

The Aid for Trade Agenda and accompanying measures for EPAs

Current state of affairs

Dan Lui - ECDPM

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Abbreviations

ACP	African, Caribbean and Pacific states
AFD	Agence Française de Développement
AfT	Aid for Trade
AITIC	Agency for International Trade Information and Cooperation
BDEAC	Banque de Développement des Etats de l'Afrique Centrale
CARICOM	Caribbean Community
CARIFORUM	Caribbean Forum
CDE	Centre for the Development of Enterprise
CDP	Community Development Programme
CEMAC	Economic and Monetary Community of Central Africa
CET	Common external tariff
CMS	Comité Ministériel de Suivi des Négociations APE
COMaid	COMESA aid
COMESA	Common Market for Eastern and Southern Africa
CTA	Technical Centre for Agricultural and Rural Cooperation ACP-EU
DfID	UK Department for International Development
DOC	Document d'orientation conjoint
DTIS	Diagnostic trade integrated studies
EAC	East African Community
EC	European Commission
ECCAS	Economic Community of Central African States
ECOWAS	Economic Community of West African States
EDF	European Development Fund
EPA	Economic partnership agreement
EPA-DP	EPA Development Programme
ESA	Eastern and Southern Africa
EU	European Union
FORAPE	Fonds régional pour les APE (EPA regional fund)
GAERC	General Affairs and External Relations Council
GNI	Gross national income
ICTSD	International Centre for Trade and Sustainable Development
IEPA	Interim EPA
IF	Integrated Framework
ITC	International Trade Centre
LDC	Least developed country
NIP	National indicative programme
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PACPs	Pacific ACP countries
PAIRAC	Programme d'Appui à l'Intégration Régionale en Afrique Centrale
PRAC	Programme Régional d'Appui au Commerce
PAPED	Programme de l'APE pour le développement (EPA-DP)
PCD	Programme communautaire de développement (CDP)
PIFS	Pacific Islands Forum Secretariat
RIP	Regional indicative programme
RISDP	Regional Integration and Strategic Development Plan
RPTF	Regional Preparatory Task Force
RSP	Regional Strategy Paper
RTFP	Regional Trade Facilitation Programme
SADC	Southern African Development Community
TRA	Trade-related assistance
UNCTAD	United Nations Conference on Trade and Development
UNIDO	United Nations Industrial Development Organization
WTO	World Trade Organization

Executive Summary

The Aid for Trade (AfT) agenda emerged at the World Trade Organization (WTO) Hong Kong Ministerial Conference in late 2005, yet progress in moving beyond the discussion of concepts and towards concrete implementation in the African, Caribbean and Pacific (ACP) countries has proved complicated, and there are still a number of outstanding issues involved in translating the concept into workable proposals.

The EU has made a significant contribution to the AfT initiative since its inception. This contribution is seen both in terms of the development of AfT concepts – reaching internationally agreed definitions on the substance of AfT at the WTO and in areas like monitoring of commitments – and in working with ACP and other countries to identify their AfT needs and mobilise development assistance to meet them. Already a significant donor collectively in the area of AfT, the EU has also had the extra motivation of being involved in negotiations on new Economic Partnership Agreements (EPAs) with the ACP, wherein both sides acknowledged at an early stage that tariff liberalisation and new commitments in trade-related areas will carry certain adjustment and implementation costs.

In a clear demonstration of its commitment to the AfT agenda, the EU adopted in October 2007 a joint Aid for Trade Strategy, which lays down a set of broad principles and activities to guide a coherent, EU-wide approach on AfT. These included the existing commitment to provide support – of at least €2billion collectively (€1billion from the Commission and €1billion from the member states) per year in the ‘narrow’ AfT area of trade related assistance – but also commitments in other areas to improve donor expertise and coordination, which equally have the potential over time to transform the approach to the provision of aid, along the lines envisaged in the Paris Declaration on Aid Effectiveness and Accra Agenda for Action.

Although it is only one year since the formal adoption of the Strategy, it is clear that implementing it and achieving concrete results is a difficult and complicated process. While the European Commission has maintained a fairly clear view about how work will progress, EU member states continue to raise questions about the exact type of coordination needed for an effective response, the most effective ways of delivering AfT, and the process for reaching agreement with ACP countries on AfT programmes. The approach agreed by the EC and member states – and the current focus of attentions – is for the elaboration of coordinated ‘regional packages’ for each ACP region, although a number of questions remain about what packages will consist of, how EU member states will contribute, and how they will work with other potential other already programmes being delivered or planned.

On the side of ACP regions – which are a focus of the EU’s strategy – expectations were already raised about the potential of AfT, particularly with regard to the availability of increased resources. There may have been a misperception here however: statistics showing that the EU was *already* a major provider of assistance has lessened the impact of commitments made in the strategy on the provision of AfT resources. The picture has undoubtedly been confused by the fact that ACP regions have been involved in negotiations on EPAs, in which every region has stressed the linkages between making trade commitments and the availability of AfT resources.

The linkage between EPAs and AfT is clearly apparent in the respective approaches of ACP regions to AfT, in terms of both the process of elaborating AfT proposals, and their content. At the same time as acknowledging that EPAs will bring certain adjustment costs for ACP countries, the EU however has stressed that drawing linkages between the EPAs and AfT is done voluntarily on the part of ACP regions, and that provision of resources will take place regardless of whether EPAs are signed or not. Questions have nevertheless been raised as to whether this message has been made clearly enough both inside and outside of negotiations. A significant number of ACP stakeholders clearly still believe (or have been led to believe) that

there is a link between the two processes that goes beyond simply the question of support for implementation.

In terms of the response of ACP regions there have been some similarities in the approach, yet also some important differences. The Caribbean Forum (CARIFORUM) – the only region so far to have signed a comprehensive EPA – has looked to base its aid for trade plans on the commitments that have been made in the EPA text. West Africa and Central Africa have made strong linkages between the EPA and related ‘development support’, while the Eastern and Southern Africa regions is currently looking to move from a basic AfT identification exercise to a more strategic approach. The Pacific region has tried to tailor its approach to encourage wide participation of donors beyond the EC. Though the focus of the EU AfT strategy is on ACP regions, within each region there are also challenges with coordinating with national processes, where a great deal of work is also being done.

In general, most EU donors emphasise that AfT is not necessarily a new phenomenon, but has been delivered in the past in the context of a range of aid programmes – although there is still potential to learn from past mistakes. By contrast, the perception on the ACP side often is still to see AfT as representing something new or additional in terms of a work agenda and in terms of resources, to the extent that clear differences of expectations on AfT still persist. Nevertheless, the initiative still represents an opportunity for developing countries, where perhaps the greatest ‘value added’ of the AfT initiative lies in providing the opportunity for countries to integrate trade priorities and concerns more closely into national and regional development strategies, in terms of a prioritised and sequenced approach to improve the quality of available aid.

Moving forward, much work still needs to be done by ACP regions in elaborating their AfT needs, while at the same time integrating these into both national and regional development plans. Donors can assist in this process by being clearer about what they are expecting from the ACP approaches, without necessarily violating the principle of local ownership. There will also need to be an increased level of dialogue between ACP regions and donors over the funding and implementation of new initiatives. Important questions of whether AfT delivers on its promise to bring additional resources and benefits to developing countries will begin to be answered during the course of 2009.

1 The Aid for Trade Agenda and the EU

The current Aid for Trade (AfT) initiative started in the framework of the Doha Development Agenda at the World Trade Organization (WTO), in particular with the 2005 Hong Kong Ministerial Declaration¹. The rationale behind AfT is to help developing countries to undertake appropriate trade and regulatory reforms, to improve their supply-side capacity and trade-related infrastructure and to adopt the necessary adjustment measures to be able to benefit from international trade opportunities arising from the multilateral as well as bilateral trade regimes. Aid for trade cannot be regarded as a substitute to the adoption of appropriate trade policies and related measures; rather it recognises that in the absence of supporting measures many developing countries, and in particular the least developed ones, may not be able to put trade at the service of development.

Two documents are widely regarded as internationally agreed guiding principles used in discussions on AfT: the OECD Paris Declaration on Aid Effectiveness adopted in 2005 and reconfirmed in the Accra Agenda for Action endorsed in 2008², and the recommendations of the WTO Task Force on Aid for Trade³ presented in 2006, which includes a classification of AfT interventions into 6 categories, now commonly used: 1) trade policy and regulations, 2) trade development, 3) trade-related infrastructure, 4) building productive capacity, 5) trade-related adjustment, and 6) other trade-related needs.

In line with these processes, Member States of the European Union (EU) and the European Commission (EC) have pledged to step up their efforts on trade-related development assistance with a view to facilitate the integration of all developing countries into the multilateral trading system and support their regional integration and other trade-related needs, including measures to accompany trade agreements with the EU, such as the economic partnership agreements (EPAs) with the African, Caribbean and Pacific (ACP) countries and regions. At the WTO Ministerial Conference in Hong Kong, the EU announced an increase of its trade-related assistance (TRA) to support trade policy and regulations and trade development, two of the six official categories of aid for trade, to € 2 billion per year by 2010. Out of these, the European Commission committed to provide € 1 billion a year (a pledge almost achieved already in 2005), and the EU Member States undertook a similar commitment.⁴ The EU approach on AfT has been outlined in the 'EU Strategy on Aid for Trade'⁵, adopted on 15 October 2007 – summarised in Table 1. The Strategy includes a general commitment also to the wider AfT agenda beyond the first two categories and aims at paving the way to a more concrete AfT action plan, to be elaborated in 2008 and 2009. In this context, an Aid for Trade monitoring report on the present EU efforts was published by the EC in April 2008, an EU implementation matrix⁶ on the AfT strategy was drafted and discussions have taken place on regional packages

¹ Hong Kong Ministerial Declaration (WT/MIN(05)/DEC).

² Paris Declaration on Aid Effectiveness, OECD High Level Forum, 2 March 2005, <http://www.oecd.org/dataoecd/11/41/34428351.pdf> and Accra Agenda for Action, Third High Level Forum on Aid Effectiveness, 4 September 2008, <http://siteresources.worldbank.org/ACCRAEXT/Resources/4700790-1217425866038/AAA-4-SEPTEMBER-FINAL-16h00.pdf>

³ Recommendations of the Task Force on Aid for Trade, WTO, 27 July 2006, <http://docsonline.wto.org/imrd/directdoc.asp?DDFDocuments/t/WT/AFT/1.doc>

⁴ This pledge has been formalised with the General Affairs and External Relations Council (GAERC) formal decision on 16-17 October 2006 to address EPA-related adjustment needs under the broader framework of Aid for Trade and has been reiterated in all GAERC conclusions addressing EPAs since, including the recent GAERC Conclusions on EPAs of 26-27 May 2008..

⁵ EU Strategy on Aid for Trade: Enhancing EU support for trade-related needs in developing countries, Conclusions of the Council and of the Representatives of the Governments of the Member States meeting within the Council, Council of the European Union, 15 October 2007 <http://register.consilium.europa.eu/pdf/en/07/st14/st14470.en07.pdf>

⁶ See Annex 2 of the European Commission Staff Working Paper "Aid for Trade Monitoring Report 2008", SEC(2008) 431 April 2008.

to coordinate the involvement of the EC and EU member states (see Section 2).

