

STRATEGY 2008–13

Sharing the benefits of trade



**Aid for
Trade**

About DFID

One in six people in the world today, almost 1 billion people, live in poverty on less than one dollar a day. In an increasingly interdependent world, many problems – like conflict, crime, pollution, and diseases such as HIV and AIDS – are caused or made worse by poverty. The Department for International Development (DFID) supports long-term programmes to help eliminate the underlying causes of poverty. DFID also responds to emergencies, both natural and man-made.

DFID's work forms part of a global promise to:

- halve the number of people living in extreme poverty and hunger;
- ensure that all children receive primary education;
- promote gender equality and give women a stronger voice;
- reduce child death rates;
- improve the health of mothers;
- combat HIV and AIDS, malaria and other diseases;
- make sure the environment is protected;

- build a global partnership for those working in development.

Together, these form the United Nations' eight 'Millennium Development Goals', which have a deadline of 2015. Each of the goals has its own measurable targets. DFID works in partnership with governments, civil society, the private sector and researchers. It also works with multilateral institutions, including the World Bank, United Nations agencies, and the European Commission.

DFID's headquarters are in London and East Kilbride, near Glasgow.

About the Trade Policy Unit

The Trade Policy Unit (TPU), created in 2007, brings together the trade and development policies of DFID and the Department for Business, Enterprise and Regulatory Reform (BERR). TPU continues the UK tradition of the past ten years of placing development at the centre of UK policy-making on trade. It works to promote an open and fair global trading system and to support developing countries to trade, adjust and integrate successfully into the global economy through Aid for Trade.

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1 foreword



Rt Hon. Douglas Alexander MP
Secretary of State,
Department for International
Development

The UK Government is deeply committed to tackling global poverty. Our vision is to support individuals, communities and countries to achieve better lives as set out in the Millennium Development Goals (MDGs).

Reaching these goals requires sustainable and inclusive growth. But such growth is never achieved without countries engaging in international trade. This is why trade and growth are now central to DFID's agenda in our efforts to contribute towards halving world poverty by 2015.

We know that more trade can result in more jobs and higher incomes. We know that trade gives access to more and cheaper goods for consumers and producers. We know that trade helps transfer vital knowledge and technologies.

But we also know that the benefits of trade are unevenly spread, and that the poorest countries have been marginalised for too long. Today they represent only 0.4% of world trade.

The UK wants to see an open and fair global trading system where developing countries, and poor producers within them, are able to take up the opportunities offered by open markets.

Our Aid for Trade Strategy is central to achieving this ambition. Based on wide consultation, it sets out how we will invest in the analysis, expertise, good practice and partnerships that will help the poorest countries and producers to benefit from the global economy.

More and better Aid for Trade, as described in this Strategy, can help dismantle the obstacles faced by poor countries in an increasingly globalised world and deliver the sustainable prosperity envisioned in the MDGs.

Rt Hon. Douglas Alexander MP
Secretary of State,
Department for International
Development



2 key messages




1

History tells us that no country has lifted itself out of poverty by turning its back on international trade. Trade drives growth. Rapid, sustained, inclusive growth is the most direct route to reducing poverty.

2

High transport costs, red tape, lack of skills, poor product standards – these are some of the many barriers which block poor countries from competing in the global marketplace.

3

Aid for Trade, a joint venture between donors and partner countries, is a proven means of helping countries to overcome those barriers – and to integrate into the global economy.

4

Donors must provide more resources to boost trade, promote regional integration and support adjustment. Partner governments must make trade central to development, working with the private sector and other parts of civil society.

5

The EU and G8 are making Aid for Trade a priority in the fight against global poverty – the UK will be contributing more than £400 million annually by 2010, most of which will be invested in Africa.

6

This investment is designed to boost trade that rewards the many – not just the privileged few – and to accelerate an international system delivering the benefits of trade to the poorest countries and producers.



3 what it is and why it matters



Without trade and growth, individuals, communities, countries and regions can't reduce poverty, and we can't achieve the MDGs. Some 80% of poverty reduction around the world since 1980 has been a result of economic growth – this has lifted as many as half a billion people out of poverty. Practically all countries that have achieved sustained economic growth have done so through trade – through integrating into more open world markets.

