

# EC

## WHAT IS YOUR AID FOR TRADE STRATEGY?

### 1. Do you have an aid-for-trade strategy and what are the key elements in this strategy?

Trade is a longstanding development priority for the European Community. Drawing on its own experiences and exclusive competence in trade, the Community has a comparative advantage in providing support to partner countries to integrate trade into national development strategies and to support regional cooperation whenever possible.

The present policy is expressed in the 2005 European Consensus on Development: The Community aims to assist developing countries on trade and regional integration through fostering, equitable and environmentally sustainable growth, smooth and gradual integration into the world economy, and linking trade and poverty reduction or equivalent strategies. Priorities in this area are institutional and capacity building to design and effectively implement sound trade and integration policies, as well as support for the private sector to take advantage of new trading opportunities. The specific operations will depend heavily on the characteristics of the partner countries. The poorest countries, especially LDCs and small, landlocked and insular countries require special emphasis on the supply side and increasing the competitiveness of the private sector. The Community strategy furthermore involves a strong emphasis on support to regional integration. Overall, the same principles apply for trade related assistance/aid for trade as for other development cooperation: i.e. an overarching emphasis on poverty reduction objectives and implementation in line with the Paris principles for Aid effectiveness.

The European Commission had already in 2002 laid down its views and approaches to trade and development in a special Communication addressing this issue, COM (2002) 513. This document spelled out the way that the EU would fulfil its global commitments in support of the efforts of developing countries to better reap the benefits of trade and investment. The Trade and Development Communication identified the following main priority areas: assistance for WTO accession and multilateral trade negotiations; support for the implementation of existing and future WTO agreements; and support for policy reforms and investments necessary to enhance economic efficiency and to ensure greater participation in the world economy.

In 2004, the EU furthermore endorsed an EU Action Plan on Agricultural Commodities, Dependence on Poverty which lays down a specific strategy for supporting commodity dependent countries and producers.

### 2. How has this strategy evolved since the December 2005 WTO Ministerial Conference?

Following the adoption of the WTO Aid for Trade Task Force recommendations in the summer 2006, the Commission and the EU Member States have engaged together in a comprehensive exercise to develop a joint EU strategy on Aid for Trade. This strategy will be adopted in mid-October 2007 and

will address both quantitative and qualitative issues. It will indicate short-term as well as medium-term priority actions, based on four core components:

- increasing the collective volumes of EU AfT;
- enhancing the pro-poor focus and quality of EU AfT;
- supporting effective AfT monitoring and reporting
- increasing EU-wide and Member States' donors capacity in line with globally agreed aid effectiveness principles

The EU Council of May 2007 specified that this included:

- bringing the contribution to Trade Related Assistance of the EU as a whole, to € 2 billion per year by 2010 (€1 bn for the Commission and €1 bn for the Member States);
- promoting an effective response to the wider AfT agenda, by continuing and strengthening EU support for demand-driven, pro-poor development strategies which incorporate building productive capacities, trade-related infrastructure and trade-related adjustment, and by encouraging enhanced participation of other international donors and the private sector;
- encouraging partner countries to increase their parallel efforts to include TRA and also the wider AfT agenda in their poverty reduction and national development strategies, implementation plans and national budgets
- enhancing the Integrated Framework (IF), and agreeing that international efforts aimed at creating a similar in-country process for these countries, especially IDA-only countries, have to be further intensified
- stressing the importance that the EU attaches to the impacts of AfT on sustainable poverty reduction, recognizing in particular that further economic empowerment of women and increasing the share of women in wage employment deserves utmost attention as an essential cross-sectoral dimension of AfT;
- promoting all sustainability dimensions of AfT, such as its environmental and social impacts, including by supporting sustainable methods of production and voluntary standard initiatives, such as fair trade and other comparable schemes, the ILO standards, and its coherence with other development policy agendas, such as decent work;
- emphasising the role of local ownership and broad stakeholder participation for effectiveness of aid, with a special attention to the role that the private sector, public private partnerships (PPP) and civil society can play to incorporate AfT in national development strategies;
- strengthening the relevant instruments implementing the Paris Declaration by operationalising EU commitments to greater complementarity and cooperation between donors, across all stages of the programme cycle and for all types of instruments;
- applying aid effectiveness principles at the global, regional and national level, in particular by supporting regional partners' capacity to own and lead AfT, and by coordinating, programming and pursuing more streamlined delivery modes and enhancing cooperation with other international donors, international and regional financial institutions as well as multilateral organisations;

