

DEVELOPMENT ASSISTANCE COMMITTEE

SPECIAL MEETING ON AID FOR TRADE

Conclusions issued under the responsibility of the Co-Chairs.

27 October 2005

1. Building on discussions in major recent international events, including the September 2005 Development Committee meeting and the Gleneagles G8 Summit, the OECD Development Assistance Committee held a special meeting on aid for trade. The aim was to contribute to a successful outcome of the 6th Ministerial Conference of the World Trade Organisation in December 2005 in Hong Kong.
2. The meeting was co-chaired by Ambassador Mia Horn af Rantzien, Permanent Representative of Sweden to the WTO, Ambassador Valentine Rugwabiza, Deputy Director General of the WTO and Richard Manning, DAC Chair. Delegates represented the development and trade policy communities in OECD Member States, International Financial Institutions (IFIs) and Members of the Integrated Framework for Trade Related Technical Assistance to the Least Developed Countries (IF). Mozambique presented its experience in connecting up its trade and development agendas and its contribution to poverty reduction, including through its IF process.
3. The discussions underlined the need to continue to improve the effectiveness of aid for trade and the mechanisms to deliver it, including through the current proposals for enhancing the IF and to leverage resources to support trade related technical assistance and capacity building, including beyond the IF to realise the expectations of the Doha Development Agenda.
4. International trade, when coupled with domestic reform, can be a powerful engine in promoting sustained economic growth, employment opportunities and poverty reduction. But this potential contribution is still seriously under-realised in many developing countries. Governments, institutions and enterprises often lack the capacities, e.g. information, policies, procedures, institutions and/or infrastructure, to compete effectively in global markets and take full advantage of the opportunities provided through international trade. Many developing countries are also concerned about their ability to manage adjustment pressures arising from trade integration. With well designed support all countries, including LDCs, have the potential to benefit from an ambitious Doha reform package. Much work has already been done by the World Bank and the IMF to clarify adjustment issues. The Development Committee has expressed its support for a strengthened framework for assessing adjustment needs so that IFI and donor assistance can be better utilized and urged the Bank and the Fund to better integrate trade-related needs into their support for country programmes.
5. Trade, and growth more generally, have to be more fully integrated into poverty reduction strategies through PRSP or equivalent frameworks. Doing so requires a better understanding of and actions on the factors so far hindering this, but it also needs additional funding for trade capacity building within the expanding aid supply now projected. (The OECD Secretariat projects that donor commitments, if fulfilled, will raise ODA levels from USD80 billion in 2004 to USD130 billion in 2010).

6. Participants at the DAC meeting therefore recognised and appreciated the high priority attached by developing countries to progress on TCB.

Enhancing the IF:

7. The key objective is to foster strong, sustainable local capacities for engaging in dynamic regional and global trade patterns, including the new opportunities created by a successful Doha Development Round.

8. Participants welcomed the creation of a Task Force and agreed on the importance of active and timely support for the Task Force. The elements include strengthening national capacities, governance of the IF, and resources. The aid effectiveness agenda, as set out in the Paris Declaration, together with the prospects for a significant scaling up of aid, suggest some basic orientations:

- The importance of local ownership and establishing an on-going process of interaction between national policy makers and the private sector, as well as research institutions and civil society, for identifying national trade development agendas and priorities.
- The need for strong leadership in the developing country and in the donor community both in capitals and locally, in making an enhanced IF work on the ground.
- Donor resources to support an enhanced IF and the implementation of action agendas should be provided on a multi year predictable basis and on an increasing scale.
- Processes for monitoring progress and results and sharing national experiences and lessons learned should be an integral part of an enhanced IF.

The Wider Aid for Trade Agenda:

9. Participants recognise that the aid for trade agenda goes beyond national IF processes. It helps to provide an enabling environment for the integration of developing countries into the multilateral trade system. They underlined the need to more closely define the various components of the Aid for Trade agenda.

10. The Paris Declaration provides aid effectiveness benchmarks for shaping the delivery of the wider aid for trade agenda. Support for trade and trade capacity has to be integrated into country-led development strategies.

11. Participants noted that the ODA targets announced by donors provide the basis for a significant scaling up of aid and consider that in the new context, there is potential scope for increasing concessional resources for aid for trade.

Towards Hong Kong and Beyond:

12. In a Doha Development Agenda package, liberalisation and aid for trade are neither a trade-off nor substitutes, but necessary complements.

13. The donor community stands ready to contribute at Hong Kong and beyond to promoting and implementing the trade capacity building agenda. Specifically, they fully support the enhancement of the Integrated Framework and exploring and defining a broader aid for trade agenda.