



**Agency for International Trade Information
and Cooperation**

April 2007

Aid for Trade and Enhanced Integrated Framework
**Outcome of AITIC's Consultative Meeting with International
Organisations and Regional Development Banks**

Thursday 12 April 2007, 10.00h – 13.00h
Room F, Centre William Rappard

I. Introduction

1. A third in a series of stakeholder Consultative Meetings was held for representatives of intergovernmental organisations and regional development banks. They were invited to update each other on the status of their work and exchange views on the “new” Aid for Trade (AFT) and the Enhanced Integrated Framework (EIF). Discussions explored how to achieve more coherence and effectiveness in the delivery of AFT and the EIF.

II. State of Play on Aid for Trade – Mr John Hancock, WTO

2. Mr Hancock saw a number of reasons for being optimistic about AFT. He stressed that an ambitious agenda had been developed under AFT. It included issues that had previously not been discussed at the WTO, such as addressing productive capacity and supply-side constraints. Donors as well as recipient countries were realising that an AFT outcome may prove as important as the results of the Doha negotiations in terms of development.

3. The speaker commented on three basic themes guiding the recommendations of the Task Force on AFT submitted in July 2006. On strengthening the demand side, which includes mainstreaming of trade priorities into development and economic policy plans, he emphasised that the identification of priorities must be a participatory process across all government ministries. Strengthening the donor response not only referred to securing additional funding but more importantly to implementing aid programmes more efficiently, effectively and coherently. Above all, this required scaling up trade expertise on the donor side. Finally, Mr Hancock described the dilemma stakeholders were facing in bridging demand and response. Donors argued that funding for trade-related aid was inadequate because developing country governments had not made trade a priority.

Recipient countries countered that they were unable to raise trade's profile in their development strategies as funding was not forthcoming. It was hoped that AFT and its emphasis on trade mainstreaming would enable both donors and recipients to break out of this conundrum.

4. In monitoring and evaluating AFT, the WTO needed to create incentives for stakeholders to identify priorities, meet needs and establish mutual accountability. In the presenter's view, it was important that monitoring and evaluation followed a bottom-up approach in order to work towards coherence and coordination among all of the actors. He felt that creating a new agency for this purpose would run counter to this objective.

5. The speaker explained that the WTO had "outsourced" the annual reporting on AFT on a global level to the Organisation for Economic Co-operation and Development (OECD). The lack of a widely agreed definition of AFT was problematic for the task of monitoring and evaluating. The Task Force set out five categories plus one "other" category, which captured any assistance deemed AFT by the recipient country. In view of the differing definitions of AFT among donors, recipients and agencies, Mr Hancock stated that the Task Force had only built a rough framework for monitoring AFT in the coming years. He noted that a template of qualitative and quantitative questions was being developed for donor self-evaluations. He expected that in-country assessments would be the most challenging task. They were most important, since they would assess if monies were being spent in accordance with identified needs and plans as well as evaluate project efficiency and effectiveness.

6. Among the most immediate concerns relating to AFT implementation, Mr Hancock stressed the need for a well-functioning conduit between the Geneva (and Washington) processes and the in-country operations. While policy decisions were made in Geneva, the real action was taking place in the participating ministries and other stakeholder institutions in the recipient countries. The challenge was to overcome coordination gaps between such institutions and avoid domestic conflicts over the allocations of assistance resources. Mr Hancock reported that the WTO was planning to hold regional AFT reviews in Latin America, Asia and Africa and prepare case studies to explore solutions to such problems.

7. In conclusion, the speaker expected that in view of the ambitious AFT agenda, results may be moderate in an initial phase, especially when it comes to developing infrastructure and general trade capacities. Although the WTO lacked the expertise of a development agency, Mr Hancock suggested it could play the role of a catalyser in AFT. Most important seemed to him allocating implementation tasks to the adequate institutions and avoiding the creation of new bureaucratic hurdles.

III. Enhanced Integrated Framework: Present and Future Challenges – Mr Sok Siphana, International Trade Centre (ITC)

8. Mr Sok presented lessons learned from Cambodia's success with the Integrated Framework (IF). He began by stressing the human dimension that needed to be taken into account in the effort of mainstreaming trade within developing country bureaucracies. Success stories of integrating trade and development were

key to this undertaking as were efforts to raise the profile of trade ministries and ministers.

9. On empowering trade ministries, the speaker stated that implementing partners needed to be more realistic in their assessment of capacity-building activities. When certain targets were achieved, stakeholders should proceed to a subsequent stage of assistance. He added that it was crucial to allow recipient officials to make mistakes and thus learn from their own experience. Moreover, they needed to be convinced to take into consideration the policymaking processes of the partner organisations in Geneva, New York and Washington when fulfilling the in-country part of implementation.

