Knowledge exchange programme on Aid for Trade finance for sustainable land management

A manual for least developed countries
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ISBN

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<th>Description</th>
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<tbody>
<tr>
<td>ACP</td>
<td>African, Caribbean and Pacific</td>
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<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
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<td>AfDB</td>
<td>African Development Bank</td>
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<tr>
<td>AfT</td>
<td>Aid for Trade Initiative</td>
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<td>BMZ</td>
<td>German Federal Ministry for Economic Cooperation and Development</td>
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<tr>
<td>CAADP</td>
<td>Comprehensive Africa Agricultural Development Programme</td>
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<tr>
<td>CBD</td>
<td>Convention on Biological Diversity</td>
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<tr>
<td>CEPs/REPs</td>
<td>Country and Regional Environmental Profiles</td>
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<tr>
<td>COMESA</td>
<td>Common Market for Eastern and Southern Africa</td>
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<tr>
<td>COP</td>
<td>Conference of the Parties</td>
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<tr>
<td>CRS</td>
<td>OECD Creditor Reporting System</td>
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<td>CSPs/RSPs</td>
<td>Country or Regional Strategy Papers</td>
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<td>DAC</td>
<td>Development Assistance Committee</td>
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<td>DF</td>
<td>Donor Facilitator</td>
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<td>DFID</td>
<td>Department for International Development (UK)</td>
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<td>DIFS</td>
<td>Designing Integrated Financing Strategies</td>
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<td>DIT</td>
<td>Development Initiative for Trade (Japan)</td>
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<td>DTIS</td>
<td>Diagnostic Trade Integration Study</td>
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<tr>
<td>EAC</td>
<td>East African Community</td>
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<td>EC</td>
<td>European Commission</td>
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<td>ECCAS</td>
<td>Economic Community of East African States</td>
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<td>ECOWAS</td>
<td>Economic Community of West African States</td>
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<tr>
<td>EDF</td>
<td>European Development Fund</td>
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<tr>
<td>EIF</td>
<td>Enhanced Integrated Framework</td>
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<td>EIFSC</td>
<td>EIF Steering Committee</td>
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<td>EIFTF</td>
<td>EIF Trust Fund</td>
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<td>EPA</td>
<td>Economic Partnership Agreement</td>
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<td>ES</td>
<td>Executive Secretariat</td>
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<td>EU</td>
<td>European Union</td>
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<td>FAO</td>
<td>Food and Agriculture Organization of the United Nations</td>
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<td>FP</td>
<td>Focal Point</td>
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<td>GEF</td>
<td>Global Environment Facility</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GDPRD</td>
<td>Global Donor Platform for Rural Development</td>
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<tr>
<td>GM</td>
<td>Global Mechanism</td>
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<tr>
<td>GTZ</td>
<td>Deutsche Gesellschaft für Technische Zusammenarbeit</td>
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<tr>
<td>IBRD</td>
<td>International Bank for Reconstruction and Development</td>
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</table>
IDA  International Development Association
IDB  Inter-American Development Bank
IF  Integrated Framework
IFAD  International Fund for Agricultural Development
IFS  Integrated Financing Strategy
IIF  Integrated Investment Framework
IMF  International Monetary Fund
IsDB  Islamic Development Bank
ITC  International Trade Centre
ITFC  International Islamic AfT finance Corporation
LAC  Latin American and the Caribbean
LDCs  Least Developed Countries
M&E  Monitoring and Evaluation
MCC  Millennium Challenge Corporation
MDGs  Millennium Development Goals
MDTF-TD  Multi-donor Trust Fund for Trade and Development
NAP  National Action Programme
NDP  National Development Plan
NEPAD  New Partnership for Africa
NGO  Non-governmental Organization
NIA  National Implementing Arrangement
NIPs/RIPs  National or Regional Indicative Programmes
NIU  National Implementation Unit
NSC  National Steering Committee
NWFP  Non-wood Forest Products
ODA  Official Development Assistance
OECD  Organisation for Economic Co-operation and Development
OIC  Organisation of the Islamic Conference
PER  Public Expenditure Review
PPGs  Project Preparation Grants
PRSP  Poverty Reduction Strategy Paper
REC  Regional Economic Community
SADC  Southern African Development Community
SEN-SAD  Community of Sahel-Saharan States
SLM  Sustainable Land Management
SPS  Sanitary and Phytosanitary
STDF  Standards and Trade Development Facility
SWApS  Sector-wide Approaches
TCB  Trade Capacity Building
TFF  Trade Facilitation Facility
TFM  Trust Fund Manager
TRA  Trade-related Assistance
TRTA  Trade-related Technical Assistance
UNCCD  United Nations Convention to Combat Desertification
UNCED  United Nations Conference on Environment and Development
UNCTAD  United Nations Conference on Trade and Development
UNDP  United Nations Development Programme
UNFCCC  United Nations Framework Convention on Climate Change
UNIDO  United Nations Industrial Development Organization
UNOPS  United Nations Office for Project Services
USAID  United States Agency for International Development
WAEMU  West African Economic and Monetary Union
WB  World Bank
WTO  World Trade Organization
About the Global Mechanism

The Global Mechanism (GM) specializes in providing advisory services to country parties of the United Nations Convention to Combat Desertification (UNCCD) on up-scaling finance for sustainable land management (SLM). Within its mandate, the GM is explicitly requested by the Conference of the Parties (COP) and by the Ten Year Strategic Plan and Framework to Enhance the Implementation of the UNCCD 2008-2018 to explore and promote new financial sources such as trade.

In response, the GM has engaged in the Aid for Trade (AfT) Initiative, which provides a global framework in which donors, partner countries and development institutions have agreed to work together to articulate a broad range of development activities (including agriculture and rural development) within a comprehensive, cross-sectoral global trade development strategy. Essentially, AfT is about strengthening developing countries’ productive capacity and tackling their supply-side constraints, as well as their needs in trade-related infrastructure. From a financial point of view, AfT refers to all official development assistance (ODA) finance for trade development, independently from the sectors where it is channelled.

In this context, the GM is focusing on AfT flows to the agricultural sector, with a view to channel investments to SLM issues. This focus builds on the fundamental role of SLM in determining the quantity, quality and sustainability of agricultural production – in other words, the capacity of the agricultural sector to feed the population in developing countries, to generate an income for rural producers and to provide a stable and quality supply that meets market demand.

The GM’s services to support the mobilization of AfT resources for SLM are mainly provided at the country (and partly at regional) level. Services are also supported by the GM’s strategic engagement at the global level.

GM services at country level
- Support policy dialogue and awareness raising on the inter-sectoral synergies between trade and SLM;
- Support all the activities described in Chapter 6 – including national context analysis, mainstreaming and partnership building activities – by providing technical backstopping and financing for background studies and assessments (e.g. of AfT flows to the SLM relevant sectors, especially agriculture, in a given country);
• Support all the activities described in Chapter 7 – including the identification of trade and SLM priorities and the related financing sources, and the design of trade and SLM projects – by providing technical backstopping, financing inter-sectoral expert consultation, providing catalytic funding for inter-sectoral project design and mobilizing resources for inter-sectoral project financing;

• Build networks and partnerships with donors and development partners to provide technical backstopping and financial support to the development, implementation, replication and up-scaling of inter-sectoral initiatives that simultaneously address trade and SLM.

GM support to countries is often delivered with the help of National Trade and SLM Advisors who are able to facilitate the entire process described in Chapters 6 and 7, and to provide related technical assistance where needed.

GM services at regional level
GM services at regional level mainly consist of organizing knowledge exchange initiatives (e.g. workshops) to raise awareness and strengthen institutional knowledge and capacity on AfT finance for SLM.

GM services at global level
• Engage in policy dialogue on AfT, particularly AfT to agriculture;

• Conduct research on AfT delivery, implementation and allocation modalities;

• Develop and publish papers on the linkages between trade, agriculture and SLM;

• Organize/attend workshops and seminars to stimulate discussion on trade, agriculture and SLM;

• Lobby with trade-related institutions, particularly the Geneva-based institutions (e.g. WTO, ITC, UNCTAD) to mainstream SLM issues in their activities;

• Lobby with agriculture and environment institutions (e.g. IFAD, FAO, the Global Donor Platform for Rural Development (GDPDRD), the Global Environment Facility – GEF) to promote their engagement in AfT;

• Network and build partnerships with international institutions to provide technical backstopping and to finance country-based initiatives;

• Promote the development and implementation of integrated approaches to build synergies across sectors.

All Least Developed Countries (LDCs) engaged in developing an Integrated Financing Strategy are entitled to receive GM assistance to mobilize AfT resources for SLM. Please submit any questions or requests for additional information or further assistance to the GM Market Access and Trade Programme team.
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About this Manual

The Knowledge Exchange Programme on Aid for Trade finance for Sustainable Land Management manual is a reference tool explaining the instruments and approaches to be used to mobilize AfT resources for SLM in LDCs. It is part of the GM Programme on Designing Integrated Financing Strategies (DIFS) for SLM.

Objective. The objective of this manual is to help SLM stakeholders, particularly the UNCCD focal point institutions (i.e. agriculture and environment ministries), to engage in AfT in order to pool AfT related resources with those of other sectors to fund projects, programmes and priority actions contributing to SLM and UNCCD implementation in a given country.

During the formulation of the integrated financing strategy (IFS) for SLM, country partners can use this manual as a roadmap to develop a trade component that builds on existing processes to support trade development and whose aim is to mobilize AfT related resources and pool them in the IFS package. Such a roadmap will ensure that:

- the trade component in the IFS is rooted under AfT implementation in the country;
- the key elements for designing the IFS trade component are elaborated based on existing processes to support trade development;
- the processes of consultation, partnership building, coordination and awareness raising are undertaken concurrently with the development of the IFS trade component;
- the contributions of the different stakeholders are integrated in the development of the IFS trade component in order to make it the result of a participatory and inter-sectoral process.

Users. The target group of this manual is primarily government officials of LDCs, particularly those involved in UNCCD implementation in their respective country. These include officials from different ministries, in particular from the agriculture, environment, trade, finance, planning and development ministries. Other potential users include donors, civil society organizations and private-sector and international organizations involved in AfT and/or in rural development and sustainable natural resource management.
**Learning outcome.** The learning outcome of this manual is to enable the users to engage in AfT implementation in LDCs with a view to increasing AfT investments in trade projects and programmes which also benefit rural development, food security and the environment. In particular, the manual is expected to allow users to achieve:

- understanding of trade-SLM linkages and of related impacts on food security and poverty reduction;
- understanding of AfT and its implementation in LDCs through the Enhanced Integrated Framework (EIF);
- understanding of AfT-related financing;
- capacity to engage trade stakeholders in IFS development;
- capacity to engage SLM stakeholders in AfT and EIF implementation at country level;
- understanding of the resource mobilization process and capacity to apply it in the country context.

**Structure.** The structure of the manual is twofold. The first part (Chapters 1-3) has a more narrative approach and is meant to provide the background knowledge and conceptual instruments to understand SLM and trade linkages, as well as the related financing frameworks. The second part has a more didactic approach and is meant to provide practical information on AfT implementation in LDCs and on the related financing instruments and mechanisms (Chapters 4-5) and to describe the practical steps to mobilize AfT resources for SLM (Chapters 6-7). Each module includes examples and suggestions for further reading.
Chapter 1

An introduction to the integrated financing strategy

Objective
The objective of this chapter is to set the context for the manual and to provide the basic concepts for understanding SLM financing modalities.

Learning outcomes
By the end of the chapter, you will achieve a good understanding of the IFS concept, goal and objectives.

Key elements

1.0 Overview
1.1 The UNCCD in the changing context of international development financing
1.2 Towards a programmatic approach to UNCCD implementation
1.3 Resource mobilization through the integrated financing strategy
1.4 Developing the integrated financing strategy
1.5 Implementing the integrated financing strategy
1.6 Inter-sectoral synergies under the integrated financing strategy

1.0 Overview
This first chapter explains the impacts of the evolving context of international development financing on UNCCD implementation and on the mobilization of resources for SLM. The chapter introduces IFS as a process for resource mobilization that looks at inter-sectoral synergies as the foundation of UNCCD implementation and SLM financing.

1.1 The UNCCD in the changing context of international development financing
In 1992, the United Nations Conference on Environment and Development (UNCED), also referred to as the Earth Summit, was held in Rio de Janeiro, Brazil and brought global attention to the link between the environment and socio-economic development. The principal outputs of that Summit were the Rio Declaration on Environment and Development, the Agenda 21 (a 40-chapter programme of action on sustainable development), the United Nations Framework Convention on Climate Change (UNFCCC), the Convention on
Biological Diversity (CBD), the Statement of Forest Principles and the agreement that an intergovernmental process would be launched by 1994 for developing a Convention to address the problems associated with desertification.

The UNCCD The United Nations Convention to Combat Desertification in Countries Experiencing Serious Drought and/or Desertification, Particularly in Africa (UNCCD) – in short the Convention to Combat Desertification – was adopted in Paris on 17 June 1994 and entered into force on 26 December 1996. The UNCCD effectively contributes to poverty reduction, as called for by the Millennium Development Goals (MDGs). To be successfully achieved, the implementation of the Convention needs to become an integral part of the national development agenda of the affected countries. Currently, 193 countries and the European Community have ratified, acceded or accepted the Convention, making the UNCCD one of the most globally subscribed Conventions.

The Global Mechanism The Convention established the GM as the financing mechanism mandated to maximize the availability of funding for affected developing countries which are members of the UNCCD to implement the Convention. The mandate of the GM is “to increase the effectiveness and efficiency of existing financial mechanisms, [and] to promote actions leading to the mobilization and channelling of substantial financial resources, including for the transfer of technology, on a grant basis, and/or on concessional or other terms, to affected developing country Parties (Article 21.4)”. The GM was established in 1998 and is hosted by the International Fund for Agricultural Development (IFAD). Since it became operational in 2000, the GM has been working globally, piloting various approaches for mobilizing resources; and in this period there has been an evolution in the modalities, procedures and tools related to international development financing.

The Monterrey Consensus In 2002, the United Nations International Conference on Financing for Development was convened to focus on the necessary financing means required to achieve the MDGs. In the resulting Monterrey Consensus, developed and developing countries committed to address a number of issues related to financing for development, which include:

- mobilizing domestic financial resources;
- mobilizing international resources: foreign direct investment and other private flows;
- international trade as an engine for development;
- increasing international financial and technical cooperation for development;
- external debt; and
- addressing systemic issues: enhancing the coherence and consistency of the international monetary, financial and trading systems in support of development.