In Vietnam, export-led growth rates of 7–8% since the mid 1980s have reduced poverty from 58% in 1993 to 16% in 2007.

21st century global trade: unprecedented opportunities, continued challenges

In the past 30 years, developing countries have almost doubled their share of non-oil world exports, a leap from 20% to 37%. This has been accompanied by strong economic growth. More recently, developing countries have also made important gains in accessing the markets of the USA, the EU and other industrialised countries. At the beginning of the 21st century, there are therefore unprecedented opportunities for developing countries to achieve and sustain faster, inclusive growth in the medium term.

But these increases in trade and growth have been unevenly spread, with the poorest countries being more and more marginalised. In 1999, the Least Developed Countries (LDCs) together accounted for just 0.4% of world trade – half of their share in 1979. And Africa's share of global trade fell from 6% in 1990 to 2% in 2002. There are also signs within developing countries that trade liberalisation – while increasing growth overall – can raise levels of inequality. Poor people may not reap the benefits of growth, or may benefit far less than other groups.

Developing countries face big challenges to improving their prospects for growth through trade:

- high transport costs;
- cumbersome export processing procedures;
- an absence of supportive policies and regulations;
- inadequate export and trade negotiating skills;
- poor product standards and low added value production chains.

“Growth of 7% a year, sustained over 25 years, was unheard of before the latter half of the 20th century. It is possible only because the world economy is now more open and integrated.”

The Growth Report: Strategies for Sustained Growth and Inclusive Development, Commission on Growth and Development, World Bank, 2008:2

LDCs also have the poorest resources in terms of energy, telecommunications and transport infrastructure. Inadequate infrastructure is a result of poor maintenance and declining public investment, where aid has been



focused on social sectors, with limited interest or investment in infrastructure from the private sector. From 1992 to 2003, the amount of aid from Organisation for Economic Co-operation and Development (OECD) donors that was spent on infrastructure in LDCs fell by 51%, a trend particularly marked in Africa.

Sub-Saharan Africa is currently the poorest region in the world and off-track to meet most of the MDGs. African economies are small and population density is low. Sub-Saharan African GDP as a whole is less than half that of Belgium. Transport costs in Southern Africa are on average 73% higher than in the USA or Europe. And 30% of Africa's population is living in landlocked countries, compared with the world average of 1%.

African countries hardly trade between each other – 5% compared with 46% in North American Free Trade Agreement (NAFTA) countries, 55% in East Asia and 62% in the EU15 (Report of the Commission for Africa, 2005). One reason for the lack of intra-African trade is the internal tariff and non-tariff barriers to trade. Regional trade is crucial for landlocked countries – vital ports and markets in other countries in the region are an economic umbilical cord for both imports and exports.

Aid for Trade – what it can and will do

The purpose of Aid for Trade is to build the capacity of developing countries to trade, adjust and integrate successfully into the global economy. In doing so, it will contribute to increasing global prosperity and inclusive growth, helping to achieve MDG 1 (halving the number of people living in extreme poverty and hunger by 2015), as well as accelerating achievement of several other MDGs.

Aid for Trade will, for example:

- help boost trade – through funding and assistance to upgrade trade-related infrastructure, cut transport costs, improve the trade and investment climate, and support expansion and diversification of agricultural exports;
- ensure that trading and growing nations have the capacity to develop social and economic policies that enable the opportunities and benefits of trade and growth to be shared widely among their populations;

- galvanise donors to put more emphasis on trade in their work on growth, and to provide **additional** resources to help developing countries undertake necessary trade sector reforms, investments and adjustment.

As Aid for Trade is a joint venture between developed and developing countries, it can only succeed if developing countries ensure that trade is integral to their development plans. Developing countries need to design their own trade strategies and make trade a central element of their overall development efforts. They have to clearly articulate their needs and priorities, and – when these priorities meet with a response from donors – implement and evaluate programmes.

The most appropriate Aid for Trade measures, and those that will have the biggest impact, will vary from country to country. That is why Aid for Trade has to be demand driven – the priority is to deliver and implement Aid for Trade in ways that are led by the needs of each country, and in line with clearly defined national and regional priorities.