10. Among the most significant challenges faced in the implementation of the IF, Mr Sok cited the active involvement of the private sector, in particular the small and medium-sized enterprises (SMEs). For trade mainstreaming and the creation of an environment conducive to attracting foreign direct investment (FDI) flows, it was important to strengthen the interface between trade support institutions, SMEs, the trade ministry and other key policymakers. Such coordination and cooperation needed to be based on concrete strategies that were devised with the assistance of IF partner institutions.

IV. Monitoring and Evaluation of Aid for Trade – Mr Alistair Nolan, OECD

11. Mr Nolan gave an outlook on how the OECD was planning to conduct monitoring and evaluation of AFT. He explained that the global monitoring function would be performed with the use of a database, the Creditor Reporting System (CRS), capturing commitments and disbursements. Questionnaires would seek to track work on strengthening donor capacities for delivering AFT. The in-country assessments faced the challenge of determining to what extent AFT was integrated into overall national development strategies. It was planned to use qualitative as well as quantitative benchmarks.

12. Mr Nolan remarked that Trade Policy and Regulations and Trade Development, as referred to by the AFT Task Force, were the only two categories clearly defined by the joint WTO/OECD database. The speaker also explained the use of the CRS in monitoring global official development assistance (ODA) flows and elaborated on the problems associated with employing the CRS categories to the AFT Task Force terminology. Trade Policy and Regulations in the CRS comprises five modes of assistance. With regards to Economic Infrastructure, Mr Nolan noted that it was not possible to determine what constituted “trade-related” on a comparative basis. Building Productive Capacity in the CRS included data on Trade Development. A further CRS category, General Budget Support could capture assistance for trade-related adjustment. However, the difficulty of defining “trade-related” also applied in this context.

13. Examining the CRS data on commitments for recent years (2002-2005), Mr Nolan gave an estimate of the amount of resources made available that could be considered AFT under the Task Force recommendations: USD1 billion for Trade Policy and Regulations; USD9 billion for Building Productive Capacity; USD11.2

billion for infrastructure; and USD5.2 billion for General Budget Support. Of these resources, USD10 billion went to Asia; USD5 billion to Africa; USD1 billion to the Americas; USD700 million to Europe; USD160 million to Oceania; and USD1 billion to global programmes. Mr Nolan added that ODA levels were projected to rise to USD130 billion by 2010. However, regarding AFT's share in ODA, he commented that if the current trend continued, its increase would be limited to USD40 billion instead of USD50 billion projected by the OECD. In his calculation, about 26 per cent of ODA was currently dedicated to trade-related programmes.

14. In conclusion, the speaker pointed out that the OECD's role will be most focused on providing data in global monitoring and less on evaluating impacts. Furthermore, the Organisation would support donors in performing cross-country analysis for the purpose of self-assessments.

V. Aid for Trade and the Enhanced Integrated Framework: A View from the World Bank – Mr Richard Newfarmer, World Bank

15. Mr Newfarmer began by highlighting the importance of AFT raising the competitiveness of developing country businesses. A recent World Bank study had found that the largest growing 16 countries had greatly benefited from the global economy. They had expanded their world market share, raised their export share as a percentage of gross domestic product (GDP), and significantly increased their trade in services.

16. The speaker referred to the lending and analytical activities of the World Bank under AFT. He noted that AFT-related lending had significantly increased over recent years to a current level of approximately USD1.6 billion. However, he cautioned that the World Bank's concept of AFT excluded infrastructure projects primarily serving the domestic economy. To illustrate the difficulty of defining AFT, he cited an example from Vietnam: a water supply project that may not seem trade-related, will provide water for tourist infrastructure, which will contribute to raising services exports. Mr Newfarmer added that World Bank lending was generally made available for infrastructure, trade facilitation and customs reforms projects.

17. On analytical work relating to competitiveness, the speaker reported that Diagnostic Trade Integration Studies (DTIS) had been conducted in 26-28 LDCs. Similar exercises had been completed in lower and middle-income countries. In the centre of attention had been supply-side constraints. He also cited competitiveness-related studies, for example concerning comparative advantages in natural resources trade in Latin America. Moreover, the World Bank offered technical assistance and advice on options for developing countries engaged in negotiations on regional trade agreements.