1 "The Agenda 21 is a comprehensive blueprint of actions to be taken globally, nationally and locally by organizations of the UN, governments and major groups in every area in which humans have an impact on the environment.” http://www.un.org/esa/dsd/agenda21/
The Paris Declaration on Aid Effectiveness Following up on the commitments made at Monterrey, the international community further determined (in Rome, 2003) to align development aid according to the strategies of partner countries, to harmonize policies and procedures and to apply sound practices in development cooperation. This led to the “Paris Declaration on Aid Effectiveness”, which was adopted in 2005 to continue to increase efforts in harmonization, alignment and managing aid for results. The Paris Declaration recognizes that for aid to become truly effective, stronger and more balanced, accountability mechanisms are required at different levels. At the international level, the Paris Declaration constitutes a mechanism in which donors and recipients of aid are held mutually accountable and for which compliance in meeting the commitments is publicly monitored. At the country level, it encourages donors and partners to jointly assess mutual progress in implementing agreed commitments on aid effectiveness by making best use of local mechanisms.

Box 1: Improving aid effectiveness

<table>
<thead>
<tr>
<th>Donors</th>
<th>Partner Countries</th>
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<tbody>
<tr>
<td>• Simplify procedures and systems</td>
<td>• Exercise effective leadership over</td>
</tr>
<tr>
<td>• Harmonize procedures</td>
<td>development policies and strategies and</td>
</tr>
<tr>
<td>• Align procedures to partner systems</td>
<td>coordinate development actions</td>
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<tr>
<td>• Share information</td>
<td>• Translate national development strategies into prioritized</td>
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<tr>
<td>• Untie aid</td>
<td>results-oriented operational programmes as expressed in</td>
</tr>
<tr>
<td>• Respect national priorities and strategies</td>
<td>medium-term expenditure frameworks and annual budgets</td>
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<tr>
<td>• Strengthen local capacity</td>
<td>• Improve the enabling policy, and</td>
</tr>
<tr>
<td>• Use a coordination structure</td>
<td>legislative, institutional and incentive</td>
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<tr>
<td>• Rely on budget support</td>
<td>frameworks for facilitating the</td>
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<tr>
<td>• Rely on Sector Wide Approaches (SWAPs)</td>
<td>achievement of the MDGs</td>
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<tr>
<td></td>
<td>• Improve governance structures including</td>
</tr>
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<td>enhanced fiduciary systems</td>
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1.2 Towards a programmatic approach to UNCCD implementation

The evolving international development financing context outlined above requires a much more sophisticated response to resource mobilization than past practices of project proposal development. Rather than submitting a set of project proposals for donor consideration, it is now necessary to adopt a programmatic approach based on sound analysis whereby government identifies a hierarchy of priorities and adopts them as national priorities.

The UNCCD ten-year strategy 2008-2018 Drawing lessons from ten years of implementation, the UNCCD COP adopted (in Madrid, September 2007) the ten-year strategic plan and framework to enhance the implementation of the Convention. This Strategy recognizes the need for country Parties to realign their National Action Programmes (NAPs) with the Strategy and to develop “integrated investment frameworks” (IIFs) for leveraging national, bilateral and multilateral resources with a view to increase the effectiveness and impact of interventions.
The NAP The National Action Programme is a strategic document meant to identify the scope, strategic orientation and responses to address land degradation in a given country. Based on the NAP it is also possible to identify a number of priority actions for which implementation resources need to be mobilized.

The IIF The integrated investment framework is the ensemble of projects, programmes and priority actions contributing to UNCCD implementation in a given country. The IIF is therefore a kind of programming tool for UNCCD implementation.

The Strategy encourages affected country Parties to link up the NAPs with relevant issues driving international support, such as food security and rural poverty reduction, adaptation to climate change, territorial planning and prevention of natural disasters. The Strategy reaffirms that the GM should have a prominent role in:

- advising countries regarding the development of IIFs;
- exploring new sources of finance; and
- supporting the development of financing platforms to improve effectiveness, harmonization and alignment among donor institutions.

1.3 Resource mobilization through the integrated financing strategy

The IFS In order to respond to the changing international context for development financing and the need to develop programmatic approaches for resource mobilization, the GM developed the integrated financing strategy (IFS).

The IFS is a process for identifying and mobilizing a mix of financial resources to fund projects, programmes and priority actions contributing to SLM and UNCCD implementation in a given country.

The ultimate goal of the IFS is to ensure adequate, predictable and sustainable financing for SLM and for combating desertification. Its immediate objectives are to use existing sources and instruments more efficiently and to mobilize new and additional resources through the creation of an enabling environment. Indeed, while helping to locate the resources and to mobilize the appropriate combination of funds, the IFS also helps to single out the existing barriers to resource identification, allocation and disbursement. The IFS contributes to make the IIF operational through the mobilization of financing. The IFS considers three potential sources of funding: internal, external and innovative. [The IFS looks at internal, external and innovative sources of funding]

Internal sources Internal sources of funding are comprised of the financial sources raised from within a country. Traditionally, the bulk of financing for development projects has originated from international sources. However, in the
new financing approach that donors have adopted, governments are expected to raise a significant amount of financial resources domestically before these are supplemented by donor funds. Internal sources of funding therefore should be the ‘first door of financing’ for any development programme or project. The importance of domestic budget allocations has also increased considerably through new approaches such as basket funding and direct budget support, which allow for injections of Official Development Assistance (ODA) capital in the national budget under the national administration and accountability system. The identification of internal sources of funding includes an analysis of:

- the national budget cycle and the allocation to public administrations (ministries);
- the budget of local governments;
- national funds to support local development;
- fiscal and economic instruments.

**External sources**

External sources of funding are out-of-country sources from which financial contributions may be sought. The range of external sources of funding is wide and includes:

- bilateral donors;
- multilateral donors;
- regional development banks;
- international foundations and non-governmental organizations (NGOs).

The IFS analyses the potential use of aid instruments and mechanisms including general budget support, sector support, sector-wide approaches, debt relief instruments and common, pooled or basket funding arrangements. Mobilizing funds from external sources requires knowledge of development partners, their priorities, goals, interests, policies and budgets.

**Innovative sources**

Innovative funding comprises non-traditional sources for financing SLM. Traditional sources include agriculture, environment and related funds and financing mechanisms. Non-traditional or innovative sources include sectors (e.g. trade), actors (e.g. private sector) and financing mechanisms and instruments (e.g. those related to climate change) that should be more heavily involved in the UNCCD given its close links with desertification issues. Innovative sources may also be classified as internal and/or external.

Mobilizing funds from innovative sources requires knowledge of mechanisms and instruments that are applicable in the country, as well as accompanying measures that are required to implement them. Some of the most innovative financing mechanisms presuppose the existence of a particular legislative and policy framework, or the existence of certain institutions. Therefore, the relevance of

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2 ODA resources included in the national budget through direct budget support and other financing instruments are still to be considered external resources because of the conditionalities attached to them. In other words, we could consider these resources as “external resources under internal administration”.

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innovative sources for SLM needs to be determined in view of the existing structures, regulations and legislations within and beyond the country context.

Trade is considered an innovative source for SLM financing. Other innovative sources include:

- climate change adaptation and mitigation;
- foreign direct investments (FDIs);
- private-sector investments (from national and multinational companies);
- remittances;
- fiscal instruments;
- debt for nature swaps.

1.4 Developing the integrated financing strategy

The main feature of the IFS is its systemic, integrated approach, which involves all government stakeholders as the drivers of the IFS process, and the private sector and civil society as the key actors to support its implementation. The IFS content and characteristics are greatly influenced by the larger context of financial and public expenditure management in a country. The IFS builds on existing strategies and planning processes in the country (e.g. poverty reduction strategies and sector development plans), and seeks convergence between them. Sector strategies and programmes as well as national budgeting processes are also taken into consideration.

The development of an enabling policy, legal and institutional environment plays a considerable role in mobilizing resources for SLM. To this end, the country context needs to be analysed, SLM needs to be mainstreamed in national processes and partnerships must be built with relevant actors.

**Context analysis** The aim of the analysis of the national context is to identify those elements in the policy, legislative, institutional, planning and coordination frameworks that could hinder or facilitate the mobilization and allocation of resources in the country. In countries where a NAP has been developed, this document is a useful starting point to gather a significant amount of the information needed to carry out the context analysis.

**Mainstreaming SLM into country frameworks** Mainstreaming requires first and foremost convincing decision makers in their own sector to integrate SLM concerns into their area of work. The ultimate goal of mainstreaming is to generate political commitment to making land degradation and desertification issues a national priority and to carrying out corollary actions to improve policy, legislative, institutional, planning and coordination frameworks. For LDCs,
mainstreaming SLM in Poverty Reduction Strategy Papers (PRSPs) is particularly important, since donor financing is aligned to the priorities identified in these strategic documents. Sector strategies are equally important.

**Building partnerships for SLM** Partnership building is central to resource mobilization because of the cross-sectoral nature of SLM and the multitude of actors involved in it. Partnerships are meant to foster comprehensive and widespread cross-sector collaboration. Continuous participation of all relevant actors is imperative in order to implement an effective IFS. It is important that stakeholders are invited to participate in all stages of IFS development: the analytical phase, the drafting of the strategy, the implementation of the IFS and the IFS monitoring and evaluation. In the first phase, considerable effort is needed to secure commitment from different stakeholders, and build ways of effectively working together.

### 1.5 Implementing the integrated financing strategy

**Country team** An interdisciplinary country team is set up to coordinate the development and implementation of the IFS. The team includes representatives of key ministries (e.g. UNCCD Focal Point Institution, Ministries of Finance, Agriculture, Environment, Trade, Development, and Planning), development partners and other concerned stakeholders.

**Action Plan** The country team is responsible for drafting an Action Plan building upon: the assessment carried out during the context analysis; the priorities identified for SLM mainstreaming; and the established partnerships. The Action Plan uses the principles of results-based management and includes outcomes, outputs and activities, clearly indicating the roles and responsibilities of the different IFS partners. It also establishes targets for promoting SLM and prioritizes the actions to be implemented. The budget and outline defining the period required to implement the different activities are attached to the Action Plan.

**Monitoring and evaluation** The Action Plan also serves as a monitoring and evaluation (M&E) tool for the IFS. It is therefore important to establish appropriate indicators linked to the expected outcomes. The indicators should not only be quantitative – for example, the amount of technical or financial resources mobilized through IFS implementation – but also qualitative – for example, the extent to which inter-ministerial coordination has been achieved or to which necessary partnerships have been established.
1.6 Inter-sectoral synergies under the integrated financing strategy

In addition to promoting coherent and coordinated actions to support SLM, the IFS is a useful tool to promote inter-sectoral collaboration and enhance coordination of donors’ investments. This is because SLM is a cross-sectoral issue. Therefore, investing in SLM through the IFS requires a close collaboration among ministries, which facilitates the harmonization of their respective development strategies and related planning processes.

The IFS also provides a valuable opportunity for coordination among donors, including donors supporting SLM specifically and those supporting SLM-related sectors. Coordination maximizes impacts and the value of the funding provided, by avoiding duplication and building upon synergies among sectors. Donors themselves may benefit from more internal coordination among their sector-support programmes and the related investments. As a result of inter-sectoral collaboration and coordination, from a financial point of view the IFS is a pool funding arrangement which will serve and benefit all the sectors and actors involved.

In the next chapters we look at how to include the trade sector in the IFS development process. We also explain how trade itself will benefit from the IFS as a platform for inter-sectoral coordination and harmonization of sector-specific investments under Aid for Trade.

Further readings

- The Global Mechanism, Integrated Financing Strategies for SLM
- The Global Mechanism, Economic and Financing Instruments
- UNDP-GEF Guidelines
  http://unisfera.org/IMG/pdf/DFIS-English__WEB_-_FINAL.pdf
- Public Expenditure Reviews
  http://go.worldbank.org/2NYPVFoqTo
- United Nations Convention to Combat Desertification
  http://www.unccd.int/
Objective
The objective of this chapter is to explain the conceptual linkages and interdependence between trade and SLM, in particular in relation to their impacts on poverty reduction.

Learning outcomes
By the end of the chapter, you will be able to explain the key role of SLM in determining (agricultural) trade competitiveness and in encouraging increased coordination and harmonization among the trade, agriculture and environment sectors.

Key elements

2.0 Overview
2.1 Desertification, land degradation and sustainable land management
2.2 Trade and agriculture: balancing food security and export competitiveness
2.3 SLM: boosting trade competitiveness through sustainable production

2.0 Overview
The following chapter explains the negative impacts that current trade production and export patterns from developing countries have on food security and poverty reduction. It introduces the concept of sustainable land management as the foundation for sustainable production and as an opportunity to strengthen the positive impacts of trade on food security, poverty reduction and economic development.

2.1 Desertification, land degradation and sustainable land management
What is desertification? The UNCCD defines desertification as "land degradation in arid, semi-arid and dry sub-humid areas resulting from various factors including climatic variations and human activities, in specific, the complex interactions among physical, biological, political, social, cultural and economic factors."
Desertification does not refer to the expansion of existing deserts. It occurs because dryland ecosystems, which cover over one third of the world’s land area, are extremely vulnerable to over-exploitation and inappropriate land use. Poverty, political instability, deforestation, overgrazing and bad irrigation practices can all undermine the productivity of the land. Over 250 million people are directly affected by desertification, and about one billion people in over 100 countries are at risk. These people include many of the world’s poorest, most marginalized and politically weak citizens.5

The UNCCD brings the socio-economic and ecological aspects of desertification together under a single framework. In this sense, the Convention does not fall within the confines of what is considered to be a purely “environmental” convention, as it aims at combating desertification and mitigating the effects of drought as a contribution to the achievement of sustainable development in affected areas.6

What is land degradation? Land degradation is the reduction or loss of the biological or economic productivity and complexity of rainfed cropland, irrigated cropland, or range, pasture, forest or woodlands resulting from natural processes, land uses or other human activities and habitation patterns such as land contamination, soil erosion and the destruction of the vegetation cover.7

In general terms, land degradation means impoverishment of the land by human activities (such as industrial agriculture/monocropping, deforestation/logging and overgrazing) and by natural causes (due to wind, water and climate).

Land is considered “degraded” when its productivity is diminished.8 In fact, the direct consequence of degradation is the decline of the productive capacity of the land, eventually reducing yields. In turn, this results in economic losses and socio-political consequences such as migrations, exacerbated poverty and food insecurity. Therefore, land degradation refers to a broad range of issues affecting productivity. Table 1 describes the main types of degradation.