Defining 'Aid for Trade'

Aid for Trade includes the crucial reforms, investments and complementary policies that help drive sustained growth. This means:

- reforming trade policy and regulatory frameworks and implementing trade agreements;
- supporting trade promotion activities, including improving trade-related elements of the investment climate, and the 'enabling environment' for private sector development;
- developing trade-related infrastructure, including 'hardware' (sea ports, railways, roads, airports) and 'software' (transport policy, regulatory frameworks and institutions);
- building productive capacities in sectors like agriculture, services or manufacturing for export development, and increasing competitiveness in export markets;
- managing trade-related adjustment such as balance of payments support; support for adjustment to preference erosion and revenue losses; or support for diversification and economic inclusion.



4

a global demand and a global response



A global demand: what developing countries want from Aid for Trade

Aid for Trade is a response to demands from developing countries, which include:

1. More attention to trade and export-led growth in national growth and development strategies.

The Aid for Trade agenda can raise the profile of trade in national development strategies, and promote stronger leadership for reform and co-ordination by inter-ministerial teams. The Enhanced Integrated Framework (EIF) is one of the main vehicles for achieving this.

2. Greater attention to adjustment needs following trade agreements and economic integration.

Participating in the global trading system may generate adjustment needs for developing countries. These relate to issues such as preference erosion, managing macro-economic changes (such as a fall in revenues from reducing tariffs), and challenges for countries affected by rising food prices as a result of the removal of trade-distorting subsidies. Aid for Trade support can help countries to analyse adjustment needs linked to trade reform and openness, and to design and manage trade-related policies so that challenges are better managed and the benefits of trade are shared.

3. More regional approaches to trade expansion and integration.

There is huge potential for Aid for Trade to maximise the benefits of regional integration – these include reducing (often extremely high) transport costs, harmonising trade regulations across member countries and thereby reducing trade costs, and increasing markets beyond the often small domestic market-place.



The new **Enhanced Integrated Framework** (EIF) is the successor to the Integrated Framework. The UK will support the EIF with up to £38 million over the first five years of its operations. It only operates in the world's poorest countries and will help them develop their capacity to trade globally, facilitating much-needed access to markets and helping develop those sectors of the economy where the poor work. It is a prime example of a multilateral response to countries' needs for support with trade policy reforms and investments. The EIF will become operational in 2008.

4. Engagement of the private sector and other parts of civil society on Aid for Trade.

The private sector is the engine of growth and trade. Aid for Trade can help to strengthen public–private partnerships and ensure that civil society is more engaged in setting national priorities for trade. By promoting a broad-based trade agenda in-country, initiatives such as the EIF can both boost private sector participation and strengthen institutions to increase trade – including trade ministries, as well as institutions responsible for meeting global standards, export promotion or marketing.

The G7 Commitment on Aid for Trade

“We agree on a series of additional measures, working with the IFIs [international financial institutions], for developing countries to ease adjustment costs and increase their capacity to trade. We expect spending on Aid for Trade to increase to \$4bn, including through enhancing the Integrated Framework. In the context of our shared commitments to double aid for Africa by 2010, we agree to give priority to the infrastructure necessary to allow countries to take advantage of the improved opportunities to trade.”

G7 Finance Ministers, December 2005

5. Improved effectiveness in line with Paris Declaration principles.

Donor efforts should be transparent, well co-ordinated and predictable in their funding. Partner countries should manage development resources effectively, while remaining accountable to citizens and parliament for their use. The Aid for Trade initiative was conceived at the same time as the Paris Declaration on Aid Effectiveness. As such, it is infused with principles of partnership and mutual accountability between donors and developing countries.

A global response

The UK has played a lead role in developing and promoting the Aid for Trade concept, and in building up the international momentum that now lies behind it. The initiative has become widely valued across regions with multilateral and bilateral donors.

... an emerging framework

The final declaration of the 2005 World Trade Organization (WTO) Ministerial in Hong Kong called on bilateral and multilateral donors to increase Aid for Trade resources and established an Aid for Trade Task Force.

Among its recommendations, the Task Force called for a global monitoring framework to make sure that Aid for Trade pledges are fulfilled and that high-quality support is provided in line with clearly articulated priorities. Such a monitoring framework will enable better identification of Aid for Trade needs and help improve the quality and quantity of Aid for Trade investments.

... new funding targets

In parallel, the US, EU, Japan and the UK all made specific pledges for a significant expansion of their Aid for Trade spend over the medium term. These promises are part of the overall G8 commitment to boost official development assistance (ODA) flows by \$50 billion, and double aid to Africa by 2010, as well as the EU commitment for EU ODA to reach 0.7% of GDP by 2015.

Under the UK’s 2005 Presidency of the G8 and EU, the G7 made a commitment to increase Aid for Trade to \$4 billion and the EU pledged €2 billion a year by 2010. Within this framework, the UK has made the following commitment:

To increase our total Aid for Trade spending to \$750 million (£409 million) a year by 2010 – announced in 2006 by Gordon Brown. Within this investment, at least £100 million a year will be spent on the ‘narrow’ definition of Aid for Trade – covering trade policy, trade regulations and trade development.

These targets only capture some of DFID’s forthcoming investments. We anticipate higher levels of spending as DFID country offices and regional divisions set their budgets over the next three years.

Both the OECD and EU report that multilateral organisations and bilateral donors are also increasing their support towards Aid for Trade.

... dedicated strategies

In 2007, the EU adopted a joint Aid for Trade Strategy to guide implementation of its commitments. Some Member States – including the UK and the Netherlands – are developing or have developed their own strategies, as are other donors, like Norway. The World Bank has set out a seven-point plan to deliver more and better Aid for Trade.



The EU’s Aid for Trade Strategy

The objectives of the EU’s joint Aid for Trade Strategy are “to support all developing countries, particularly LDCs, to better integrate into the rules-based world trading system and to more effectively use trade in promoting the overarching goal of eradication of poverty in the context of sustainable development”.

The Strategy aims to support demand-driven trade policy reforms and the removal of supply-side obstacles so that countries can fully benefit from trade. It emphasises that Aid for Trade is a complement to – and not a substitute for – a successful conclusion of the Doha Round.



5 making it happen



What we will deliver

The overarching aim of our Strategy is:

to help boost global prosperity and inclusive growth, by expanding capacity to trade within the poorest countries and to help them integrate into the global economy, while easing the costs of this adjustment.

While we will work globally through multilateral partners, we will also work across all regions where DFID has offices or programmes, particularly focusing on sub-Saharan African, South and Central Asia and the Caribbean. The Strategy is designed to complement and contribute to the broader EU Aid for Trade Strategy. The UK's Aid for Trade Strategy has four strategic objectives, underpinned by an ambitious programme of action.

1. We will build countries' capacities to trade through national growth and competitiveness strategies.

We will scale up Aid for Trade to support the poorest countries so they can achieve faster, more inclusive and sustainable growth and increased competitiveness.

We will support governments to make trade more prominent in their development plans, and to undertake trade-related reforms and investments. We will help to build governments' capacities to negotiate favourable trade deals and implement trade reforms, while also linking up with key stakeholders, such as the private sector and civil society.

And we will invest resources, and help to leverage additional funds in order to make countries more competitive. We will do this by facilitating cross-border trade, improving product standards and export opportunities of business, as well as building infrastructure in order to cut transport costs and link producers to markets.

Throughout, we will work with other donors and multilateral participants to sharpen our tools of support, co-ordinate our efforts and link up with important initiatives. This includes supporting the analysis and proposals developed in LDCs through the EIF

and its Diagnostic Trade Integration Studies. We will seek solutions that are sustainable and that spread opportunities and benefits widely, particularly to those who are most vulnerable.

2. We will make sure trade results in poverty reduction and inclusive growth.

Aid for Trade is not just geared towards increasing trade; it aims to foster the kind of trade that will reduce poverty and promote inclusive growth. We know that the spread of benefits from trade is uneven, both between countries and within them. So, a central purpose of Aid for Trade is to assist the poorest countries, and particular groups of the poor, to reap these benefits.

We will work to clarify and communicate the relationships between trade, inclusive growth and poverty reduction. We will help develop practical tools to make sure they are tackled both in countries' growth and poverty reduction strategies, and in the programming of Aid for Trade support. We will also look at ways in which Aid for Trade can contribute to reducing gender-based and other forms of inequality, and forge potential links to improving labour standards.



