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for
European Commission
Trade Related Assistance

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GLOSSARY

ACP	African Caribbean and Pacific
ATC	Agreement on Textiles and Clothing
CEN	European Committee for Standardisation
CSP	Country Strategy Papers
DAC	Development Assistance Committee
DDA	Doha Development Agenda
DFID	Department for International Development
EBA	Everything But Arms
EC	European Commission
EDF	European Development Fund (ACP)
EPA	Economic Partnership Agreement (ACP)
EPO	European Patent Office
EPZ	Export Processing Zone
EU	European Union
FTAA	Free Trade Area of the Americas
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GSP	Generalised System of Preferences
IF	Integrated Framework
IFC	International Finance Cooperation
IMF	International Monetary Fund
ITC	International Trade Centre
JITAP	Joint Integrated Technical Assistance Programme
MFA	Multi Fibre Agreement
MS	Member States
MTS	Multilateral Trading System
NGO	Non Governmental Organisation
OECD	Organisation for Economic Cooperation and Development
PRSP	Poverty reduction Strategy Papers
RSP	Regional Strategy Papers
RTA	Regional Trade Agreement
SIA	Sustainability Impact Assessment
SPS	Sanitary and Phytosanitary Measures
SWAP	Sector Wide Approach
TBT	Technical Barriers to Trade
TPRM	Trade Policy Review Mechanism
TRA	Trade Related Assistance
TRIMS	Trade Related Investment Measures
TRIPS	Trade Related aspects of Intellectual Property Rights
TRTA	Trade Related Technical Assistance
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNECE	United Nations Economic Commission for Europe
UNIDO	United Nations Industrial Development Organisation
VAT	Value Added Tax
WCO	World Customs Organisation
WIPO	World Intellectual Property Organisation
WTO	World Trade Organisation

GUIDELINES for EC

Trade Related Assistance

May 2003

1. INTRODUCTION AND REASON FOR THE GUIDELINES

1.1. Introduction

1.1 This guide¹ was produced by DGs AIDCO, RELEX, TRADE and DEV in order to enhance the Commission's capacity and effectiveness in designing and implementing trade related assistance (TRA) programmes. The guide is aimed at all those involved in developing EC programmes in this area. The guide is not long or academic but seeks to be practical while covering both programming and implementation (delivery) aspects of TRA. Where possible other resource documents are referred to for further in-depth analysis. It is the intention that the guide remains dynamic and evolving and it will be updated regularly to incorporate any new material and feedback from users.

1.2 The structure of the guide is as follows. The remainder of section 1 briefly summarises the importance of trade and the justification of increased attention for TRA. Section 2 explores the concept of TRA while section 3 determines the EC's approach. Section 4 deals with programming aspects and demonstrates how trade is reflected in country and regional strategies. Finally section 5 addresses the implementation issues and practical delivery mechanisms.

1.2. Why the focus on trade

1.2.1. *It makes developmental sense*

1.3 As globalisation continues the world is becoming increasingly characterised by complex and linked markets for goods, services, investment and finance. In turn the importance of the relationship between development, trade and the integration of developing countries² into the world economy is becoming increasingly apparent. When combined with a sound policy environment trade has a vital role to play in helping developing countries boost their economic growth which can have a positive effect on the poor and contribute towards sustainable development. The impressive record of many developing countries over the past two decades bears witness to this. However, there are many countries, especially the poorest and smallest that have achieved only modest development progress in recent years. Improving the performance of these countries remains a significant challenge. Trade related capacity building can contribute to this.

1.4 The transmission mechanism of trade openness to poverty alleviation is mainly through the beneficial effects on productivity and the use of new technology and

¹ This guide's primary purpose is for use by Commission staff in developing TRA programmes. A number of Commission communications have made reference to broader EU guidelines on TRA. This document will form the basis for discussions on these broader guidelines.

² The use of the word 'developing countries' in this guide should be viewed as referring to 'developing countries and economies in transition'.

investment to stimulate economic growth. In addition the reduction of a country's own trade barriers brings real benefits to consumers through improved resource allocation, wider consumer choice and declining prices. Empirical evidence has shown that on average over the medium to long term trade liberalisation does contribute towards poverty alleviation. However, as the benefits of trade reform are often longer term appropriate and properly sequenced complementary policies may well be required to mitigate against any short term negative effects and help maximise the longer term positive effects. This is why it is so important that trade liberalisation process is incorporated into the national development strategies of the countries concerned, is locally owned and is the result of a consultative national trade policy process involving all stakeholders. Section 3 and 4 of this guide will highlight these issues in more detail.

1.5 These principles are the central conclusions of the OECD/DAC guidelines on trade capacity building:

“Trade is not an end in itself. Nor is it sufficient on its own to generate dynamic and sustainable development. But trade can enhance a country's access to a wider range of goods, services, technologies and knowledge. It stimulates the entrepreneurial activities of the private sector. It creates jobs. It fosters vital “learning” processes. It attracts private capital. It increases foreign exchange earnings. Above all, it generates the resources for sustainable development and the alleviation of poverty.

The multilateral trading system (MTS) and international markets have become highly complex. And far more than “stroke of a pen” efforts to cut tariffs, the new elements of the MTS require major investments in institutional and human capacity—and a multidimensional strategy for integrating into the global economy. Developing countries need to frame a broad set of trade initiatives within an appropriate Macroeconomic environment and a comprehensive approach to development. They also need to be active in exercising their rights and obligations in the multilateral trading system. But they cannot achieve these objectives without substantial support from the international community.” (OECD/DAC 2001).

1.6 Trade liberalisation and the engagement of the economy in international trading system is one element of a successful development strategy. Involvement in the global integration process through the multilateral trading system (MTS) and through regional integration processes (such as through Economic Partnership Agreements (EPAs)) are ways for developing countries to continue to benefit from liberalisation. The capacity to become effectively involved in this process is important. Equally supply side issues and the capacity to capture the potential gains from trade are important if the true poverty and developmental benefits are to be realised.

1.2.2. *A political commitment*

1.7 In April 2000, the European Commission presented a paper on the general orientations of the ECs development policy (COM (2000) 212). This paper recommended that the EC concentrate its activities on a limited number of areas selected on the basis of their contribution towards reducing poverty and for which Community action provides added value. Six broad areas were identified as meeting these criteria. The *link between trade and development* was one of these. *Regional integration*, which contains a large trade-related component, was also included³. The discussions on this paper led to a

³ The others are support for macroeconomic policies, transport, food security and sustainable rural development and institutional capacity building (particularly in the area of good governance and the rule of law).

statement by the Council and the Commission on development policy later in the same year, which endorsed these choices and provided some clarifications. It was underlined that the liberalisation of trade and investment in the developing countries must proceed at a pace which is consistent with their fragile economies and must set out to maximise the long-term benefit to society, while minimising adjustment costs. Development co-operation in the trade and regional integration area is vital for developing countries to be able to take advantage of improved market access.

1.8 In November 2001, the WTO Ministerial Meeting in Doha approved an ambitious and strongly development oriented agenda for future negotiations. The Doha Development Agenda (DDA) recognised that further progress of the multilateral trading system would require an effective involvement of developing countries. The industrial nations agreed to step up support in the area of trade to help developing countries with their participation and more generally to reap the benefits from further trade liberalisation. Just about all chapters of the resulting Doha Development Agreement (DDA) contain clear reference to technical assistance to help countries participate, negotiate and implement WTO agreements.

1.9 The EU, being the largest trading block in the world as well as the largest trader with developing countries, is one of the main stakeholders in the Doha Development Agenda. During 2002 the Commission examined in detail how the EU could fulfil its global commitments in support of the efforts of developing countries to better capture the benefits of increased trade and investment opportunities. This led to a new policy paper adopted in September 2002 “Trade and Development: Assisting Developing Countries to Benefit from Trade” (COM (2002) 513).

1.10 COM 513 contains a thorough analysis of the linkage between trade, growth, poverty reduction and sustainable development. It presents arguments and recommendations for a development friendly outcome of the Doha negotiations. Such an outcome would improve market access, particularly for products where developing countries have a comparative advantage, such as agricultural goods and labour intensive manufactures. The paper recognises that “supply response” will not be automatic or easy, especially for the Least Developed Countries (LDCs). Considerable efforts will be required from developing countries in terms of creating and strengthening institutions and policy reform.

Box 1.1 – Main TRA conclusions of COM 513 “Assisting Developing countries benefit from Trade”

<http://corvus.trade.cec.eu.int/tradedevelopmentmatters/data/com2002513%20trade%20dev.pdf>

The EU’s trade-related assistance will focus on enhancing effective participation in the multilateral trading system, and the policy and institutional reforms that are required as a result. In addition, trade capacity will be improved through other trade-related development assistance including:

- promotion of a sound macroeconomic and tax policy framework;
- support for restructuring and greater competitiveness of the production system; and
- support for regional integration and co-operation.

EU assistance will focus mainly on three areas:

- assistance for WTO accession and multilateral trade negotiations,
- support for the implementation of existing and future WTO agreements implying a significant financial effort and/or which require the development of specific regulatory and institutional frameworks;
- support for policy reforms and investments necessary to enhance both economic efficiency and greater participation in the multilateral trading system.

While the areas that need to be addressed must necessarily be determined on the basis of the specific situation of each country or region, the following examples are typical of what needs to be done in many developing countries: Reform of the administration of Customs and other trade facilitation measures: Standards and Conformity Assessment: Services Investment Intellectual Property Rights Legislation for adequate labour standards Competition policy Environment standards

Other Trade related support is likely to include:

- Macroeconomic and tax policies
- Supporting the repositioning of the business sector
- Supporting regional co-operation and integration

1.11 COM 513 also outlines a programme of action to improve the delivery of trade-related assistance and capacity building. A key recommendation is that EU support in the area of trade will have to be better mainstreamed into development strategies such as reflected in Poverty Reduction Strategy Papers or similar mechanisms. The Commission also intends to reinforce where appropriate the trade component in the programming dialogue. This calls for an examination of Country and Regional Strategy Papers (CSPs and RSPs) to review the coverage of trade matters.

1.12 In September 2002 the World Summit on Sustainable Development recognised the role that trade can play in achieving sustainable development and poverty alleviation. The conclusions encouraged WTO members to pursue the DDA in order that developing countries, especially the least developed, might secure their share in the growth of world trade and so facilitate sustainable development. Among other things WTO members were encouraged to facilitate access to the WTO for new members, support the work programme of the WTO and implement substantial trade related assistance measures.

1.13 In December 2002 the European Council⁴ endorsed the analysis and recommendations of COM 513 stressing that international trade, combined with sound policies, is an important source of economic growth, sustainable development and poverty reduction. The Council specifically invited the Commission, in consultation with Member States' trade and development experts, to elaborate practical guidelines for trade-related assistance, taking into account best practices and relevant experiences from international organisations.

1.14 A key factor that needs to be remembered in conjunction with the political commitment to provide TRA is the need for a demand driven / locally owned process. Without demand and local ownership it is unlikely that TRA programmes will be successful.

1.3. Regional integration is a valuable strategy

1.15 Regional Trade Agreements (RTAs) amongst developing countries or between developed and developing countries, can contribute to the participation of developing countries in the global economy and reinforce the multilateral trading system provided they are outward-oriented and lead to lower external trade barriers. A key issue for RTAs is that they should encourage trade creation rather than trade diversion. Regional integration arrangements will assist economic efficiency most (and stimulate trade creation) if they have fairly low and uniform external protection levels. Regional integration can enhance efficiency, increase competition between peers in development, enable economies of scale, increase attractiveness to Foreign Direct Investment (FDI) and secure greater bargaining power. Last but not least regional integration can contribute to the consolidation of peace and security.