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4 “arid, semi-arid and dry sub-humid areas” means areas, other than polar and sub-polar regions, in which the ratio of annual precipitation (water, hail, snow, fog, etc.) to potential evapo-transpiration (evaporation of water from lakes, streams and soil surfaces and by loss of water from plants) falls within the range of 0.05 to 0.65.
5 UNCCD explanatory leaflet
6 Article 2 of the Convention states its objective, making an explicit link between combating desertification and sustainable development: “The objective of this Convention is to combat desertification and mitigate the effects of drought in countries experiencing serious drought and/or desertification, particularly in Africa, through effective action at all levels, supported by international cooperation and partnership arrangements, in the framework of an integrated approach which is consistent with Agenda 21, with a view to contributing to the achievement of sustainable development in affected areas”.
7 OECD Glossary of Statistical Terms, Land Degradation Definition
8 Patricia S. Muir, Human Impact on Ecosystems Module, Oregon State University
Table 1: Types of degradation and main zones of occurrence

<table>
<thead>
<tr>
<th>Type of degradation</th>
<th>Zone of occurrence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Degradation of soil resources</td>
<td></td>
</tr>
<tr>
<td>• Soil erosion by water</td>
<td>sub-humid (steep lands, semi-arid)</td>
</tr>
<tr>
<td>• Reduced topsoil depth</td>
<td>sub-humid (steep lands)</td>
</tr>
<tr>
<td>(reduced water and nutrient retention capacity)</td>
<td></td>
</tr>
<tr>
<td>• Wind erosion/dust storms, mobile dunes</td>
<td>arid, semi-arid</td>
</tr>
<tr>
<td>• Nutrient depletion (loss of organic matter, acidity)</td>
<td>humid, sub-humid</td>
</tr>
<tr>
<td>• Salinization &amp; alkalinity (under-irrigation, over-irrigation)</td>
<td>arid, semi-arid</td>
</tr>
<tr>
<td>• Compaction/crust formation</td>
<td>arid, semi-arid</td>
</tr>
<tr>
<td>• Toxicity: pollution by pesticides, nutrients, acid rain</td>
<td>sub-humid, industrial agriculture</td>
</tr>
<tr>
<td>Degradation of water resources</td>
<td></td>
</tr>
<tr>
<td>• Depletion of groundwater table</td>
<td>arid, semi-arid</td>
</tr>
<tr>
<td>• Declining water quality</td>
<td>all</td>
</tr>
<tr>
<td>• Sedimentation of water reservoirs lowlands</td>
<td>all</td>
</tr>
<tr>
<td>• Increasing runoff, flash floods</td>
<td>all</td>
</tr>
<tr>
<td>Degradation of plant resources</td>
<td></td>
</tr>
<tr>
<td>• Droughts</td>
<td>arid, semi-arid</td>
</tr>
<tr>
<td>• Reduced biodiversity</td>
<td>all</td>
</tr>
<tr>
<td>• Reduced biomass and nutritive value</td>
<td>all</td>
</tr>
<tr>
<td>• Reduced plant growth and cover</td>
<td>all</td>
</tr>
<tr>
<td>• Plant diseases</td>
<td>all</td>
</tr>
<tr>
<td>Degradation of animal resources</td>
<td></td>
</tr>
<tr>
<td>• Malnutrition</td>
<td>all</td>
</tr>
<tr>
<td>• Animal diseases</td>
<td>all</td>
</tr>
<tr>
<td>• Overstocking</td>
<td>all</td>
</tr>
</tbody>
</table>

1 Adapted from WB, GTZ, CDE, 1999, Sustainable Land Management Guidelines for Impact Monitoring

What is sustainable land management? Sustainable land management (SLM) can be defined as the use of land resources such as soils, water, animals and plants for the production of goods – to meet changing human needs – while assuring the long-term productive potential of these resources, and the maintenance of their environmental functions.

SLM cannot be confined to a purely environmental dimension. SLM cuts across various economic sectors and sub-sectors, and cannot be confined to a purely environmental dimension. SLM clearly depends on progress in improving the sustainability of agriculture, and on associated soil conservation efforts, responsible water management, accountable livestock management and reduced-impact logging practices. SLM depends also on animal and plant health and on the implementation of necessary sanitary and phytosanitary measures for that purpose (see Chapter 5 - STDF).

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9 WB, GTZ, CDE, 1999, Sustainable Land Management Guidelines for Impact Monitoring
10 WB, 2006, Sustainable Land Management, challenges, opportunities and trade-offs
11 Sanitary and Phytosanitary measures are taken to protect against risks linked to food safety, animal health and plant protection or to prevent or limit damage within the territory [...] from the entry, establishment and spread of pests. WTO/OECD, Doha Development Agenda Database
SLM is the foundation of sustainable production in agriculture and a strategic component of sustainable development and poverty alleviation. SLM combines policies, technologies and activities aimed at integrating socio-economic principles with environmental concerns so as to simultaneously satisfy the “five pillars of sustainability”:

- maintain or enhance production services (productivity);
- reduce the level of production risks (security);
- protect natural resources and prevent the degradation of soil and water quality as well as flora and fauna (protection);
- be economically viable (viability); and
- be socially acceptable (acceptability).

In most developing countries, the majority of people are engaged in primary agriculture, livestock production, forestry and fishery, and their livelihood and options for economic development are directly linked to the quality of the land and its resources. SLM seeks to harmonize the often conflicting objectives of intensified economic and social development, while maintaining and enhancing the ecological and life support functions of land resources.

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1 Adapted from the World Bank, Sustainable Land Management Guidelines for Impact Monitoring, 1999.
2.2 Trade and agriculture: balancing food security and export competitiveness

Agriculture is an important provider of tradable goods and services. In developing countries, small farming in particular is the main source of food and income for the majority of the population and has an acknowledged potential for poverty reduction. Of the developing world's 5.5 billion people, 3 billion live in rural areas. In agriculture-based countries, the sector generates, on average, 29 per cent of the gross domestic product (GDP) and employs 65 per cent of the labour force. The industries and services linked to agriculture value chains often account for more than 30 per cent of GDP in transforming and urbanized countries.\(^\text{13}\)

Despite a longstanding debate on the impact of the recurrent fluctuation of commodity prices on food security,\(^\text{14}\) developing countries still tend to concentrate their scarce resources on fostering a policy and institutional environment in support of the development of export agriculture rather than developing the capacity of their agriculture sector to produce more food for domestic markets in substitution of food imports.\(^\text{15}\)

The food crises Prices of food commodities increased significantly in 2007 and 2008, reversing a long-term decline in real prices since the 1960s. The earlier decline trend has often been pointed to as a factor preventing countries that are dependent on traditional agricultural exports from fully achieving income and food security. On the other end, the depressed food prices have been useful in securing inexpensive sources of food for net importers.\(^\text{16}\) In fact, the largest numbers of poor people, including smallholders, are net food buyers.\(^\text{17}\) In some countries, poor people spend from 50-80 per cent of their income on food.\(^\text{18}\)

Basic foods, which are likely to be imported by poorer developing countries, have increased in price at a faster rate than the prices of the products that these countries have traditionally exported (see Figure 1 below). It is difficult to predict whether the decline will resume. Evidence suggests that prices are likely to remain high in the short to medium term.

Additional support to food production that competes with imports can help to improve food security, particularly in countries at earlier stages of agricultural commercialization. Such an approach is not incompatible with the development of export agriculture. On the contrary, the generation of income and expenditure in local markets are necessary to scale up activities required to develop broad-

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14 Food security exists when all people, at all times, have physical, social and economic access to sufficient, safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life. Household food security is the application of this concept to the family level, with individuals within households as the focus of concern. FAO, the state of food insecurity in the world: economic crises – impacts and lessons learned, 2009.
15 ITC, Trade, What if? New challenges in Export Development
16 ITC, Trade, What if? New challenges in Export Development
18 OXFAM, Food Prices: media lines, Q&A, facts and case studies, April 2008
19 ITC, Trade, What if? New Challenges in Export Development
based export agriculture in which smallholder producers can more fully participate. A balanced and appropriately phased combination of support to basic food production and to broad-based export agriculture development could contribute significantly to greater levels of food security, both in times of crisis and over the medium to longer term.\textsuperscript{19}

**Agricultural export competitiveness** In addition to price volatility, exports from developing countries often consist of a few low value-added agricultural products that have to face the new competitive international environment. For example, Africa alone is home to about two-thirds of the developing countries that depend on low value-added commodities. There are some important successes of diversification towards non-traditional exports, including non-agricultural products such as clothing. However, these are the exception rather than the rule, and have limited impact.

The competitiveness of developing countries has also been undermined by unsustainable farming practices that are often associated with the production of export commodities. Indeed, in view of the limited opportunities for value-addition and diversification, increased revenues are likely to be triggered by quantity rather than quality. However, the focus on raising agricultural production for exports can lead to: i) inefficient and wasteful use of land and water resources; ii) inappropriate crop intensification; iii) use of farm machinery and agronomic practices that are not suitable for local soil and water conditions; and iv) expansion of agriculture onto marginal lands that are not able to sustain food production and where small farmers are forced to adopt unsustainable farming practices.\textsuperscript{20}

\textsuperscript{1} FAO (2008), in: ITC, Trade, What if? New Challenges in Export Development

\textsuperscript{19} ITC, Trade, What if? New Challenges in Export Development

\textsuperscript{20} "Promoting Sustainable Land Management through Trade: Examining the Linkages between Trade, Livelihoods and Sustainable Land Management in Degraded Areas", the Global Mechanism and ICTSD, 2007
Unsustainable production is a major cause of environmental degradation and a threat to the sustainability of trade. For example, large-scale monocropping agriculture – e.g. for cotton or groundnuts – through intensive use of agrochemicals, irrigation systems and mechanized farming techniques can have major impacts on land quality. Land quality determines the degree of production in both quantitative and qualitative terms; and these in turn determine the tradability of agricultural products. This relationship should lead us to look at agriculture, trade and SLM in an integrated manner.

In light of the recent food crises and the longstanding and well-known challenges of developing countries’ agricultural export competitiveness, it is time to rethink the role of trade, and related support policies, in contributing to food security and poverty reduction. To build resilience to future food crises, a transition to viable long-term investments in support of sustained agricultural growth is urgently needed. Investments for sustained agricultural growth include expanded public spending for rural infrastructure, services, agricultural research, science and technology. Such investments are especially needed in view of the increasing stress factors for agriculture resulting from climate change. The needed supply response is not just a matter of increased production at the farm level, but must comprise the whole food value chain, with private-sector actors in the food-processing and retail industries playing key roles.21

Trade is what allows the producers to capitalize on the economic potential of their production by linking production surplus to the market. However, for trade to become an effective instrument for growth and development, the concepts of sustainable production and food security must be internalized. As a consequence, it is crucial to increase harmonization and coordination between the agriculture and trade sectors, and to foster coherence of the related policies and planning frameworks.

Some recent initiatives have acknowledged this need for harmonization. For example, inter-sectoral coordination is at the core of the Comprehensive Africa Agricultural Development Programme (CAADP), which seeks to boost agricultural growth and productivity in Africa. Cross-sectoral coordination is already embedded in the structure set up for CAADP implementation at international, regional and country levels.

Box 4: The Comprehensive Africa Agricultural Development Programme

The Comprehensive Africa Agricultural Development Programme (CAADP) is a framework for the restoration of agriculture growth, food security and rural development in Africa. The goal of CAADP is to help African countries reach and sustain a higher path of economic growth through agricultural-led development that reduces hunger and poverty and enables food and nutrition security and growth in exports. It is a programme of the African Union and part of the New Partnership for Africa (NEPAD) initiative, with the aim of driving agricultural development.

Four pillars constitute the core activity fields for the implementation of CAADP:
1. Extending the area under sustainable land management and reliable water control systems;
2. Improving rural infrastructure and trade-related capacities for market access;
3. Increasing food supply, reducing hunger and improving responses to food emergency crises; and
4. Improving agriculture research and technology dissemination and adoption.

The ultimate objective of the second pillar is to accelerate growth in the agricultural sector by strengthening the capacities of private entrepreneurs, including commercial and smallholder farmers, to meet the increasingly complex cost, quality and logistical requirements of domestic, regional and international markets, focusing on strategic value chains with the greatest potential to generate broad-based income growth and create wealth in rural areas and the rest of the economy. The agenda of this pillar focuses on policy and regulatory actions, infrastructure development, capacity-building efforts and partnerships and alliances.

Although CAADP is continental in scope, the implementation of the common framework it provides, with all its principles and targets, has to be convened by the Regional Economic Communities (RECs) (COMESA, ECOWAS, Economic Community of East African States (ECCAS), SADC and the Community of Sahel-Saharan States (SEN-SAD), which together with the NEPAD Secretariat, support its implementation. To fully implement CAADP, the regions conclude a “Regional Compact” through the RECs, covering regional integration and cooperation programmes in the agricultural sectors.

Within the individual countries, CAADP implementation is coordinated by a government Country Team. The implementation starts with the organization of Country Roundtables, which lead to a “National Compact” between donors and individual governments that will help different countries to achieve the four pillars. Agriculture donor working groups will lead and coordinate country-level donor support for the process, working closely with the CAADP Country Team and liaising with other stakeholders from government, the private sector and civil society. Since the CAADP framework takes a comprehensive approach to agriculture and requires cross-sectoral engagement by donors, agriculture donor working groups will need to engage with other donor groups such as nutrition, food security, trade, private sector development and infrastructure.

At the international level, since CAADP emerged in 2003, development partners have worked closely together to support its processes and the development of the CAADP pillars. This collaborative effort has resulted in a significant harmonization of donor support for CAADP activities and investment programmes. NEPAD, the RECs and the African Union, together with a number of donors and African governments, have worked to further harmonize support. The result is the CAADP Multi-donor Trust Fund, hosted at the World Bank, which was created to channel financial support to CAADP processes and investments.

1 Adapted from CAADP website - http://www.nepad-caadp.net/about-caadp.php
2.3 SLM: boosting trade competitiveness through sustainable production

The profitability of trade closely depends on the maintenance of the long-term productive potential of the production inputs. Natural resources are the principal inputs of all productive processes. Therefore the profitability of trade depends on maintaining the productive potential of land resources, which in turn depends on the maintenance of their environmental functions.

Unfortunately, natural resources and environmental services are often regarded as free inputs to productive processes, which leads to overuse and underestimation of their value. The degradation of natural resources is still mostly perceived as a mere environmental concern: environmental costs are not internalized into the productive process and industries do not adequately address the environmental degradation they cause unless adequate incentives and policies are put in place.