We will explore the best methods for assessing impacts – aiming to maximise, for example, the value of the European Commission's Sustainability Impact Assessments and the World Bank's Poverty and Social Impact Analysis. We want to see poverty analysis and impact assessment embedded in trade agreements and in the Aid for Trade system and programmes.

We will contribute to analysis and development of complementary policies which help countries – and particular groups within them – adjust to the negative effects of trade.

Economic Partnership Agreements

Economic Partnership Agreements (EPAs) are trade agreements between the EU and African, Caribbean and Pacific (ACP) countries. They aim to support the development of ACP economies and their gradual integration into global markets. They are also intended to support regional integration. EPAs offer better market access into Europe for ACP producers and are compatible with WTO trade rules. Those signing EPAs will benefit from improved Rules of Origin, including much-simplified requirements for exporting, for example, textiles and fish. In return, ACP partners will liberalise some 80% of their tariffs for EU imports over a period of up to 25 years.

3. We will facilitate regional trade and integration and ensure that EPAs are beneficial for ACP partners.

Regional Aid for Trade is a high priority for many developing countries, and is particularly vital for those that are small and landlocked. It boosts inter-regional trade and it helps to connect 'lagging regions' to markets, transmitting growth spill-overs from trade 'hubs', such as China, India, South Africa, Kenya and Nigeria.

We will co-operate with the EC and EU partners as part of the EU Aid for Trade Strategy. We will work with the World Bank through its new African Regional Integration Assistance Strategy and with other donors, including the regional development banks. Within DFID, we will strengthen our regional platforms and advisory networks in key regions.

Stepping up our regional engagement, we will endeavour to:

- strengthen regional economic organisations, and support regional policy harmonisation – working with organisations such as the East African Community (EAC), Common Market for Eastern and Southern Africa (COMESA) and Southern African Development Community (SADC) in Africa, and Caribbean Community/Caribbean Forum of

African, Caribbean and Pacific States (CARICOM/CARIFORUM) in the Caribbean;

- support regional trade facilitation programmes to increase cross-border trade and regional integration, especially in sub-Saharan Africa and South and Central Asia;
- invest in regional energy and transport infrastructure in order to reduce costs and help get goods to markets;
- leverage the regional payoffs from major infrastructure investments by the EC, China and the multilaterals, particularly through the Infrastructure Consortium for Africa (ICA).

A priority will be working with EU partners to support successful implementation of the new EPAs, which we want to deliver sustainable benefits for ACP countries and regions. We will help to build the capacity of these countries to analyse and negotiate favourable deals. We will also explore options to promote EPA implementation and adjustment needs in line with the EU Aid for Trade Strategy.

4. We will build an international system that delivers more and better Aid for Trade.

We will continue to help shape the global debate on Aid for Trade, and make sure there is a coherent and effective international system to deliver, monitor and evaluate this global agenda. Leading by example, we will honour our global commitments on Aid for Trade and call on others to fulfil theirs.

We will work together with the World Bank, the regional development banks, the European Commission, OECD and G8 in taking forward their Aid for Trade ideas and programmes. We will support the establishment of better monitoring frameworks to improve the quantity, quality and impact of Aid for Trade – working with partners such as the OECD and WTO.

We will work for a successful start-up and effective operation of the EIF in order to improve trade-related technical assistance and investments in LDCs.

We will help provide consistent and clear messages on Aid for Trade in international fora and promote better understanding of Aid for Trade within the UK Government and its stakeholders. We will also develop our own skills to deliver effective advice and support.



Aid for Trade in action at country level



One Stop Shop

Lesotho is a small, landlocked country in Africa and is heavily dependent on trade with others. However, trade is constrained by significant delays and barriers at borders. A DFID-funded trade investment facility, the One Stop Shop, was launched in 2007 and has helped cut red tape and make trade easier. Now export applications are processed in 15 minutes rather than seven days, and exporters need only fill in two pages of forms instead of 23.

Meeting international standards

The fisheries export sector is the mainstay of the **Mozambican** economy. The industry supports more than 70,000 people. Without the valuable foreign exchange earned through fisheries, the country would find it hard to pay for its imports. Through DFID's Regional Standards programme, we have helped the fisheries industry to maintain its EU standards accreditation, safeguarding exports to the EU.