- identifying modalities for coordination and response at various geographical levels covering all developing countries, based on AfT needs as prioritised by the demands of partner countries;
- supporting regional integration by channelling EU aid in a coherent manner through initiatives such as the Infrastructure Partnership for Africa.
- based on OECD data, improving the quality and further development of monitoring and reporting at the global, donor and partner level, by actively participating in the relevant international fora;
- monitoring and reporting at EU level
- adjusting and strengthening human resources as necessary to implement the Joint EU AfT Strategy;
- exploring joint EU initiatives to develop and share expertise amongst the EU and with other international donors.

### **3. How does this strategy address regional aid-for-trade challenges?**

Support for regional integration is a distinctive feature of EC development cooperation, and the regional level is very important for the delivery of EC Aid for Trade, in particular for regions deeply engaged in regional integration efforts. The European Consensus for Development, the Cotonou Agreement and the EC Development Cooperation Instrument all give priority to regional integration.

For example, the national economies and markets of the ACP countries suffer from their small size and fragmentation. Regional integration involves constructing larger regional markets able to attract private investments in other sectors than natural resources only. In the ACP context, the Commission seeks to support common markets – customs unions and free circulation of goods - as well as harmonised rules in the area of services, investments etc. The Commission also believes that regional integration supports political stability which in turn brings economic benefits in terms of stable investment climate and reduction of economic risks. For the ACP, at least a quarter of TRA have therefore been for regional integration, specifically, and many TRA programmes are carried out at all-ACP level.

Programming and delivery at regional level are not different in nature from that at national level. The same aid effectiveness principles should be applied. The Commission seeks to promote greater aid effectiveness at regional level in the ongoing work to develop an EU Strategy, including: supporting regional partners' capacity to own and lead Aid for Trade efforts; coordinating programming in support of regional and trade integration; pursuing more streamlined methods of delivery; and enhancing cooperation with other donors.

## **HOW MUCH AID-FOR-TRADE DO YOU PROVIDE?**

### **SCOPE**

#### **4. How do you define aid-for-trade (i.e. which types of programme and project do you consider trade-related)?**

In the years 2001-2006 the Commission applied the guidance provided by the Joint WTO/OECD Trade Capacity Building Database. Trade-related programmes and projects have been grouped under the two basic headings of (1) support for trade policy and regulatory issues, and (2) support for trade development. This has been at times difficult as activities that encourage trade are often a component

of an overall sector programme, such as private sector development or rural development, or a component of a larger regional programme aiming at supporting region-wide integration, for example in Western or Southern Africa. Many such programmes serve related purposes in addition to and located upfront of the direct purpose of building trade capacity. These activities aim to impact on the supply capacities of producers within the countries and are therefore very much relevant from a trade development perspective.

After the adoption of the WTO Aid for Trade Task Force Recommendations, the EC applies the definition of Aid for Trade as laid down there, recognising however that detailed reporting guidance on these new categories is still being developed. For the years as from 2007, the EC will define Aid for Trade in accordance with the harmonized CRS reporting modalities to be agreed hopefully before end of 2007 within the framework of the work undertaken by WTO/OECD earlier in 2007.

## METHODOLOGY

### 5. *How do you allocate the aid-for-trade share in individual projects and programmes?*

Individual projects and programmes that are considered to be trade-related activities, or to include components with trade-related activities (see above), qualify for reporting to the Joint WTO/OECD Trade Capacity Building Database. However, even with the WTO/OECD reporting, the resulting classification by sectors according to specific codes suffers from considerable problems due to: (i) the existing margins for potentially subjective elements which may influence the assigning of the codes and, (ii) the constraint of only being able to assign one code even for projects with multiple components. The effects of this may vary between donors depending on the nature of the programmes financed by them. Over the past years, the EC always made the necessary quality check to ensure that only projects with a significant part of the project amount allocated to TRA is notified as such. The EC will continue to proceed in that way for the future in accordance with the definitions to be agreed for the reporting of the new Aid for trade categories. (See also 4 above)

## COMMITMENTS

### 6. *According to your aid-for-trade definition, what were your commitments by category for the period 2002-2005 and in particular for 2005?*

The proportionate allocations of commitments between the two categories of trade policy/regulation (TPR) and trade development (TD) are:

2001 – €271 million TPR vs. €555 million TD,

2002 – €259 million vs. €429 million,

2003 – €359 million vs. €526 million,

2004 – €236 million vs. €713 million,

2005 – €361 million vs. €627 million,

2006 – €371 million vs. €570 million.

In relative terms, the percentage splits are 33/67, 38/62, 40/60, 25/75, 37/63, and 39/61, respectively.

## PLEDGES

### **7. Describe any aid-for-trade pledges you have made at or since the December 2005 WTO Ministerial Conference.**

The European Commission announced in the summer 2005 that it would increase its Trade Related Assistance to €1 billion annually by 2010. This commitment was tabled at the Hong Kong WTO Ministerial, and relate to the two categories of TRA as defined for the reporting to the Doha data base.

### **8. What is your medium-term (beyond 3 years) financial plan for aid-for-trade?**

Apart from the AfT strategy to be adopted in the coming weeks the EC does not have sector specific financial plans for Aid for Trade, but generally operates on the basis of multi-annual national and regional Programming documents, which in turn are based on priorities expressed by partner countries. In these, Trade, Regional integration, Infrastructure and Agriculture etc can occur as specific sectors, or, alternatively, trade related issues can be embedded in other focal sectors – trade facilitation in transport, SPS measures in rural development etc.

## HOW DO YOU IMPLEMENT YOUR AID-FOR-TRADE STRATEGY?

### MAINSTREAMING

### **9. How do you ensure that aid-for-trade is effectively integrated in your overall development strategy and programming both at head quarters and in-country?**

General Programming guidelines are issued for the multi-annual planning on a national and regional basis. These are complemented by specific guidelines on how to ensure the integration of particular sectoral concerns that are crucial to EC development policies, such as linking trade with development, regional integration and co-operation, or support for institutional capacity building. On that basis and following in-country consultations concerning the country's needs with the country's government, other donors and major stakeholders, the aforementioned country and regional programming documents are agreed with the countries and the regions.

### **10. Have you recently strengthened your in-house aid-for-trade expertise and how is this expertise deployed to link policies with operations?**

In-house expertise on Aid for Trade has been strengthened in Headquarters and in Delegations over the past years, both through increase in numbers of responsible staff, by reinforcing training for these staff members, and by ensuring linkages between staff with related responsibilities. Competent staff is divided among several Directorate-Generals (DGs) of either geographical or thematic attribution and Delegations. In all concerned DGs, specific trade and development units are in place. A policy unit is in charge of economic development, infrastructure networks, regional integration and trade and as such pulls together several of the key elements of the Aid for Trade agenda. In addition, geographical units have specific staff working in particular on regional integration matters. A specific operational unit oversees the design and implementation of programmes in the field of trade related assistance. This includes ensuring coherence between trade policy and technical assistance projects, and involves liaising with other DGs responsible for related issues and EC Delegations on the spot. The DG in charge of Trade policy also recently created a "Trade and Development" Unit to do the follow-up, among others, of the WTO and EU Aid for Trade agendas. Presently total specialized staff in HQ numbers around 25, not counting the substantial number of staff dealing with infrastructure and productive sectors. HQ staff

collaborates with competent colleagues in a substantial and increasing number of Commission external representation's network of around 100 delegations.