Land degradation has an economic cost and reduces economic opportunities for the future, as a fundamental and irreplaceable part of the production chain (land) is damaged. In fact, the effects of the degradation of land resources become costs in the productive chains and eventually undermine trade competitiveness. Globally, it is estimated that economic losses from desertification and land degradation amount to approximately USD 42 billion each year.\(^\text{22}\)

The different SLM options represent opportunity costs\(^\text{23}\) that need to be taken into consideration, whether or not they are expressed in monetary terms, in order to define the profitability and economic impacts of trade. For example, export revenues cannot be calculated only in terms of impact (percentage) on the GDP, since this may produce the illusion that trade costs nothing to the national economy. In fact, the costs of exports may be charged to different sectors. These are “hidden costs” that will ultimately be paid by the same national economy even if they are to be paid under the budget of different sectors (e.g. agriculture or environment).

\(^{22}\) The costs of land degradation and desertification are generally measured in terms of productivity, i.e. reduced crop yields or grazing intensities. Secondary costs include loss of ecosystem services, and indirect costs are those associated with mitigating desertification. ICTSD, Trade and Sustainable Land Management in Drylands, 2007

\(^{23}\) Opportunity cost is the value of the next-best choice available to someone who has chosen between several mutually exclusive options. It is a key concept in economics which has been described as expressing “the basic relationship between scarcity and choice.” An opportunity cost is assessed in not only monetary or material terms, but also in terms of anything which is of value. Therefore, the real cost of output forgone, lost time, pleasure or any other benefit that provides utility should also be considered opportunity costs. For example, the person who invests USD 10,000 in a stock denies herself or himself the interest that could have accrued by leaving the money in a bank account instead. The opportunity cost of the decision to invest in stock is the value of the interest.
The value addition of SLM to trade  Practising SLM is one of the few options for land users to generate income without destroying the quality of the land. Practising SLM adds value to productive processes by making supplies more reliable, reducing waste, optimizing the use of resources and improving product quality, for example by limiting the use of fertilizers and pesticides to compensate for weak environmental services provided by dysfunctional ecosystems.

Environmental concerns promoted through SLM can also be powerful marketing instruments: the success of organic production is an example of value addition produced through SLM. The growing number of eco-labelling and certification schemes reflects the increasing demand for sustainably traded products as private companies realize that environmentally friendly practices are an opportunity for innovation, product diversification and improved brand image.

Therefore, it is important that the links between trade and SLM be assessed for the implications of trade on the production patterns of agricultural commodities. Equally important, the assessment should determine the implications on the development of options for market diversification that could benefit land resources and contribute to enhance trade competitiveness and reduce poverty.

The interdependency between land resources and trade makes engaging in SLM practices economically convenient and environmentally and socially sustainable. Therefore, the links between land degradation and supply-side constraints should make SLM a much more prominent issue in initiatives using trade as a development tool.

Given its focus on supply-side constraints, trade as a development tool and poverty reduction, the Aid for Trade initiative (discussed in the next chapter) provides a framework for applying an integrated approach between trade, agriculture and the environment.

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24 See definition in Chapter 3, Box 5
Further readings

- United Nations Convention to Combat Desertification
  http://www.unccd.int/convention/text/convention.php
- WB, GTZ, CDE, 1999, Sustainable Land Management Guidelines for Impact Monitoring
- “Promoting Sustainable Land Management through Trade: Examining the Linkages between Trade, Livelihoods and Sustainable Land Management in Degraded Areas”, the Global Mechanism and ICTSD 2007
- Trade and Sustainable Land Management in Drylands – ICTSD 2007
  http://ictsd.net/i/publications/3085/
- OECD Glossary of Statistical Terms, Land Degradation Definition
- Patricia S. Muir, Human Impact on Ecosystems module
  http://oregonstate.edu/~muirp/index.htm
- UNDP Development Glossary
  http://www.g24.org/un-pag07.pdf
- UNCTAD, Least Developed Countries Report 2009
  http://www.unctad.org/templates/webflyer.asp?docid=11721&intItemID=2068&lang=1
- ITC, Trade, What If? New Challenges in Export Development
- Business for Development 2008 – promoting commercial agriculture in Africa
  http://www.oecd.org/document/53/o_3343.en_2649_33731_40532533_1_1_1_1,00.html
- WB, Sustainable Land Management, challenges, opportunities and trade-offs, 2006 (ebook)
- FAO, the state of food insecurity in the world: economic crises – impacts and lessons learned, 2009.
- WTO/OECD, Sanitary and Phytosanitary measures definition, Doha Development Agenda Trade Capacity Building Database
The Aid for Trade initiative

Objective
The objective of this chapter is to provide an overview of the Aid for Trade initiative as the overarching framework for trade-related assistance to developing countries.

Learning outcomes
By the end of the chapter, you will be able to understand the scope of Aid for Trade, and to source information on AfT flows to your country using the OECD Creditor Reporting System (CRS).

3.0 Overview
Chapter 3 introduces the Aid for Trade initiative (AfT) and the underlying rationale that led to this global effort for linking trade to the broader development agenda. It explains how AfT refers to all finance for trade development provided under ODA and provides you with basic knowledge on how to access information on AfT flows to your countries, the main donors contributing to this and the main sectors benefiting from AfT.

3.1 Aid for Trade: goals and categories
AfT is a global initiative aiming at strengthening the capacity of developing countries to better participate in and benefit from the global trade system by making trade a means to achieve sustainable development and poverty reduction.

AfT was established in 2005 to help developing countries, particularly LDCs, overcome structural limitations and weak capacities (in particular, supply-side capacities) that undermine their ability to produce, compete and maximize the benefits from trade and investment opportunities.²⁵

²⁵ Aid for Trade at a glance 2009 – Maintaining Momentum, OECD/WTO 2009, p.17
AfT provides a global framework in which donors, partner countries and development institutions work together to articulate a broad range of development activities within a comprehensive, cross-sectoral global trade development strategy. An AfT Task Force was especially created within the WTO to provide recommendations on how trade might contribute most effectively to the development dimension of the Doha Development Agenda.

26 The Aid for Trade Task Force was established in February 2006 by the WTO Director General, following a mandate by the Ministers at the Hong Kong Ministerial Conference in December 2005. The Task Force was made up of 13 members: Barbados, Brazil, Canada, China, Colombia, the European Union, Japan, India, Thailand, the United States and the coordinators of the ACP, the African Group and the LDC Group. It was chaired by the Permanent Representative of Sweden.
The AfT initiative is aligned with the principles established by the Paris Declaration on Aid Effectiveness, which determine how AfT is delivered. In fact, the AfT Task Force recommended that projects and programmes should be considered as Aid for Trade if the related activities have been identified as trade-related development priorities in the recipient country’s national development strategies.
**Aid for Trade (AfT) categories** AfT was given a fairly broad definition based on six categories, which are divided into two groups:

1. *Trade-related assistance (TRA)*
   - (a) Trade Policy and Regulations: Training trade officials, helping governments implement trade agreements and complying with rules and standards;
   - (b) Trade Development: Providing support services for business, promoting finance and investment, conducting market analysis and e-commerce.

2. *Wider Aid for Trade Agenda*
   - (c) Trade-related Infrastructure: Building roads, ports, storage infrastructure, etc.;
   - (d) Building Productive Capacity: Improving the capacity of a country to produce goods and services;
   - (e) Trade-related Adjustment: Financial assistance to meet adjustment costs from trade policy reform, including balance of payment problems resulting from lost tariff revenues or from the erosion of preferential market access;
   - (f) Other Trade-related Needs.

Categories (a) and (b) cover the traditional forms of trade-related aid, namely trade-related technical assistance and capacity building, while categories (c) to (f) expand traditional trade-related aid and have therefore been defined in the wider AfT agenda.

**3.2 The cross-sectoral nature of Aid for Trade**

*AfT innovative features* AfT activities per se are not new in the context of development cooperation, since they have long been part of every donor’s portfolio, albeit under different headings and often with little conceptual underpinning. The innovative feature of AfT is its broad perspective, which takes into account a wide range of obstacles (e.g. insufficient economic infrastructure, weak productive capacities and inadequate financial services) that have prevented many countries from becoming globally competitive and from reducing poverty through greater engagement in trade.

Because of the wide range of issues involved, AfT does not relate to any one specific sector of development cooperation. This is so because trade is not exclusive to a single economic sector. Indeed, a country’s ability to trade depends on the capacity of the country to deal in an integrated and coherent manner with a broad range of issues (e.g. production, processing, transport, storage, infrastructure, trade policy, trade agreements) which enable it to link the supply with the demand side. A lot of these issues, particularly those associated with the wider AfT agenda, fall under the regulatory responsibility...
of non-trade ministries. In fact, the ministry of trade is mainly in charge of the negotiation and implementation of trade policies and trade agreements. As a consequence, in any given country we will find that several ministries are engaged in trade-related activities.

The AfT initiative tries to bring all the “sectoral” trade issues under one national trade strategy. By so doing, AfT provides a framework for countries to harmonize their trade-related needs and to increase the coherence of trade interventions in the context of national development plans and poverty reduction strategies.

Cross-sectoral coordination has proved to be one of the major challenges to the implementation of the AfT initiative. In fact, the harmonization of sectoral trade priorities often proves difficult due to the division of competencies among ministries, which often causes the non-trade ministries to establish their own trade-related priorities and to negotiate them with donors without engaging with the trade ministry. Likewise, the trade ministries have been engaging in the development of trade policy and in the negotiation of trade agreements without involving the other line ministries.

Figure 1

- Aid for Trade facilitates the development of integrated cross-sectoral national trade development strategies
- The trade sector (and the Trade Ministry) provides the national framework on trade policies and planning
- There is a trade component in every sector, and the different sectors need to align and harmonize their trade-related policies with the national trade sector
This situation of treating trade issues as sectoral issues has created a huge structural problem. Coordination across sectors is still weak and sectoral trade priorities do not follow the same direction towards achieving common objectives. This has limited the capacity of countries to use trade as a means for sustainable development and poverty reduction.

The ultimate goal of AfT is to provide a framework to support developing countries in overcoming the structural limitations to integrating trade comprehensively into national development plans and relevant sector strategies. Once trade-related needs of all sectors are articulated coherently into national development strategies, donors will also be able to use their resources more effectively. In fact, to date donors have been providing support to trade activities under different sector programmes (e.g. agriculture, infrastructure). This has contributed to strengthen the sectoral divide and to fragment donor contributions among conflicting sectoral interests. The AfT initiative is changing this situation. In fact, donors have agreed to fund trade activities only if they are integrated into national development strategies. Also, such activities are increasingly funded through multi-donor trust funds and programme-based approaches, rather than through sectoral projects. We will look at AfT funding mechanisms in Chapter 5.

Figure 2

Donor

Agriculture Environment Energy Trade

National Development Plan/PRSP

Partner Country

• To date donors have been providing support to trade activities under different sector programmes (e.g. agriculture, infrastructure). This has contributed to strengthen the sectoral divide and to fragment donor contributions among conflicting sectoral interests.
• Through the AfT initiative donors have agreed to fund trade activities only if they are integrated into national development strategies. Such activities are increasingly funded through multi-donor trust funds and programme-based approaches, rather than through sectoral projects.
• Once trade-related needs of all sectors are articulated coherently into national development strategies, donors will also be able to use their resources more effectively.
Indeed, AfT is contributing to move away from a sectoral approach to trade development. From the perspective of developing countries, AfT is promoting an integrated approach which “packages” the country’s trade priorities (independently from the sectors) under one umbrella. From the perspective of donor countries, AfT is contributing to “pool” donor finance for trade development under the same umbrella, which is defined by developing countries as part of their national development strategies. This is a win-win situation, since the partner country can draw on donor funding for the trade priorities it has identified, and donors know that the finance they provide for trade development under different sector programmes is used efficiently since all trade interventions will be mutually supportive and evolving towards the same direction.

3.3 Monitoring global Aid for Trade flows

The cross-cutting nature of AfT has implications not only in terms of donor coordination and the possibilities for applying programme-based approaches, but also in terms of monitoring AfT flows.

When the AfT initiative was created in 2005, both donors and recipient countries agreed that, from a financial point of view, there was no need to create a “Global Trade Fund” or a new aid category for channelling trade-related ODA to developing countries. Consequently, AfT is part and parcel of regular ODA.\(^ {28}\) This means that trade assistance works mainly through existing multilateral and bilateral funds.

**OECD Creditor Reporting System** Monitoring and tracking of global AfT flows are performed through the Creditor Reporting System (CRS) of OECD.\(^ {29}\) The CRS is a database covering about 90 per cent of all ODA. It is the internationally recognized source of data on aid activities, which are clustered by sector as well as by geographic area. The CRS enables the tracking of aid commitments and disbursements, and provides comparable data over time and across countries. The OECD gathers the data, verifies their consistency and maintains the database.

**Box 8: Limitations in supply-side capacities of developing countries**

AfT flows have increased significantly since 2005. According to the Second AfT Global Review, AfT grew by more than 10 per cent in both 2006 and 2007 in real terms, and total new commitments from bilateral and multilateral donors reached USD 25.4 billion. Non-concessional lending provided an additional USD 27.3 billion in trade-related financing. Importantly, the increase in the volume does not occur to the detriment of support for social-sector programmes, but rather in the context of a growing overall aid volume.

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1 Aid for Trade at a glance 2009 – Maintaining Momentum, OECD/WTO 2009

28 Aid for Trade at a glance 2009 – Maintaining Momentum, OECD/WTO 2009, p.52
29 OECD, Development Database on Aid Statistics: CRS online.
Since the launching of the AfT initiative in 2005, the CRS has been modified several times to adapt it to AfT needs. Nevertheless, it does not provide data that exactly match all AfT categories. In fact, for some AfT categories the CRS provides proxies, i.e. substitute categories which are closest to the actual AfT category. These categories and their related codes are provided in the table that follows.