EU positions also reflect the increasing awareness that the debates on development support to accompany EPAs and AfT are closely intertwined, given that similar constraints as identified in the multilateral context are likely to affect the capacity of ACP countries to derive the potential benefits from EPAs with the EU. However, during EPA negotiations there has been a considerable degree of confusion and contention with respect to the linkages between EPAs and development cooperation. The EC has long advocated keeping the two subjects separate, arguing that only trade issues were up for negotiations and not development support, which was already covered by another pillar of the Cotonou Agreement. The ACP side has favoured inclusion of binding commitments on the delivery of development assistance into the EPA texts. The EC and in particular the EU member states have also sought to avoid giving the impression of “buying” support for EPAs with development finance. They have thus publicly stated that AfT funding would be available regardless of whether an EPA would be signed.⁷ However, at the same time the EC has repeatedly been accused of exercising undue pressures on some ACP countries and regions during the negotiations, implying that the successful conclusion of an EPA would lead to increased AfT, not available otherwise.

Another challenge met in the process of defining development support for EPAs pertains to the Regional Preparatory Task Forces (RPTFs) involving members of all negotiating parties. These were meant as a mechanism to ensure coherence between the programming of development support and the EPA negotiation process, but have in most regions – except possibly in the Caribbean – not been perceived as performing according to expectations. The regular involvement of EU member states in RPTF processes has also proved difficult.

The degree to which individual ACP regions have emphasised the aspect of development cooperation during the negotiations differs. The EPA between the Caribbean Forum (CARIFORUM) and the EU contains a joint declaration that recognises the contribution of the Regional Indicative Programme (RIP) under the European Development Fund (EDF) and identifies specific areas of cooperation in order to facilitate the implementation of the agreement, however without any binding financial commitments for funding. Other regions and countries (e.g. West Africa) have signalled that they would expect binding commitments on the availability of funding for accompanying measures in order to be in a position to sign a full EPA.

Another key aspect that links the discussions on AfT to EPA negotiations consists of the EU efforts to support regional integration in the ACP. Fostering regional integration was initially advanced as a main objective of EPAs. However, given the current state of negotiations in which interim agreements have been initiated with several individual countries and sub-groupings, observers question whether up to now the EPA negotiation process has been hampering rather than supporting integration processes.⁸ Ongoing negotiations towards comprehensive EPAs aim at full regional agreements, hence the ultimate impact of EPAs on regional integration still remains to be seen. Nevertheless on 10 November 2008, the EU adopted a communication on regional integration for development in ACP countries,⁹ reiterating its commitment to providing support in this area including with respect to trade and economic integration under the AfT initiative, and calling for an intensified dialogue between the EC and member states to attain coherent regional packages of support.

[http://ec.europa.eu/development/icenter/repository/SEC\(2008\)431%20Aid%20for%20Trade.pdf](http://ec.europa.eu/development/icenter/repository/SEC(2008)431%20Aid%20for%20Trade.pdf)

⁷ The GAERC Conclusions on EPAs of 26 May 2008, for instance, repeat again that “The Council recalls that AfT is part of the broader ODA increase agenda and its delivery is not conditional upon signing an EPA or an interim agreement”, <http://register.consilium.europa.eu/pdf/en/08/st09/st09629.en08.pdf>

⁸ For a discussion, see Bilal, Sanoussi and Corinna Braun-Munzinger (2008), *EPA negotiations and regional integration in Africa: Building or stumbling blocs*, Paper prepared for the Trade Policy Centre in Africa (trapca) 3rd Annual Conference “Strengthening and deepening economic integration in LDCs: current situation, challenges and way forward”, Arusha, Tanzania 13-15 November 2008, www.ecdpm.org/trade

⁹ Council Conclusions on Regional Integration and the Economic Partnership Agreements for Development in the ACP Countries’ 2902nd General Affairs Council meeting, Brussels, 10 November 2008, http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/gena/103969.pdf

Table 1: Summary of the EU Aid for Trade Strategy

Pillar	Summary of Actions
1. Increasing volumes of EU AFT	<ul style="list-style-type: none"> ▪ For trade related assistance (TRA) implement a road map to reach the target of €1bn from EU Member States, implying that their collective spending should rise to €600m in 2008 ▪ For 'wider Aft' beyond TRA, seek a common international definition of "trade related adjustment", and enhance cooperation with bilateral and multilateral donors and ▪ Seek to integrate Aft into national development strategies and enhance the IF and support creation of a similar in-country process for non-LDCs (especially non-IDA countries)
2. Enhancing pro-poor focus and quality of EU AFT	<ul style="list-style-type: none"> ▪ Enhance the impact of Aft on poverty reduction and empower women, through encouraging governments to include poverty and gender issues in national trade strategies ▪ Promote the environmental, social and economic sustainability of Aft through incorporating sustainability concerns into Aft programmes, including effective impact assessment processes ▪ Promote local ownership and broad stakeholder participation ▪ Achieve greater complementarity and cooperation between donors, by stepping up efforts to respond jointly to Aft priorities for countries and regions identified through comprehensive needs assessments, and pursuing and identifying opportunities for joint delivery modalities (by EU and with other donors) as well as the role of sector/budget support ▪ Support regional organisations to engage stakeholders and conduct identification and prioritisation exercises, and to translate regional needs into national implementation strategies where appropriate
3. Increasing EU donor capacity	<ul style="list-style-type: none"> ▪ Exchange information on AFT capacities of Member States, on training events, and on Aft best practice in key areas
4. Building on, fostering and supporting ACP-specific regional integration	<ul style="list-style-type: none"> ▪ Ensure that around 50% of the increase in TRA will be available for needs of ACP countries ▪ Enhance dialogue with ACP countries with a view to integrating trade and development concerns into ACP countries by 2013 ▪ For "wider Aft", increase support to trade related infrastructure through initiatives such as the EU Africa Infrastructure Partnership, reinforce productive sector capacity, contribute to absorption of net fiscal impact of tariff liberalisation, seek to increase support to the wider Aft in proportion to overall ODA increases, explore the role of EIB and regional development banks ▪ Apply aid effectiveness principles by supporting technical capacity of ACP to design and implement Aft programmes, work to identify EPA-related needs within RPTFs, focus regional Aft on initiatives that remove intra-regional barriers to trade in goods and services, support capacity development in trade related areas (e.g. competition), participate in regionally-owned funding mechanisms such as regional funds, monitor implementation of EPA-related Aft
5. Supporting effective AFT monitoring and reporting	<ul style="list-style-type: none"> ▪ Engage fully with WTO Aft reviews by through supporting strong donor reporting to the OECD and to WTO reviews ▪ Supporting developing countries to contribute to monitoring efforts, and acting on global reviews, in particular to avoid "Aft orphans".

Source: EU Strategy on Aid for Trade (2007).

2 Current State of Affairs: EU

2.1 Monitoring Existing and Additional Resources

Within the October 2007 EU AfT Strategy, both the EC and the collected EU member states committed each to increase their spending on trade related assistance to €1billion per year by 2010. This represents an increase of roughly €600 million on the levels seen in 2005 when the commitment was originally made.¹⁰ Given that the European Commission had already virtually reached its target of €1billion in TRA at the time the commitment was made, almost all of the increase is expected from Member States. The AfT strategy also states that ‘in the range of 50 per cent’ of this increase will go to ACP countries, including to support their EPA related needs. Hence, the extra €300 million (approximately) that has been ring-fenced for the ACP represents the total of additional funds available for trade related assistance. Table 2 provides the most recent overview available.

Table 2. EU AfT and TRA in 2006 (million €)

	EC	EU Member States	EU (EC+EU MS)
TRA	941	641	1582
AfT (including TRA)	2564	4715	7279
TRA pledge by 2010	1000	1000	2000

Source: European Commission Staff Working Paper “[Aid for Trade Monitoring Report 2008](#)”, SEC(2008) 431 April 2008, as reported in the European Commission “Fact sheet on Aid for Trade”.

The EC’s 2008 Aid for Trade Monitoring Report noted that although many member states report that they are working towards the 2010 target and made assessments of their potential contribution, only some have so far announced a clear national target for meeting the TRA commitment. For example the UK has committed to reach £100 million (€120 million) per year by 2010. The lack of clarity about EU member states’ plans was raised in the report.

Some EU member states have recently pointed out that in the current economic climate, it is possible that the EU member states will miss the 2010 target for TRA. Indeed, looking beyond the Aid for Trade agenda it is hard to see how, without sustained increases in resources, some EU member states can now meet their wider development assistance goals of 0.56 per cent of gross national income (GNI) by 2010 and 0.7 per cent of GNI by 2015 (see Box 1). To meet their TRA commitments, they will have either to divert resources into AfT away from other areas of development assistance or they will have to carefully review their existing development programmes to identify elements that could be classified as related to trade, a useful accounting exercise to promote transparency and accountability, but that would not translate in any additional disbursement of TRA for developing countries. It is worth noting that the agreed definitions of AfT interventions may themselves be open to interpretation – it is unclear for example whether a project with a relatively minor element of trade capacity-building may still be classified as an AfT project, for example. Some EU member states foresee providing more concessional loans – which still count as official development assistance (ODA) – in order to meet their commitments.

¹⁰ Trade-related assistance, as defined by the EC and the EU, covers only the first two categories of aid for trade, that is (1) trade policy and regulations and (2) trade development.

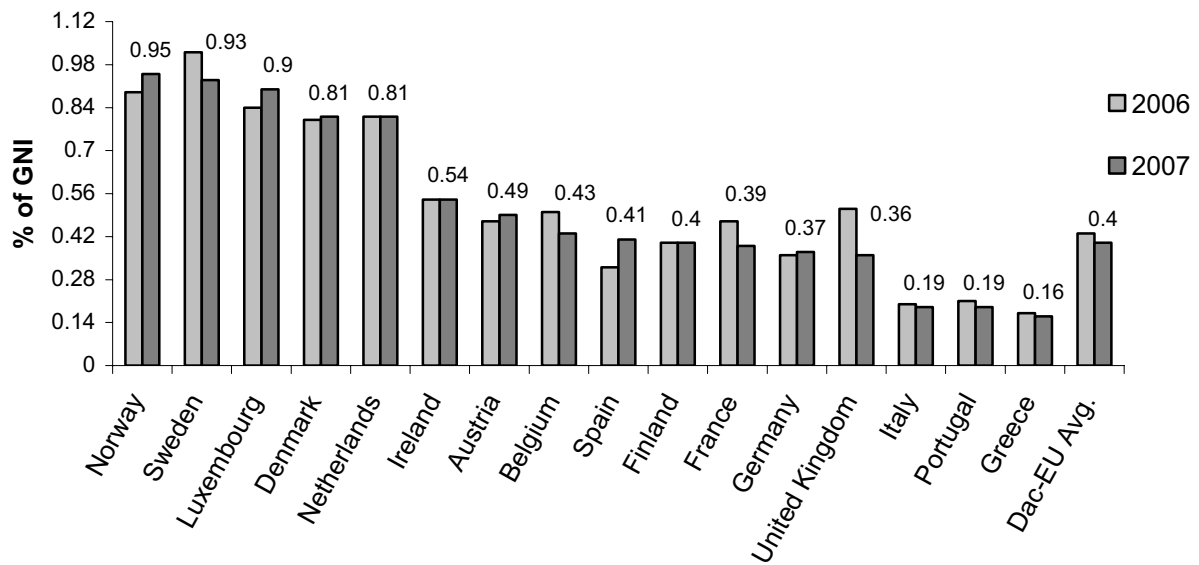
Box 1. Additionality of Aft Resources in the Context of the Commitment to Meet Wider Aid Targets

The EU Aft Strategy notes that although its financial commitments on Aft resources extend only to the relatively narrow measure of trade related assistance (TRA), the EU is already a major donor in areas covered under “wider Aft”, including infrastructure and building productive capacity. Increases in these categories of Aft are expected to occur naturally as part of the increase in overall aid – in this regard the EU member states have already made a separate commitment to raise ODA to 0.56% of GNI in 2010, on course to meeting the UN target of 0.7% of GNI by 2015.