1.16 Regional integration generally has a sizeable trade component. Trade liberalisation among the partner countries and setting up a common trade policy are typically the first steps towards economic integration. This immediately implies handling a range of trade-related issues such as customs procedures and valuation, transit

⁴ Trade and Development - Council conclusions 14514/02. Brussels, 20 November 2002.

arrangements, technical and environmental standards, and sanitary and phytosanitary measures.

1.17 The power of regional integration is enhanced when co-operation goes beyond border measures and is extended to deeper integration. This can be achieved by including the convergence of domestic policies such as investment and competition policies. Another aspect of deep integration is the development of regional financial markets and the co-ordinated provision of infrastructure such as regional telecommunications, energy and transport networks. The regional dimension can also provide an incentive to create institutions and develop legislation that would otherwise be difficult to achieve at the national level. Examples could be the creation of certification bodies, regional patent offices or competition authorities. It is clearly possible to save resources when institutions and capacity building initiatives can be set up at the regional level. Similarly regional integration has the potential to encourage a certain degree of peer group pressure to ensure adherence to policy commitment and best practice. Also as regional integration covers most of common themes to the multilateral trading agenda it may be beneficial to implement certain measures first in the regional market (as a means of gradually opening up and easing the pace of adjustment) before applying the measures more widely.

1.18 As with trade reform the positive effects of integration will only be fully realised when the overall policy framework, governance and security situation are conducive to integration. This is however a two way relationship and integration may help the region move toward a more stable macroeconomic environment.

1.19 For a long time the EC has supported regional integration among developing countries. In fact, a sizeable part of the EC's trade-related assistance and capacity building initiatives take place within the context of regional programmes. The guidelines therefore fully apply to the EC's support for regional economic integration.

1.20 In summary

- Globalisation is making it increasingly important for developing countries to become better integrated into the world economy
- When combined with a sound policy environment trade has an important role to play in contributing toward sustainable development
- Empirical evidence has shown that on average, over the medium to long term, trade liberalisation does contribute toward poverty alleviation. However properly sequenced complementary policies may well be required to mitigate against any short term negative effects.
- The Commission through Com 212, 513 and through the WTO Doha Development Agenda has committed itself to assisting developing countries gain from trade and providing developing countries with Trade Related Assistance (TRA)
- Regional integration provided it encourages trade creation rather than trade diversion can contribute to the integration of developing countries in the global economy.

2. WHAT IS TRADE RELATED ASSISTANCE (TRA)?

2.1. An evolving definition ...

2.1 The concept of Trade Related Assistance (TRA) is very broad and has the potential to reach right across the development spectrum. Rather than getting lost in the debate this guide will seek to develop an overall framework for directing TRA interventions.

2.1 In the early days of trade related assistance the focus was primarily concerned with the development and management of trade policy. This is sometimes referred to as the 'first wave' response to trade related assistance and included activities to help: (i) countries become members of the WTO; (ii) implement the Uruguay round agreement; (iii) participate in the WTO process; and, (iv) promote exports.

Box 2.1 Trade related assistance and technical assistance – What's the difference?

The international community makes continued reference to trade related technical assistance (TRTA) not least because of the emphasis placed on TRTA in the Doha Development Agenda. This guide, however, deals with trade related assistance (TRA) rather than the more narrow TRTA definition. Why?

The underlying assumption of this guide is that technical assistance is one mechanism for delivering TRA. For trade development to succeed it is crucial to pay attention to long term capacity issues. Typically this goes beyond the provision of just technical assistance and includes tackling issues related to institutional as well as human capacity. This should be delivered a coherent capacity building framework embedded in an overall development strategy. In essence TRTA is one way of delivering TRA.

2.3 By mid 2000 it became clear from experience that unless trade was 'mainstreamed' into the overall development and poverty reduction effort, with trade issues being considered alongside supply side issues (see box 2.2), then the real benefits of trade liberalisation would not in fact be realised. Consequently with the 'second-wave' response post 2000 there has been a renewed focus on structural supply side issues including a focus on human, institutional, and productive capacity and trade related infrastructure (such as SPS laboratories and customs facilities).

Box 2.2 - Supply side issues – What are they?

The term 'supply side issues' covers the capacity/ability of developing countries to supply goods and services - ie the productive capability of the country. In trade terms questions that may be considered is - can the country take advantage of improved market access conditions? Does it have the productive capability and what is holding it back?

Supply side issues therefore cover the whole range of development issues including: an appropriate legal and regulatory framework which is conducive to private sector development; development of well functioning financial, land and labour markets to ensure entrepreneurs have access to factors of production; the development of appropriate infrastructure to ensure timely input supply and to facilitate exports, as well as longer term issues concerning the development of human capital and improving productivity.

2.4 Taken in its broadest sense TRA could incorporate most development activities and highlights the need for TRA to be fully integrated into the overall development effort of the partner country and represented in national development strategies such as the Poverty Reduction Strategy Process (PRSP). Only by doing this will it be possible to give trade the appropriate priority within the country (whether

this is higher or lower).

2.2. The challenge

2.5 Countries wishing to improve their trade performance and participate effectively in the multilateral trading system face three main challenges:

- A. The ability to effectively negotiate in and implement multilateral and regional⁵ trade agreements. This involves interacting with the WTO and other trade negotiation agendas from a country specific perspective – negotiation capacity.
- B. The ability to formulate and implement appropriate trade policies together with the necessary supporting complementary measures and institutions. This involves establishing a trade policy process able to assess and weigh up the implications of trade reform (for example tariff reductions).
- C. The ability to address supply side constraints and ensure a positive response to improved market access and domestic policy reform.

2.3. What should trade related assistance include?

2.6 What does this mean for our development assistance programmes? Trade related assistance can in theory cover a very wide range of activities, as in one sense or other almost all development activities can ultimately be linked to trade. As a means of narrowing the TRA definition four categories, which have been referred to in recent communication, are identified below⁶. This guide will deal primarily with **Category 1 Trade Policy and Regulation** and **Category 2 Trade Promotion**. These two categories are the same as those established by the WTO and OECD for the Doha Development Agenda Database (see link <http://tcbdb.wto.org> for the Doha Database and box 2.3 for an explanation of WTO terms and issues). The purpose of the Doha Database is to provide global information on trade-related assistance programmes. When designing TRA programmes it will be important that direct reference is made to the appropriate WTO/OECD category to assist in the easy presentation of the full extent of the EC's commitment in this area. So far infrastructure activities have not been included in the WTO database.

Trade Related Assistance (TRA) Categories

➤ **Category 1 – Trade Policy and Regulation.** Support with a direct focus on the Multilateral trading system (MTS) and the development of an appropriate trade policy environment. This is likely to include technical assistance, capacity building and institutional strengthening to enable the development of effective trade policy, primarily at public sector/government level. This could include work to develop understanding of and ability to implement multilateral rules in any one of the areas below. The precise WTO/OECD headings for support in category 1 are:

- Dispute settlement
- Customs valuation
- TBT and SPS
- TRIPs
- Trade mainstreaming in PRSPs/devt plans
- Tariff negotiations – non-agric.
- Trade and environment
- Trade and investment
- Trade and competition
- Trade facilitation
- Transparency and government procurement
- Accession

⁵ Including Economic Partnership Agreements (EPAs)

⁶ These four categories are derived from COM (2002) 513 Assisting developing countries to benefit from trade, 18.9.02

- market access
- Agriculture
- Services
- Rules
- Tariff reform
- Trade related training education
- Negotiation training
- Regional trade agreements (RTA)

➤ **Category 2 – Trade Development.** A broadening of the definition to include activities aimed at relieving some of supply side constraints which impact directly on a country’s ability to exploit its international trading potential and in particular private sector development from an institutional perspective. This could include support in any one of the areas below. The precise WTO/OECD headings for support in category 2 are:

- Trade promotion strategy design and implementation
- Market analysis and development
- Business support services and institutions
- Public-private sector networking
- e-commerce
- Trade finance

➤ **Category 3** – Is not covered by the Doha Database but is highlighted as it is likely to be critically important for successful trade reform and is an area in which the Commission is active. Activities could include ‘indirect’ actions such as support for the macroeconomic and fiscal adjustment process that may be necessitated by new trade policy measures such as tariff reductions. For example, a review of other taxation mechanisms such as VAT may be appropriate following trade policy reform. Interim budget support measures may also be necessary to facilitate adjustment.

➤ **Category 4** – is trade capacity in its widest sense aimed at diverse long term supply side issues, which could include development assistance for infrastructure and to sectors such as health and education, all of which can have long-term effects on poverty and competitiveness. So far these have not been included in the Doha Database.

2.7 Although this guide will deal primarily with the most direct forms of TRA, namely **category 1 and the more institutional issues related to category 2**⁷, support designed in these areas should of course be placed within the wider development context to assess whether the overall package of development assistance takes full account of the trade implications.

⁷ For advice on Categories 3 and 4 please refer to the Private sector, budget support and SWAP guidelines

Box 2.3 – The WTO Doha Development Agreement (DDA) - technical terms and new issues

The World Trade Organisation (WTO) was established in 1995 at the end of the Uruguay round of multilateral trade negotiations and is supported by a small secretariat in Geneva, Switzerland. The WTO is a rules-based, membership based organisation of which developing countries make up around two thirds of the membership. The principle of the WTO is to promote the free movement of trade through trade liberalisation and the removal of trade barriers. Until now the main focus of the WTO has been the lowering of tariff barriers. However, as tariffs fall so ‘non tariff barriers’ (NTBs) assume increasing importance. NTBs included issues such as standards and regulations that may relate to the trade in goods and services. The basic structure of the WTO agreements is shown below. The agreements cover goods, services and intellectual property and spell out the principles of liberalisation, and the permitted exceptions. The agreements include individual countries’ commitments to lower tariffs and NTBs, and to open and keep open services markets. The agreements also set out procedures for settling disputes on which the WTO adjudicates. The agreements also prescribe special treatment for developing countries.

	Goods	Services	Intellectual Property	Disputes
Basic Principles	GATT (General Agreement on Tariffs and Trade)	GATS (General Agreement on Trade in Services)	TRIPS (Trade Related aspects of Intellectual Property Rights)	Dispute Settlement
Additional agreements and annexes	<ul style="list-style-type: none"> • Agriculture • Sanitary and Phytosanitary Measures (SPS) • Agreement on Textiles and Clothing (ATC) • Technical Barriers to Trade (TBT) • Trade Related Investment Measures (TRIMS) • Anti-dumping measures • Customs valuation • Rules of Origin • Preshipment inspection • Import licensing • Subsidies and countermeasures • Safeguards 	<ul style="list-style-type: none"> • Movement of natural persons • Air Transport • Financial services • Shipping • Telecommunications 		

In November 2001 the WTO Ministerial meeting in Doha set in place the Doha Development Agreement (DDA) where the WTO membership has agreed to continue the negotiations in Agriculture and Services and to consider negotiations in other areas including the ‘Singapore issues’. The Singapore issues are so called because they were first raised at the Singapore WTO Ministerial in 1996. They include issues related to investment (not just trade related), competition, transparency in government procurement and trade facilitation.

Link http://www.wto.org/english/thewto_e/whatis_e/tif_e/agrml_e.htm

Jargon

The **SPS** agreement deals with rules related to health issues and concerns in traded food products. The **TBT** agreement covers issues related to the general use of technical standards related to trade. The main principle of the TBT and SPS agreement is that international standards should be used where possible to ensure non discrimination and that any measures to reduce trade should be based on scientific evidence. Issues of interest to developing countries include: involvement in the standards setting process, conformity to the standard and, conformity assessment

The **TRIMS** agreement deals with issues related to trade related international investment where members agree not to require investors to abide by certain performance requirements such as levels of local procurement or import and export targets.

The **TRIPS** agreement provides a framework requiring all WTO member countries to have minimum legislation in order to give protection to the main categories of intellectual property

The **GATS** – The General Agreement on Trade in Services covers regulation related to the trade in services. Broadly speaking a service is a product that cannot be seen or touched (ie banking and financial services, consultancy services, tourism services or telecommunications etc). Services account for over 20% of world trade and is growing in importance.

The **ATC** relates to the phasing out of the Multi Fibre Agreement (**MFA**) which identified quotas and restrictions to the trade in textiles and clothing. By the 1st January 2005 the MFA will be phased out and textiles and clothing should be treated as any other industrial product.

See URLs http://www.wto.org/english/tratop_e/dda_e/dohaexplained_e.htm and <http://www.dfid.gov.uk/AboutDFID/files/itd/itd2.html> for detailed trade and development briefings. See annex 2 for a full glossary of trade terms and jargon.

2.7 In summary

- Trade Related Assistance (TRA) in its broadest sense can incorporate most development related activities.
- For the full benefits of trade to be realised structural supply side issues need to be considered alongside the more traditional trade issues. The importance of supply side issues emphasises the need to integrate and mainstream trade within the overall development effort.
- This guide identifies four possible categories of TRA each with increasing breadth. This guide deals with Category 1 (Trade Policy and Regulation) and Category 2 (Trade Development) which correspond directly to the WTO Doha Database Categories. This guide stresses the need for this rather narrow definition and supply of TRA to be integrated into the wider development effort.

3. METHODOLOGICAL APPROACH TO TRADE RELATED ASSISTANCE

3.1. Common principles

3.1 In identifying the common principles it is important to note that these guidelines are generic and cover all of the regions in which the EC works. Some of the issues raised will be more relevant to your partner region/country than others. You will need to weigh the appropriateness of the recommendations and adapt to your partner region/country accordingly.

3.2 There is no blue print for a TRA programme. The development and details of the TRA programme will be specific to the individual country or region concerned. It is important therefore to ensure that the trade capacity programme is based on good analysis and set within the broad development framework of the country.

3.3 While the details of a programme will be specific to the individual country, the experience of the international community has highlighted a number of common principles which should be followed when developing a TRA programme. These common principles are as follows:

1. **Trade policy needs to be built on a broad-based constituency.** This should include the private sector, civil society and government. Within governments although Ministries of Trade tend to be at the apex of the trade policy process Ministries of Foreign Affairs, Agriculture, Industry and Finance as well as Customs, Standards, Export Promotion and Investment bodies are all likely to be involved to some extent. Similarly it is important that the private sector and civil society are engaged in a constructive and ongoing dialogue with the government. If this tripartite consultation is not functioning there is a risk that: (i) the real interests of the country will not be addressed (government may not know what the true needs are without private sector involvement), and; (ii) the government may not get the necessary support for reform (trade reform invariably includes controversial decisions – a well functioning stakeholder process providing good information to stakeholders and a forum for discussion may avoid unnecessary disagreement).
2. **Trade policy needs to be based on good analysis.** There is no blueprint for trade reform. The details of trade reform and the necessary complementary policies will be country specific and need to be based on good analysis. If the poor are to benefit from reform a good understanding of the policy mix and sequencing is needed. Broadly speaking there are three levels at which analysis is undertaken within the trade area. These are: (i) to assess the impact of trade agreements and reform (for example the EC's Sustainability Impact Assessment); (ii) to undertake an holistic analysis to assist trade policy formulation and reform which is mainstreamed within the overall development framework (for example the Integrated Framework), and; (iii) more targeted sector specific analysis (such as the WTO Trade Policy Review Mechanism). Box 3.1 identifies the main issues of these programmes as well as highlighting two upcoming EC trade analysis tools – Diagnos II and Trade.com. Annex 1 also provides an example of an outline for a country analysis and helps to identify the types of issues that need to be covered.

Box 3.1 – Levels of trade analysis and a sample of analysis tools

1) Impact analysis – An example, the EC Sustainability Impact Assessment (SIA)

Since 1999 the EC has committed to undertake Sustainability Impact Assessments of all its trade negotiations. The underlying principle of an SIA is to identify the possible economic, social and environmental impacts of the trade agreement. SIAs should help to inform negotiators of the possible consequences of trade agreements on all three fronts. Assessments may also provide guidelines for the design of possible measures to maximise the positive impacts and to reduce any negative impacts. Such measures could include strategies for internal policy, regulation or capacity building. SIAs have the potential to help integrate sustainability into trade policy by:

- helping trade negotiators better understand the potential effects of trade negotiations on the sustainable development of the partner country/region;
- providing indicators for the development of appropriate complementary policies necessary to maximise the positive impact and to reduce the negative impact of the trade negotiations in question
- involving a wide range of stakeholders (government, academics, researchers, private sector, NGOs, etc) in the process of defining national trade policies and possible complementary policies.

As a means of improving the SIA methodology the Commission recently held a consultative workshop on SIAs in Brussels. The broad conclusions of the workshop were positive although issues of ownership were raised by some of the participants. This aside the SIA methodology does present a useful tool for undertaking impact analysis related to trade liberalisation. For more information see http://europa.eu.int/comm/trade/sia/index_en.htm

2) Holistic analysis for policy formulation and mainstreaming trade – An example, the integrated Framework (IF)

The Integrated Framework (IF) brings the six core international agencies providing TRA (UNCTAD, the international Trade Center (ITC), UNDP, WTO, IMF and the World Bank) as well as bilateral donors together under a common framework.

The enhanced Integrated Framework taking as its premise, (i) the need to establish a broad based constituency for reform (including civil society and the private sector) and (ii) the need for collaboration and coherence between donors and the appropriate sequencing of policy between the main local stakeholders and providers of trade assistance, follows a three step process:

- The first step is a diagnostic trade integration study (DTIS) which study looks to establish the link between (i) trade development and poverty reduction (ii) the impact of trade reform on economic growth and, (iii) the complementary policy agenda required to support reform. The analysis does this by undertaking: a review of the countries economic and export performance; an assessment of the macroeconomic environment and countries investment climate; an assessment of the regulatory and institutional framework for trade development; an assessment of the international policy environment including market access barriers and regional integration initiatives; and an analysis of key labour intensive sectors and the scope for expansion
- Second, based on the study an Action Plan is developed in consultation with stakeholders and outlines a set of policy recommendations and priority capacity building needs to overcome the constraints identified
- Third, trade policy priorities are incorporated into the countries updated PSRP and assistance needs are considered for financing at donors financing fora (ie CG process or UNDP round tables). For further information see <http://if.wto.org/>

3) Sector specific diagnosis – An example, the WTO Trade Policy Review Mechanism (TPRM)

The objective of the TPRM is to examine the impact of members trade policies and practices on the international trading system and to contribute to improved adherence to WTO rules through greater transparency. The assessment carried out under the review mechanism takes place against the background of the wider economic and developmental needs, policies and objectives of the Member concerned, as well as of its external environment.

All WTO Members are subject to review under the TPRM, however the frequency of the reviews is a function of the members share in world trade. The four largest players - the European Union, the United States, Japan and Canada - are reviewed every two years. The next 16 largest trading countries are reviewed every four years, while the remaining WTO members are reviewed every six years. A longer period may be fixed for least-developed country Members.

The reviews are essentially a peer-group assessments. The trade policy review (TPR) for each member is based on a report prepared by the government concerned, and on a report by the WTO Trade Policy Review Division. The TPR reports consist of detailed chapters examining the trade policies and practices of the Member and describing trade policymaking institutions and the macroeconomic situation. For more information see http://www.wto.org/english/tratop_e/tpr_e/tpr_e.htm

Two upcoming EC trade support tools

Diagnos II. Diagnos I was developed under the 8th EDF as a means of identifying critical constraints to private sector development. Diagnos I set out a methodology for reviewing the legal, regulatory and general business environment in which the private sector was operating with the objective of overcoming critical bottlenecks for private sector development. Diagnos I was completed in April 2002. Diagnos II is currently in the process of being developed within the Cotonou framework. In particular Diagnos II will seek to take more account of the growing importance of the multilateral trading system in its analysis and as such could be a useful tool for trade analysis.

Trade.Com. Under the 9th EDF €50m has been set aside under 'The all-ACP Institutional Trade Capacity Building Facility' (Trade.com). Trade.com will be demand driven by the ACP and will run for a 5 year period starting in 2004. Trade.com target audience includes the public sector, private sector and civil society. It has three main components and has the potential to cover all three areas of analysis identified above. The components are (i) A facility to reinforce indigenous analytical and research capacity for trade policy formulation including stakeholder participation; (ii) A facility to provide immediate assistance for ongoing negotiations through the recruitment of a pool of ACP trade experts and training for negotiators; (iii) A facility to promote catalytic pilot initiatives for institutional reinforcement in the area of trade support services which can then be developed through other financing mechanisms. Particular attention will be given to the enabling regulatory environment to overcome TBT and SPS barriers to trade.



"Tradecom concept paper.doc"

The most appropriate diagnostic tool will depend on the country concerned. Discuss with your partner country to determine the type of analysis that it wishes to undertake and the most appropriate mechanism for doing this. It may be that none of the tools identified in Box 3.1 are appropriate or that the partner country feels that further detailed analysis is unnecessary. We should respect this and work within the framework that the partner country decides provided this framework is based on a broad-based constituency and has not been hijacked by dominant self interest groups.

3. **Government should embed trade policy reform into their overall development strategy** (ie PRSP) to ensure that the trade policy aims of the country are consistent with the overall development aims, and that TRA needs are given the appropriate weight in relation to other development assistance needs. Without this there is a significant risk that TRA will be donor driven (a significant risk post Doha) and in turn unsustainable. By embedding trade concerns into the overall development process it will (i) raise awareness of the importance of trade (ii) help assign the appropriate level of priority to trade within the country. In the medium term this should impact positively on sustainability.
4. **There is a need for collaboration and coherence** between donors and the appropriate sequencing of policy between the main providers of trade assistance. Co-ordination should enable donors to focus their support and reduce government transaction costs. An early example of this type of coordinated effort in providing TRA is the Joint Integrated Technical Assistance Programme (see box 3.2). Coherence, co-ordination and complementarity are also three essential elements of the EC's development programme (the three Cs⁸).

Box 3.2 – The Joint Integrated Technical Assistance Programme (JITAP)

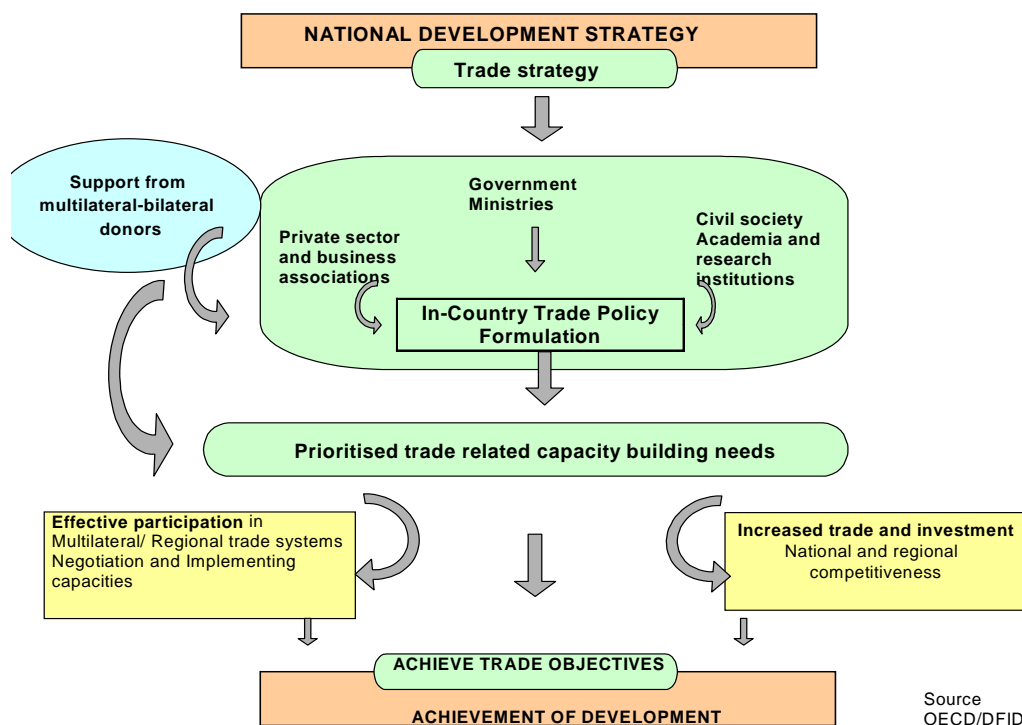
JITAP was established in 1998 as a mechanism for improving collaboration between 13 donor countries, 3 Geneva based institutions (ITC, UNCTAD, WTO) and 8 African countries (Benin, Burkina-Faso, Côte d'Ivoire, Ghana, Kenya, Tunisia, Uganda and Tanzania) in the area of TRA. JITAPs global objective is to raise the countries ability to participate in the Multilateral Trading System (MTS) and establish favourable conditions for trade expansion. A US\$9m common trust fund was established to which the 13 donors contributed. The fund is managed by the ITC and is supervised by a steering group of representatives from the donor agencies, the Geneva institutions and beneficiaries.