Table 2: AfT – CRS codes and categories

1. Trade policy and regulations (TPR)
   - 33110 Trade Policy and administrative management
   - 33120 Trade facilitation
   - 33130 Regional trade agreements (RTAs)
   - 33140 Multilateral trade negotiations
   - 33181 Trade education/training

2. Economic infrastructure
   - 21010 to 21081 Transport and storage
   - 22010 to 22040 Communications
   - 23010 to 23082 Energy supply and generation

3. Building productive capacity (bpc); including trade development
   - 25010 Business support services and institutions
   - 24010 to 24081 Banking and financial services
   - 31110 to 31195 Agriculture
   - 31210 to 31291 Forestry
   - 31310 to 31391 Fishing
   - 32110 to 32182 Industry
   - 32210 to 32268 Mineral resources and mining
   - 33210 Tourism

4. Trade-related adjustments
   - 33150 Trade-related adjustment

5. Other trade-related needs
   - not applicable Trade-related activities in sectors outside the above categories.

1 OECD, Aid for Trade Monitoring – Information Note
AfT monitoring Developing a credible monitoring mechanism for AfT is a work in progress. Nevertheless, even in its current state the CRS database is a very useful tool for partner countries to monitor how much AfT is being provided to them, which donors are providing it and which economic sectors are benefiting from it. The monitoring of AfT is comprised of both quantitative and qualitative information:

- Quantitative information (i.e. AfT flows) is based on data on global AfT commitments and disbursements for trade-related projects and programmes recorded in the CRS database according to the AfT categories.
- Qualitative information is derived from donors’ and partner countries’ self-assessments, based on questionnaires developed by the OECD-WTO. These self-assessments highlight donors’ best practices in AfT (e.g. developing AfT strategies, improving the quality of AfT programmes) and the extent to which these are implemented in line with the Paris Declaration on Aid Effectiveness. The partner countries’ questionnaires highlight countries’ experience in implementing AfT (e.g. mainstreaming of trade strategy, financial information, regional trade dimension).

3.4 The Aid for Trade Global Review

Every two years the OECD compiles the quantitative and qualitative information related to AfT flows and presents them at the AfT Global Review. The AfT Global Review Report aims to provide easy access to information by donor and by partner country:

- Donor information: a) AfT flows by CRS proxies, which tell us how much the donor is spending on each proxy category; and b) the donor questionnaire, which provides qualitative information as explained above.
- Partner country information: a) the CRS profile, which tells us the amount of AfT the country is receiving overall; b) a fact sheet, which contains information regarding AfT total flows, AfT flows by AfT category and by sector, AfT’s share of total ODA, the top AfT donors in the country, etc.; and c) the country response to the OECD questionnaire, which provides qualitative information on AfT implementation.

Actors willing to engage in the AfT process at country level will find the above information extremely important, since it provides a snapshot of AfT implementation in the country and constitutes a starting point for discussions with AfT stakeholders. Nevertheless, country actors should keep in mind that the AfT reporting takes place at the headquarters of the donor country or agency. Their respective country officers may not be familiar with AfT reporting or with the AfT initiative, even in cases where the donor in question is a major AfT provider. In these cases, it is important that country actors request the donor country offices to seek clarifications on their AfT commitments, especially when these have not been disbursed yet.
The Second Global Review of AfT was held in 2009. Among the findings of the global review, it is important to underline the following three points:

- Mainstreaming trade in national development strategies, so that trade is identified as a key priority, is a precondition for donors to integrate AfT into their aid programmes.
- In the case of LDCs, the EIF is the main AfT delivery mechanism, enabling donors to align their contributions around partner countries’ procedures and systems.
- The most common AfT delivery channel, especially among EU donors, is funding through multilateral organizations and initiatives, such as multi-donor trust funds and programme-based approaches.

The Review also found that partner countries tend to identify similar priority areas where AfT should be improved, including the need for: i) a stronger donor focus on capacity development; ii) a greater say (more ownership) in the design of AfT interventions; iii) more predictable funding; and iv) more extensive use of budget support (or trade sector-wide approaches).

Another important aspect of trade development that emerged from the Second Global Review of AfT is the need to improve regional integration as a means to increase the capacity of countries to take advantage of trade opportunities and to address a number of trade challenges which go beyond the borders.

For example, regions are potentially profitable markets in themselves, and they may also constitute a first step towards international markets. By building alliances and synergies at the regional level, countries have more opportunities to leverage economies of scale and to enhance their negotiating power with...
Knowledge Exchange Programme on AFT Finance for Sustainable Land Management

International trade partners and therefore to improve their international competitiveness. Likewise, by associating themselves at the regional level, countries can increase their capacity to address trade challenges that cannot be resolved at the national level because the origin of the problem extends beyond the border. The example of fruit fly in West Africa (see the box that follows) provides a good example of trade challenges that require a regional response.

In the Second AFT Global Review, partner countries identified a number of common priorities for regional integration: transport infrastructure, trade facilitation (especially sanitary and phytosanitary, or SPS, standards, technical barriers to trade and customs duties), competitiveness and export diversification and capacity for regional trade negotiations. Donors have also reported a rising demand for regional AFT.

**Box 10: Aid for Trade potential in addressing regional challenges to trade: The case of fruit fly in West Africa**

Weaknesses in sanitary and phytosanitary (SPS) capacity can have a significant impact on trade and human, animal and plant health. Moreover, weaknesses in SPS capacity in one country can have serious implications for its neighbours since the spread of pests and animal and plant diseases is beyond the control of single countries. Fruit flies are an example of pests which seriously threaten agricultural production and productivity, reduce quality, disrupt trade and trigger huge financial losses, affecting livelihoods and food security for whole regions in the process.

In West Africa, the Bactrocera invadens species of fruit fly has been endemic since 2004. It has caused losses of up to 85 per cent in mango production, and continues to threaten fruit exports (especially mango) to the EU. In light of this regional problem, in 2008 the Standards and Trade Development Facility (STDF) and the Economic Community of West African States (ECOWAS), in collaboration with the World Bank, initiated a coordinated multi-stakeholder approach to control fruit fly, involving all concerned stakeholders. This work resulted in the development of a five-year, €25 million Regional Action Plan to control fruit fly in West Africa, which addresses the problem comprehensively.

In September 2009, national governments, research institutes, the private sector, donors and other partners endorsed the Regional Action Plan and adopted the Bamako Declaration, a roadmap to operationalize the plan. The Declaration was instrumental in formalizing the commitment of technical and financial partners to assist ECOWAS and its member states in controlling fruit fly, and provides a framework for this support.

AFT can play a key role in financing the implementation and enhancing the sustainability of the Regional Action Plan. To this end, efforts are underway to mainstream the plan in national and regional agricultural investment programmes and related AFT activities, as a means to access AFT funding. At the ECOWAS AFT Review in January 2010, the World Bank Trade Facilitation Fund agreed, in principal, to provide seed funding to kick start the Action Plan.

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1 Standards and Trade Development Facility. STDF Briefing No.4, January 2010
As a consequence, the RECs are becoming increasingly involved in the implementation of AfT and in the channelling of the related finance to partner countries. Some of the RECs have already elaborated regional AfT strategies; others are in the process of defining their strategies and support activities to AfT.

**Box 11: Eastern and Southern Africa regional strategy for Aid for Trade**

The regional dimension of AfT is growing as the initiative consolidates at the international and national level. In the Eastern and Southern Africa region, the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC) and the Southern African Development Community (SADC) have agreed to develop a common regional Aid for Trade strategy. A regional strategy is necessary because for many countries, the solution to the growth in trade can lie outside their immediate jurisdiction and control.

The regional Aid for Trade strategy will focus on the development of coherent packages of interrelated:

- investments and trade-related infrastructures;
- trade facilitation instruments;
- trade regulatory measures.

[For further information see: http://www.rtfp.org/regional_strategy.php](http://www.rtfp.org/regional_strategy.php)

In LDCs, the AfT initiative is implemented through the EIF, which serves as the overarching framework for coordinating the delivery of AfT technical assistance and the channelling of AfT funds. AfT implementation in LDCs is the subject of the next chapter.
Further readings

  [http://www.oecd.org/document/46/0,3343,en_2649_34665_39619566_1_1_1_1,00.html](http://www.oecd.org/document/46/0,3343,en_2649_34665_39619566_1_1_1_1,00.html)
- Aid for Trade, Twenty Lessons from Existing Trade Schemes – The South Centre, ECDPM, 2007
- IATP, Can aid fix trade? Assessing the WTO’s Aid for Trade Agenda, Trade and Global Governance Programme, 2006
- EU Strategy on Aid for Trade: Enhancing EU support for trade-related needs in developing countries, Conclusions of the Council and of the Representatives of the Governments of the Member States meeting within the Council, Council of the European Union, 15 October 2007
- EU Code of Conduct on Division of Labour in Development Policy
- The Global Mechanism, Economics and Financing Instruments
- The Paris Declaration on Aid Effectiveness
  [http://www.oecd.org/document/18/0,3343,en_2649_3236398_35401554_1_1_1_1,00.html](http://www.oecd.org/document/18/0,3343,en_2649_3236398_35401554_1_1_1_1,00.html)
- UNDP Development Glossary – Supply-side constraints definition
  [http://www.g24.org/un-pag07.pdf](http://www.g24.org/un-pag07.pdf)
- WTO General Council, Composition of Aid for Trade Task Force announced, 8 February 2006
- OECD, Development Database on Aid Statistics: CRS online
  [http://www.oecd.org/document/0,2340,en_2649_34447_37679488_1_1_1_1,00.html](http://www.oecd.org/document/0,2340,en_2649_34447_37679488_1_1_1_1,00.html)
- OECD, Aid for Trade Monitoring – Information Note
Chapter 4

AfT implementation in least developed countries

Objectives
The objective of this chapter is to describe the main features of the EIF as the main framework for implementing and coordinating the financing of AfT in LDCs.

Learning outcomes
By the end of the chapter, you will have developed a good understanding of the EIF structure and implementation arrangements.

Key elements

| 4.0 Overview |
| 4.1 Aid for Trade implementation in Least Developed Countries: The Enhanced Integrated Framework |
| 4.2 The Enhanced Integrated Framework Governance |
| 4.3 The Diagnostic Trade Integration Study and Action Matrix |
| 4.4 Implementing Aid for Trade through the Enhanced Integrated Framework |

4.0 Overview
This chapter provides a general introduction to the EIF, which is the framework for overall AfT implementation in LDCs, from coordinating the delivery of AfT technical assistance to channelling AfT funds.

The information in this Chapter has been elaborated on the basis of public information made available by international organizations working on AfT, and in particular by the EIF Secretariat. Users of this manual should keep in mind that AfT implementation through the EIF is a dynamic process, which is continuously fine-tuned as it is implemented and lessons are learned from practical experience. Therefore, while this manual provides a general overview of the EIF governance structure and diagnostic tools, first-hand information on the EIF must be sought from the EIF Executive Secretariat in order to ensure that the latest information is used. The national EIF Focal Point and the EIF Donor Facilitator at country level, whose roles are explained below, are also key sources for providing information and guidance.

31 The Enhanced Integrated Framework: http://www.integratedframework.org/. All sources used are listed at the end of this Chapter.
4.1 Aid for Trade implementation in Least Developed Countries: The Enhanced Integrated Framework

In 1997, the Integrated Framework (IF) was set up to help LDCs identify their trade needs, given their particular constraints. The IF was established by six core agencies – the International Monetary Fund (IMF), the International Trade Centre (ITC), the United Nations Conference on Trade and Development (UNCTAD), the United Nations Development Programme (UNDP), the World Bank (WB) and the World Trade Organization (WTO).

In 2005, at the Hong Kong WTO Ministerial Conference, in the light of the AfT, the IF was enhanced as a means to provide coherent and coordinated donor support to LDCs. In fact, the objectives and the functions of the IF already reflected the scope of AfT. Such objectives and functions have remained unchanged. However, specific measures were taken to strengthen the processes with the aim to:

- strengthen LDCs’ ownership of the process;
- increase commitments from development partners, which are key in driving the enhanced IF partnership locally and in the capitals; and
- improve the IF decision-making and management structure to ensure effective and timely delivery of the increased financial resources. This includes the establishment of an EIF Executive Secretariat, administratively housed in the WTO in Geneva and headed by an Executive Director.⁴²

The EIF, which became operational in 2009, has replaced the IF.

The Enhanced Integrated Framework supports the governments of LDCs in building trade capacity and in mainstreaming their prioritized trade-related needs into national development strategies, thereby strengthening country-level donor coordination and the dialogue with their development partners.⁴³

The goal of the EIF is to enhance the capacity of LDCs to participate in and benefit from the multilateral trading system in order to reduce poverty and benefit from increased market access.

The objectives of the EIF are to:

- mainstream trade into LDCs’ national development plans (NDPs), such as PRSPs;
- assist in the coordinated delivery of trade-related technical assistance (TRTA) in response to needs identified by LDCs; and
- support the development of the capacity of LDCs with respect to trade.

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The key principles of the EIF are:
• country ownership of the process;
• partnership-based: partnership among LDCs, EIF agencies, donors and other development partners;
• demand-driven and tailor-made; and
• participatory, especially by involving the private sector at all stages.34

The EIF is, for the LDCs, the framework for overall AfT implementation – from coordinating the delivery of AfT technical assistance to channelling AfT funds to LDCs.

4.2 The Enhanced Integrated Framework Governance
A governance structure has been created for EIF implementation at the global and national levels.

EIF global governance At the global level, the EIF has two governing bodies: the EIF Steering Committee (EIFSC) and the EIF Board (Board); and an Executive Secretariat (ES).

The EIF Steering Committee serves as the overall governing body of the EIF. It is composed of all LDCs, the six EIF agencies and all bilateral development partners to the EIF. Members of the WTO that are not members of the EIFSC have automatic observer status. Other organizations benefiting from observer status are: OECD, the Development Assistance Committee (DAC), UNIDO and FAO.

The EIF Board serves as the key decision-making body for operational and financial oversight and policy direction within the broad context set by the EIFSC. It is composed of one representative from each of the six EIF Core Agencies and UNIDO as an observer, and of three representatives from each of the LDC and donor communities. It is headed by a Chair. The latest composition of the EIF Board can be found on the EIF website.

The EIF Executive Secretariat was formally established in October 2008 and is hosted by the WTO in Geneva. The ES serves to better manage the EIF overall and to ensure that its objectives are met. It provides leadership and strategic direction for the EIF process and coordinates and facilitates it at all levels. It reports to the EIF Board on policy and programme implementation issues and to the Director-General of the WTO on administrative issues.

A multilateral Trust Fund is attached to the EIF. The Trust Fund has two channels or “tiers” whose functions are explained in Chapter 5. The Trust Fund Manager (TFM) for the EIF is the United Nations Office for Project Services (UNOPS). UNOPS EIF-related activities are handled by the Geneva office, and supported by Regional Trust Fund Offices in Bangkok, Dakar and Nairobi.

34 Integrated Framework. Working together to enable LDCs to be active players and beneficiaries of the global trading system – the Integrated Framework explained.
The ES and the TFM assist the countries in day-to-day EIF implementation. Upon request, they visit the beneficiary LDCs and also supervise EIF Trust Fund (EIFTF) project implementation.