Securing trademarks

Ethiopian farmers are the first to feel the weight of fluctuating world coffee prices. Working with non-governmental organisations (NGOs) and the Ethiopian Intellectual Property Organisation, DFID has supported the establishment of a licensing programme. The programme has helped to secure trademarks for Ethiopia's fine coffee brands in 28 countries, and more are coming on board. By marking and licensing valuable coffee brand names, Ethiopia improves its coffee export income and its coffee producers also get more back for their efforts.

Aid for Trade in action at country level

(continued)

Promoting labour and health standards

In **Bangladesh**, DFID and the International Finance Corporation are assisting the ready-made garment sector to boost the industry's image through compliance with labour and health standards. As many as 600 factories have completed compliance audits and the sector's association has developed a compliance audit mechanism. As a result, garment exports have improved productivity, in the face of increasing competition, with a 14% increase in sales turnover of assisted companies.

Aid for Trade in action ensuring poverty reduction and inclusive growth



EU Aid for Trade Strategy

The **UK** and **Sweden** have been asked by the European Commission to take the lead in strengthening the pro-poor focus of the EU Aid for Trade Strategy. This will include setting out and clearly communicating the relationship between trade, trade-related assistance, poverty reduction and inclusive growth. The initiative will also provide toolkits and other practical assistance to help Member States, partner countries and other stakeholders implement Aid for Trade.

Trade policies – reflecting the priorities of the poor

DFID **India** has had a £5 million programme with the Indian Ministry of Commerce and the United Nations Conference on Trade and Development (UNCTAD) since 2003. The programme aims to make India's trade policies reflect the priorities of poor and vulnerable groups. It has secured broad consultation and participation in policy dialogue, and has helped inform the Government of India of the impacts of its trade policy decisions.

Aid for Trade in action at regional level



Harmonising trade regulations

Through supporting the EAC-COMESA-SADC Joint Task Force, DFID has facilitated an agreement between the three regional economic communities (RECs) to streamline all their trade regulations and harmonise them across all of their member countries. This includes:

- a single customs document;
- harmonised rules of origin;
- joint standards;
- joint early warning responses for pests and disease;
- the development of a common programme for the free movement of peoples across the three RECs;
- agreement to explore a single common external tariff.

The first One Stop Border Post in Africa

By providing strategic technical assistance through COMESA, DFID has helped Zambia and Zimbabwe to introduce Africa's first One Stop Border Post (OSBP) at the Chirundu border, one of the busiest borders on the continent. Now that the OSBP is a legal entity, DFID is working through COMESA with Zambia and Zimbabwe to make it operational. Once open, it will cut border delays from three days to three hours.

Cutting transport costs in Southern Africa

Transport costs in Southern Africa are 73% higher than those in the EU. These high costs undermine the competitiveness of African produce. The DFID-supported Regional Trade Facilitation Programme (£16 million since 2004) aims to tackle this problem by working with the EAC-COMESA-SADC Joint Task Force on the first regional Aid for Trade initiative in Africa. The initiative will reduce bottlenecks and cut trade times by 10% along the North-South corridor. This is the busiest corridor in Southern and Eastern Africa, connecting Tanzania,

Burundi, Malawi, Zambia, the Democratic Republic of Congo, Zimbabwe, Botswana and South Africa. DFID support is used for technical assistance, small infrastructure investments and repair, and for leveraging larger infrastructure from the multilaterals and private sector. DFID will also support a major financing conference for this corridor in early 2009 to attract further funding and political support.

Improving conditions for trade and investment in the Caribbean

DFID Caribbean is establishing a £10 million growth and innovation Challenge Fund. The fund will promote public-private dialogue and support the private sector across the Caribbean to gain access to new markets – particularly in the EU – through developing innovative products and services. It will help governments, in the context of EPAs, to design and implement policies that promote regional trade, investment climate reforms and economic growth.