3.4 Figure 3.1 gives a graphic representation of the trade policy process and highlights these main overriding principles.

3.5 The first question to ask is whether your partner country has an effective Trade Policy Process involving government, private sector and civil society. Only when this is apparent can you begin the process of integrating trade within the national development strategy (PRSP etc). This may well be the first point of discussion with your partner government – does your partner country want the EC to support this process and how? (See box 3.3 for a discussion on integrating trade within national development strategies).

⁸ Please refer to COM 2000(212) for a full explanation of the 3C's.

Figure 3.1 National development strategy and the trade policy process



3.6 If a trade policy process exists it may be necessary to support the government to undertake a diagnostic analysis similar to the IF diagnosis. In practice it is unlikely that this type of analysis will have been done. An IF type exercise could be useful to consider or at least discuss with your partner country.

Box 3.3 - Mainstreaming trade into National development Strategies

Empirical evidence supporting trade reform highlights the importance of the policy environment within which trade reform is implemented. Mainstreaming trade into a country's development strategy means assessing and integrating a whole host of issues which can be broadly categorised as trade reform under a pro poor agenda. Key issues include:

- 1) Continued goods and service trade reform – significant goods reform already achieved in LDC's although average tariffs in some countries still relatively high and needs to be tackled. The reform and efficiency of the service sector is also important and a major determinant of growth.
- 2) Complementarity and sequencing of support policies – the details of complementary policies will be country specific and not all countries will need to address all the issues. However research has shown that the following are important for effective trade reform

- A stable macroeconomic framework – stable inflation and sustainable fiscal and external balances. May be a need for exchange rate adjustment
- Fiscal reform – tariff revenues are an important source of funds for many low income countries. Domestic tax reform may be necessary – what are the implications for the poor?
- Labour market reform – may be necessary to increase labour mobility to ensure opportunities are exploited. Wages of skilled labour may increase relative to unskilled - investment in training may be necessary to ensure the poor can take advantage
- The impact of trade liberalisation of agriculture often critical to the poor. Small farmers response may differ from the aggregate response. Access to credit and the provision of services to create viable markets important if benefits to be experienced. Access to new technology and land reform may also be necessary
- Improved regulatory and institutional structures are often critical to support export development and to improve the quality, and reduce the cost of service sector inputs. Is likely to include efforts to strengthen public and private institutions
- Social safety nets may well be necessary in the short run before the longer term benefits filter through to the poor. Care will be needed to ensure the safety nets reach the intended beneficiaries.
- Development/ strengthening of appropriate environmental policies

3.2. The policy constraints to trade - what are they and what should we do?

3.7 As already mentioned it is essential that government, private sector and civil society are able to engage in constructive dialogue in identifying and overcoming the policy constraints to trade. Experience has shown that unless this tripartite discussion and engagement is active trade reform may well be derailed. Institutional support to all three players may well be needed.

Box 3.4 - Special and Differential Treatment (SDT) The WTO agreements contain special provisions which give developing countries special rights. These provisions are referred to as “special and differential treatment” provisions and include:

- longer time periods for implementing Agreements and commitments,
- measures to increase trading opportunities for these countries,
- provisions requiring all WTO members to safeguard the trade interests of developing countries,
- support to help developing countries build the infrastructure for WTO work, handle disputes, and implement technical standards, and
- provisions related to Least-Developed country (LDC) Members.

In the Doha Declaration, member governments agree that all special and differential treatment provisions should be reviewed with a view to strengthening them and making them more precise. The EC participates actively in this review process under the key principle of assisting developing countries economic development and integrating them more effectively into the multilateral trading system. In representing its SDT proposals the EU is particularly keen to avoid transforming the WTO into a two-tier system in which developing countries would be second class members. The EC has equally put the accent on measures that will increase trade rather than restrict it, and that reduce the burden on developing countries. The EC is also in favour of more far reaching and less time bound SDT for LDCs or other weaker developing countries in order to meet their specific development needs.

Two key market access initiatives under the SDT provision are the **Generalised System of Preferences (GSP)** and the recent **Everything But Arms (EBA)** initiative. These two initiatives take advantage of the preferential access provision within SDT according to level of development. Within the GSP developing countries have preferential tariff rates according to level of development, although many sensitive (ie agricultural products are excluded). However building on this the EBA initiative gives duty and quota free access for everything but arms from LDCs. Under the EBA duty and quota elimination for essentially all products took effect from 5 March 2001, but the full liberalisation of sugar, rice and bananas will be phased in during a transition period. Duties on fresh bananas will be reduced by 20% annually starting on 1 January 2002 and eliminated at the latest on 1 January 2006. Duties on rice will be reduced by 20% on 1 September 2006, by 50% on 1 September 2007 and by 80% on 1 September 2008 and eliminated at the latest by 1 September 2009. Duties on sugar will be reduced by 20% on 1 July 2006, by 50% on 1 July 2007 and by 80% on 1 July 2008 and eliminated at the latest by 1 July 2009. GSP/EBA link <http://europa.eu.int/comm/trade/miti/devel/eba.htm>

3.8 When looking at the policy constraints to trade it may help to distinguish between the ‘traditional trade agenda’ (with a focus on barriers to trade at the border) and the ‘new trade agenda’ (with a focus on behind the border barriers). The traditional agenda is predominately concerned with creating the right incentives for efficient growth and ensuring that the trade regime is not anti-export biased – issues such as tariff reduction, efficient customs regimes and low cross frontier transaction costs etc. Alternatively the new agenda is primarily concerned with the regulatory standards and policies that ensure the appropriate supply response – issues will include services liberalisation, competition policy, the promotion of information and technology and strengthening institutions to benefit from participation in multilateral and regional trade arrangements.

3.9 The relative importance of these two trade agendas will vary between developing countries. Lower income countries may well have capacity constraints right across the board. As a result the traditional border issues may be the appropriate point of focus for lower income countries while the new agenda may be more appropriate for middle income countries. Table 3.1 gives an overview of the traditional and new agenda issues which can be used as a guide for identifying the types of issues relevant for your country discussions.

Table 3.1: Trade Policy Priorities : traditional and new agenda

National priorities			
<i>Traditional Trade Agenda</i>		<i>New Trade Agenda</i>	
Policy	Institution	Policy	Institution
<ul style="list-style-type: none"> market access <ul style="list-style-type: none"> Lower tariffs, particularly tariff peaks Develop relatively low and uniform tariff structure regional integration <ul style="list-style-type: none"> Shift to domestic taxation Limit discrimination from regional trade agreements Limit/remove discriminatory exemptions trade facilitation <ul style="list-style-type: none"> Reduce border barriers and red tape trade development <ul style="list-style-type: none"> trade promotion Support export efforts, mainly focusing on production capacity 	<ul style="list-style-type: none"> Strengthen revenue authority and implement domestic tax reform Reduce red tape; adopt and implement Kyoto trade facilitation measures Strengthen and develop customs administration and procedures, related infrastructure and regulations Develop export promotion and diversification institutions Strengthen capacities of the private sector 	<ul style="list-style-type: none"> trade policy formulation <ul style="list-style-type: none"> Mainstream trade concerns in national development policies and agendas Develop/upgrade public consultation on and transparency of trade policy regulatory framework <ul style="list-style-type: none"> Importance of governance and balanced rules to regulate trade Develop competition policy and phase out monopolies Develop legal and regulatory regimes for services and pursue services liberalisation trade development <ul style="list-style-type: none"> Measures to enhance efficiency of transport and transit regimes support export efforts, mainly focusing on meeting product quality standards in key markets Enhance technology policy and e-commerce 	<ul style="list-style-type: none"> Develop national capacity to design regulatory policies Develop WTO legal, appropriate IPR regime and institutions Establish/develop competition authorities Trade facilitation: simplify or modernize trade procedures (import, export, transit) Develop and upgrade public standards setting and enforcement bodies
International co-operation			
<i>Traditional Trade Agenda</i>		<i>New Trade Agenda</i>	
<ul style="list-style-type: none"> Regional integration (FTA and CU) and macro-economic convergence Use international agreements to reduce border barriers Explore scope for common trade procedures 		<ul style="list-style-type: none"> Build capacity to effectively participate in trade negotiations and implement outcomes and use international agreements as focal points and anchors for domestic policy Assess development relevance of international cooperation and impact of regulatory norms (SPS, TBT) Explore scope for common standards in regulatory areas affecting trade and investment /competition Clarify relationship with international environment agreements / sustainable development policies Emphasis on trade as a potential contributor to development and poverty alleviation Emphasis on free circulation of natural persons 	

3.10 In Summary the common principles for engaging in TRA support are:

- Trade policy reform needs to be developed with a broad based constituency including government, private sector and civil society.
- Trade reform and TRA needs will be country/region specific and should be based on good analysis and take account of the level of development within the country or region.
- Trade should be mainstreamed into the overall development strategy.
- Trade reform needs to be properly sequenced and may need complementary policies.
- Trade capacity building needs to be based on good analysis and be well co-ordinated.
- The whole process should be country driven.

4. PROGRAMMING ISSUES

4.1. Enhancing the profile of trade in country and regional strategy papers

4.1 In outlining the priority attached to enhancing trade related assistance, the Communication on Trade and Development highlighted the need to ensure that Country and Regional Strategy Papers (CSPs & RSPs) fully address the integration of trade into the national development policies of partner countries. The services responsible for drawing up country and regional programmes, namely DG External Relations and DG Development geographical units and their respective delegations, are reminded that where trade is not well represented in existing programming documents, full use should be made of any remaining flexibility to redress the balance. The mid-term review process provides an ideal opportunity to consider whether trade should be better represented, either as a focal or non-focal sector or as a component of other sector programmes.

4.2. Regional and/or national level activities

4.2 Bearing in mind the relevant legal bases for EC co-operation with the different regions it may also be appropriate to consider whether trade issues should be tackled through the regional or national programmes. In theory this should already be spelt out in the RSP/CSP but it is worth cross referencing to ensure an appropriate synergy between the regional and national programmes exists and to explore the scope for a national programme supporting a regional initiative and visa versa. Probably the best guide is how your partner country/ region is dealing with the issues themselves. If there is a strong regional focus and regional identity then it may be possible and desirable to tackle some issues regionally. In an increasing number of countries trade policy is in fact becoming a regional issue with the Free Trade Area of the Americas (FTAA) for example being negotiated according to regional block as well as EPAs. In many cases regions will have already set up regional bodies, for example the Caribbean regional standards body in CARICOM and regional competition bodies in COMESA and ANDEAN communities to name but a few.