**Country-level governance** The National Implementing Arrangements (NIAs) comprise the whole set of actors that are involved in EIF implementation at the country level. Each of these actors plays a role in the design, development and implementation of the EIF. The NIAs include the following:

The **national EIF Focal Point (FP)** leads the EIF process in-country. The FP is appointed by the government, and is usually a senior official within the Ministry of Trade or an equivalent structure. Under the EIF, the beneficiary LDCs can decide to put in place a National Implementation Unit (NIU) to assist the FP in managing the EIF implementation.

The **National Implementation Unit** is supervised by the National EIF FP and is responsible for coordinating in-country EIF activities and for EIF implementation at the national level.

The **National Steering Committee (NSC)** is a high-level inter-ministerial committee aiming at senior-level engagement and coordination on trade policy in order to generate political commitment. The NSC works closely with the governmental committee in charge of the national development strategy, PRSP or similar. Ideally, it should be represented in this Committee. The NSC composition should reflect the scope of the EIF, which is broader than the traditional trade domain and encompasses several development issues and dimensions. Therefore the NSC is open to representation of high-level officials from non-trade sectors. It is also expected to include the private sector and, in some countries, civil society.

The **EIF Donor Facilitator (DF)** works with the FP to facilitate donor coordination and donor-government dialogue on trade issues. The DF is identified by the local development partners in coordination with the government. The DF is usually from a development partner agency that is a key supporter of the LDC’s trade agenda. The main role of the DF is to help mainstream trade into development partner programming to ensure timely implementation of the “Action Matrix” (see the section that follows).

Any involvement in the EIF implementation at country level should start by contacting the EIF Focal Point.

During the development of the integrated financing strategy for SLM, the UNCCD Focal Point should contact the National EIF Focal Point to work towards becoming an active member of the EIF National Steering Committee as well as mainstreaming SLM into the agenda of any high-level inter-ministerial committee on AFT.

It is also important that the EIF Donor Facilitator is regularly included in the consultations with development partners carried out under the IFS process to have an up-to-date overview of the AFT flows in the country.
4.3 The Diagnostic Trade Integration Study and Action Matrix

Once the country-level governance structures have been established, EIF implementation at country level foresees the development of a diagnostic study and an Action Matrix.

Diagnostic Trade Integration Study The diagnostic trade integration study (DTIS) is the EIF tool used to assess the status of the trade sector in a given country. The DTIS evaluates internal and external constraints to a country’s integration into the world economy, analyses specific sectors of the economy as well as cross-cutting institutional issues (e.g. market access, transportation and trade facilitation, standards, poverty and core trade policy), and recommends areas where technical assistance and policy actions can help the country overcome these barriers.35

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The DTIS development process is usually led by the FP/NIU, with support from the NSC and ES. Development of the DTIS should be a participatory process that includes government ministries (e.g. Trade, Finance, Planning, Environment and Agriculture), the EIF core agencies, donor organizations, the private sector and civil society organizations. Partner countries can freely choose the partners with which they desire to cooperate for the preparation of the DTIS. Upon a partner country’s request to the EIF Secretariat, the DTIS can be updated up to two times in five years. Funding for both DTIS development and DTIS updating can be mobilized through the EIFTF (see Chapter 5).

The DTIS is validated through a national workshop that promotes and facilitates country ownership and stakeholders’ engagement. The DTIS validation workshop is important for developing and discussing the DTIS Action Matrix.

Action Matrix. The Action Matrix is a programming tool for implementing the activities identified in the DTIS. The Action Matrix identifies the country’s trade priorities for implementation and aims to facilitate discussions with the government, donors and the private sector after the DTIS is completed.

Funding for the implementation of Action Matrix activities comes primarily from bilateral and multilateral donors (external funds) as part of the overall response to national poverty reduction strategies. Bridging funds to jumpstart small priority activities and to help mobilize donors’ resources may also come through the EIF Tier 2. Finally, the government itself may also contribute through the national budget (internal sources). We shall look at these sources of funding in more detail in the next chapter.

The DTIS, including the Action Matrix, is the entry point to formally mainstream SLM in the EIF implementation process at the national level.

4.4 Implementing Aid for Trade through the Enhanced Integrated Framework

EIF implementation essentially refers to trade mainstreaming, donor coordination and project implementation. Detailed guidelines have been developed by the EIF Board, ES and the EIF TFM to provide up-to-date guidance to beneficiary countries.


In general terms, EIF implementation at country level starts when the EIF Board agrees to the country’s request to become a beneficiary country (following the results of a Technical Review). From then on, the EIF Board and the EIF ES provide the country with the necessary information and back-up for its successful engagement in EIF, and thus AfT, implementation.

Once the NIAs have been put in place, the NIU, and the EIF FP DF provide the necessary information regarding EIF implementation at country level. The diagnostic phase also starts. The DTIS development process usually starts with a preliminary mission, and culminates in a validation workshop, where the DTIS and its related Action Matrix are validated by national stakeholders. The LDC governments can also call upon bilateral donors and the EIF Core Agencies for assistance in the implementation of the EIF.39

As of June 2010, most LDC countries have already engaged in the EIF implementation process. Most of them also have already set their NIAs and are in the process of developing or have already developed their DTIS and Action Matrix.

Specific information regarding the progress made in the implementation of the EIF at country level should be sought by contacting the EIF FPs in your country. Likewise, any queries regarding the EIF process and related implementation procedures (including country guidelines) should be sought by contacting the EIF ES in Geneva.

For updated information about the EIF, it is advisable to monitor the website of the EIF regularly. The website also provides useful contacts (e.g. national focal point, donor facilitator) and relevant documents (e.g. the DTIS, Action Matrix for all EIF countries, guidelines for project development, documents related to beneficiary countries). www.integratedframework.org40

Now that we have learned how the AfT is implemented in LDCs, we can look more closely at AfT financing sources, instruments and mechanisms, which is the subject of the next chapter.

40 Relevant links are included in the “Further reading” box at the end of the chapter.
Further readings

The EIF and its core agencies:

- Integrated Framework: http://www.integratedframework.org
- The International Monetary Fund: http://www.imf.org/external/np/exr/facts/tim.htm
- International Trade Centre: http://www.intracen.org/AidforTrade
- World Trade Organization: http://www.wto.org/english/tratop_e/devel_e/a4t_e/a4t4trade_e.htm
- United Nations Conference on Trade And Development: http://www.unctad.org

- Working together to enable LDCs to be active players and beneficiaries of the global trading system – the Integrated Framework explained
- Note by the WTO Secretariat, Aid for Trade Regional Reviews, The Integrated Framework for Least Developed Countries: how does it fit into Aid for Trade?
  http://www.integratedframework.org/files/non-country/A4T_IF-e.pdf
- Guidance Note for Enhanced Integrated Framework Tier 1 pre-DTIS projects
- Guidelines for EIF Tier 2 Projects funded by the EIF Trust Fund
- Diagnostic Trade Integration Study (World Bank website)
  http://go.worldbank.org/ULW8UJZUTo
- Agency for International Trade Information and Cooperation (AITIC)
  http://www.acici.org/aitic/index.html

- The Enhanced Integrated Framework: Supporting LDCs to develop trade
  http://www.wto.org/english/thewto_e/minist_e/min09_e/eif_e.pdf
  http://www.integratedframework.org/files/non-country/Compendium_182_08_ENG.pdf
AfT financing sources, instruments and mechanisms

Objectives
The objective of this chapter is to describe financing modalities for AfT implementation, particularly in LDCs.

Learning outcomes
By the end of the chapter, you will have developed a good understanding of the different options available to fund AfT and the EIF implementation.

Key elements

5.0 Overview
5.1 The different options for Aid for Trade financing
5.2 Aid for Trade financing through the national budget
5.3 Aid for Trade financing through bilateral and multilateral donors
5.4 Aid for Trade financing through Sector-wide Approaches
5.5 Aid for Trade financing through other financing instruments

5.0 Overview
This chapter presents a broad and comprehensive picture of the different options for AfT financing, particularly through the national budget and bilateral and multilateral donors, which are the major sources of AfT financing. For each one of these options, the corresponding sections suggest ways to identify and mobilize AfT-relevant resources. The chapter also looks at opportunities for AfT financing through Sector-wide Approaches (SWAps) and other AfT financing instruments and mechanisms.

5.1 The different options for Aid for Trade financing
There are a number of options available for AfT financing, including:

- The national budget and bilateral and multilateral donors. The national budget and bilateral/multilateral donors are the main sources of AfT financing, and project-based delivery is the main form of disbursement.
- SWAps. In view of the cross-cutting nature of trade and the diverse range of actors engaged in the implementation of trade development activities, SWAps are especially interesting because they offer the chance to combine and harmonize investments from different sources around a common sector-wide policy framework.
• **Other financing instruments.** These include the EIF TF, the STDF, the Trade Facilitation Facility (TFF) and the Multi-donor Trust Fund for Trade and Development (MDTF-TD). Trust funds can be designed to target specific AfT development needs and/or specific geographic areas. This chapter provides only three examples of such trust funds which are of special interest to LDCs. However, donors and development partners are increasingly using these types of financing instruments to deliver AfT finance. Therefore it is possible that new trust funds and financing instruments will be created in the future.

A frequent question is how these sources of funding relate to one another. While they complement one another, these sources can also be accessed individually, independently, at different times and in no pre-established order.

### 5.2 Aid for Trade financing through the national budget

The mobilization of national budget resources to support AfT/EIF implementation depends on the capacity of the relevant ministries to position trade issues in the PRSP or national development plan and to negotiate budget allocations to ensure the implementation of the identified trade priorities. The first step in discovering whether and how many resources have been allocated domestically to trade issues is to identify domestic trade-related expenditures through an analysis of the national budget.

**Trade-related expenditures** In general terms, trade-related expenditures in any given country follow the AfT categories which were defined in Chapter 3:
- Trade Policy and Regulations
- Economic Infrastructure
- Building Productive Capacity (including Trade Development)
- Trade-related Adjustment
- Other Trade-related Needs.

The variety of trade expenditure categories confirms how trade development is intertwined with other key government sectors, from agriculture and forestry to mining and transport.

In order to identify the trade-related expenditures, we need to analyse the public budget processes at the national level, including:
- the ways in which the structure of decision making within the budget process affects the allocation of public resources;
- formal procedures prior to final approval of the annual budget; and
- the institutional dynamics in the negotiation processes.

Clearly, these processes are country-specific, as they depend on the political and institutional structure of the country in question.
The national budget is the most important source of domestic resources

National budget analysis The identification of trade-related expenditures requires a thorough analysis of the national budget, which is the most important source of domestic resources. The analysis of the national budget should begin with the institutional coverage of the budget, i.e. determining the entities or administrations that are, or should be, covered by the budget. The analysis should include qualitative and quantitative aspects in order to identify entry points for resource mobilization.

Box 12: Possible steps to follow when analysing the budget process

- Briefly describe the country’s fiscal situation
  - overview of revenues and expenses
  - overview of deficit / debt situation, if applicable
- Determine the institutional budget coverage
  - administrative structure of the budget
  - problems with the budget coverage
- Provide an overview of the main legal instruments governing the budgeting process
- Describe the budget preparation process
- Elaborate on planned initiatives (e.g. reforms, budget law)

The analysis of the national budget will reveal the portion of the budget that the public administrations (ministries) allocate to carrying out their activities. The budget typically covers operating expenses (e.g. salaries, office equipment, stationary, utilities) as well as capital expenses (i.e. costs for the implementation of activities). It is the latter portion of the budget that is of greater concern for identifying the trade-related categories.

The process for developing the integrated financing strategy (IFS) for SLM already includes an analysis of the budget of the different ministries responsible for managing natural resources (e.g. agriculture, forestry, environment, water, land, energy, mining). The same analysis can also be used to identify trade-related expenditures.

Useful tools exist to analyse public expenditures in the national budget. One of these is the public expenditure review (PER).

Public expenditure reviews Public expenditure reviews (PERs) analyse the allocation and management of public expenditure. They may cover all government expenditures or focus on a few priority sectors (e.g. health, education, agriculture, water, roads). They can be used to inform strategic planning and budget preparation and to identify ways in which to improve the efficiency and effectiveness of resource allocations. 41

41 Oxford Policy management
PERs may help to identify:
- approved budget for trade-related expenditures;
- actual expenditures in trade-related categories;
- impact achieved through the actual expenditures (outputs);
- impact achieved at the policy level (outcomes).

Donor organizations, such as the World Bank, the UK Department for International Development (DFID) and the Asian Development Fund, among others, fund and undertake PERs as part of their assistance programmes. The World Bank, for example, defines PERs as central to its cooperation with partner countries. In this context, PERs can help countries establish effective and transparent mechanisms to allocate and use available public resources in a manner that promotes economic growth and poverty reduction.42

It is fundamental that the trade ministries be included on a regular basis in the analysis of the national budget carried out under the IFS process.

42 World Bank, Public Expenditure Reviews
**Municipal and other sources of finance** Local governments, such as municipalities, may constitute an independent source of funding if they act as administrative units with fiscal autonomy. Municipalities may also have the right to accept funding from an external source, thereby forming a direct channel for resource mobilization. Opportunities could be identified by looking at:

- governance structure of municipalities;
- legislation governing local administrative units;
- budget characteristics of municipalities;
- existence of independent funds;
- means of channelling funds to municipalities;
- fiscal rules and regulations for administrative units.

**Aid for Trade financing through bilateral and multilateral donors**

The majority of funding provided for AfT implementation comes from bilateral and multilateral donors as part of their overall response to national poverty reduction strategies. As already mentioned, AfT is delivered through the standard ODA channels, hence according to donors’ own procedures and planning processes, and in line with the priorities and principles outlined in their (country) development assistance strategies.

Donors’ country strategies and support programmes are negotiated with national governments. Following the Paris Declaration, in most cases donors align their strategies and support with partner countries’ national development plans or PRSPs. The negotiation of such programmes represents the main opportunity for the government to mobilize donors’ support to specific national development priorities, including trade. Donors are also more likely to support “sector programmes” rather than single projects.

Therefore, the most effective way to mobilize additional AfT funds from donors is to integrate trade priorities into the country’s PRSP or other national development plans.

Donors’ country strategies and support programmes have an established implementation period. In some cases, they may also foresee a strategy review at specific times of implementation. Therefore, it is also important to know the programming cycle and planning procedures of the major donors. The review of the national support programmes is another opportunity to channel donors’ investments towards specific priorities.
Information on the strategic priorities and on the programming cycle and planning procedures for a country/region are described in donors’ country/regional strategy and support programme documents. Donor country offices are key sources of information, including for better understanding the planning and financing processes.

When analysing donors’ funding possibilities for AfT, it is important to identify the donors that have trade among their country support priorities, their geographic, political and strategic priorities and the related aid delivery modalities. Such information can be found in donors’ AfT strategies.

**Donors’ AfT strategies** As the AfT initiative has consolidated in recent years, donors have been developing AfT strategies to define the scope, objectives and main priorities of their AfT support. Some donors have developed comprehensive strategies and action plans. Others have come to the conclusion that this was not necessary, at least for the time being, since AfT is still delivered through the traditional ODA channels, and they are already supporting programmes and interventions which fall under the six AfT categories.

The Annex provides an overview of the AfT strategies and support programmes of the major AfT donors. For each donor, you can also find the relevant links to gather in-depth and updated information on each donor’s AfT-related activities.

**Tools to monitor AfT flows** Another useful source for identifying funding possibilities for AfT is the OECD Creditor Reporting System (CRS). The CRS has been described in Chapter 3. It allows the identification of AfT contributions by donor and by country.\(^{43}\) Tables 3 and 4 below provide examples of AfT flows by country and by donor, respectively.

For a snapshot of AfT flows to specific countries, you can check the AfT at a Glance 2009 Country Fact Sheets. The Fact Sheets include elaborations of data from the CRS, including AfT flows (committed/disbursed) by donor, sector and expenditure category. All Fact Sheets can be found at:

http://www.oecd.org/document/1/0,3343,en_2649_34665_42926849_1_1_1_1,00.html

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\(^{43}\) See OECD CRS Profile (Donors and Partner Countries)
http://www.oecd.org/document/17/0,3343,en_2649_34665_39843665_1_1_1_1,00.html
### Table 3: Example of AfT flows by country (Zambia)

**Aid-for-Trade Flows: CRS Proxies**

ODA: USD thousands, 2006 constant prices

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**Other trade related needs (2)**

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**Total aid-for-trade**

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**Total sector allocable oda**

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Source: OECD, Creditor Reporting System

1. Trade development activities are identified in the CRS via the Trade Development policy marker. The amounts shown represent Productive Capacity building activities marked as contributing principally or significantly to trade development. Note however that some CRS reporting donors may not use the Trade Development policy marker and that the amounts presented under this category cannot be added up when reporting on the global flows.

2. The data covered under this category are not separately identifiable as AfT within the CRS. If so desired, your government is invited to complete the columns for 2007 data (commitments and disbursements) and to provide the relevant CRS sectors.
Table 4: Example of AfT flows by donor (Germany)

### Aid-for-Trade Flows: CRS Proxies

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Source: OECD, Creditor Reporting System

1. Trade development activities are identified in the CRS via the Trade Development policy marker. The amounts shown represent Productive Capacity building activities marked as contributing principally or significantly to trade development. Note however that some CRS reporting donors may not use the Trade Development policy marker and that the amounts presented under this category cannot be added up when reporting on the global flows.

2. The data covered under this category are not separately identifiable as AfT within the CRS. If so desired, your government is invited to complete the columns for 2007 data (commitments and disbursements) and to provide the relevant CRS sectors.
Box 13: Pointers to identify the most relevant donors to AfT financing in a given country

- Identify the main AfT donors in the country through the CRS
- Analyse the donors’ country assistance strategy to identify the trade-related priorities in the country (based on the definition of AfT categories described in Chapter 3)
- Analyse donor programmes/projects related to trade issues in the AfT categories (including ongoing and past initiatives)
- Identify the main aid delivery modalities (e.g. general budget support, sector budget support, programme support, etc.)
- Identify any pre-conditions to financing
- Analyse the programming cycle of the donor
- Analyse the procedures for submitting project proposals, including the timing

It is very important that all collected information is verified through meetings with donor representatives in the country.

The EIF Donor Facilitator (DF) could also provide useful information on donors engaged in AfT in a given country. In fact, the EIF DF is responsible for facilitating donors’ engagement in the DTIS Action Matrix implementation and for working towards harmonizing the intervention of all AfT donors, depending on their areas of interest.

5.4 Aid for Trade financing through sector-wide approaches

SWAps are potential instruments for trade financing, given the cross-cutting nature of trade and the consequent need to engage a wide and diverse range of stakeholders in the implementation of trade development activities (especially those with development objectives, as in the case of AfT).

Sector-Wide Approach (SWAp) A Sector-wide Approach (SWAp) is an approach whereby sector funding – whether from donors or internal sources – supports a specific sector policy and expenditure programme, under government leadership. Common procedures are adopted across the sectors, and are generally accompanied by efforts to strengthen government processes for disbursement and accountability. Ideally a SWAp involves broad stakeholder consultation in the design of a coherent sector programme and strong coordination among donors and government actors.

Donor support for a SWAp can take the form of budget support when the country is in compliance with implementation and accountability requirements. Where weaknesses exist, financing may be more mixed – funds may be earmarked for specific purposes (e.g. technical cooperation and policy dialogue) or project support. In practice, SWAps have centred on lead implementation ministries, while it has been more difficult to fund activities that involve other ministries or NGOs and the private sector.
Box 14: Main characteristics of SWAps

SWAps tend to share the following characteristics:

- **Country leadership and ownership**: The government plays a key role in the development of SWAps – directing the programme and mobilizing and coordinating the different sources of financial and technical support for sector development.

- **Collaborative**: SWAps require partnership and close coordination among the government, development partners and other stakeholders, plus the commitment of all parties to openness, consultation and information sharing.

- **Common sector-wide policy framework**: There is a single, comprehensive sector-wide policy framework, agreed to by government, the development partners and all other key stakeholders. This policy framework describes the current sectoral setting and constraints, and defines the overall goals, principles and priorities for the sector. These are then translated into a medium-term (typically, five years) sector strategy, which outlines the sector objectives and the means of achieving them. The medium-term strategy is articulated as a programme of specific interventions over a given period of time. Annual activity programmes are reviewed each year and adjusted accordingly.

Two additional elements are often present in SWAps:

- A medium-term expenditure framework (MTEF) or budget that supports the policy framework; and

- Commitment to moving towards greater reliance on the recipient government's financial management and accountability systems.

The combination of these elements in a SWAp varies according to the sector concerned, the development partners involved, the associated risks and local capacity.

---

1 The Global Mechanism, Economics and Financing Instruments

### 5.5 Aid for Trade financing through other financing instruments

There are several development institutions which are not a fund but, in the context of their mandate, can use grant/financing instruments (e.g. trust funds) to finance specific Aid for Trade priorities. Indeed, as Aid for Trade evolves, donors and development partners are increasingly trying to design and develop financing instruments and mechanisms that will support specific trade development issues such as sanitary and phytosanitary (SPS) measures and trade facilitation. The number and range of these instruments and mechanisms are growing and evolving rapidly. Some examples are provided below.

---

The majority of Aid for Trade-related funds and financing instruments are relatively new. As a consequence, guidelines related to the modalities for implementation and project financing are not yet available to the public and should be sought by contacting the related institutions. Below we provide an overview based on the information available at the time of compilation of this manual. However, we recommend that you refer to the web pages of the relevant organization on a regular basis for up-to-date information.
AFT financing sources, instruments and mechanisms

Box 15: Cambodia Trade SWAp

Cambodia started the SWAp experience in 2007, after having engaged in the IF process (2002) and in order to respond to the excessive fragmentation of ODA and to the rapidly increasing investments in AFT (from USD 10 million in 2005 to USD 30 million in 2008). The SWAp was seen as a way to strengthen government leadership over the use and management of technical assistance resources and to formulate a single sector strategy, shared by all stakeholders – that would serve as a reference for providing and coordinating all technical assistance. The SWAp was also seen as a more effective way of delivering TRA and of enhancing the EIF process by contributing to:

- stronger government ownership of the EIF;
- increased commitment by development partners; and
- improved EIF decision-making and management structure (including planning, coordination and monitoring) to ensure effective and timely delivery of the increased financial resources.

The objective of the trade SWAp is to coordinate the efforts and resources of the Cambodian government, Cambodian stakeholders and development partners on a single, shared strategy to develop Cambodia's trade sector.

The Royal Government of Cambodia underwent the following process to establish the trade SWAp:

1. In 2007, the Government adopted the concept of a trade SWAp, defined very broadly. The Ministry of Commerce is the lead agency.
2. A consultative body – the Sub-steering Committee for Trade Development and Trade-related Investment – was established by the Government to support dialogue with its development partners and the private sector. The members of this body are representatives from: (i) various line ministries and government agencies; (ii) development partners providing TRA; and (iii) the business community. The principal mandate of the Sub-steering Committee is to provide overall direction to the trade SWAp and to foster coordination.
3. The Ministry of Commerce was reorganized to strengthen its capacity to lead and implement the trade SWAp. The main changes led to: (i) the consolidation and strengthening of the departments dealing with trade promotion and export development; (ii) the creation of a dedicated department to deal with multilateral trade (especially WTO) and trade-policy issues; and (iii) the creation of a new department charged with managing all AFT assistance.
4. The Government's own internal coordination procedures with regard to international trade policies were strengthened by revamping a coordination body, which became the Inter-ministerial Coordinating Committee for Implementing the Obligations and Commitments of Cambodia in the WTO.
5. A common trade sector strategy was developed by the Ministry of Commerce in collaboration with development partners. This resulted in Cambodia's 2007 Trade Integration Strategy. This comprehensive strategy was formally endorsed by the Sub-steering Committee on 13 March 2007. Soon after, the Sub-steering Committee created three mixed teams of government officials, development partners and private-sector stakeholders to focus on three pillars. The teams were charged with developing detailed work plans indicating the main activities and financing needed to implement the Strategy. The three pillars are: (i) legal reform and cross-cutting issues; (ii) product and service export sector development; and (iii) capacity development for trade.

1 For more information please visit:
The EIF Trust Fund

The EIF, which was already described in the previous chapter, has its own financing instrument, the EIF Trust Fund (EIFTF), which is funded by different EIF donors and focuses on all A4T categories and government priorities derived from the DTIS Action Matrix. The EIFTF provides catalytic funds only, which should trigger direct investments by bilateral and multilateral donors that have committed to supporting A4T implementation and the EIF. The EIFTF provides grants through two tiers.

Tier 1

Tier 1 funds pre-DTIS projects, the DTIS or DTIS update and the Support to NIA projects. Regarding the latter, the EIFTF can finance “Support to National Implementation Arrangements” projects for beneficiary LDCs, to help LDCs meet the challenge of implementing the priority Action Matrix. These projects can fund activities to support mainstreaming trade into the national development strategy, to help a coordinated delivery of trade-related assistance and to seek funding for productive capacity needs. Furthermore, through these projects LDC beneficiaries can update their diagnostic studies.

Tier 2

Tier 2 of the EIFTF enables countries to access funding for DTIS Action Matrix priorities. All beneficiary LDCs that have validated their DTIS and Action Matrix have access to Tier 2 funding. The Tier 2 of the EIFTF is limited in size and can only fund small proportions of beneficiary LDCs’ needs to implement their Action Matrix priorities. Therefore, much of the focus of the EIF process is on bringing trade-related priorities into national development strategies so that they will form a key element of the dialogue between LDCs and their development partners.

Donors that have identified trade as a strategic priority for their interventions in LDCs make financial contributions to the EIFTF. This does not preclude donor financing for A4T programmes/activities in addition to and in parallel with their funding the EIFTF. On the contrary, the bulk of the funding for the actions included in the DTIS Action Matrix are expected to be picked up by the development partners active in the country. The EIFTF is mainly aimed at providing funds to jumpstart DTIS development and implementation.

EIF resources, including the EIFTF, are available to all government departments (i.e. ministries). This means that all ministries can benefit from such resources as long as they propose projects derived from the DTIS Action Matrix and agreed upon as the government’s priority. The EIF coordinating ministries, which host the EIF Focal Point, are the institutional channel to administer the EIF implementation process in a country.

44 A4T categories are described in Chapter 3.
The Standards and Trade Development Facility
The STDF is a global programme of capacity building and technical cooperation established by FAO, the World Organisation for Animal Health (OIE), the WB, the World Health Organization (WHO) and the WTO. Membership includes key donors providing technical cooperation related to international SPS standards, as well as representatives of developing countries. Other organizations such as UNIDO, the ITC and UNCTAD also participate actively in the STDF and have observer status. The STDF Secretariat is housed and managed by WTO.

The STDF assists developing countries in enhancing their expertise and capacity to analyse and implement international SPS standards, and in improving their human, animal and plant health situation, and hence their ability to gain and maintain market access.

Sanitary and phytosanitary (SPS) Sanitary and phytosanitary (SPS) measures are taken by countries to protect human, animal and plant life and health within their territory from risks which may affect international trade. These risks may be related to additives, contaminants, toxins or disease organisms in food or feedstuff, plant pests or animal diseases, or other damage caused by entry, establishment or spread of pests, etc. The WTO SPS Agreement recognizes the sovereign right of Members to provide the level of health protection they deem appropriate, while ensuring that SPS measures do not represent unnecessary, arbitrary, scientifically unjustifiable, or disguised restrictions on international trade.\(^47\)

The STDF raises awareness on the importance of SPS issues, coordinates technical cooperation providers, mobilizes funds and facilitates the exchange of experiences and dissemination of good practice in relation to SPS-related technical cooperation. A key role for the STDF is to act as a bridge between the technical work of its partners, donors and observers and the broader trade and development community.

The STDF regularly organizes thematic events at global and regional levels on topics of interest in SPS-related technical cooperation. These include: SPS performance indicators (in the context of results-based management); public-private partnerships in SPS capacity building; the use of economic analysis to inform SPS-related decision-making; climate change and agricultural trade – SPS risks and responses; good practice in SPS technical cooperation; and SPS capacity evaluation tools.

STDF financing windows Two forms of grant financing are available through the STDF: project preparation grants (PPGs) and limited financing for innovative pilot projects.

Project preparation grants (PPGs) are a key mechanism in the STDF programme, and aim to bridge the gap between the identification of needs and their articulation into sustainable projects. An additional component of the STDF’s work consists of mobilizing financial resources within the general donor community to fund resultant projects.

\(^{47}\) See the SPS gateway of the WTO website for more information: http://www.wto.org/english/tratop_e/sps_e/sps_e.htm
Limited grant financing is available for projects that address underlying issues of SPS capacity in developing countries or on a regional basis, ideally through innovative pilot projects that may be replicated by other donors. Projects should address one or more of the following three themes: (i) SPS capacity evaluation and planning tools, including the need for and implications of international standards and their application; (ii) capacity building for public and private organizations, notably with respect to market access; and/or (iii) information sharing on standards and coordination of technical cooperation activities.