18. In the World Bank's experience, lack of effective demand for AFT projects was a key constraint. Government ministers were insufficiently aware of competitiveness issues and solutions and often failed to take into account the international dimension of their portfolio. Trade ministers promoting competitiveness often lacked the political clout in the relevant policy domains, for example tax policy and investment promotion. The speaker added that some developing countries

applied anti-competitive practices in an effort to protect the domestic labour force, for example through restrictive visa requirements for expatriate workers. Moreover, government officials had limited experience with formulating projects in accordance with donor standards. At the World Bank institutional level, policy decisions taken in Washington were sometimes difficult to implement on the ground for the country directors.

19. As for the World Bank's way forward on AFT, Mr Newfarmer stressed that securing additional funding under AFT was critical as was ensuring concessional financing to the International Development Association (IDA) countries¹. Moreover, he promoted co-financing approaches, where donors provide grant financing to existing projects implemented on a loan-basis. New vehicles of financing assistance needed to be found for non-LDCs. For the project preparatory phase in all countries resources should be made available through the EIF or the multi-donor trust fund. The speaker explained that regional projects involving a number of countries were difficult for the World Bank to fund, since as a loan provider it required one sovereign recipient. In conclusion, he stated that grants should be made available to assist in the implementation of WTO agreements that are costly to certain countries (as was the TRIPS Agreement for example).

VI. Discussion

20. A participant pointed out that the AFT needs in Africa alone were extremely demanding. She estimated that USD10-20 billion would be required to get African infrastructure ready to trade. She added that there was a lack of AFT projects addressing the regional dimension and enquired on the status of work relating to monitoring regional AFT. She also felt that much work remained to be done in getting the private sector involved in AFT at the in-country level.

21. Mr Newfarmer agreed that the infrastructure constraints in most developing countries were a huge challenge. In view of previous experience with aid delivery, he stressed that an increase in resources needed to be accompanied by new ways of ensuring that these means were used effectively. Mr Nolan reported that ways of monitoring regional AFT were considered by a technical working group at the OECD. Mr Hancock noted that new public-private partnerships, as suggested by the WTO Director-General, could enhance the private sector's participation as well as benefits under AFT.

22. Taking up the point of private sector involvement, an ITC representative stated that businesses should also contribute to project identification as well as to assessing their impact. Companies should receive assistance under AFT, particularly to support them in developing regional supply-chains, such as for textile and garment manufacturing. A delegate underscored the need for monitoring and evaluation of AFT to move away from merely filling in questionnaires to a more results-oriented approach. Another participant described the constraints developing countries were facing in determining their needs in building competitiveness and

¹ 81 low-income developing countries are eligible for concessional loans from the World Bank's International Development Association (IDA). Funding is replenished every three years. The 14th replenishment of IDA resources covers the period until 30 June 2008. A conference in Maputo, Mozambique from 28-30 June 2007 will discuss the 15th IDA replenishment.

subsequently developing suitable competition policies and setting up implementing institutions. Mr Newfarmer encouraged participants to seek the support of assistance providers in this undertaking. He reported that the World Bank was currently developing statistics on competitiveness issues.

23. Several participants enquired on the role and composition of the national AFT committees needed to be further clarified. It was unclear which stakeholders would be represented, if such committees would be established independently from existing institutions and what functions they were expected to perform.

24. A representative from UNECE raised the importance of regional projects for landlocked countries while stressing the problems associated with implementation. It could be difficult for donors to identify appropriate implementing partners. Also, coordinating and according priority to a particular AFT project between two or more countries would be a challenging undertaking.

25. An UNCTAD official suggested that new AFT activities needed to complement existing trade-related assistance programmes in order to ensure coherence and develop new partnerships under the initiative. A participant added that lessons learned and success stories from programmes already in place could be used for improving newly launched AFT programmes as well as for awareness-raising on the potential benefits of AFT. The Joint Integrated Technical Assistance Programme (JITAP) for developing countries was cited as a good example of success through coherence and partnership.

26. A participant reported on her personal experience as a former government minister with the implementation of the IF. She supported the view that it was essential to bring colleagues across all government departments on board and to strengthen the profile of the trade ministries. In mainstreaming trade, she recommended setting a particular emphasis on SMEs.

Acronyms

AFT	Aid for Trade
CRS	Creditor Reporting System
DTIS	Diagnostic Trade Integration Studies
EIF	Enhanced Integrated Framework
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
IDA	International Development Association
ITC	International Trade Centre
JITAP	Joint Integrated Technical Assistance Programme
ODA	Official Development Assistance
SMEs	Small and Medium-Sized Enterprises

Copyright © AITIC 2007. All rights reserved. Permission to copy and distribute this document is hereby granted provided that AITIC is given credit.

AITIC Sponsoring Members:

