

# GERMANY

## 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?*
2. *How has this strategy evolved since the December 2005 WTO Ministerial Conference?*
3. *How does this strategy address regional aid-for-trade challenges?*

### Answers to 1-3:

Germany does not have an individual strategy document on Aid for Trade. Trade is not a specific single sector of German development projects. Rather, trade-related elements encompass the key aspects of development cooperation in specific projects focusing on agriculture, business development, etc.

As an EU Member, Germany does support the Hong Kong commitments on increasing aid volumes for trade related cooperation (see Answer to question 7). There has been no specific strategy before the December 2005 WTO Ministerial Conference. By adopting Council Conclusion on Aid for Trade on October 16, 2006, the EU collectively decided to create a Joint EU AfT Strategy as a guiding document for both the Community and the Member States.

Germany sets a high priority on AfT delivery of a substantial share to ACP-countries, specifically in sub-Saharan Africa. In line with the Paris declaration, Germany strongly promotes regional elements of the upcoming Aid for Trade strategy. Furthermore, Germany is in the process of increasing bilateral cooperation with regional integration commissions and secretariats (SADC, EAC, ECOWAS, CEMAC, SAARC (t.b.c.)). Cooperation focuses on institution building and organizational development and addresses trade issues as a secondary field of cooperation. In light of Germany's support to EPAs, trade gains relevance specifically at African regional integration initiatives.

## 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)?*

Germany follows the recommendations of the WTO Aid for Trade Task Force and supports current efforts of the WTO and OECD in finding suitable definitions and establishing best practices. It is clearly important that all donors apply the same definitions of the "Aid for Trade" categories they refer to, and that these definitions make sense to beneficiaries and other stakeholders. The five

categories as identified by the WTO Aft Task Force are helpful in indicating the array of issues relevant to support the successful integration of developing countries into the world trade system, a number of issues still remain to be clarified. However, as presently defined, the categories allow for a lot of overlap between categories, as well as with more longstanding existing ODA categories such as infrastructure. And even with a clear definition, new modes of delivery such as general budget support complicate reporting.

The AFT Task Force report argues that projects and programmes should be considered as Aid for Trade if these activities have been identified as trade-related development priorities in the recipient country's national development strategies. This makes sense in ensuring that all trade-related needs of a country can be considered in programming, but if strictly applied it would make for very complicated reporting. Strictly ring-fencing aid for trade activities would only make sense in a situation where Aid for Trade needed to be distinguished from ODA. As this is not the situation, the rationale for distinguishing aid for trade activities from overall growth-promoting ODA is not evident. In addition, reporting in itself carries a cost, linked to the level of detail with which it is carried out. Finally, there is a risk of re-labelling all growth promoting development assistance as aid for trade, and this would run the risk of reducing the impact of the aid for trade initiative and increase scepticism about the potential of this initiative to effectively enhance developing countries ability to better benefit from WTO agreements.

## METHODOLOGY

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

Data is collected annually for reporting to the OECD/WTO TCBDB. The problem to overcome is that trade-related aid is rarely provided in a stand-alone approach but is rather a component of a larger programme. Consequently there is need to identify the amount of financial commitments allocated to trade on a case-by-case basis. Supported by GTZ, all potentially trade-related projects from the global list of German financial commitments in a given year (coming from the budget section in the German Ministry for Economic Cooperation & Development = BMZ) are checked against projects as reported on request by the individual implementing agencies. Project and Programme Advisors are then contacted to inform on the percentages spent for trade related activities according to the criteria and detailed descriptions provided by the OECD/WTO TCBDB. GTZ provides methodological support where needed and makes quality checks. Still, reports are to be considered informed estimates.

## 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?

According to the TCBDB we have provided the data to in the past, Germany's commitments are as follows, in the years indicated:

	2002	2003	2004	2005
Trade Policy and Regulations	8.960.000	12.834.000	16.885.000	22.336.000
Trade Development	63.156.000	90.069.000	68.425.000	90.555.000
<b>Total (in USD)</b>	<b>72.116.000</b>	<b>102.903.000</b>	<b>85.310.000</b>	<b>112.891.000</b>

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

At the December 2005 WTO Ministerial Conference the EU announced that it would provide 2 billion euro annually of trade-related assistance by 2010. At the time this pledge was made, the collective EU financial commitment referred to an understanding of AfT which was based on the functioning of the joint OECD/WTO database, i.e., focussing exclusively on the two categories Trade Policy & Regulations and Trade Development. Only later, the WTO AfT Task Force identified further categories of AfT. It is necessary to point out that the EU's commitment to strive to increase its TRA to € 2 billion per year by 2010 was made before the WTO Task Force recommendations widened the AfT scope to cover support for the AfT categories, including trade-related infrastructure, *building productive capacity* and trade-related adjustment.

In the CRS database, "trade development" and "building productive capacity" form one combined category, with similar CRS purpose codes. As a consequence, the AfT category *trade development* – as one part of the "twofold" collective EU commitment on TRA – is *de facto* a subset of another AfT category that – by pure definition – would not fall within the EU's explicit collective financial commitments. The EU, however, is also committed to provide an effective and locally-owned response to the wider AfT agenda by continuing and strengthening MS and Community support for demand-driven, pro-poor development strategies as a part of comprehensive programmes which would for instance also incorporate building productive capacities, trade-related infrastructure and trade-related adjustment. This is done with a view to further encouraging participation of other international donors and the private sector in such approaches .

Since the December 2005 WTO Ministerial Conference, the EU has not made any new financial commitments. Additionally, the strategy does not include new additional financial commitments.

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

Not applicable. According to the German budget system, it is legally impossible for the German Ministry for Economic Cooperation & Development (BMZ) to make financial plans for AfT beyond three years.

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

#### Answers to 9-10:

The Joint EU AfT Strategy is expected to be adopted in October 2007. It will be communicated prominently at headquarters and to the field-level. Already now, Germany holds a strategic facility ("Monterrey Fund") amounting to 9 million euro to incorporate trade components into existing bilateral projects and programmes. The BMZ assesses bilateral, regional, and sectoral strategy documents with regard to trade issues. The respective department dealing with trade at the ministry is supported by a permanent team of trade advisors at GTZ and networks closely with other

implementing agencies on several topics such as TRIPS and EPAs. Information on trade issues is regularly updated. Research generated on the most acute aspects is commissioned by the Ministry. Results are shared with the relevant community. The BMZ and its technical strategic-conceptual projects conduct mainstreaming of trade issues in all internal and external relations. As trade is not a stand-alone focal area of Germany's cooperation, mainstreaming is naturally part of all activities both at the level of political dialogue with partners and in conceiving new programmes and projects.

EPA negotiations and the ongoing efforts to assess trade-related needs of ACP countries in connection with the implementation phase are currently providing a new background against which our TRA will be adjusted. Within the framework of the EU's Joint AfT strategy, a substantial share of new commitments will be dedicated to supporting the ACP countries and regions; Germany is supportive to this approach. Capacity has been growing incrementally over the first five years and is currently being expanded with regard to regional integration issues.

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

Answers to 11-12:

Germany supports the Enhanced Integrated Framework Initiative as the main approach in LDCs and potentially to be extended to further countries with similarly weak institutional structures. Multi-donor programmes in the trade-area are generally the preferred instrument to deal with comprehensive needs assessments and strategies. Most of the current trade-components of German programmes work closely with the private sector and its organisations, the main focus being on building capacity to trade and on strengthening trade competencies at the institutional level. Support to enhancing the Public-Private-Dialogue on trade matters is regularly part of the German approach. In very few countries Germany has entered into a strategic dialogue on trade matters with partners yet but generally, such approaches would be strongly supported, for instance as part of the PRS processes.

## **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?**

At the regional level, Germany provides assistance to the planning and budgeting processes of partner organizations in several programmes. The trade components, if provided, are part of that process. Otherwise, where they exist, programmes are designed according to partners' strategies in the respective sectors, and the same applies to trade related assistance.

## 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?**

Donor alignment is as a principle established in each programme. In the area of trade, in several countries Germany is part of coordination efforts of donors (e.g. Zambia or Uganda) but the cases where such approaches exist at donor-level outside the IF are still rare.

### **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?)**

The WTO AfT Task Force recommended that capacity for diagnostics and preparation of AfT activities should be established at the regional level, preferably using existing institutions. Germany endorses this recommendation as it believes that support to regional integration is a key area of AfT. Programming. The same aid effectiveness principles should both apply at the national and at the regional level. However, there are also difficult challenges. Partner capacity tends to be very weak in regional organisations, as are the linkages with national strategies.

The partner country groups currently engaged in the process of preparing for Free Trade Agreements with the EU have significant potential to gain from regional arrangements in this context This is particularly the case for Economic Partnership Agreements (EPAs) with ACP countries, with regional support being developed to accompany EPA implementation and coordination with MS being enhanced through the Regional Preparatory Task Forces.

The EU has committed itself to strive to increase its trade related assistance with a view to reaching 2 billion € by 2010. It was agreed that a substantial share of this commitment will be devoted to ACP countries to support the EPA process. In this regard, Germany will increase its budget in line with its overall ODA commitments to meet the AfT commitment. At this stage, federal budgetary planning is in progress. Germany can only provide binding information on budgetary planning (e.g. EPA-related cooperation, contribution to regional funds, national AfT trends etc.) after the budget has been approved by Parliament. Furthermore, Germany is obliged to the Paris Principles on Aid Effectiveness.

## 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?**

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

Answers to 16-17:

Success of the Joint EU AfT Strategy will be measured collectively, at the EU level. Both EU Member States and the EU Commission will ensure that the Joint EU AfT Strategy will be properly pursued. At the EU level, there will be regular technical meetings in order to coordinate and specify follow-up activities at the various levels of intervention (national, regional and multilateral), to agree on a

process for monitoring progress and to identify the actors which will be responsible for taking forward activities. Progress in implementing the Joint EU AfT Strategy will be reviewed in the context of the EU Monterrey Reporting.

There is no special methodology applied to TRA currently, and programmes are monitored and evaluated for achieving the intended impact and results as part of the overall monitoring requirements that all ODA undergoes. In general, BMZ is applying for aid for trade projects and programmes the usual DAC principles, standards and evaluation criteria (relevance, effectiveness, efficiency, impact and sustainability). The methodology is adapted to the scope and content of projects and programmes. Outcome evaluations are the usual approach on project level, though theory-led evaluations are increasingly used. However, we feel that methodology of evaluating capacity development is still wanting.

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

## **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?**

Answers to 18-19:

See, in general, answers to question 14 and 17. There is no specific joint monitoring and evaluation of aid for trade projects and programmes with partners and other donors. Germany follows the fundamental principles of the Paris Declaration on Aid Effectiveness. Aid is increasingly delivered via joint program based approaches and budget support with other donors. Thus, also joint monitoring and reviewing procedures are applied. With regard to Aid for Trade, German reviewing takes place on an occasional case by case basis. Special schemes of reviewing will be further worked out in the coming mainstreaming process of Aid for Trade.