4.3 There are invariably trade offs between the two. Country specific programmes have the advantage that they are tailor-made to the needs of an individual country and are more likely to be cognisant of the supporting complementary policies that will be needed. Regional programmes on the other hand will be able to take advantage of any economies of scale which may be particularly appropriate for the development of any new trade institutions such as standards bodies etc. A regional approach will also help promote regional integration as well as introduce an element of peer pressure,

Box 4.1 - Requirements for effective coordination of trade reform and TRA in country (OECD/DAC 2002)

Requirements from the partner country:

- Provide clear signals and incentives for integrated policy-making; provide for trade capacity building in medium term financial flows and budgets;
- Engage domestic and regional private sector, civil society and research community in an on-going process of policy dialogue;
- Encourage formation of a local donor group with a lead facilitator;
- Find appropriate local mechanisms for regular interaction with donors around a shared action matrix.

Requirements from donor :

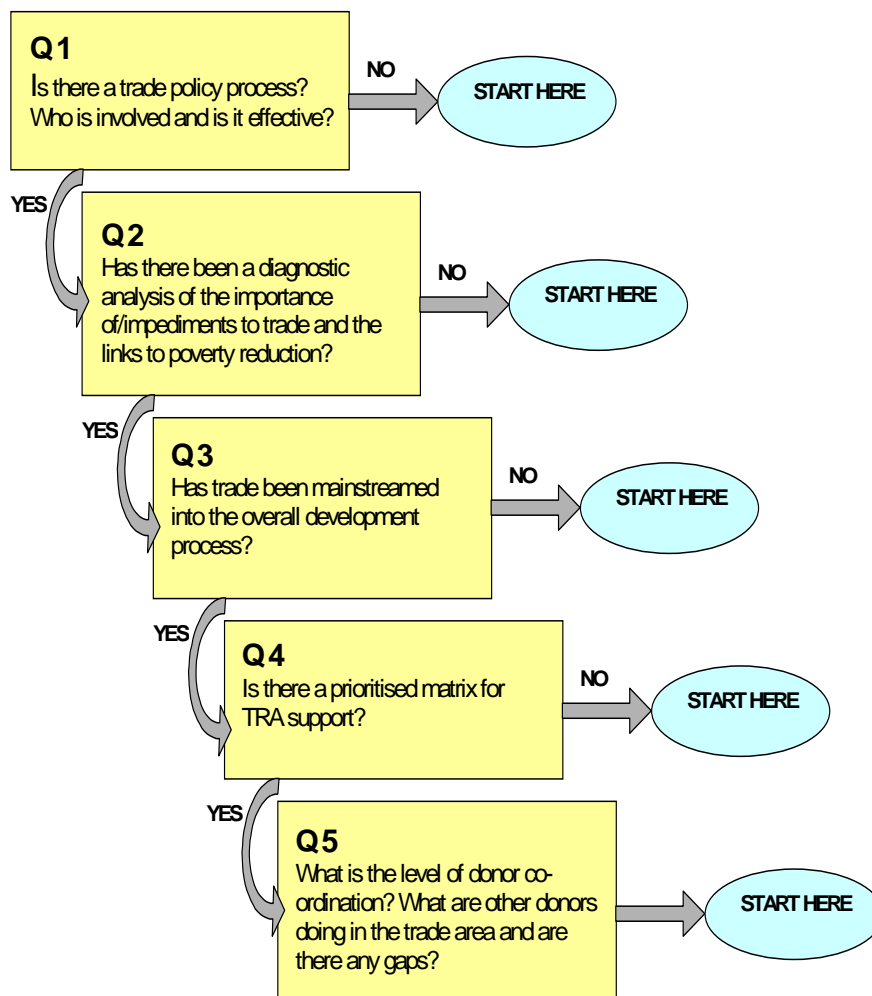
- Political commitment to the trade and development agenda in capitals; with co-ordination across government;
- Make co-ordination a central element in mission statements and incentive structures for donor actors;
- Put in place local donor groups;
- Create appropriate decision structures / delegated authorities;
- Adjust personnel selection criteria to ensure appropriate combination of skills / knowledge / personal qualities;
- Adopt the existing national development plan, or Poverty Reduction Strategies / Comprehensive Development Frameworks as the framework for donor business plans and share information;
- In advanced cases, create budget support groups;
- Harmonise donor practices around country systems wherever feasible;
- Foster mutual accountability with partners.

improve transparency and facilitate lesson learning between countries.

4.4 Careful consideration regarding sustainability is needed when looking to support and develop regional institutions. However rational the argument for supporting regional institutions unless there is a clear political commitment for a regional approach, which is backed by resources, there is a significant risk of failure. All too often regional institutions are ineffective as they lack sufficient finance to cover their core functions.

4.3. Where to start

4.5 The starting point for a TRA programme will very much depend on the country or region with which you are dealing. If there is an IF process in the country this will naturally be the place to begin (see box 4.2 on the IF process in Mauritania, Senegal and Ethiopia). Similarly if there is a well developed trade policy process and donor group this will be the place to start. In determining the appropriate place to begin the TRA programme it may help to answer the following questions in sequential order. When doing this however, remember to be realistic and factor in the circumstances of your partner country and the policy environment that you are working in.



4.6 Where it is not possible to give a positive answer to the question this will indicate the likely point of engagement. For example if there is no trade policy process this will be the first place to start (see figure 1 in section 3 above). Discuss this with your partner country. The important thing to remember is that without local ownership, which will only come through an effective trade policy process, implementing appropriate trade reform will be extremely difficult. Similarly without local ownership it is unlikely that the results of any diagnostic study will be put into use.

Box 4.2 - EC experience with the Integrated Framework (IF) in Mauritania, Senegal and Ethiopia

The EC is the lead facilitator of the IF process in the three ACP countries of Mauritania, Senegal and Ethiopia. Some key lessons have emerged. This box will detail those lessons (see box 3.1 for a general description of the IF process).

The need to ensure that the Diagnostic Trade Integration Study (DTIS) Terms of Reference (ToR) are sufficiently tailored to the countries unique situation and cover institutional issues

- The DTIS analysis should **focus more on the trade policy issues and the institutional capacity building** issues and, in a broader sense, on the creation of an enabling environment rather than sectoral issues
- The DTIS should go beyond existing studies and **focus on** the development of an **operational action plan** which can lead to the elaboration of tangible “quick start” follow up packages, including the preparation of funding and implementation modalities. The Tors should also look more carefully at the **regional dimension** and **regional integration**

The need to ensure active involvement of local stakeholders and develop a process approach

- The DTIS should be conceived in a similar way to the *Poverty Reduction Strategy Papers* (PRSP) process with all stakeholders actively involved from the conception phase. The DTIS team should be given the mandate to develop this **process approach** creating awareness and building local capacity in a way that will facilitate the mainstreaming exercise. The team should also be encourage to **build partnership with local (research or other) institutions** where they exist.
- Attention must be paid to the status of the Ministry of Trade, which often lacks resources, power and credibility within the Government to push the trade agenda and co-ordination with other Ministries, and in particular the services in charge of the PRSP process (often the more powerful Ministry of Finance or Development)

More attention needs to be given to the roles and responsibilities of the stakeholders

- The **pro-active participation together with the clarification of the role of each of the 6 IF agencies and other stakeholders is crucial** for the success of the IF and the mainstreaming of trade within the development agenda. The early appointment of the lead facilitator is crucial as is the involvement of local IF agency offices in country.
- The division of work between the IF agencies may need to be redrawn in order to avoid conflicts of interest, WTO ensures international co-ordination of the IF process, the WB should fully assume its role as lead agent in the analytical work, UNDP in a local co-ordination role, and the IMF as guarantor of the mainstreaming of trade (and trade reforms) in the PRSP; UNCTAD and ITC, as service providers, should only be involved at the implementation stage in order to avoid supply driven needs assessments

Better define IF follow-up with Action Plan implementation meetings:

- Follow up to the DTIS is critical if the momentum is to be continued
- Important to have follow-up meetings based on the **implementation of the Action Plan and mainstreaming the trade strategy**. The IF process is about mainstreaming trade in development and not about pledging new money although reallocation of resources toward trade activities may well result.
- While undertaking the analysis and developing the action plan the DTIS consultants **should assess the flexibility in ongoing programming cycles of donors**

4.7 Proper analysis is critical in order to mainstream trade into the development process and to identify appropriate and prioritised TRA needs. A diagnostic exercise will typically be required. If no analysis has been undertaken (ie IF, TPR, SIA etc) discuss with the country to determine the appropriate level of diagnostic (whether it should be a full blown analysis or a fairly quick analysis and prioritisation of the TRA needs). Again when discussing the level of analysis with your partner country it is important that they drive the process as it is important that they own the analysis and recommendations.

4.8 Annex 1 provides a model ToRs and outline for this type of analysis. However, when doing an analysis it is important to remember:

- The need for wide consultation – within government, and with the private sector, civil society and academia – and the importance of local ownership
- High calibre expertise will be needed to undertake this type of analysis. Key knowledge areas will be trade reform, trade negotiations and the MTS, economic development and poverty reduction, institutional and human resource development and policy analysis and participatory policy formulation.
- The need to build local capacity. If international consultants are used it is important for them to be linked with local partners in the interest of sustainability.

4.9 Each country will have different needs and it is important that the country develops full ownership of the support if it is to be successful. Similarly full support and engagement of the donor community will also be needed for this type of analysis. If there already is a donor group for TRA then it should be fairly easy to develop this. If not then discuss with the ministry of trade how best to get a group together. See box 4.1 for the general conditions for engagement.

4.10 Also be aware that to be executed effectively this process will take time and require proper consultation with all the major stakeholders before, during and after the process if full ownership is to be achieved. Skilful management of this process is needed if the output is to be a prioritised matrix of activities in TRA. This is not an easy exercise.

4.4. Designing TRA Programmes - Overriding principles

4.11 This section will focus on the overriding principles related to a TRA programme design. Many of the issues highlighted are common to all development programmes. Similarly it is important to remember that trade development is a long term process involving trade policy formulation, trade negotiations, implementation and, critical for economic growth, an appropriate supply response. This is why it is so critical that trade is mainstreamed into the overall development strategy as it is not desirable to tackle any one of these issues in isolation. The specifics of best practice in technical areas such as the development of the trade policy process, trade negotiations, trade facilitation etc are detailed in the various annexes to this document. The key overriding issues in TRA programme design are:

- **Demand driven.** Common to any development programme it is important that the intervention is demand driven. To an extent this should already have been covered in the RSP/CSP discussions but it is important that this is continued and that the details of the programme are according to partner demand. An issue that may need to be addressed however, is the need for awareness raising with regard to the importance of trade. In some cases awareness raising activities may be needed in order to stimulate demand in the trade area.
- **Locally owned.** Ownership is critical for any development assistance programme. This is why broad based consultation is so important if the programme is to be successfully implemented. Giving regular feedback to those consulted at all stages of the planning and implementation process will considerably help this process.

- **Institutional Sustainability**⁹. It is critical that the issue of sustainability is a central theme of any TRA support. The TRA programme in many cases will be involved in creating, enlarging or strengthening institutions ranging from ministries of trade and standards organisations to civil society and private sector institutions. More often than not these institutions need capacity building as they are under resourced. In some cases it may be necessary to develop new institutions. Building sustainable capacity means tackling resource and sustainability issues as part of the programme. These institutions should not become dependent on donor resources for operation.
- **Short vs long term support.** In practice there will be a trade off between giving immediate support for critical trade needs and building longer term more sustainable capacity. The pros and cons of each need to be carefully weighed. In some cases short term support may have a higher profile while longer term institutional support may be more effective. In other instances short term support may be more appropriate for instance if it is clear that technical skills are only needed for a limited period or if it is clear that long term sustainability will never be achievable but there is a critical short/medium term need. In practice TRA programmes are likely to contain short and long term support.
- **Flexible.** Within any developmental support there is a need for flexibility. However within the trade area this is enhanced as a result of the inherent uncertainties characteristic in the trade sector. An example is trade negotiations where the demand for specific technical advice may change as the negotiations progress. An assistance programme needs to have the flexibility to adjust to these changing demands.
- **Neutral and confidential.** Trade policy and trade negotiations are sensitive areas for developing countries. In many cases the country concerned may be negotiating with the EU on trade matters. There is clearly a need for neutrality and confidentiality in any TRA programme where it supports the development of sensitive policies. Although we will need to be able to evaluate the effectiveness of our TRA support we should respect the wishes of our partner countries if they do not wish to share the full results of certain studies or analyses. Alternative ways of assessing effectiveness may be needed such as peer group evaluation. Similarly the partner country may prefer not to receive assistance from the EC in certain sensitive areas.
- **Builds local/ regional capacity.** Where possible local consultants /experts should be used. If it is not possible to find local expertise it may help for longer term capacity building to team up local experts with international experts to facilitate knowledge sharing.
- **Co-ordinate.** Co-ordination between donors is key if the TRA programme is to effectively contribute towards the countries sustainable development. Ad-hoc uncoordinated assistance has been shown to be ineffective and is costly in terms of transaction costs for the recipient government. At its best coordination should include a common framework of assistance jointly owned by government and the donor community as well as the use of pooled or complementary financing. This has many

⁹ Sustainability in this context is referring to the continuation of activities after the intervention/ financing has ceased and not to the environmental, social and economic sustainability of the intervention as personified in the term sustainable development. Sustainable development is of course of critical importance and an overriding principle to development in general.

advantages and is likely to significantly reduce transactions cost for your partner country.

4.12 In Summary

- Make full use of the mid term review process to ensure trade is adequately reflected in the country/regional strategy as requested by COM 513.
- Ensure synergies are maximised between regional and country programmes. Carefully consider whether the issues are best tackled at a regional or country level.
- TRA programmes should be country specific. The starting point will depend on where your partner country is in the process of mainstreaming trade. Section 4.3 has a list of questions to assist in identifying the most appropriate starting point.
- Detailed and specific country analysis is critical if trade is to be properly mainstreamed and prioritised in relation to other development needs. In many cases this detailed analysis will be the first critical need.
- Common principles for TRA design are; demand driven; locally owned; sustainable; flexible; neutral and confidential; builds local/regional capacity; co-ordinated, and considers the long and short term trade offs.

5. DETAILED TECHNICAL NOTES

5.1 In section 4.3 we highlighted the need for thorough analysis of the trade policy process and the need to mainstream trade within development if a successful prioritisation of TRA needs is to be achieved. Section 4.4 then went on to identify the overriding issues common to designing TRA intervention.

5.2 Many of the detailed design issues for a TRA programme will be dependent on the specifics of the technical area that the programme will work on. For ease of reference we have developed detailed technical notes dealing with these technical areas. Please refer to the appropriate technical note.

5.1. Technical note 1 – The trade policy process

5.3 Issues include strengthening the trade policy process and institutional support to public and private sector and civil society, mainstreaming trade within the development framework, and effective participation in the MTS. The annex details: key criteria for an effective trade policy process; key issues to consider in programme identification divided by the trade policy process and trade strategy development; key issues for the consultation process; and outlines potential activities. A number of ongoing EC programmes in the area of trade policy are also detailed for reference.



"Technical note 1 -
The Trade Policy Pro

5.2. Technical note 2 – Technical standards – SPS.

5.4 The technical note details the Legal basis for SPS issues; highlights key issues in programme identification; outlines potential activities; and gives examples of ongoing EC projects in the SPS area. The annex also details key websites related to SPS and gives a contact person on SPS within the Commission.



"Technical note 2 -
SPS.doc"

5.3. Technical note 3 – Technical standards – TBT.

5.5 The technical note details the Legal basis for TBT issues; highlights key issues in programme identification; outlines potential activities; and gives examples of ongoing EC projects in the TBT area. The annex also details key websites related to TBT and gives a contact person on TBT within the Commission.



"Technical note 3 -
TBT.doc"

5.4. Technical note 4 – Trade facilitation.

5.6 The technical note details the Legal basis for trade facilitation issues; highlights key issues in programme identification; outlines potential activities; and gives examples of ongoing EC projects in the trade facilitation area. The annex also details key websites related to trade facilitation and gives a contact person on trade facilitation within the Commission.



"Technical note 4
-TradeFacilitation.doc

5.5. Technical note 5 – Investment.

5.7 The technical note details the Legal basis for investment issues; highlights key issues in programme identification; outlines potential activities; and gives examples of ongoing EC projects in the investment area. The annex also details key websites related to investment and gives a contact person on investment within the Commission.



"Technical note 5 -
TradeInvestment.doc

5.6. Technical note 6 – Competition.

5.8 The technical note details the Legal basis for competition issues; highlights key issues in programme identification; outlines potential activities; and gives examples of ongoing EC projects in the competition area. The annex also details key websites related to competition and gives a contact person on competition within the Commission.



"Technical note 6 -
TradeCompetition.do

5.7. Technical note 7 – TRIPS.

5.9 The technical note details the Legal basis for TRIPS issues; highlights key issues in programme identification; outlines potential activities; and gives examples of ongoing EC projects in the TRIPS area. The annex also details key websites related to TRIPS and gives a contact person on TRIPS within the Commission.



"Technical note 7 -
TRIPS.doc"

5.8. Technical note 8 – Customs valuations and procedures.

5.10 The technical note details the Legal basis for customs valuation issues; highlights key issues in programme identification; outlines potential activities; and gives examples of ongoing EC projects in the customs valuation area. The annex also details key

websites related to customs valuation and gives a contact person on customs valuation within the Commission.



"Technical note 8 -
Customs Valuation.doc"

5.9. Technical note 9 – Environment.

5.11 The technical note details the Legal basis for environment issues; highlights key issues in programme identification; outlines potential activities; and gives examples of ongoing EC projects in the environment area. The annex also details key websites related to environment and gives a contact person on trade and environment within the Commission.



"Technical note 9 -
Trade Env.doc"

5.12 Please Note – For trade development and work with the private sector including trade promotion; market analysis and development; business support and institutions please refer to the private sector guidelines.

6. FROM IDENTIFICATION TO IMPLEMENTATION – MAIN ISSUES

POINT OF NOTE

6.1 There are no specific implementation procedures for TRA programmes. However within the standard EC procedures we have attempted to identify key issues that should be considered. This is very much work in progress and this section of the guide will be subject to regular review and update as improved delivery mechanisms are identified and developed.

6.1. The choice of delivery mechanism

6.2 As highlighted throughout these guidelines it is important to ensure that EC assistance in the TRA area is part of a co-ordinated effort, driven by your partner country and involving all donors active in TRA. This co-ordination should start right from the first steps of the programming process, namely when the DG External Relations and DG Development country desks are preparing CSPs and indicative programmes. Already at this stage the different options for types of support should be considered, notably during any consultations with the recipient government. This co-ordinated effort will hopefully be working with the partner government on a prioritised TRA matrix developed as a result of country specific analysis. The donor community generally then has three options open for the delivery of services:

- (1) For each donor to focus on a specific TRA area in a traditional project format within a co-ordinated framework. The length of respective donor procedures could be taken into account as a means of co-ordinating actions and ensuring needs are met in a timely manner.
- (2) To develop a joint framework for delivering TRA using common procedures and reporting mechanisms – using part of the Sector Wide Approach (SWAP) methodology
- (3) To move to budget support around the PRSP/policy dialogue process.

6.3 EC regulations permitting (for example, budget support is not permitted under TACIS) the choice of delivery mechanism will depend on the circumstances in your partner country and where your partner country is with regard to integrating trade within their national development priorities. Secondly the choice of delivery mechanism will also depend on whether the country has the appropriate conditions for budgetary support – a good guide is how aid assistance in general is being delivered in the country. For instance if the country has mainstreamed trade and general support is being delivered through the budget (ie the EC is happy with fiduciary issues etc) then you should seriously consider whether trade assistance should be delivered through the budget.

6.4 This guide highlights the main issues for each delivery mechanisms and then identifies a check list to help identify the most appropriate mechanism for the delivery of TRA in your partner country

1) Traditional project support

6.5 The traditional project approach has been the standard approach for providing assistance and is appropriate when conditions are not satisfied to intervene through the budget or using common methodology/procedures. In practice this will be the default

position for most TRA activities as mainstreaming trade within development is likely to be in the early stages in most countries and the modalities for developing common procedures take considerable time to develop.

2) Common Framework (part of the SWAP methodology¹⁰)

6.6 The objectives of a sector approach are to improve the efficiency of delivering assistance to a particular sector by improving local ownership, increase coherence and minimising transaction costs for both government and donors. Experience has shown that sector programmes work most effectively where the sector is defined in terms of the budget responsibility of a single sector ministry (for example a ministry of education or health). Attempts to establish sector programmes covering more than one ministry have generally proved problematic and have not led to increases in efficiency and resource allocation¹¹.

6.7 Throughout this guide we have stressed the multisector dimension of trade. It is therefore unlikely that a true sector programme will be appropriate for trade. However, as a means of achieving some efficiency gains, over and above the traditional project approach, it may be possible to use part of the SWAP methodology together with a fairly narrow definition of the sector (ie limit the sector to one ministries responsibility). In short the donor community could use part of the SWAP methodology, with for instance the Ministry of Trade, using pooled financing and reporting procedures.

6.8 When considering this approach it will be important to consider the trade off in terms of time and resources developing a common procedure vis a vis the efficiency gains of using these common procedures. In practice these may be minimal.

3) Budgetary support¹²

6.9 There has been a significant shift towards direct budgetary support in recent years. The rationale for budgetary support is to reduce the transaction costs for donors/recipients while improving the efficiency of government systems, policy coherence and ownership. However, budget support involves a different relationship between donor and recipient with discussions around policy, priorities and budgetary allocations. If trade has been mainstreamed within the development priorities and objectives of the country and appropriate and accountable fiduciary systems exist budgetary support may well be an attractive mechanism for delivering TRA.

6.10 According to the terms of the **regulation Meda II and of the Cotonou Agreement** the countries undertaking economic reform programmes approved and/or financed by the principal multilateral donors (IBW), are regarded as being eligible for macroeconomic budgetary support financed by Community resources (Budget or EDF).¹³ On the other hand ALA regulation makes no precise reference to budgetary supporting for economic reform. However, the Council of the European Union encouraged support for the economic reform programmes in ALA countries, as well as encouraging an

¹⁰ Please refer to the Guidelines on support for Sector programmes for a full explanation of SWAP issues

¹¹ See Guidelines for EC support to Sector Programmes February 2003

¹² Please refer to the budgetary support manual for a full exploration of the issue

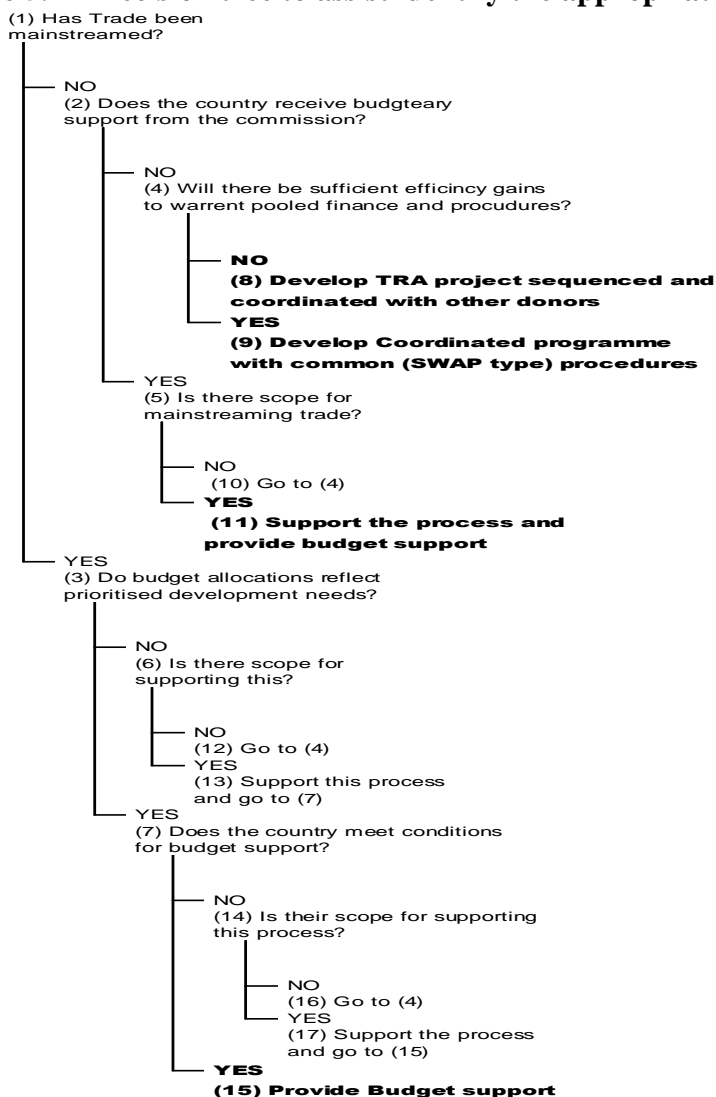
¹³ Methodological guide for the implementation of budgetary aid in the third countries ". March 2002

increase of recourse to budgetary support explicitly. With TACIS budgetary support is not envisaged under the current regulation.

6.1.1. Which delivery mechanism is appropriate?

6.11 Figure 5.1 outlines a checklist of questions to help assist in identifying the most appropriate delivery mechanism for TRA.

Figure 5.1 – Decision tree to assist identify the appropriate TRA delivery mechanism



6.12 In summary:

- Provide **budget support** if the partner country:
 - (i) has mainstreamed trade within its development objectives
 - (ii) has identified and agreed the specific trade requirements within the budget system; and
 - (iii) meets the general conditions for budgetary support (ie is receiving budgetary support from the commission already)

(In practice very few countries will have done this yet. However, over time this will change.)

- Undertake a common programme if the efficiency gains outweigh the costs associated with developing the programme
- Otherwise undertake a traditional project type approach in a co-ordinated and sequenced manner.

6.2. Contractual procedures

6.13 There are three main types of contract that will be suitable for delivering TRA programmes either within a common framework or through the traditional project approach. For direct budget support the government will be responsible for contractual procedures These three main contracts are:

- (1) **Supply contract** – aimed at the design, manufacture, delivery, assembly and commissioning of goods together with related tasks. In practice this is likely to be suitable for trade related infrastructure (such as SPS laboratories) and the supply of equipment.
- (2) **Grant contract** – for use when working with a not for profit organisation such as an NGO or international organisation. In the case of NGO's a key issue is that the contracted organisation retains ownership of project implementation.
- (3) **Service contract** – the main mechanism for TRA related activities. Service contracts are used when outside know-how from studies or technical assistance is required for the country/region. Within the service contract there are two main mechanisms to follow:
 - (a) Framework contract AMS 451 (especially lot 10, economic development)– for activities of less than €200,000 in value and less than 12 man months in duration. This procedure allows for quick disbursement and is ideally suited to project identification missions, feasibility missions and ad-hoc short term technical assistance (the framework contract is not allowed to be used for longer term technical assistance). The framework contract allows for a standardised procedure and provided that quality consultants are available assistance can be mobilised within three to four weeks. See http://europa.eu.int/comm/europeaid/tender/cadre01/index_en.htm for more information on the framework contract¹⁴.
 - (b) For activities of more than €200,000 it is necessary to use the EC standard tendering procedures (normally the restricted tender procedure, as set out in the Practical guide to EC external aid contract procedures - see under 5.14)¹⁵. The timescale for mobilising resources will be between 8 and 10 months from the date of signing the financing agreement using these procedures.

¹⁴ For ACP countries the National Authorising Officer must make a specific request for assistance mentioning the framework contract. However, Delegations do have the option of committing €80,000 for small studies/technical assistance activities at their own initiative.

¹⁵ With public bodies it is possible to avoid the tender process if a) it can be proved that it is an emergency situation, or b) it can be proved that it is the only institution with the appropriate knowledge

6.14 In practice the most likely mechanism for delivery will be the service contract. For the full details and guidelines on these contract procedures see: http://europa.eu.int/comm/europeaid/tender/gestion/pg/pg_en.pdf

6.15 Furthermore, there are various Framework Agreements between the EC and International Organisations which are applicable to projects funded by the EC. To date the EC has framework agreements with the World Bank group (including the IFC) and the United Nations family (including the ITC and UNDP). The EC is in the process of renegotiating with UNIDO, FAO and the ILO (http://www.cc.cec/EUROPEAID/g1/org_int_en.htm).

6.3. Ensuring flexibility within programme design

6.16 Flexibility in the delivery of TRA is extremely important. As highlighted in section 4.4 the need for flexibility is enhanced as a result of the inherent uncertainties characteristic in the trade sector. While some of the more long-term TRA needs are more predictable (such as long-term organisational capacity building in ministries dealing with trade issues) TRA often needs to react to unforeseen problems and unplanned events (ie food safety issues). Furthermore, in the process of developing a trade strategy new demands arise that are not initially foreseen – for example trade negotiations often change in their timing and scope.

6.17 The Commission procedures do not allow for much flexibility. Specific actions, and financial and human resources have to be defined and specified well in advance and cannot be changed unless they represent less than 10 % of individual budget lines. Processes to change project activities are often burdensome and the process for project approval and tendering is long and often encounters delays.

6.18 However, experience of working on TRA programmes has highlighted a number of practical ways of improving flexibility within the existing framework. These are:

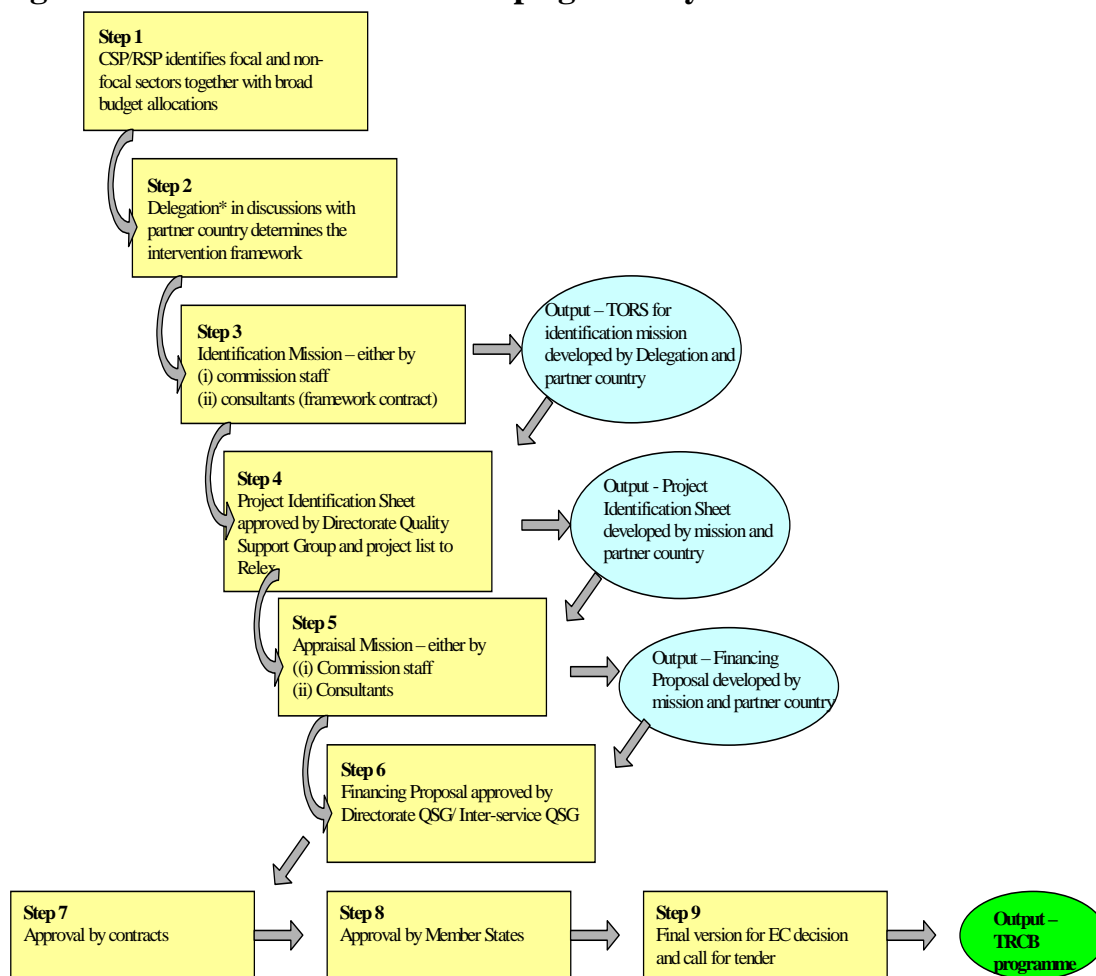
- (1) Do not be too specific too early. While it is important to agree the overall level of resources, the broad objectives, the main outputs and the type of facility being provided (e.g. consultancy, research, equipment, training etc) the development of the actual detailed workplan should not be completed until the inception phase of the programme.
- (2) Develop results oriented workplans. Rather than detailing specific actions with dates and detailed budgets lines in advance of activities, develop an annual/six month workplan that focus on key objectives, outputs and broad budget positions. This will allow greater flexibility in activities. To further enhance flexibility factor in the maximum “contingencies” that are possible.
- (3) Build in a short-term-call-down facility. It may be advisable (in addition to specifically identified projects) to build in a sufficiently large number of short term experts that do not need to be identified beforehand and which can be drawn on by the project task force or implementing organisation. The implementing agency should be requested to explain how they would mobilise this short-term expertise as part of the project organisation and methodology. The methodology should also define some minimum requirements (education, experience etc) for this short-term expertise.

- (4) A new Framework Contract focused specifically on TRA. This will include pre-qualified consultants according to specialisation. This is work in progress and is expected to be operational by December 2003.

6.4. From identification to implementation

6.19 Figure 5.2 identifies the main steps in developing a TRA programme. Prior to the identification mission it will be important to determine with your partner country where you will be focusing the intervention. In this respect it is important that you have undertaken the 'where to start' analysis outlined in section 4.3 above. The outcome of this analysis will determine the terms of reference for the identification phase and the exact make-up of the identification team. In practice you may need to use a framework contract to source expertise for the identification mission. Follow the standard format in developing the TORs but ensure the partner country is fully involved in the process.

Figure 5.2 Overview of the Commission programme cycle related to TRA



6.20 A key output of the identification and appraisal missions will be the financing proposal for presentation to the financing committee. In presenting these proposals outline the participatory processes that you have followed in developing the programme (consultations with government, private sector, civil society and other donors) and emphasise where this programme will fit within the overall development framework of the partner country. Particular emphasis should also be given to justifying the intervention in terms of the Commissions value added vis a vis other donors. The

particular mechanism for delivering the programme – service contract, supply contract, works contract or financing agreement with international organisations will be dependent on the details of the programme and the result of discussions with your partner country.