Making a success of Economic Partnership Agreements

EPAs have quickly become a reality in ACP countries since 2007. In order to strengthen ACP negotiating capacity, DFID has extended technical and financial assistance to negotiating teams in the Economic Community of West African States (ECOWAS) for West Africa, the Caribbean Regional Negotiating Machinery, and EAC-COMESA-SADC covering Eastern and Southern Africa. Support has also been given to countries like Botswana, Lesotho, Namibia, Nigeria and South Africa – for example, to help NGOs and the private sector to have a voice in the negotiations process, as well as to help governments with their capacity. DFID has also supported international NGOs and think tanks to examine the impact of emerging EPAs on ACP countries and regions, and assisted the ACP Secretariat to develop a position on rules of origin – trade rules which can greatly restrict trade.

Aid for Trade in action at an international level

Investing in infrastructure and enterprise

DFID is playing a strategic role through the Infrastructure Consortium for Africa in leveraging public and private investment in economic infrastructure. DFID is also contributing €10 million through the European Investment Bank (EIB) Trust Fund for the EU–Africa Infrastructure Partnership, and £6 million to the African Development Bank Infrastructure Project Preparation Facility (IPPF).

Working in partnership with African governments, DFID is promoting improvements in the climate for private sector development through the Investment Climate Facility – to which we have committed £17 million to date.

Through our support to challenge funds – such as our contribution of £10 million to the new Africa Enterprise Challenge Fund – DFID is also working to provide incentives for the private sector to make innovative investments in productive sectors, which can have dramatic effects on making markets work better for poor people.

Working with multilaterals: the Multi-Donor Trust Fund for Trade and Development

The \$29 million, three-year facility helps partner countries prepare and implement trade strategies as part of wider strategies to reduce poverty. The Trust Fund has helped to focus the World Bank on trade issues, in line with DFID's objectives for multilaterals, at country level as well as at headquarters. Other donors, such as Sweden and Norway, are now supporting the Fund.

In Africa, the Fund will focus on reforming trade policy in three countries (Côte d'Ivoire, Madagascar and Tanzania). In Tanzania, the Fund helps implement recommendations from the Diagnostic Trade and Integration Study, an analysis of the obstacles to trade from a country perspective. Centrally, the Trust Fund is a lead resource on innovative trade research and analysis, and on developing tools for trade and development.

How we will deliver

Our strategy will be informed by principles based on best practice and by using the most effective channels for implementation following the spirit of the Paris Principles on Aid Effectiveness. We will use a variety of means to implement Aid for Trade.

We will work through DFID's country offices and regional divisions, offering direct support to the budgets of partner governments and to specific projects and programmes. We will also develop partnerships with other donors through sector-specific funds or joint funding arrangements.

And we will work in close partnership with key multilateral organisations like the World Bank, European Commission, the EIB, the African Union (AU), African, Asian and inter-American development banks, WTO and UN agencies. Collectively, these organisations have substantial resources, analytical skills and tools, as well as a presence in many countries. Through core funding and support for specific joint projects and trust funds, we want to build and share good practice, jointly develop skills and know-how on Aid for Trade, seek the most effective solutions and turn shared commitment into shared endeavour.

We will engage actively with multilateral trust funds, such as the EIF and the World Bank Multi-Donor Trust Fund for Trade and Development. We will also work through international partnerships, such as the ICA, the Investment Climate Facility and the EU–Africa Infrastructure Partnership. Such vehicles bring together expertise and resources around specific areas of Aid for Trade.

We will step up our regional support, helping to strengthen regional economic and integration institutions such as the secretariats of CARICOM/ CARIFORUM, COMESA, EAC, ECOWAS and SADC.

Our policy must be based on solid evidence and robust research. This is why we will continue to work with think tanks, NGOs and academia to sharpen tools, evidence and analysis, and support research, advocacy, policy development and training with partner countries.



Where is our support going?

