form of “bankable projects”. Implementers need to learn the working methods and language of aid institutions. Targeted capacity-building and assistance activities are under consideration, for example on setting up and supporting in-country implementation units. It is expected that measures will need to be adjusted or complemented throughout the process. Furthermore, the need to involve the private sector more closely in the preparation of Diagnostic Trade Integration Studies (DTIS) was underscored. It was pointed out that this could improve quality and ownership, as well as provide at the outset of the process an incentive for the private sector to ensure that its needs are taken into account.

## **III. Aid for Trade**

### **A. Funding, Additionality and Aid Effectiveness**

8. In recent years, donors have committed to increasing resources for official development assistance (ODA) in various fora, such as the UN, the G-7 and the G-8. It needs to be determined how many of these resources will be dedicated to trade-related technical assistance. It was recognised that assessing additionality will be a difficult task, however, ensuring aid effectiveness should be at the centre of attention. Aid for Trade disbursements will only be forthcoming for projects with convincing strategies to achieve visible returns on the investment. Applying the principles of the Paris Declaration on Aid Effectiveness is a must and constitutes a

new learning exercise, both for donors and for recipient countries. A discussion ensued on examples of difficulties encountered by some recipient governments in obtaining funding under Aid for Trade despite having mainstreamed trade into their national development plans and presenting viable projects.

9. The representative of the EC reported that the European Commission is consulting its member states as well as recipient countries in order to devise and publish a common EC strategy paper on Aid for Trade by October 2007. The EC's Aid for Trade strategy would target all ODA recipients. It would present ways to deliver on the EC's pledges, how to respond to infrastructure and adjustment needs, as well as involving the private sector and civil society. A participant pointed out that regional development banks could assume an important role in financing important infrastructure projects. On this latter issue, a participant suggested that input from countries with a strong shipping sector, a key private actor in international trade, could be of great value.

10. As is the case for the IF, integrating trade into development strategies is the basic precondition for effective Aid for Trade. A participant noted that using IF approaches in IDA-only recipient countries, for example applying the Diagnostic Trade Integration Study (DTIS) method, had proven to be a valuable practice.

## **B. The WTO and Aid for Trade**

11. The donor community is aware of the challenges awaiting the WTO in performing its expected role in the Aid for Trade and the enhanced IF initiatives. The organisation is lacking the capacity required to get actively involved in international development cooperation. Other institutions have a comparative advantage in this area. Delegates anticipated the WTO would perform a transparency function, i.e. to serve as a forum for exchanges on Aid for Trade. In conducting monitoring and evaluation, participants recommended the WTO be supported by the Organisation for Economic Co-operation and Development (OECD).

12. Donor representatives also expected that covering Aid for Trade under the Trade Policy Review (TPR) would be a most useful exercise for both recipient and donor countries. They cited examples of recent TPRs of developing countries, which have helped in defining priorities and crafting responses. They argued that TPRs contribute to raising the profile of trade in developing countries' economic and development policies. Furthermore, delegates insisted that feedback on the Aid for Trade aspect in upcoming developed country TPRs could provide useful input for improvements.

## **Acronyms**

AFT	Aid for Trade
IDA	International Development Association
IF	Integrated Framework
LDC	Least-Developed Country
DTIS	Diagnostic Trade Integration Studies
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PRSP	Poverty Reduction Strategy Paper
WTO	World Trade Organization

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