6.5. Who should deliver

6.21 The choice of delivery mechanism should be the result of discussions with your partner country. Remember the overall objective is to build local regional/country capacity. Where possible use local or regional experts rather than international consultants. If international consultants are the only option try to ensure mechanisms exist for transferring knowledge and capacity to the region - for example by linking international and local experts. Similarly explore options for joint delivery of programmes with other donors as a means of improving co-ordination with other donors and reducing your partner countries transaction costs. International organisations may have a role to play here.

6.22 There are a number of possible delivery mechanisms for TRA. These are:

6.23 **(1) The Commission services.** The Commission concentrates a high level of expertise on trade issues within DG Trade, TAXUD, SANCO, COMP, ECFIN and the Delegations (trade advisors). With the ongoing deconcentration Delegations are assuming greater responsibility for project/programme management. The role of headquarters will increasingly become that of quality control and technical back up. Commission expertise is available for project implementation, however, in practice the availability of headquarter expertise is likely to be limited to involvement in the identification and appraisal stages of programmes. Ensure that the relevant DG is consulted at the earliest possible stage to ensure the highest level of technical input and policy coherence across TRA programmes.

6.24 **(2) International Organisations:** Table 5.1 highlights the main international organisations involved in the delivery of TRA. This table is not exhaustive and there may be organisations that are not listed but with which it may be appropriate to engage. The advantages of working through an international organisation is their ability to handle large projects, their presence on the ground, and their technical knowledge. International organisations may also be working in more than one country in the region which in turn may foster regional synergies and economies of scale. Similarly if a number of donors work through an international organisation it may reduce the transaction costs for partner countries.

6.25 To balance this, however, there are a number of issues that must be considered when working with international organisations. A significant issues is overhead costs with many organisations requiring a significant management fee (up to 13% of the total budget) which reduces available resources. Additionally if the international organisation is involved early on in programme identification and design there is a risk that the intervention will be supply driven. As a general rule therefore it is advisable to only engage in discussions with an international organisation once the recipient country has agreed on the area of intervention and the appropriateness of the international organisation as a potential supplier. Another problem of co-financing with international organisations is the issue of visibility. It should however, be possible to address part of this issue through a “visibility” clause in contract agreements. Furthermore, the EC eligibility rules, limiting participation in tender procedures to nationals from the EC and the beneficiary country, usually pose a problem as they are narrower than those of

international organisations. However, for actions involving the pooling of resources from the EC and other donors where it is not possible or appropriate, the joint management procedure applies¹⁶, making it possible for the international organisation concerned to continue to apply its procurement, audit, accountancy and internal control procedures as long as these fulfil internationally accepted standards.

6.26 International organisations are contracted directly through the standard grant agreement with international organisations¹⁷. In practice many of the contractual issues will depend on whether the International Organisation has a Framework Agreement with the Commission (see table 5.1). Co-operation with international organisations with competence in trade matters is strongly encouraged by the commission (see COM 513)

Table 5.1 – Overview of the main international organisations working in TRA

Name of organisation	Activities and expertise	Contractual issues
World Bank	Trade issues are considered in a broader economic and social context of development and investment-related policies. Creation and dissemination of a core knowledge base that combines policy-relevant research, advocacy, capacity-building, training and operational support for trade at the country-level, including networking to link think tanks and trade policy makers, in-country www.worldbank.org	Framework agreement
IMF	Trade policy advice provided either in the context of country surveillance and/or programme support and considered in a broader economic and social framework. Normally will include an assessment of the key complementary policy requirements to support in-country trade reform – notably in fiscal policy and the adequacy of social safety nets. Trade-related technical assistance focused primarily on trade facilitation issues (customs administration) but also on external trade data collation. www.imf.org	None
ITC	Emphasis on enterprise-oriented aspects of trade policy and trade promotion such as business implications of multilateral and regional agreements, private sector involvement in trade policy and management of regulation-related issues by businesses. Hands-on training, assistance in data collation, analysis and institutional matters to favour private sector capability in trade policy-making, managing of regulatory issues in trade and compliance. http://www.intracen.org	Covered by UN/EC framework agreement
UNCTAD	Policy analysis on trade and investment – advocacy of developing country interests. Analysis of trade policy options in the context of economic development. Trade-related technical assistance includes training and support in trade negotiations and implementation of commitments, accessions advice and customs administration www.unctad.org	Covered by UN/EC framework agreement
UNDP	Trade policy options considered in the broader context of economic and social development. Complementary policy analysis to support trade reform. Sector specific trade assistance, in areas such as agriculture, fisheries, tourism and textiles. Private sector engagement in trade policy-making. www.undp.org	Covered by UN/EC framework agreement
WTO	Emphasis on the WTO agreements. Factual information on WTO rights and obligations of developing countries and progress in trade negotiations. Training and consultation to assist developing country members in applying the Agreements and using the WTO mechanisms. www.wto.org	None; resorts to the standard grants agreement with international organisations
UNIDO	Emphasis on assisting developing countries in the trade policy environment with a focus on industrial development . Key areas of expertise include trade facilitation and standards www.unido.org	Framework agreement in the process of being updated
UNECE	Main focus is trade facilitation although is involved in industry and enterprise and the development of standards and harmonisation policies www.unece.org	None; resorts to the standard grants agreement with international

¹⁶ See articles 53.7 and 165 of the Financial Regulation and 43 of the Implementing Rules for the Financial Regulation.

¹⁷ See http://europa.eu.int/comm/europeaid/tender/usedoc/cont_typ/index_en.htm

		organisations
UNEP	Main focus on integrated assessment of trade liberalisation and trade related policies as well as some training activities through joint UNEP and UNCTAD programme – Capacity Building Task Force (CBTF) www.unep.ch/etp/acts/capbltcp.htm for integrated assessment www.unep-unctad.org/cbtf for CBTF	Covered by UN/EC framework agreement
WIPO	Focus on intellectual property and the development of intellectual property systems www.wipo.org	None; resorts to the standard grants agreement with international organisations
WCO	Key area of trade facilitation with a focus on enhancing the efficiency and effectiveness of customs administrations. Promotes international harmonised customs procedures www.wcoomd.org	None; resorts to the standard grants agreement with international organisations
EPO	Key area Intellectual property. European body with strong links with WIPO. www.european-patent-office.org	None; resorts to the standard grants agreement with international organisations
CEN	European standards body with key focus on harmonising world standards www.cenorm.be	None; resorts to the standard grants agreement with international organisations
EOTC	European Organisation for Conformity Assessment. Independent and non-profit making European body established by the Commission, the European Free Trade Association (EFTA) and the European Standards Bodies. Key focus on promoting and developing mutual recognition of standards http://www.eotc.be	None; resorts to the standard grants agreement with international organisations
FAO	Policy expertise in agricultural reform and implications for rural development and food security. Provide policy advise and training manuals and programmes www.fao.org	Framework agreement in the process of being updated

6.27 **(3) Governmental services from Member States.** Co-operation with relevant governmental services from Member States (relevant ministries and other (semi-) public organisations) has been successfully used through the “twinning” experiences in accession countries. EU Member States give direct technical assistance using their own experts to the relevant partner organisation in a developing country. Twinning provides another example of delivering long term technical assistance. It does however, depend on the availability of technical experts from member states. Twinning will be most appropriate when a partner country has a specific problem which a MS has a comparative advantage in tackling. See box 5.1 for examples of twinning in practice.

6.28 **(4) International Experts – from Europe and the benefiting region.** International experts either as single consultants or through a consultancy firm are likely to form the backbone of trade capacity building programmes. Visibility of the EC is likely to be high. The advantages of a firm is that they will typically be able to undertake the project management function and be able to source a wide variety of experts that may well be needed.

<p>Box 5.1 – The Twinning experience</p> <p>The aim of twinning programmes is to build the institutional capacity of candidate countries that is necessary for accession to the EU. Long term secondment of member states (MS) experts to accession countries administrations is the main mechanism to achieve this. Critical to the success of a twinning project is the commitment of the accession country to enact the necessary institutional change and ensure capacity is built in a sustainable fashion. Twinning projects do not proceed unless there is a commitment from the partner country to ensure that the institution will (i) be fully functioning, (ii) be efficient and (iii) sustainable and fully funded through the budget on project completion. Experts under the twinning programme are typically civil servants or equivalent staff seconded from MS who work as pre accession advisors. Financial support for the twinings programme is supplied through the Phare programme.</p> <p>For guidelines on twinning see: http://europa.eu.int/comm/enlargement/pas/twinning/pdf/manual.pdf</p>

6.29 It is possible to source international experts from the European Union or from the beneficiary region¹⁸. Experts from developing countries can be found in private consulting companies, in research institutions and as individuals. With a view to building long-term capacity in country national expertise should be favoured as much as possible. However, since many companies and research institutions from developing countries do not themselves have the capacity to implement large technical assistance projects in trade-related areas, the options may be limited. One way to overcome this is to encourage joint initiatives between international and local consultancy firms. Selection criteria should specify this.

6.30 For short term assistance (less than €200.000 contract value¹⁹ and less than 12 man-months assistance) it is possible to use the “framework contract procedure” which became operational in 1999. For larger projects (greater than €200.000) use the standard tender procedures.

6.31 **(5) International experts registered with the EC.** It is also possible to use international experts that have registered with the EC. See the commission website http://europa.eu.int/comm/europeaid/experts/experts_en.htm for a list of experts by subject area. To date there is no specific list for trade related issues try under economic issues.

6.32 **(6) NGO’s and Academic Institutions (not for profit). It may also be possible to use NGO’s in certain areas.** For example the Legal Centre, the South-South centre, the Secretariat for Institutional Support for Economic Research in Africa (SISERA), the Africa Economic Research Consortium (AERC) and others... have technical capacity for dealing with developing country trade issues. Eligibility will need to be checked.

6.5.1. In practice:

- Headquarter Commission involvement is likely to be limited to identification and appraisal of TRA programmes.
- International organisations may be appropriate for the delivery of a programme and will be dependent on the area/skills mix that is required.
- Private experts and consultancy firms may well be required. Encourage regional/local expertise where possible. Where international companies are used encourage the development of links with local experts.

¹⁸ See http://europa.eu.int/comm/europeaid/tender/geninfo/index_en.htm for eligibility

¹⁹ the €200.000 limit applies only to the action to be undertaken through the FWC, not the overall project amount.

7. CONCLUSION

7.1 Trade and TRA have the potential to significantly benefit your partner country and to assist in its development process. To help reap the full benefits of trade it needs to be mainstreamed within the overall development framework. By doing this the appropriate priority will be placed on trade (an increase or decrease) and the importance of supply side issue highlighted.

7.2 The Commission has committed itself to provide TRA as part of its overall development effort. As a result trade is emerging as an increasingly important issue in CSPs and RSPs. However, key to success of TRA programmes is that they are demand driven and appropriate for the individual countries circumstances and needs.

7.3 This guide has attempted to highlight the main issues to consider when developing a TRA programme. However, there is no blue print to follow and each TRA programme needs to be tailored to the individual circumstance of the country concerned. We are also in the infancy of TRA with much to learn still. If we are to have any degree of success we need to learn from experience and seek to adapt our procedures and mechanisms for delivery. This guide will therefore be a living document, and be updated regularly to incorporate experience and the changing environment that we work in. Your feed-back as users will be welcome.

8. ANNEX 1 – GLOSSARY OF TERMS



"Annex 1- Glossary
of terms.doc"

9. ANNEX 2 – LINKS



"Annex 2-links.doc"

10. ANNEX 3 – TRADE STUDY DRAFT OUTLINE



"Annex 3 trade
study outline.doc"