Furthermore, the Commission has developed and organises on a regular basis presential and on-line training modules for all concerned staff in Delegations and Head offices ranging from general courses introducing the main features of aid for trade to specific courses on particular technical subjects, such as SPS or TBT.

## **OWNERSHIP**

*Refers to developing countries exercising effective leadership over their development policies and strategies and co-ordinating development efforts.*

### **11. What approach do you follow in your country assistance plan, when national development strategies lack a strong trade development component?**

EC strategies for countries receiving external assistance need to be fully coherent responding to the country's or region's situation (the agenda, policies and needs) and the EU's policies in general as well as with the interventions of other donors. If in a particular country, national development plans take little or no notice of the link of trade and development or disregard the potential positive effects of integrating with the world economy on poverty reduction, the EC will use its regular policy dialogue with the Government and its coordination with other donors to support the integration of these aspects into national plans. In addition, the EC may use its regular contacts with Non-State Actors to encourage national stakeholders to engage in the articulation of these issues at national level, so to raise awareness. The EC may support the Governments in the conduct of trade needs assessments in conjunction with other donors involved in TRA in the country/region in question to identify priorities for assistance. Where possible the coordination of such studies is conducted through Government led fora for cooperation in the fields of trade and economic development. The outcomes of these needs assessments are incorporated into EC programming documents.

### **12. How do you encourage and support policy dialogues on aid-for-trade among key stakeholders in partner countries?**

The EC addresses aid for trade in its regular high-level policy dialogue with partner countries, and thereby stimulates discussion among key government and other local stakeholders. These efforts are accompanied on a local level through coordination groups on trade and economic cooperation including sometimes specific working groups on particular topics, such as SPS, TBT or IPR, in which the EC with its substantial portfolio of economic cooperation and wide presence in developing countries plays an active role. EU MS are invited to participate in all the various fora mentioned hitherto so as to ensure coherence and improved coordination between EC and MS activities. In the case of LDCs, the EC is already facilitator for the Integrated Framework (IF) in seven countries and in recent months has been approached and has accepted to take up this role in a number of additional countries.

In addition an active communication policy in each country supports the dissemination of information on aid for trade and EC's support for this through trade and development policies and cooperation. In its contact with Non-State Actors, the EC will raise awareness and motivate debates so as to put the matter on the national agenda. The EC also uses its possibilities to provide financing, either of specific conferences or to strengthen civil society networks that may reflect and disseminate issues arising in the EC-NSA dialogue.

## ALIGNMENT

*Refers to donors basing their overall support on partner countries' national development strategies, institutions and procedures.*

### **13. Are you using the partner countries' policy planning and budgeting framework as the basis for the provision of your aid-for-trade programmes?**

Since EC co-operation strategies need to be fully coherent responding to the country's needs, policies and priorities, the EC strives to ensure its co-operation is based on national plans and procedures. However, it needs to be demonstrated on a case-by-case basis that the partners' national public finance systems are effective, transparent and reliable before local procedures can be used for provision of co-operation funding, including for Aid for Trade.

## HARMONISATION

*Refers to donors' actions being more harmonised, transparent and collectively effective.*

### **14. Do you coordinate aid-for-trade analyses and programming with other donors at the country level, given that its scope often exceeds the capacity of any single donor?**

National and regional programming documents (CSPs/NIPs, RSPs/RIPS) are discussed with EU MS and other donors - bilateral as well as multilateral - at the local level. As mentioned above where trade analyses are not already in existence for a country the EC has been funding the conduct of these exercises in conjunction with other donors active in the field of TRA. EC Delegations have in many countries taken the lead in the promotion of the Paris Declaration Commitments and are striving to ensure joint implementation where this is feasible and practical. The EC sees the Enhanced Integrated Framework for Trade Related Assistance to LDCs as an important tool for greater donor coordination and effectiveness in Aid for Trade, and acts or has acted as donor facilitator in more than 10 countries.