However recent figures from the OECD indicate that some of the major EU states – including France, Germany and UK – will need to increase their ODA in the region of 50% over the period from 2008 to 2010, in order to meet the initial 0.56% target. By contrast, the average level of ODA amongst EU OECD members actually fell in 2007 compared with the previous year, with a slight rise in general ODA being insufficient to offset lower levels of debt relief.

Given the current economic situation in donor countries, there are fears that previous commitments on ODA will not now be met, and one potential consequence of this is that the ‘scaling up’ envisaged across the different categories of Aft might not occur. It remains to be seen what would be the consequences, if any, if EU member states do not collectively meet their stated TRA pledge under the joint Aft Strategy.

Fig 1: Official Development Assistance of EU OECD-DAC Members



Source: OECD (2008) 'Debt Relief is Down, Other ODA rises slightly', Table 1, available at <http://www.oecd.org/dataoecd/27/55/40381862.pdf>; Figures shown are ODA as a percentage of GNI in 2007

2.2 Approaches to Delivering Aid for Trade

2.2.1 European Commission and Regional AfT Packages

In terms of moving forward on implementing AfT, the last section of the October 2007 EU AfT Strategy:

“entrusts the Commission, in cooperation with Member States, with the tasks of organising technical meetings in order to a) define a clear workplan specifying follow-up activities at the various levels of intervention (national, regional and multilateral) and identifying the actors (Commission and Member States) which will be responsible for taking forward these activities, and b) prepare progress reports.”

Aside from the continued work on monitoring EU AfT commitments, the main response of the EC since October 2007 in implementing the Strategy in the ACP has been to continue to work on the development of ‘regional AfT packages’ for each of the ACP regions. The intention behind the regional packages is that they would act as the main coordinating instrument for EU response in ACP regions across all aspects of the AfT agenda.

As specified by the Conclusions on EPAs of the General Affairs and External Relations Council (GAERC) of 26 May 2008:¹¹

“These packages would be based on the following aims and principles:

- Supporting ACP owned regional integration agendas, including addressing needs arising from EPAs as well as from interim agreements;
- Providing an effective, coherent and concrete EU response to needs and priorities expressed by the ACP countries and regions, including in national and regional development plans;
- Fostering coordination among all donors and recipients;
- Covering, as appropriate, programmes falling under the six categories of AfT
- Covering actions, ongoing and planned at national and regional level by the Commission, the Member States and, as far as possible, other donors; in this context, the Commission is invited to further involve Member States during the 10th EDF programming.

When planning and designing these packages, due consideration will be given to the principles and best practices agreed in the Paris Declaration on Aid Effectiveness and in the Code of Conduct on Complementarity and Division of Labour in Development Policy. To this end, the Council reconfirms that the EU will support the technical capacity of regional and national ACP institutions for identifying, prioritising, designing, implementing and monitoring AfT programmes.”

The central feature of each of the regional packages is an ‘activity matrix’, made up of potential AfT projects both at the national and regional level. It is not known whether ongoing and already-earmarked projects are included, or whether the matrices consist only of entirely new proposals. The definition of regional packages of support is in line with the approach that has already been used during the EPA negotiations and discussions within Regional Preparatory Task Forces, within which ACP regions have been encouraged to conduct assessments to identify their national and regional AfT needs. In a number of regions, however, ACP regions as well as some EU member states have voiced their frustrations with the RPTF process; one illustrative complaint comes from regions that have carried out costly needs assessments, only to see their findings rejected by the EC side because of disagreements over methodology of calculating potential adjustment costs. The exception to this negative trend has been the Caribbean region, where RPTF discussions led to an agreement on an approach to developing

¹¹ Conclusions of the Council and the Representatives of the Governments of the Member States meeting within the Council on Economic Partnership Agreements (EPAs), EU General Affairs and External Relations Council, 27 May 2008, <http://register.consilium.europa.eu/pdf/en/08/st09/st09629.en08.pdf>

a package of projects to support EPA implementation, and to be funded from the RIP envelope or EU member state bilateral programmes.

In addition to RPTFs, the elaboration of regional packages has also been closely linked to the programming process for Regional Indicative Programmes of the 10th EDF. These have been the main instruments of the EC for supporting regional integration in the past, and in most cases have been tailored to support AfT objectives by featuring focal sectors that are relevant to the AfT agenda. The perceived reprogramming of RIPs towards addressing AfT and EPA-related adjustment costs (at a cost of drawing resources away from potential other focal sectors, such as education) was a point of controversy for some ACP regions during 2007. Nevertheless, following the example of the Caribbean region, virtually all of the EC's contribution to AfT is expected to come from respective RIPs. Country-specific National Indicative Programmes (NIPs) may provide a modest contribution of around €50m per year in TRA and private sector development in total across the ACP, with larger amounts for infrastructure.

Thirdly, regional packages are also linked to the idea of 'regional funds' (see Box 2). The establishment of such 'regionally owned mechanisms' was initially encouraged by the EC during the EPA negotiations as a potential way for ACP regions to benefit from the expected increase in AfT resources from the EU and other donors in a timely and responsive manner; in some cases funds had already been set up to assist the process of regional integration. However, while stakeholders from some ACP regions are optimistic on the use of such funds, others have been concerned that the EC has more recently seemed to alter its position on their use, emphasising the logistical difficulties that must be overcome in order for EU donors to be in a position to commit funds, as well as questioning the 'value added' they would bring over existing delivery mechanisms. Analysis is currently ongoing into the conditions under which they could be an effective way of delivering AfT.¹²

The advantages of regional packages and approaches, particularly where they are driven by recipients, lie in terms of their ability to increase ownership and improve the delivery and quality of AfT. Given that actual commitments on additional resources for AfT are rather smaller than originally thought, regional packages could represent a concrete advance over existing aid delivery modalities and therefore demonstrate the clear 'value added' of the AfT agenda. A more coordinated approach would be in line with the EU's stated policy of improving the "division of labour" amongst its donor agencies in the planning and delivery of development assistance¹³, as part of its approach to implementing the Paris Declaration on Aid Effectiveness. In practical terms, clear comparisons between different regions might also make it easier to avoid 'aid for trade orphans' – regions or countries that are left behind in the provision of AfT, perhaps because of a lack of interest from donors or poor absorptive capacity.

Nevertheless, regional packages currently being put together by the EC seem so far to be falling short of expectations. Although initial versions of the activity matrices have been already developed for each of the six ACP regions and the EC has presented them to EU member states for their support, the general opinion amongst member states is that the EC needs to elaborate them in greater detail. Donors are generally unwilling to support projects unless they were clear about what they would achieve. Many member states have pointed out the difficulties they see with supporting the EC approach in its current form, questioning in particular especially on whether it is truly partner-driven. Some donors have indicated that they would find it difficult to shift support away from their existing or already-planned work on AfT, while some agencies have decentralised systems that place more operational control to decision makers in delegations themselves, making it harder for them to shift resources centrally. Logistically it is difficult to coordinate the different EU member state funding cycles –

¹² See for instance, Braun-Munzinger (2008), "Regionally Owned Funds: Mechanisms for delivery of EU Aid for Trade in ACP regions?", ECDPM forthcoming Discussion Paper, www.ecdpm.org

¹³ The "Code of Conduct on Complementarity and Division of Labour in Development Policy" outlines eleven principles to be applied in the management and coordination of EU-wide aid. <http://europa.eu/scadplus/leg/en/lvb/r13003.htm>

some donors have expressed a desire or need to commit resources before waiting for regional packages to be elaborated. A number of questions therefore still need to be answered before regional packages can be fully operationalised, such as whether or how they will incorporate existing AfT being delivered.

In terms of future work on the development of regional packages, the Commission and member states foresee greater efforts at the regional and national level to coordinate between donors operating in the different regions and establish a division of labour. This would include more meetings of the RPTFs and meetings organised by the EC Delegations within ACP countries. The most recent conclusions of the GAERC have now set a timeframe for the packages to be ready in the first quarter of 2009, if possible.¹⁴ For many ACP countries, it is crucial that these be ready before the conclusions of EPA negotiations, so as to provide for appropriate and predictable support to EPA-related needs.

Box 2. Regional Funds in the ACP

The creation of regionally owned funds to support integration processes and regional AfT agendas is currently being discussed in all ACP regions. Similarly on the EU side, the EC and EU member states are exploring the potential of such funds as one of the delivery mechanisms to implement their AfT commitments. Intentions to make use of regional funds have been expressed in the context of the EPA negotiations as well as in the joint EU Aid for Trade strategy¹⁵.

Arguments in favour of regionally owned funds for AfT relate to aid effectiveness principles, such as enhancing ownership by the region and alignment of interventions to regional development strategies as well as strengthening coordination among donors. Further, regional funds might potentially attract new resources from donors who are traditionally not active in a region and/or from private investors (the latter applies in particular to infrastructure projects).

In the context of ACP-EU relations, the topic of regional funds for AfT has gained prominence during EPA negotiations, notwithstanding the fact that in some regions the idea for funding mechanisms to foster integration processes originated independently from this. In the beginning of 2007 the EC responded to ACP demands and agreed to include development chapters into EPA texts (however without any binding financial commitments). At the same time, regionally owned funds were considered as possible mechanisms to deliver specific EPA related support¹⁶, similar to the previous ACP demand for establishing an EPA Financing Facility at national and regional levels¹⁷. While EU ministers in May 2007 emphasised that preference should be given to existing financing mechanisms¹⁸, the need for EPA accompanying measures has been a main argument to establish new regional funds in several ACP regions, notably in Central Africa, West Africa and the Pacific. Still, these funds may potentially address wider trade and development needs beyond EPAs. In other cases, regional funds have been created to support the process of regional integration, largely independent from the EPA context (e.g. in the Caribbean Community (CARICOM) and in the Common Market for Eastern and Southern Africa (COMESA)). In May 2008, EU ministers in their Council Conclusions on EPAs again referred to regionally-owned funds and stated that “in cases when ACP regions are interested, appropriate ways to

¹⁴ Council Conclusions on Regional Integration and the Economic Partnership Agreements for Development in the ACP Countries' 2902nd General Affairs Council meeting, Brussels, 10 November 2008, http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/gena/103969.pdf

¹⁵ Reference to the usefulness of regionally owned financing mechanisms is made (in different formulations) in the initialled texts of the CARIFORUM-EU EPA and the interim agreements between the EU and ESA, SADC, Ghana, Côte d'Ivoire and Central Africa. Further, reference to regionally owned funds is made in the [EU Strategy on Aid for Trade](#) and in the EU [Council Conclusions on EPAs](#) of May 2008.

¹⁶ Consensus on Economic Partnership Agreements between EU and ACP Countries, Press release, ACP Group of States, 14 March 2007, http://www.acpsec.org/en/epa/pr_EPA_Bonn_14-3-07_e.htm

¹⁷ Decision N°2/LXXXIII/06 of the 83rd Session of the ACP Council of Ministers held in Port Moresby from 28-31 May 2006, on the Economic Partnership Agreements (EPAs), http://www.acpsec.org/en/com/83/ACP2500606_decisions_e.pdf

¹⁸ Conclusions of the Council and the Representatives of the Governments of the Member States meeting within the Council on Economic Partnership Agreements (EPAs), Council of the European Union, 15 May 2007, <http://register.consilium.europa.eu/pdf/en/07/st09/st09560.en07.pdf>

support their functioning should be carefully explored”¹⁹.

In most regions, there seems to be a need to clarify a number of outstanding issues on the role of regional funds in implementing AfT agendas and EPA accompanying measures. First, the overall purpose of a regional fund needs to be decided upon, including the intervention areas targeted and the complementarity with existing mechanisms. Further aspects to be addressed in designing a new regional fund encompass the institutional set-up and the management procedures of a fund, including its relation to regional organisations and regional development banks, the definition of eligibility criteria, the financing instruments to be used for disbursement of funds and the sources of funding, e.g. from members of the region, EU and other donors and/or private capital markets. Progress on these issues differs across regions. While COMESA is relatively advanced in setting up the COMESA Infrastructure Fund and the COMESA Adjustment Facility, other regions may require some more time before a planned regional fund can be fully operational to support AfT interventions.

Source: Braun-Munzinger (2008), “Regionally Owned Funds: Mechanisms for delivery of EU Aid for Trade in ACP regions?”, ECDPM forthcoming Discussion Paper.

2.2.2 Member State Responses to the EU Aid for Trade Strategy

Beyond the commitment of resources, there has been a fairly varied range of responses by EU member states to the EU AfT Strategy, reflecting how different donor agencies operate, their interpretation of the Strategy and their capacity to deliver on their own. A number of donors have looked to the EC for guidance and a degree of coordination of efforts, attending meetings and following EU-level developments, including the ongoing work on regional AfT packages, with clear expectations in this regard. Other donors have emphasised that the EU AfT Strategy merely lays out broad principles and overall commitments within which they should work, with most of the substantial outcomes being delivered through existing or new programmes and activities of their own. Some of the larger decentralised or fragmented donors have seen the core challenge as integrating the AfT agenda into their various work programmes, existing and new.

All member states have been involved in monitoring, mainly to assess their existing allocations to AfT, in response to OECD/WTO questionnaires. Most feel that this work is important, although there is concern in some quarters that efforts to monitor existing and past AfT have drawn capacity away from working on the development of concrete proposals going forward, and that the focus should be more on making progress on delivering resources to the ACP. As noted in Section 2.1, the danger also exists that the effort to collectively fulfil the EU member states’ TRA pledge of € 1 billion by 2010 is reduced to an improved monitoring and accounting exercise, where existing aid is more accurately labelled as TRA.

In terms of the regional packages, most EU member states have expressed a degree of disappointment with the regional packages that have been elaborated so far by the EC. Member states on the whole feel that the packages need further work – particularly on the detail of programmes they would be expected to support – before they could be willing to commit resources. Some have criticised the quality of background information available for donors to judge which interventions to support, pointing out for example that the EC’s Regional Strategy Papers (RSPs) in general tend to contain less concrete detail than their country-level equivalents. One problem was that, as with RIP programming itself, the RSPs were subject to amendment during EPA negotiations in 2007 to take account of the changing dynamics of discussions.

An increasing number of EU member states are drafting their own national Aid for Trade strategies or ‘action plans’. Documents on AfT have already been produced *inter alia* by Belgium, Finland (see Box 3) and the Netherlands, while Ireland, Germany and the UK are

¹⁹ Conclusions of the Council and the Representatives of the Governments of the Member States meeting within the Council on Economic Partnership Agreements (EPAs), Council of the European Union, 27 May 2008, <http://register.consilium.europa.eu/pdf/en/08/st09/st09629.en08.pdf>

understood to be working on plans. France has also recently hosted a meeting of their officials and wider EU stakeholders with ACP representatives to elaborate its own position on AfT (see Box 6 in Section 4.1). These national AfT action plans and strategies have emerged mainly in order to help the respective EU governments coordinate internally, to raise the profile of the issue within their own administrations and to help orientate their existing funding allocations towards more support for AfT.

EU member states point out that their national action plans are complementary to the EU AfT strategy, and are designed to assist in putting some of the principles into practice. Although some only focus on explaining the broad issues and approach, some of the more detailed plans outline (i) a particular geographical or country focus, (ii) an emphasis on particular sectors of AfT categories (with particular examples), (iii) an approach to working with stakeholders in developing countries to ensure that AfT is 'demand driven', (iv) the expected use of different delivery mechanisms, and (v) the scope and limitations of the work of the donor on AfT possible.

In some member states, task forces or dedicated units have been established to coordinating AfT efforts. However a number of smaller states have pointed out that their lack of capacity on AfT is inhibiting their ability to deliver outcomes.

Box 3. Example of a National Aid for Trade 'Action Plan': Finland

Finland's aid for trade action plan was initiated during the Finnish Presidency of the EU and developed in the second half of 2007, and developed over a period of a number of months developed with broad cooperation from public and private sector stakeholders in developing countries (notably Zambia, one of Finland's five African partner countries). It was published in October 2007 and sets the basis for Finland's delivery of AfT for the three years from for 2008 to 2011.

The action plan has a number of features that make it potentially more useful than others for ACP countries and regions (as well as for other donors looking to cooperate with Finland), and which therefore might be incorporated into other donors' action plans, for example:

- a clear commitment on how Finland intends to meet its contribution towards the 2010 EU-wide targets for TRA
- clear indication of the specific countries it intends to work with in Africa, Asia and Latin America
- an analysis and statement of Finnish value-added and areas of potential comparative advantage
- analysis of potential delivery mechanisms in different partner countries
- practical examples of co-financed projects (for example with DfID in Nicaragua)
- around 35 mostly specific commitments on concrete actions to implement AfT principles (for example creating AfT focal points within the Ministry and embassies, training for embassy officials)
- importantly, a recognition of not only of the need for ownership and for AfT to be demand driven, but practical steps to ensure this is the case both internally within Ministries and with external stakeholders (such as building knowledge within embassies and encouraging participatory approaches)

Source: Finland's Aid for Trade Action Plan (2008–2011), Ministry for Foreign Affairs of Finland, <http://formin.finland.fi/Public/default.aspx?contentid=137494&nodeid=15457&contentlan=2&culture=en-US>

2.3 Delivery of AfT

The work of the EU member states illustrates the multiple channels through which aid for trade can be delivered, and the levels of funds that are already being delivered. Although this is acknowledged within the AfT strategy, the EC itself has focused attention on regional packages, with less attention paid to other potential delivery or AfT support instruments. These are summarised in Table 3.

According to the 2008 AfT Monitoring Report, an increasing number of EU countries are

supporting multilateral initiatives such as the Integrated Framework (IF) for least developed countries (LDCs) or the work of the World Bank on trade, the United Nations Industrial Development Organization (UNIDO) on trade adjustments and business competitiveness, or support for Geneva-based institutions such as International Trade Centre (ITC), the South Centre or the Agency for International Trade Information and Cooperation (AITIC). For some of the smaller countries in particular, much of their TRA funding is currently directed in this way. Smaller EU member states might see this type of support as an easier way of contributing resources under the heading of AfT, without necessarily committing too much in terms of amounts or needing to develop entirely new AfT programmes that are beyond their capacity.

Most EU member states supported the idea of greater use of co-financing arrangements amongst different donors, and some have already started allocating resources through the existing programmes of other donors. This has several advantages: it coordinates donor activities to some extent, overcomes the problem that some countries lack the capacity in AfT to evaluate or design suitable projects, and allows donors to increase support for established and more successful projects, thereby encouraging a 'best practice' approach. This type of support might be most suitable for smaller donors to team up with larger donors that have experience of working in a particular country or area, or already have successful projects in operation. Given that comprehensive EU-wide responses – such as the establishment of a new EU Aid for Trade fund or facility – seem out of the question at this point, joint approaches amongst member states, or between the EC and EU member states within particular developing regions and countries, might be one way in which AfT can bring 'value added' by reforming existing aid processes to improving the quality of aid. Potential barriers to the pooling of resources, however, include the complexity of EU rules, or the desire of lead donors to retain control over programmes or for potential contributors to ensure that their contributions are clearly 'visible'.

It is worth noting, as with aid generally, that no one delivery mechanism or instrument is likely to be suitable for all types of AfT intervention. Typically the choice of modality for any aid programme depends on a number of factors relating to the nature of the programme and the capacities of those implementing it. In addition, some stakeholders from both donor and recipient countries have pointed out there is also a very real danger with AfT that agreed and established donor practices are undermined – an example being that donors may respond directly to requests expressed by a select number of trade officials in an RTPF meeting, rather than a more formal donor-recipient consultation. Although the integration of the AfT agenda within national or regional development strategies is highlighted as a priority, ownership of the AfT process is sometimes still lacking and it can be unclear whether AfT 'needs' expressed by countries reflect the priorities established in their governments' overall work programmes.

In general, most EU donors emphasise that AfT is not necessarily a new phenomenon, but has been delivered in the past in the context of a range of aid programmes – although there is still potential to learn from past mistakes. By contrast, the perception on the ACP side often is still to see AfT as representing something new or additional both in terms of a work agenda and resources, to the extent that clear differences of expectations on AfT still persist.

Table 3. Overview of Potential Delivery Mechanisms for Aid for Trade

Instruments	Brief Outline
'Regional packages' and regional funds	<p>Coordinated 'packages' for ACP regions, currently being put together by the EC and supported by RIP funds in the first instance, with potential contributions from EU Member States. Questions remain over what packages will consist of, how EU member states will contribute, and how they will work with other potential modalities (e.g. programmes being delivered to the individual countries within ACP regions – especially given that most of the implementation of AfT programmes will be at the national level).</p> <p>Regional funds have been proposed in several ACP regions to administer aid for trade resources. Such funds are more advanced in some regions (e.g. COMESA) than others and involve addressing a number of design issues (e.g. coverage, access and beneficiaries, governance and administration, how to be structured in a way that enables multiple donors and private sector investors to contribute)</p>
Existing or new multilateral programmes	<p>A number of programmes and funds exist at the multilateral level, the most prominent of which is the Enhanced Integrated Framework; another example is the Standards and Trade Development Facility. UNCTAD works <i>inter alia</i> on trade facilitation, while the World Bank is also considering a new facility for projects in this area. UNIDO has worked recently on industrial upgrading in West Africa. In addition, a number of Geneva-based organisations deliver technical assistance to developing country governments and private sectors.</p>
Sector- or product-specific programmes including EU-ACP funds (e.g. CDE, CTA, EU-Africa Infrastructure Fund)	<p>Programmes that focus on a single sector (such as agriculture) or product (such as sugar) might also be considered an important element, particularly for recipients seeking to structure their AfT programmes.</p> <p>Cotonou instruments such as CDE and CTA have for some years provided funding in specific areas. Specific project units have also played a role in providing funds and technical assistance to support ACP countries in EPA and WTO negotiations. Another example of a sector-specific fund that is expected to have an important role is the EU-Africa Infrastructure Fund</p>
Regional Development Banks	<p>Most regional development banks deliver projects in the area of trade-related infrastructure, although they have less experience in TRA. In some regions, they are expected to play roles in the management of regional AfT funds.</p>
Bilateral donor programmes, including co-financed projects	<p>A number of approaches are foreseen by different donors, some of which builds on existing programmes, some of which requires policy changes or strategic shifts. Possibilities include: shifting the focus of aid allocations towards greater support for AfT, entirely new programmes and support, integrating AfT concerns into existing programmes, and building capacity to improve the design and quality of AfT programmes. The idea of co-design and co-financing of projects between donors is also a potentially fruitful area for improving the quality of assistance.</p>

3 Current State of Affairs: ACP Regions

ACP expectations have been raised about the potential of AfT, particularly with regard to the availability of increased resources. There may have been a misperception here however: statistics showing that the EU was *already* a major provider of assistance has lessened the impact of commitments made in the strategy on the provision of AfT resources. The picture has undoubtedly been confused by the fact that ACP regions have been involved in negotiations on EPAs, in which every region has stressed the linkages between trade commitments and the availability of AfT resources.

The linkage between EPAs and AfT is clearly apparent in the respective approaches of ACP regions to AfT, in terms of both process of elaborating AfT proposals and their content. At the same time as acknowledging that EPAs will bring certain adjustment costs for ACP countries, the EU has stressed that drawing linkages between the EPAs and AfT is done voluntarily on the part of ACP regions and that provision of resources will take place regardless of whether EPAs are signed or not. However, a significant number of ACP stakeholders clearly still believe (or have been led to believe) that there is a link between the two processes that goes beyond simply the question of support for implementation.

3.1 West Africa

3.1.1 Regional Context

The long-term objectives related to regional integration are set out in ECOWAS Vision 2020. These include a single Common External Tariff (CET), a free trade area, a single market and economy, a single currency and monetary union by 2010. The integration of West African countries into the world economy while respecting regional integration is the general aim of Vision 2020. The Community Development Programme (CDP/PCD) is one of the main implementation tools. The CDP also builds upon the progress made on regional integration in the UEMOA region, as it is acknowledged that close co-ordination between ECOWAS and UEMOA will be necessary in fulfilling these goals.

In parallel, the region has been in the process of negotiating an Economic Partnership Agreement with the EU. This will fundamentally transform the trade relations with the EU, in line and on top of the region's own trade and economic reform programmes. An EPA Development Programme (EPA-DP/PAPED) is being drafted to ensure the necessary capacity is created to benefit from the new opportunities created by the EPA and minimise the implementation cost and negative impact.

3.1.2 Process of Developing a Regional AfT Programme

For the West African region one of the main reasons for extending the deadline for negotiating an EPA was the insufficient progress on a joint EPA support programme and its corresponding financing modalities,²⁰ and this, in spite of the Joint commitment to define EPA development support and accompanying measures undertaken in Brussels on 5 February 2007. Since, guidelines and a specific framework ("*note de cadrage*"), defining the general orientations, principles and issues to address, was adopted in February 2008. In March 2008 in Ouagadougou the main guidelines were identified by the technical working groups and terms of reference were developed. On that basis work has progressed and been presented at various occasions to regional actors as well as to the European side.²¹ In July 2008, a decision was taken to carry out a set of national studies which take stock of existing projects and assess future needs; these will feed into the regional programme.

²⁰ Declaration of the Comité Ministériel de Suivi des Négociations APE (CMS), October 2007.

²¹ Brussels, April 2008, Ouagadougou, May 2008, Bamako, May 2008, Cotonou July 2008 and Abidjan September 2008.

The aim is to finalise the EPA-DP and the regional Aid for Trade programme by December 2008 – this work is being done jointly by the ECOWAS and UEMOA Commissions. Both the EPA-DP and AfT programme will also feed into the broader ECOWAS Community Development Programme, which is to be adopted no later than June 2009.

3.1.3 Content of the regional programme

The EPA-PD will be made up of five building blocks, namely: (i) macroeconomic adjustment, (ii) diversification and productive capacity, (iii) intra-regional and international trade facilitation, (iv) trade related infrastructure and (v) the implementation and monitoring of the EPA. Every axis will then have a set of specific related programmes. It will then be considered, according to the various sectors (e.g. services sector, agro-industry, tourism...) across these five programmes, what specific support is needed and how to package a coherent support.

3.1.4 Challenges in Defining a Regional EPA support / AfT strategy

One of the major challenges for working at regional level is the national-regional linkage. Any regional programme should build on the concerns of its national members, while at the same time the subsidiarity principle should be fully respected. The regional programme cannot fill all gaps or address all identified needs at national level. Therefore defining a coherent regional strategy on the basis of national mapping studies is a challenging process, certainly given the very different levels of economic development and priority given to trade within these countries.

Ensuring the coherence between the various processes ECOWAS is involved with is another major challenge: the CDP - the regional AfT programme, and a specific sub-category focused on EPA support. The ECOWAS Commission is trying to remedy this by involving the experts who are working on the various programmes in all meetings. This should avoid as much as possible overlap and guarantee a coordinated approach. Building upon the important work on aid for trade that is undertaken at the level of UEMOA is another important aspect to take into account, and the UEMOA Commission has raised the issue of coherence in the various programmes. In terms of technical work, the process of conducting national AfT assessments has the same across the region, based on the work conducted initially amongst the UEMOA countries. It is understood that presentation of the PAPED to donors in seeking finance, and the work on implementing it will be done together by the two groups through the joint EPA implementation unit²².

To its credit, the region has chosen to develop the EPA-DP/AfT strategy in a participatory way and based on an extensive consultative process and national studies. This results in difficulties to comply with very tight timelines and over-stretched capacity.

3.1.5 Development cooperation in the Interim EPAs

Interim economic partnership agreements (IEPA) of both Ghana and Ivory Coast contain non-binding provisions on development cooperation. In the Ghana IEPA, development cooperation focuses on improving business climate, supporting the implementation of the rules, upgrading productive capacities and supporting fiscal adjustment. In a declaration annexed to the IEPA of Ivory Coast, the EU commits to support the country's productive capacities and help restructuring income sources, as well as a plan to undertake studies on the implications of revenue losses and specifying support on how to best implement the provisions of the agreement.

²² Outcomes of the Third Meeting of the ECOWAS and UEMOA Joint Technical Secretariat, Ouagadougou 17-18 November 2008.

3.1.6 West Africa EPA fund: FORAPE

The creation of a specific EPA regional fund (FORAPE) has been planned in 2006 Niamey, during the West African Ministerial Monitoring Committee. However, its institutional affiliation still has to be defined. The scope of this financing instrument for PAPED is potentially wide, covering all categories of AfT. The fund is intended to complement existing financing mechanisms, covering the West African EPA region. Alternatives for proposed working arrangements for the management of the FORAPE were recently considered at a joint meeting of ECOWAS and UEMOA Commissions.

3.2 Eastern and Southern Africa

Work in the ESA region is relatively advanced in terms of defining their aid for trade strategy, involving both the East African Community (EAC) and COMESA. A proposal has also been drafted to develop the capacity of the COMESA Secretariat to help coordinate regional efforts and assist ESA countries to develop their AfT plans. In the context of the EPA negotiations considerable work was done through the elaboration of 'development matrices' that were annexed to each of the region's interim EPAs. In terms of delivery mechanisms the region plans to use existing 'regionally owned' mechanisms, notably the various COMESA and EAC regional funds.

3.2.1 Aid for Trade strategy and a Programme of EPA support Activities

COMESA has developed a clear Aid for Trade strategy, which is currently being finalised. The general objective of the strategy is to contribute to the impact, efficiency and effectiveness of countries' trade reforms and regional integration initiatives so that they can fully benefit from regional and international trade opportunities to reduce poverty and to achieve their development objectives. More specifically this would entail a set of coherent packages of inter-related investments in trade related infrastructures, trade facilitation instruments, and trade regulatory measures to allow the private sector of the ESA countries to reduce regional costs of doing business with and within the ESA region. Secondly ESA countries will have access to mechanisms to address trade and integration related adjustments, including social costs.

During EPA negotiations the ESA/EAC countries elaborated a 'development matrix' of proposed areas where the EU would be expected to cooperate and support financially. The matrix covered seven different trade-related 'focal areas': (i) infrastructure development; (ii) productive sectors; (iii) regional integration; (iv) trade policy and regulations; (v) trade development; (vi) adjustment costs; and (vii) institutional development. Following guidelines from the COMESA Secretariat, countries were encouraged to submit relevant trade-related projects in each of these areas. While national governments were delegated the task of nominating their own projects, they were encouraged to submit projects with a regional focus. Projects were costed according to national estimates, usually done by departments of trade in consultation with ministries concerned (such as finance or customs). Projects were also prioritised as short-, medium- or long-term.

In the end, a form of the development matrices (without any of the costings) was annexed to each of the region's IEPAs, though without any binding commitments in terms of additional finances. One problem acknowledged however by many stakeholders with these development matrices is that, in spite of intensive efforts from the countries concerned, have often resembled so-called 'wish lists', lacking clear strategic choices that reflect regional priorities. A priority at this stage for the region is to move away from an approach based on individual project proposals, towards a more holistic approach to address trade as an instrument of development. Work is also ongoing on sub-regional strategies – for example for the Indian Ocean and EAC – and the most recent development is that an agreement has been reached between the COMESA, EAC and SADC countries on a joint approach to AfT (see Box 4).

One particular proposal, highlighting the linkages between various categories of AfT – such as infrastructure, trade facilitation, and regulatory frameworks – that has also been prominent in the discussion on AfT in both the ESA and SADC regions, is the regional pilot project on the ‘North-South Corridor’ (see Box 5). The key lesson of this approach – and one which distinguishes it from the stand-alone AfT projects that form the bulk of the OECD’s catalogue of existing activities – is that it takes a strategic, sequenced approach to the work that needs to be done, looking down the supply chain at existing bottlenecks and cross-border transactions, and bringing together that investments that are needed across the different AfT categories. There may be lessons for other ACP regions in terms of the methodology of project design and ‘needs assessment’ type exercises.

Box 4. A New ‘Tripartite Approach’ to Aid for Trade in Eastern and Southern Africa

In June 2008 the Secretaries-General of EAC, COMESA and SADC announced that they wish to see a coordinated approach between their members on Aid for Trade.

In addition, an October 2008 Tripartite Summit of Leaders from the three group’s 26 members announced that they wished also to work towards a free trade zone – which has long been a goal of the region as a whole, but has proved difficult to implement in the past. Although Aid for Trade was not discussed at the meeting, the objective adds weight to the effort for more coordination in this area as well

Just as the details of the free trade area need to be worked out, at this point it is unclear what a tri-partite approach to AfT may mean in practice. One possibility is that SADC, which has done relatively little work so far in elaborating a stand-alone Aid for Trade plan, may adopt the methodology of the COMESA region in terms of elaborating needs assessments (which may not involve new studies).

It is also unknown how donors might now adapt if confronted with such a ‘multi-regional’ approach. For some bilateral and multilateral donors this may be less difficult as their assistance is not tied to any regional institution. However it may be potentially more challenging for the EC, which will base its assistance for the next five years on the RIPs it has just signed, separately, with the SADC and COMESA. Yet, the initial reactions by donors have been rather positive.

Box 5. The ‘North-South Corridor’

Together with SADC and EAC, COMESA has elaborated one particular project, the concept of North-South Corridor. The North South corridor refers to a highly flexible road and rail network which carries large volumes of trade across the region. The pilot project is “an attempt to bring all of the on-going initiatives which are taking place along this corridor, in terms of transport infrastructure improvements and trade facilitation measures, and identified missing links and activities, under one umbrella so that they can be managed in a holistic manner”.

The pilot project highlights the linkages and synergies that AfT initiatives should seek to foster, and the need for a strategic or ‘value-chain’ approach to both donor interventions and the methodology of project designs/needs assessment exercises. There is an emphasis on sequencing and a strategic focus on the weakest points along the supply chain (in terms of congestion and problem crossing borders). The North-South Corridor project highlights in particular how it is possible for AfT projects to require donor funding across a number of different categories: trade related infrastructure, trade development and regulatory reform.

Source: Advance paper on the North South Corridor, COMESA-EAC-SADC Task Force, March 2008

3.2.2 Capacity Building of the Regional Secretariat for AfT

In order to develop and administer AfT funds, the region has established a COMAid unit within the COMESA Secretariat. This work of the unit covers a range of activities, including:

- Making assessments of the needs, challenges and costs faced by the COMESA Member States in expanding trade and economic integration;
- Identifying gaps, institutional, infrastructural and others, in the national and regional set up to implement the trade liberalisation and integration programme and advise how to address them;
- Propose step-by-step, time-bound and costed measures to be implemented by member states with a view to achieving the integration objectives;
- Help with the preparation of a coherent AfT-compatible set of policies and programmes to support the integration agenda to help advance the COMESA agenda, including within the framework of the COMESA-EAC-SADC Tripartite;
- Assist, on demand basis, in setting up national Aid for Trade committees in member states that would prepare AfT strategies and programmes at the national level;
- Hold consultations with the private sector to ensure that AfT programmes effectively contribute to reducing costs of doing business with and within the ESA-Indian Ocean region;
- Hold consultations with investors (private and public) and with donor community to develop innovative financing mechanisms for the implementation of AfT programmes;
- Establishing a portfolio of infrastructure projects with a high potential for fostering regional integration.²³

The establishment of such a technical unit on AfT has the potential to improve the quality of AfT proposals, improve coordination and – by being a source of technical expertise – smooth potential political obstacles to the adoption of proposals, and relieve administrative burdens on national governments (such as those involved in replying to WTO/OECD questionnaires).

3.2.3 'Regionally Owned' Delivery Mechanisms

A significant amount of work by the COMESA Secretariat has focused on putting in place a set of regionally owned mechanisms to enable it to take advantage of increased donor resources, as well as pooling some of ESA member countries' own resources. The work on regional development funds predated both the EPA and AfT agendas, though it is in line with the thinking expressed in the EU AfT Strategy. The fund has been designed in order to meet EU requirements, although it is hoped that this will be sufficient to allow other donors to participate.

A COMESA fund has been established in two parts:

- an Adjustment Facility: this is currently limited to project aimed at compensating for revenue losses as a result of tariff removals, but COMESA is seeking to extend its remit to cover other types of wider adjustment problems, such as private sector support for sectors or businesses that might grow as a result of liberalisation;
- an Infrastructure Fund: this has been designed as a revolving loan facility. The fund would also seek to make use of private finance, particularly from multinational firms with a stake in improving the supply corridors of the region (e.g. mining firms).

²³ COMESA (2007) 'Terms of Reference of the COMESA Aid for Trade Unit (COMAid) – Final'.

As noted above, the COMESA fund includes contributions from ESA member countries as well as including potential donor and private contributions. As such, the rationale for the fund has been to enable the region to tackle regional problems where joint action is required, rather than being simply as a mechanism for coordinating and streamlining donor contributions before distributing funds from the regional to the national level for implementation. The process for allocation of resources is relatively straightforward, in that a COMESA Fund Committee agrees on a programme drafted by the COMESA Secretariat which is then implemented.

The development of the COMESA fund has a fairly long history, and officials have pointed out that one of the most important factors in making it a reality was the issue of trust: the predictability for governments that the benefits (in terms of both resource inputs and project outcomes) that they would ultimately receive through a regional fund would be greater than those they would receive under separate national funding envelopes. Officials will support the regional approach if they are clear in practical terms about the value-added that it will bring above existing mechanisms. There may be lessons for other ACP regions in this regard.²⁴

3.2.4 Next Steps

The most recent development is the announcement in mid-2008 by COMESA, EAC and SADC that they wish to work on a joint approach to AfT. The three groupings also held a tri-partite summit of leaders in October 2008, where they agreed to work towards a free trade zone between them (see Box 4). Work is therefore now expected to be done on developing a joint COMESA-EAC-SADC AfT strategy.

In addition to this work, COMESA is expected to focus in future on mobilizing donor resources for identified AfT projects. The COMESA Secretariat has emphasised co-financing by donors as a particular issue that needs to be addressed at this stage. In terms of donor engagement, COMESA reports that as yet it has thus far not had a great deal of contact. During EPA negotiations, the RPTF was not given any formal role, being used only as an information exchange. A high level donor conference was held in Dar-es-Salaam in October 2007 and attended by COMESA officials; an investment conference is expected to take place in March 2009 to discuss, *inter alia*, potential contributions to the infrastructure fund.

3.3 Southern Africa

Southern Africa has made limited progress in developing a specific response to the AfT agenda. However while the full SADC membership of 15 countries does not appear to have worked so far on any new AfT strategy as such, at the regional level the group already has in place a clear set of regional integration objectives – including those related to trade – contained in the Regional Integration and Strategic Development Plan (RISDP). The RISDP covers a 15-year period and activities planned over the short and medium term under the RISDP have already been planned and costed. With regard specifically to trade, regional integration in SADC is governed by a number of protocols on trade in goods and services, the most recent development being the launch of a free trade area covering 11 member countries in Aug 2008. A regional fund is mentioned in the SADC treaty. Donors working in the region have pointed out that SADC is an example of where AfT agenda has built upon an existing regional integration processes, in contrast to the approach in other regions that have sought to define new AfT needs. As elsewhere, AfT needs have been elaborated at the national level within programmes such as the Integrated Framework.

In the narrower context of EPA negotiations, uncertainty over negotiating configurations in the Southern Africa region has complicated the elaboration and coordination of AfT plans. In terms of institutions, the unit dealing with the smaller group of countries negotiating EPAs within

²⁴ See also Braun-Munzinger, Corinna (2008), *Regionally Owned Funds: Mechanisms for delivery of EU Aid for Trade in ACP regions?*, ECDPM forthcoming Discussion Paper, 2008, www.ecdpm.org

SADC is separated from the wider Secretariat, which may have caused some coordination problems in the initial stages. Nevertheless, a detailed document is understood to have been tabled in the RPTF, setting out the likely implementation costs of an agreement.

The recently-signed EC-funded Regional Indicative Programme is expected to support RISDP and EPA-related objectives. The vast majority of the RIP – around 80 per cent – has been earmarked for regional economic integration, including funding to assist structural reforms being undertaken, improving and facilitating intra-regional trade and infrastructure projects. However, EC experts have highlighted the weak absorption capacity of the SADC Secretariat in the past, which has limited the ability to provide resources.

As noted above, there is also now agreement on a joint COMESA-EAC-SADC approach on AfT, whereby different approaches will be merged or built upon.

3.4 Central Africa

The basis for both AfT and EPA-related support in the Central Africa region has been the development of a *Document d'orientation conjoint* (DOC)²⁵, which lists a range of types of AfT programmes under six broad headings:

- (i) development of basic regional infrastructure;
- (ii) agriculture and food security;
- (iii) support to industry, diversification and competitiveness;
- (iv) deepening of regional integration;
- (v) improvement of the business climate and support to enterprises;
- (vi) facilitation of setting up EPA institutions²⁶.

The DOC was produced on the recommendation of a working group within the EPA negotiations, to elaborate proposals on potential areas of assistance required under the EPAs. To this end, national consultations were undertaken in each Central African country, including with the private sector. A version of the DOC was agreed in May 2007 and annexed by the parties to the Central Africa stepping-stone EPA in July 2008.

Projects under the DOC are to be administered through a regional EPA fund (FORAPE), which will be created in the near future. Contributions are envisaged from resources under the EDF, bilateral cooperation by EU member states, voluntary contributions by Central African countries and resources provided by other donors. The DOC also considers the possibility of making use of funding under the EU-Africa Infrastructure Partnership.

There have however been delays in establishing the fund due to problems of coordination within the region. Although trade assistance and regional integrations projects already exist in Central Africa – notably the *Programme d'Appui à l'Intégration Régionale en Afrique Centrale* (PAIRAC) administered by the Economic and Monetary Community of Central Africa (CEMAC) and a similar *Programme Régional d'Appui au Commerce* (PRAC) delivered by the Economic Community of Central African States (ECCAS) – some officials from the region coordination between the two regional bodies on AfT is weak.

One major issue that emerged was with institutional location of the fund, which in turn had an impact on who would be able to benefit. A political decision has been taken that the FORAPE will be managed by the Banque de Développement des Etats de l'Afrique Centrale (BDEAC).

²⁵ Renforcement des capacités et mise à niveau des économies de l'Afrique Centrale dans le cadre de l'APE, Document d'Orientation Conjoint Afrique Centrale / Union Européenne, Sao Tome, 15 juin 2007, <http://register.consilium.europa.eu/pdf/fr/08/st11/st11959-ad06.fr08.pdf>

²⁶ The DOC further mentions that the EC considers the following to be the priority areas to be: support to competitiveness or diversification of productive sectors; contributing to the absorption of net fiscal impact in parallel to fiscal reforms; and support to implementing the rules under an EPA.

Moreover, the BDEAC is associated to CEMAC and does not include ECCAS and Sao Tome and Principe. Hence although an additional act to the CEMAC treaty and a document on operational regulations for the FORAPE had been drafted, these had to be abandoned as they were documents by CEMAC and did not appropriately involve ECCAS and Sao Tome and Principe. As of September 2008, the process has to start afresh in order to find a solution including all three actors. To this end, a working group comprising CEMAC, ECCAS and Sao Tome and Principe has been created to operationalise the FORAPE.

In any case, an audit carried out by the EC and discussed in May 2008 found that around 12 months of capacity building would be necessary for BDEAC to be able to manage the fund – technical assistance is now being provided. The main issues that still need to be addressed in operationalising the FORAPE are: first, the creation of the legal instrument for the FORAPE, which involves CEMAC, ECCAS and Sao Tome and Principe, and second, defining the operational procedures of the fund, which is planned to be done in consultation with the EC in order to meet the requirements for an EC contribution agreement.

Central Africa has the potential to become an 'Aft orphan', with few EU donors expressing an interest in contributing to the FORAPE. This may be for a number of reasons: existing donors have other concerns apart from trade; potential new donors lack of experience either with the region, or with the regional organisations; or donors will be discouraged by the potential delays to implementing Aft projects as a result of the need to build technical capacity at BDEAC to administer the fund.

3.5 Caribbean

3.5.1 Linkage to EPAs

In terms of their approach, throughout EPA negotiations the CARIFORUM countries closely linked their trade(-related) commitments to provisions on development cooperation. As in other regions, there were, however, no binding commitments for additional financial resources for development contained within the EPA. A joint declaration annexed to the Agreement reiterates the EC's existing commitment to provide funding €165 million under the Regional Indicative Programme from 2008-13 and to provide an additional RIP for the period up to 2020.

3.5.2 Approach to Developing an Aft Programme

In contrast to other regions, the CARIFORUM approach as far as identifying their Aft needs has been to wait until EPA negotiations are complete and elaborating their needs based on what is included in agreements. An 'EPA work programme' identifies 22 specific areas (for example, intellectual property or fiscal reform) for attention. A number of studies are currently under way to define needs in these areas in the first instance. Thereafter there will be separate work to develop financing proposals that craft responses (in the form of regional or national initiatives), and quantify the costs of intervention.

In this respect, the CARIFORUM approach recognises a set of steps involved in preparing an Aft programme, so that work to identify needs might be separate from developing responses (project proposals) and estimating costs. While the earlier parts of the process – defining needs and responses – is perhaps where ownership is most important, it may be more important in the estimating costs to seek objective assessments, especially if donor funding is being requested. Whether or not they draw the same linkages to EPAs, other ACP regions might benefit from examining these aspects of the CARIFORUM methodology.

3.5.3 Recent and Next Steps

A Caribbean Aft Symposium held by the Organisation of American States and the International Centre for Trade and Sustainable Development (ICTSD) in July 2008 identified three parallel

tracks of work that would form an implementation roadmap for AfT in the region, outlined in Table 4.

Table 4. Caribbean AFT Symposium AfT ‘Action Plan’, July 2008

Track 1	Track 2	Track 3
<p>1. Preparation of Comprehensive Needs Assessment, country by country, building on what already exists and incorporating the specific issues identified within the EPA Agreement as well as the OECD questionnaire, National Export Strategies, etc.</p> <p>2. Methodology:- Teams would be sent into each country to facilitate/assist in the preparation of these comprehensive Assessments.</p> <p>3. Once Assessments are completed, an EPA implementation programme of action would be developed and costed.</p> <p>4. Preparation of “bankable” project documents to enable the effective implementation of the EPAs and all Caribbean trade agreements.</p>	<p>1. Twenty-two (22) specific areas identified as priority areas for immediate work under work program for the EPAs.</p> <p>2. Work already underway – three studies concluded and work will begin in designing programs for implementation.</p> <p>3. Preparation of “bankable” project documents to enable the effective implementation of the EPAs and all Caribbean trade agreements.</p> <p>4. This programmatic platform will run parallel to the Assessment platform in order to ensure that region does not lag on “winners” where it is possible to move ahead immediately.</p>	<p>1. Establishment and convening of Regional Network for Aid for Trade.</p> <p>2. Build on Network that already exists within the region.</p> <p>3. Country/Donors/Private Sector/ Civil Society/Academia – Network would build on the interagency processes that already exist internally.</p> <p>4. Coordination of Tracks 1 and 2. Build on and incorporate the Regional Network for Aid and Trade within CARICOM/CARIFORUM.</p> <p>5. Meeting of Network by Autumn 2008.</p> <p>6. Development of National and Regional AFT implementation plans.</p>

Source: Outcome statement of “Aid for Trade Symposium for the Caribbean – Making it a Reality”, July 2008

The ‘action plan’ is, at least in principle, fairly clear in terms of the process for moving forward in the Caribbean, and the next steps will be for the assessment studies to be completed and project designs to be developed, agreed, and then implemented. Given the prominent role played so far by regional organisations in the EPA and AfT discussions, one important question that needs to be addressed however is that of national ownership of AfT programmes, and how they is to be translated into useful projects that reflect priorities at the national level.

3.6 Pacific ACP

The Pacific ACP countries (PACPs) have conducted work both on elaborating AfT needs at a regional level and on designing a possible new delivery mechanism – the Pacific Trade and Development Facility.

The work on elaborating AfT needs was driven mainly by the EPA negotiating process. During 2007 a “national needs assessment exercise” was conducted across the region. The methodology was based on assessing the needs of each PACP country at the national level, according a set of common criteria that were adapted from the WTO AfT categories. Projects were identified based on interviews with trade officials and other stakeholders, and cost estimates were made using similar past projects as a basis. Following the needs assessment, questions were raised about the need to include infrastructure in presentation of AfT needs to donors, although no decision has yet been taken on that point.

Like other ACP regions, the PACPs had maintained that binding commitments on development support for trade adjustment should be included in EPAs. The PACPs did not establish a RPTF

until late on in the EPA process, due to significant disagreements during the negotiations over whether EPAs would include bound commitments on for development support, and whether AFT funds were going to be additional to the intended RIP allocation of €95 million so as not to draw resources away from other regional initiatives. As in other regions, programming of the RIP was held up during 2007 because of such concerns. Eventually, however, most of the discussions on Aid for Trade occurred in the context of RIP, from which €45 million has now been allocated under the category of regional economic integration.

In addition to the EC, the PACP are also hoping for contributions from EU member states. However, the PACPs are disadvantaged in this regard, having very little representation of EU member states within their countries, and few bilateral assistance programmes on which to build on. There is a risk therefore that the PACP may become “aid for trade orphans” within the EC strategy. In response, the Pacific Islands Forum Secretariat (PIFS) has made direct contact with EU ministries responsible for development cooperation and foreign affairs, to outline their intentions with respect to Aft and seek potential financial support.

Unlike in other regions, the EC – though still a large contributor, especially on trade – is not the dominant player in terms of aid resources, the PACPs have a strong interest in encouraging other donors to contribute to Aft plans, in particular Australia and New Zealand and Asian countries. The Pacific Islands Forum has an established group of Dialogue Partners, with whom they discuss international issues. There is therefore a potential challenge of coordinating between different potential donors, and for this reason the PACP have proposed amongst themselves a regional Trade and Development Facility. It is hoped that not only will the facility a way of streamlining resources such as the RIP, it will also attract donors who would not otherwise have contributed to the region.

Australia and New Zealand have in the past expressed some reservations about the Trade and Development Facility, stating their concern over paying for any adjustment costs that arise out of EPAs. This position may however change if negotiations begin on a trade agreement between the PACP and Australia and New Zealand under the framework of the Pacific Agreement on Closer Economic Relations. A donor roundtable meeting on Aid for Trade between officials from PACP and a range of potential donors took place in October 2008 in Fiji – however officials expressed disappointment that no firm commitments of support were forthcoming from donors at this stage for the new facility.

A number of LDCs in the region are going through the Integrated Framework diagnostic exercise. It is unclear how the detailed recommendations and ‘action matrices’ of national Diagnostic trade integrated studies (DTIS) are to be incorporated into the aforementioned – though less comprehensive – PIFS-commissioned assessment of national needs.

4 Concluding Remarks

In the last few years a large amount of work has been done on the 'supply side' of AfT by the EC and the EU member states. Particular work has focused on improving the reporting and monitoring both the levels and quality of Aid for Trade being delivered. The profile of the AfT agenda has been increased within EU governments, which have made investments to increase capacity within their donor agencies, and promised to increase the level of resources being delivered as well as the quality of AfT measures. The EU was already a driving force behind promoting the AfT agenda.

Despite this effort, however, the aid for trade agenda has still yet to prove its 'value added' for developing countries in terms of concrete results and if it is to deliver on its promise to improve the situation of ACP countries, a number of challenges must still be overcome.

4.1 EU side

On the side of the EU, much effort has gone into monitoring and 'inventorising' AfT. Most donors recognise the importance of this, but some felt that the emphasis has been a bit disproportionate compared to more substantive AfT work. The OECD will soon begin sending out questionnaires on AfT to developing countries in addition to donors; some fear that this is a needless bureaucratic exercise which diverts the limited capacity from doing the more urgent strategic work on aid for trade.

Much of the scaling up on aid for trade has already taken place in the period up to 2008, particularly by the EC and by those larger EU member states which might be expected to contribute most to Aid for Trade efforts, to the extent that EU and many member states (especially the larger ones) have already met their targets. The increase required from member states (of 56% on 2006 levels) would potentially therefore need to come from less traditional AfT donors.

Nevertheless, so far, innovation has proved difficult – while new regional delivery mechanisms have been proposed, it is clear that most aid for trade will be delivered through existing instruments – existing and new bilateral programmes, the regional and national indicative programmes (RIPs and NIPs) of the EDF, multilateral funds.

A number of EU member states have put together documents on Aid for Trade. They are mainly useful as internal coordinating documents and to raise the issue of AfT within agencies and awareness outside. However, it is arguable whether they are of much use to ACP regions; they could be made more useful if they were more concrete in terms of commitments.

Smaller EU member states lack the capacity to take a full and active role in discussions that happen 'in the field' – though this is arguably where they need to take place. One potential solution here might be for smaller donors to contribute to regional funds being established in different regions. Alternatively they might wish to delegate delivery to other donors or seek co-financing arrangements. It is also important to note that some smaller donors have instead preferring to support multilateral initiatives such as the Integrated Framework, UNCTAD, UNIDO, the World Bank South Centre, AITIC, ITC and ICTSD.