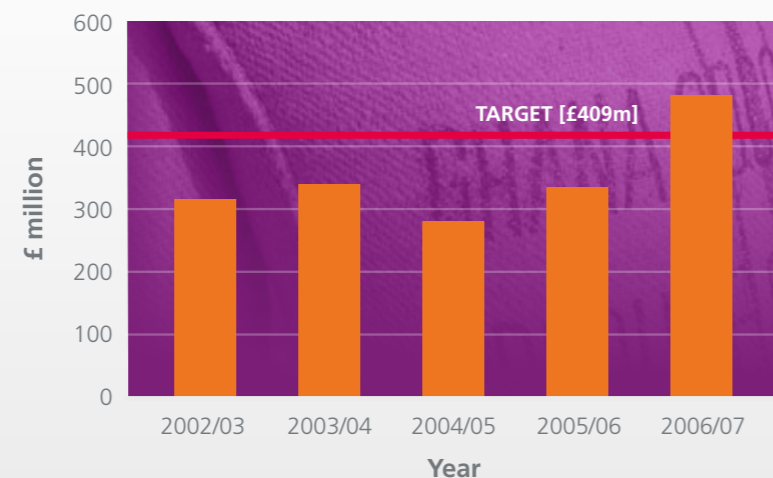
DFID will provide at least £409 million annually on Aid for Trade by 2010. This is a minimum target and it is likely that we will invest more during DFID's current three-year budget cycle (2008–11).

Around 70% of our resources will be spent through multilateral partners, with the remainder spent through our partner countries and regions. A small central pot of resources will be used to further the global Aid for Trade agenda and encourage progress at international level.

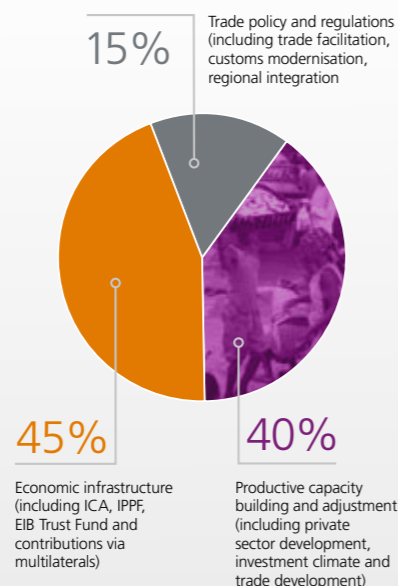
The first pie chart gives an indication of how DFID's Aid for Trade resources will be allocated in the next five years according to the three broad OECD categories. (It is indicative only, as country offices and regional divisions are yet to programme all of their resources.)

The second pie chart shows the approximate geographical spread of DFID's country and regional spend. The lion's share is going towards sub-Saharan Africa, where most of DFID's partner countries are located.

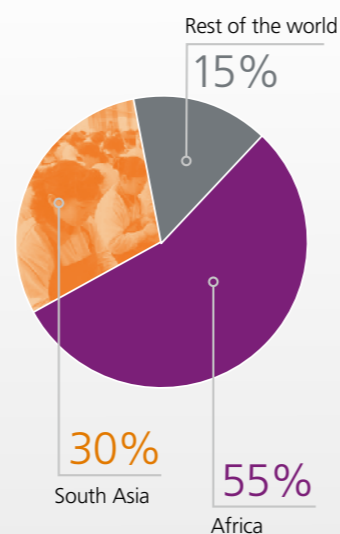
UK Aid for Trade total resources 2002–07



UK Aid for Trade expenditure profile 2008–13



UK Aid for Trade geographical spread



List of acronyms and abbreviations

ACP African, Caribbean and Pacific (group of states)

AU African Union

BERR Department for Business, Enterprise and Regulatory Reform

CARICOM/CARIFORUM Caribbean Community/Caribbean Forum of African, Caribbean and Pacific States

COMESA Common Market for Eastern and Southern Africa

DFID Department for International Development

EAC East African Community

ECOWAS Economic Community of West African States

EIB European Investment Bank

EIF Enhanced Integrated Framework

EPA Economic Partnership Agreement

EU European Union

GDP Gross Domestic Product

ICA Infrastructure Consortium for Africa

IFI International Financial Institutions (group of states)

IPPF Infrastructure Project Preparation Facility

LDC Least Developed Country

MDG Millennium Development Goal

NAFTA North American Free Trade Agreement

NGO Non-Governmental Organisation

ODA Official Development Assistance

OECD Organisation for Economic Co-operation and Development

OSBP One Stop Border Post

REC Regional Economic Community

SADC Southern African Development Community

TPU Trade Policy Unit

UN United Nations

UNCTAD United Nations Conference on Trade and Development

WTO World Trade Organization

For more detailed information
about DFID's work, visit the website:

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