### **15. Are you increasing the amount of aid-for-trade for regional and/or multilateral programmes? (If you are a regional or multilateral agency, are you managing an increasing amount of aid-for-trade?)**

In the upcoming programming cycle, regional programmes will receive an ever more substantial allocation. For example an increase of 70 % of the regional envelopes as compared to the present programming cycle is envisaged for the ACP regions. These funds are primarily allocated to foster regional integration and include strong elements of trade policy and regulation, trade development and infrastructure development.

## MANAGEMENT FOR RESULTS

*Refers to both donors and partner countries managing resources and improving decision making for results.*

### **16. What objectives and timeframes do you set for your aid-for-trade strategy and programmes? How do you measure success?**

Regarding the overall Aid for Trade Strategy, the EC committed to increase its provision of TRA to 1bn € annually by 2010. A number of specific objectives and targets are being set in the framework of the future EU Aid for Trade strategy, currently under preparation with EU Member States.

At the individual project or programme level, objectives and timeframes are defined on an individual basis taking account of the particular programming and commitment schedule for individual countries / regions, designed so as to ensure smooth follow-up of ongoing activities. Success is measured through the conduct of project evaluations which analyse the achievement of results and objectives on the basis of the evaluation criteria, i.e. relevance, efficiency, effectiveness, impact and sustainability of project outcomes.

**17. What evaluation methodologies do you apply to your aid-for-trade projects and programmes?**

The EC distinguishes between project, programme and strategy evaluations. The main purposes are to contribute to the design of interventions, to assist in an efficient allocation of resources, to improve the quality of the intervention and to report on the achievements. The methodology departs from an analysis of the project rationale and intervention logic at its outset and uses the categories of efficiency, effectiveness, relevance and coherence, impact and sustainability as well as the EC value added to measure and conclude on the success, recommend adaptations and draw lessons for the future.

**18. Do you cooperate with partner countries, other donors and stakeholders in joint monitoring and evaluation of aid-for-trade projects and programmes?**

In principle, the EC endorses joint evaluations with other donors, in particular to reduce the number of missions undertaken and the burden represented by the evaluation process for developing countries and Government or project staff. It is particularly useful to engage joint evaluations in the context of new delivery mechanisms such as budget support, sector assistance and programme approaches, which are most suitable for cooperation between development agencies. It can thus be expected to see the number of joint evaluations increase further over time as deployment of these new mechanisms continues to increase and Paris Declaration Commitments are realised. The EC has already made significant strides in this direction in the case of IF implementation in a number of LDCs.

## **DO YOU PARTICIPATE IN MUTUAL ACCOUNTABILITY ARRANGEMENTS?**

*Mutual accountability refers to donors and developing countries providing timely, transparent and comprehensive information in order to jointly assess development results.*

**19. Do you engage with partner countries, regional organisations, other donors and stakeholders in reviewing progress towards the fulfilment of your aid-for-trade policy and programme commitments?**

EC project and programme evaluations are inclusive and participatory exercises in order to increase ownership of local stakeholders and increase the likelihood of implementation of findings or recommendations. On the policy level, it is expected to monitor implementation and success of the Aid for Trade strategy on an EU level (Commission and Member States) with close linkages to the WTO global Aid for Trade reviews. The Commission is participating very actively in all OECD/WTO Special Sessions on Aid for Trade, the three WTO Regional Reviews taking place in September-October 2007, as well as at the coming WTO General Council Review on Aid for Trade organised in Geneva in November 2007.