On the EU side, there are still a number of remaining issues to be clarified in order to progress. Given that both the EC and EU member states intend to use mostly traditional modes of aid delivery (e.g. bilateral programmes) the expected role of the European Commission's 'regional packages' needs to be clarified. If regional packages are to consist of more than just inventories of different donor projects being carried out, this implies that they become an instrument for *actively* coordinating and allocating projects for funding amongst donors, as well

as for aligning donor support to the trade-related needs identified by ACP countries. Given that the vast majority of additional resources is expected to come from EU member states, it makes sense that they should be heavily involved. But it is not clear whether additional resources to support the still-to-be-finalised regional packages will be forthcoming, especially if donors are making operational decisions this year to spend resources on other AfT priorities. Clearly in the context of these regional packages the role of the ACP regions themselves should be central, in line with Paris principles. The outcomes of a meeting recently organised by Agence Française de Développement (AFD) illustrates a number of current concerns (see Box 6).

Given that many EU member states have, or are currently elaborating, their own plans on how best to support AfT, it makes sense for a division of labour to be agreed upon even before regional packages are put in place. Some donors have greater knowledge of certain ACP regions and partner countries and (in a similar way to the IF) are better placed to take a lead role in liaising with established contact points to move the AfT agenda forward on the ground. Donors also have different comparative advantages in AfT categories or sectors, implying a further need for a clear division of labour. Given that certain small donors lack the capacity to implement aid for trade projects of their own, more opportunities for co-financing should be developed as a priority. In this sense coordination between donors can be achieved within regions themselves as well as through the more 'top-down' packaged approach – while the former approach is also envisaged in the EU strategy, it is the 'top-down', headquarters-driven approach which seems to have taken precedence so far. This is illustrated by the point on the RPTFs, discussed in section 4.3.

Box 6. Recommendations from AFD Technical Workshop on EPAs for Development

On 23-24 October 2008 Agence Française de Développement (AFD) held a workshop in Paris seeking to move the AfT agenda forward. A range of stakeholders were present including representatives from African regions, MEPs, EC officials, EU member state and multilateral donor agencies. Recommendations from the meeting included:

- the need for increased dialogue between EU-ACP, but also among ACP, and between the EC and the member states;
- making sure stakeholders are sufficiently involved in processes through dialogue
- devising the regional strategies on the basis of priorities established by ACP regions
- using the wide range of existing concessional or non-concessional instruments
- the importance of getting the members of agencies and development banks' working at the operational level involved as well as their ACP interlocutors.

It was noted that ACP nationals would like to have clearer information on the resources and modalities for funding of EPA support. On the EU side, it was acknowledged that coordination between donors can sometimes prove difficult but that efforts would continue on elaboration of the EU response on to ACP AfT needs.

Source: Draft Outcome of the AFD Technical Workshop on EPAs for Development

4.2 ACP Process

Looking at AfT at the level of the various ACP regions, it is apparent that the different regions have taken different approaches to the development of AfT programmes, especially in terms of the potential scope of AfT and their linkages to EPAs:

- CARIFORUM countries have signed a comprehensive EPA that makes non-binding references to development support, and have started conducting studies based on the costs of implementing EPA provisions on a regional basis, mainly within the context of fund available under the €170m RIP. Unlike other regions, the Caribbean approach has been to establish the trade commitments to be undertaken, and the level of funding available, before making detailed proposals on putting them into practice. The attention

now is in elaborating such proposals, bearing in mind the concerns of the individual countries involved.

- West Africa has so far concentrated also only on 'EPA-related support', maintaining a link between the level of resources and commitments in tariff liberalisation, services and trade related areas. The focus of the current work is in translating a number of studies on national needs into a regional position for presentation to EU donors soon. This EPA support programme will feed into the regional Aid for Trade strategy, which is part of the more comprehensive ECOWAS regional development programme (Programme Communautaire de Developpment).
- Central Africa has taken a similar approach to West Africa, but thus far made slower progress in establishing detailed set of plans and a mechanism to deliver them. This reflects in part the weaker capacity of institutions and the slower pace of regional integration in the region. As such, Central Africa risks becoming an 'Aid for Trade orphan'.
- Eastern and Southern Africa, while elaborating similar proposals, have also broadened the focus of Aid for Trade to include other areas such as infrastructure, and there have been significant achievements in the area of putting in place potential improved delivery mechanisms (i.e. regional funds). The thinking on AfT in the region appears also to have evolved, from an original approach based on identifying individual projects, to a more strategic view that identifies sequenced sets of interventions to overcome linked barriers to trade.
- In the Pacific, the focus has been until now on a more limited definition of AfT, but taking into consideration the need to attract a wider range of potential donors, and coordinate the work plan in an efficient manner. Apart from the EC there is a lack of donors working on trade related matters, and as such the region also risks being left behind others.
- SADC does not appear to have followed the approach of other regions, but observers note that it already has a pre-existing agenda and programme for regional integration which requires further resources for its implementation, and which donors should be looking to support. The region now looks set to cooperate with EAC and COMESA on a coordinated or joint approach.

In terms of substance, most stakeholders in EU and ACP broadly agree that much of the work that remains on AfT involves ACP regions elaborating their AfT strategies, so that funding that has been earmarked by donors can be delivered to ACP priority projects. However, while it clearly should be up to ACP countries and regions to define their aid for trade needs, there has been little attention paid to questions of what might be the best ways of undertaking such a task. Although the idea of needs assessments are often mentioned in the context of AfT, ACP regions are confronted with practical questions, such as:

- Given the breadth of the AfT agenda and potential projects, what should be the scope (or limit) of any needs assessment? It may be partly because of the lack of clarity around the size and scope of regional packages that there is still confusion in this area, with some regions including plans for all categories of AfT, with others taking a more limited approach.
- How much detail should needs assessments extend to: suggestions for possible projects, project design, or costed proposals?
- How to prioritise between different areas, and incorporate strategic linkages?
- How to reconcile distinct national needs with a regional approach?

One result of the lack of thinking on methodology and approach to assessing trade needs is that at various points ACP regions have been accused of producing uncosted 'wish lists'. In addition, despite the complexity of the process – of getting various studies commissioned, supporting their member countries and seeking to find agreed approaches, and liaising with donors – in most regions there are still only one or two officials working on coordinating the AfT effort at the regional level.

As even the short summary above illustrates, ACP regions have potentially much to learn from each others' approaches on AfT. It can be argued that EU donors have thus far been focused both on monitoring AfT flows and how to coordinate their approach, and that ACP regions have been too preoccupied with the question of the availability of resources. Too narrow a focus – on either the levels of donor funding or developing indicators to monitor AfT – may draw attention away from equally important questions of how to improve quality of AfT in practice through better-designed, nationally or regionally-owned AfT programmes.

4.3 Moving forward

While much effort has gone into the useful practice of monitoring AfT flows and establishing indicators on which to assess donor initiatives, it is possible to argue that AfT has resulted in only limited increases in aid commitments, without any apparent major innovation in aid delivery. 2009 is therefore likely to be a crucial year for delivering on the promise of the initiative.

In the particular context of the dialogue between the EU and ACP countries on AfT, the debate has been characterised by a great deal of confusion – and potentially false or misled expectation – on the ACP side on a number of issues, particularly the additionality element of aid for trade and the linkages to EPAs. This is partly the responsibility of donors for not being clear from the point in late 2005 at which commitments were made about the extent of existing AfT funding, and by EPA negotiators who gave mixed messages about the nature of the link to EPAs. Many ACP stakeholders clearly still believe that there is a link between EPAs and AfT that goes beyond simply the question of support for implementation.

One result of this misperception is that aid for trade needs assessments may have been rushed in some ACP regions to fit within the timeframe for conclusion of negotiations on a comprehensive EPA, in the continued but largely mistaken belief that additional AfT resources will become available (perhaps through a 'regional package') as a result of the concluding an agreement. The often-repeated official position of the EU is that AfT resources will be available whether or not individual countries sign an EPA or not, making it clear that the two are connected but nonetheless very separate processes. Yet, the European Commission has often been criticised for deliberately encouraging some ACP negotiators to conclude an EPA if they wish to receive additional related support. In principle the elaboration of AfT needs will be an ongoing exercise that will continue well beyond 2010, which is merely the timeframe for the achievement of the EU's narrow Aid for Trade commitment.

Nevertheless, AfT still represents an opportunity for developing countries. At this point perhaps the greatest 'value added' of the AfT initiative lies in providing the opportunity for countries to integrate trade priorities and concerns more closely into national and regional development strategies, in terms of a prioritised and sequenced approach to improve the quality of available aid. In moving forward, much of the burden here falls on ACP countries to develop convincing and useful approaches to AfT that enjoy widespread stakeholder support and strong approval by governments at the national as well as regional level. At the same time, the EU and other donors could usefully contribute to moving the process forward through an open exchange of ideas and information with countries and by outlining their broad expectations of needs assessment or other AfT identification exercises.

In principle, no timelines exist for the elaboration and delivery of AfT action plans. Nevertheless, two related timelines are affecting decision making procedures: the EPA negotiating timeframe and the 2010 timeframe for the scaling-up of EU trade related assistance. Whereas many ACP regions clearly feel that this is linked, either explicitly or indirectly, to EPA timeframes, AfT is perhaps better viewed as an ongoing exercise – work in progress – which will develop and improve over time. This calls for a flexible timeframe to balance the needs of ACP countries to develop sound AfT approaches and the desire of all parties to make progress in the scaling-up of resources to deliver concrete results.

One other crucial element for moving forward at this stage is improving the dialogue process, so that the 'suppliers' of AfT and those on the 'demand side' in developing countries meet. In the EU context, it could be said that contacts between ACP countries and the full range of potential EU donors have been perhaps less frequent than those of the latter group to coordinate internally. In most regions, apart from the Caribbean, the RPTF process was not considered to be successful in practice. The principle for coordination, however, was logical and is not disputed. Hence one question worth considering would be whether a new broker (or brokers) in each of regions be a possible answer to move forward? This role might be played by multilateral or regional institutions in some cases, but given also that the EU has a significant involvement in AfT, a similar role might be played by those larger EU member states with most interest in a particular region (e.g. France in West Africa, the UK in East Africa)? This is already happening to some extent in practice but could it be formalised in an EU setting through a more detailed division of labour, and therefore clarified in order to move forward.

Sentiment from a number of stakeholders in EU member states, and some in the ACP, is that AfT has always been there, it is simply more visible now. In general, additionality is limited and expectations need to be lowered from the level established at the birth of the concept in 2005. Perhaps the biggest opportunities in AfT therefore lie in making better use of existing and new aid resources. In this regard, the key challenge at the moment for ACP regions and countries is to elaborate and find common, workable approaches for defining and implementing AfT programmes (that are integrated within their respective national and regional development strategies), to be met on the donor side with more efficient engagement to deliver improved AfT assistance.

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