The STDF aims to devote at least 40 per cent of project grant resources to LDCs and other Low Income Countries. To achieve this target, the STDF operates in synergy with other initiatives managed by the WTO, notably AfT and the EIF. Various projects have been developed and funded by the STDF based on SPS needs identified in the DTIS. The STDF also collaborates with other initiatives and trust funds outside the WTO such as regional development banks and the TFF managed by the WB.

Organizations eligible to apply for STDF funding include public- and private-sector entities and/or partnerships, STDF partners and not-for-profit NGOs. Beneficiaries are required to meet part of the cost of the implementation of projects either through financial or in-kind contributions.

For more information on the STDF, including its structure, ongoing activities and projects, briefing notes, background documents and presentations related to relevant events, please visit the STDF website at www.standardsfacility.org.

The Trade Facilitation Facility

The Trade Facilitation Facility (TFF) is a multi-donor trust fund that was launched in April 2009. The goal of the TFF is to help developing countries improve their competitiveness through concrete improvements in their trade facilitation systems and reductions in trade costs. It is located in the World Bank International Trade Department. Lead donors include the Netherlands, Sweden and the United Kingdom, with a projected initial size of USD 40 million.

Trade facilitation Trade facilitation is defined by the WTO as “the simplification and harmonization of international trade procedures” where trade procedures are “the activities, practices and formalities involved in collecting, presenting, communicating and processing data required for the movement of goods in international trade”. In fact, trade facilitation looks at how procedures and controls governing the movement of goods across national borders can be improved to reduce associated cost burdens and maximize efficiency while safeguarding legitimate regulatory objectives.48

48 http://en.wikipedia.org/wiki/Trade_facilitation
The TFF financing

The TFF finances activities at global, regional and national levels. It focuses mainly on low-income countries and countries in sub-Saharan Africa. Work in lower-middle income countries is eligible where this addresses trade facilitation problems of neighbouring low-income countries (e.g. transit, corridor or other regional trade facilitation projects). National governments and their related regional integration organizations (e.g., COMESA, West African Economic and Monetary Union (WAEMU), EAC) are eligible to apply for TFF assistance. Assistance takes the form of technical advisory services and building capacity for project preparation. The TFF also supports small investments (e.g. around USD 1-2 million) as well as those that build capacity to prepare larger infrastructure projects that address critical trade bottlenecks.

The TFF is linked to the AfT agenda. It can provide critical inputs into the design of trade-related investment projects funded by bilateral donors, regional development banks, the International Development Association/International Bank for Reconstruction and Development (IDA/IBRD) and developing countries’ own budgets. The TFF also complements existing trust funds at the WB. These other funding sources primarily support research and analytical work that has been important in expanding knowledge about trade issues. The TFF uses this knowledge to fill the gap between identifying trade facilitation constraints and helping governments design projects and policies to overcome them. In LDCs, the TFF complements the EIF by providing additional resources to help LDC governments address trade facilitation priorities in the EIF action matrices. The TFF also addresses regional trade externalities (e.g. those related to transit through gateway countries) or support projects in non-LDCs that provide demonstration effects for EIF country activities that are beyond the scope of the EIF.

For more up-to-date information on the TFF, including application procedures for TFF assistance and approved projects, please visit the WB website at http://go.worldbank.org/BWYUJ6T3Z0

The Multi-donor Trust Fund for Trade and Development of the World Bank

Launched in November 2007, the Multi-donor Trust Fund for Trade and Development (MDTF-TD) supports trade-related activities that contribute to growth and poverty reduction at the country, regional and global levels. The programme has four donors: Finland, Norway, Sweden and the United Kingdom.

The MDTF-TD supports work on a wide range of trade topics, including trade policy and agreements, export competitiveness, trade facilitation, behind-the-border constraints on international trade and distributional effects of trade and trade policy reform. The MDTF-TD seeks to ensure that trade-related activities at the country level draw on cross-sectoral expertise, bridging gaps among economic policy, infrastructure, private-sector development and rural development, as well as new cross-cutting issues such as climate change and gender. The MDTF-TD supports the WB’s international trade strategy. The MDTF-TD also complements other global trade partnerships, notably the EIF for TRTA and AfT.
MDTF-TD financing  Approximately 70 per cent of funding provides direct support for country and regional activities responding to client needs. The MDTF-TD has a preference for funding work in low-income countries. It also supports activities in middle-income countries where work addresses regional externalities, is innovative (e.g. addressing new trade issues such as relationships between gender and trade, or climate change and trade), or provides significant demonstration effects for low-income countries.

At the global level the fund finances global public goods – such as toolkits, benchmarking databases and research – that help inform country-level activities supported by the EIF and AfT. It also finances diagnostics, capacity building and project-preparation activities needed to make investment projects funded through the EIF and AfT more effective. Approximately 30 per cent of the trust fund’s resources support this work programme.

Activities eligible for financing include technical assistance, research and policy analysis, project preparation, capacity building and training, compilation of trade data, analytical tools and other toolkits for policy makers, and dissemination of knowledge through conferences and workshops. Activities financed by the trust fund may be executed by the WB or by recipient governments.

For more information on the MDTF-TD, including structure, eligible topics and activities, please visit the WB website at http://go.worldbank.org/QGDFDCVIS0

Now that you are familiar with AfT implementation and financing in LDCs, it is time to look at how we can mobilize the AfT resources for SLM. As you know, in order to be able to mobilize resources, we need to build an enabling environment. How to do this? You will learn in the next chapter.

Further readings
- Oxford Policy Management – Public Expenditure Reviews  http://www.opml.co.uk/services/public_expenditure_reviews/index.htm
- World Bank, Public Expenditure Reviews  http://go.worldbank.org/34E2UYENSo
- The Standards and Trade Development Facility  www.standardsfacility.org
- World Bank Trade Facilitation Facility  http://go.worldbank.org/BWYUJ6T32o
- World Bank MDTF-TD  http://go.worldbank.org/QGDFDCVIS0
Mobilizing Aid for Trade resources for sustainable land management: building the enabling environment

Objectives
The objective of this chapter is to describe the means of building the enabling environment to mobilize AfT resources for agriculture and SLM in a given country.

Learning outcomes
By the end of the chapter you will have learned the key elements to consider when analysing the national context in order to identify the entry points for mainstreaming SLM in AfT implementation and for engaging a broad range of partners to support implementation activities.

Key elements

6.0 Overview
6.1 Context analysis
6.2 Mainstreaming
6.3 Building partnerships

6.0 Overview
Chapter 5 described the main sources, instruments and mechanisms for AfT financing. In this chapter we look at how to build the enabling environment to mobilize these resources to fund trade projects and programmes for agriculture and SLM. The concepts, principles and approaches to develop and implement the IFS49 can be applied to any sector through which we aim to mobilize resources with an SLM perspective. In this chapter, we apply the IFS process to the trade sector. In particular, the chapter focuses on the analysis of the national context, and on SLM mainstreaming and partnership building in the context of AfT.

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49 The IFS has been presented in Chapter 1 as a process for identifying and mobilizing different types of resources for financing SLM.
6.1 Context analysis

The national context analysis aims to define the “baseline” in relation to the status of SLM mainstreaming in trade policies and in the AfT implementation process at the country level; it also provides the background needed to understand the conditions that influence the mobilization of AfT resources for SLM. In particular the national context analysis takes stock of:

- The national trade policy frameworks
- AfT implementation through the EIF
- National trade priorities of SLM-relevant sectors (including those in DTIS/Action Matrix)
- AfT financial flows
- Cross-sectoral structures

The context analysis also sets the bases to:

- Identify entry points for mainstreaming SLM into trade processes; and
- Identify and build partnerships with key actors to strengthen AfT, ARD and SLM linkages.

Undertaking a comprehensive context analysis requires a combination of a desk review (analysis of relevant available documentation) and interviews with key stakeholders from both the trade and SLM groups who will be able to provide the necessary information. These include but are not limited to:

- EIF coordinating ministry (often Ministry of Trade and in particular EIF Focal Point)
- UNCCD Focal Point
- Ministry of Agriculture
- Ministry of the Environment
- any other ministries involved in the IFS development process
- EIF donor facilitator
- development partners
- bilateral and multilateral donors
- private-sector organizations
- local government
- civil society organizations involved in trade development.
Component 1: Analysis of the national trade policy frameworks

The first component of the context analysis aims to assess whether SLM is one of the factors that have contributed to shape trade policies and legal frameworks and to provide recommendations for SLM mainstreaming. It requires an understanding of the broad macroeconomic, legal and policy contexts, the mechanisms for national priority setting, and the laws governing trade and the related domestic and international resource flows. Therefore it is important to gain a sound understanding of the trade priorities in the national development frameworks (e.g. national development plans, PRSPs), specific trade agreements (national, regional and multilateral) and any major policy undertakings (e.g. trade liberalization in certain areas) that will determine the overall context within which resource mobilization will take place.

What to keep in mind when developing Component 1

<table>
<thead>
<tr>
<th>Research focus:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Identify the trade priorities in the national development frameworks (e.g. national development plans, PRSPs)</td>
</tr>
<tr>
<td>• Identify trade priorities within specific trade agreements (national, regional and multilateral)</td>
</tr>
<tr>
<td>• Identify any major policy undertakings (e.g. trade liberalization in certain areas) that will determine the overall context within which resource mobilization will take place</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expected outcome:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Entry points for mainstreaming SLM at the trade policy level identified</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Useful sources:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• PRSPs and national development plans</td>
</tr>
<tr>
<td>• major trade agreements</td>
</tr>
<tr>
<td>• national trade policy</td>
</tr>
<tr>
<td>• national trade sector strategy</td>
</tr>
<tr>
<td>• national private sector development strategy</td>
</tr>
<tr>
<td>• national trade/investment promotion agencies</td>
</tr>
<tr>
<td>• national chamber of commerce</td>
</tr>
</tbody>
</table>

Potential entry points for SLM mainstreaming in trade policy frameworks could be:

• “environmental impact assessments” attached to national trade policies;
• specific provisions of trade agreements which may encourage trade in organic/certified products;
• updates of trade policy frameworks.
Component 2: Analysis of the status of AfT implementation through the EIF

The second component of the context analysis looks at the status of AfT implementation in the country. This is very important to understand who are the main stakeholders engaged in AfT at country level, and what is the status of AfT implementation. In turn, this will enable us to identify potential partners in the mobilization of AfT resources for SLM as well as entry points for SLM mainstreaming in the EIF process.

<table>
<thead>
<tr>
<th>What to keep in mind when developing Component 2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Research focus:</strong></td>
</tr>
<tr>
<td>• Identify the EIF focal point and NIU and describe the main ongoing activities in which they are engaged</td>
</tr>
<tr>
<td>• Describe the composition of the EIF Steering Committee</td>
</tr>
<tr>
<td>• Identify the EIF donor facilitator and describe the type of support provided to AfT/EIF implementation</td>
</tr>
<tr>
<td>• Describe the main ongoing projects under the EIF</td>
</tr>
<tr>
<td>• Describe the status of EIFTF T1 and T2 financing</td>
</tr>
<tr>
<td>• Identify the key stakeholders, development partners and donors supporting the EIF in the country</td>
</tr>
<tr>
<td><strong>Expected outcomes:</strong></td>
</tr>
<tr>
<td>• Thorough knowledge on the EIF programming cycle, including the cycle of ongoing projects and of the DTIS review/update</td>
</tr>
<tr>
<td>• Suggestions for mainstreaming SLM in the DTIS/Action Matrix and in other EIF relevant projects (ongoing/planned)</td>
</tr>
<tr>
<td>• Analysis of the composition of the EIF Steering Committee and other NIAs and recommendations to engage the UNCCD focal point in the structure if it is not part of it already</td>
</tr>
<tr>
<td><strong>Useful sources:</strong></td>
</tr>
<tr>
<td>• The Enhanced Integrated Framework website: <a href="http://www.integratedframework.org/">http://www.integratedframework.org/</a></td>
</tr>
<tr>
<td>• Interview with EIF focal point and donor facilitator</td>
</tr>
<tr>
<td>• Project documents to be provided by the EIF NIU</td>
</tr>
</tbody>
</table>

In order to become part of the national trade agenda, SLM-relevant trade issues need to be positioned in the EIF implementation and in the DTIS.
Component 3: Analysis of national trade development priorities of SLM-relevant sectors, including the DTIS and Action Matrix

The aim of this component is to identify to what extent SLM-relevant trade priorities are included in the national trade development plans. The assessment is made by looking at national trade priorities in the DTIS and Action Matrix and at the trade priorities identified by SLM-relevant sectors – e.g. agriculture, forestry, land, water and energy – in their policy and planning documents. In fact, trade activities are often part of the planning of different government ministries and departments. A cross-check of the DTIS and of the trade priorities of the other sectors is very useful to identify any gaps between the sectors, and to harmonize their priorities and help them to define a common agenda.

What to keep in mind when developing Component 3

Research focus:
- Identify the trade priorities listed in the DTIS and Action Matrix especially with regard to agriculture and to other SLM-relevant sectors
- Identify trade priorities in national export strategies and specific sub-sector strategies which usually build on the DTIS and on the Action Matrix, often providing additional details in terms of trade development needs
- Identify the trade priorities within CAADP Compacts (where applicable)
- Identify the trade-related priorities of the SLM-relevant sectors – e.g. agriculture, forestry, land, water and energy – and verify whether the sectors’ trade priorities are included in the DTIS and/or make recommendations in this regard. Trade activities are often part of the planning of different government departments. Therefore it is important to analyse the planning frameworks of the different sectors to learn about the sector-specific trade priorities.
- Identify any gaps between the sectors by cross-checking the sectoral trade priorities with the priorities in the CAADP Compacts and in the DTIS

Expected outcomes:
- Identification of any existing gaps between the sectoral trade priorities, the trade priorities identified in the CAADP Compacts, and in the DTIS
- Recommendations on how SLM can contribute to add value/improve trade in the priority areas identified
- Identification of entry points for mainstreaming SLM-relevant trade priorities in the DTIS/Action Matrix and in the trade sector and sub-sector strategies.

Useful sources:
- DTIS and Action Matrix, which can be downloaded from the EIF website http://www.integratedframework.org/#!countries.
- National Export Strategy
- Specific sub-sector (value chain) development strategies
- Sector-specific development frameworks, such as CAADP Compacts (where applicable) for the agricultural sector and in particular its Pillar II on Market Access and Trade. The CAADP website provides information regarding the status of implementation http://www.nepad-caadp.net/library-country-status-updates.php.
- Sector-specific development plans and programmes
**Template 1: SLM-relevant trade priorities in Country XXX**
The following template can be used to gather and organize information related to SLM-relevant trade priorities in a given country.

<table>
<thead>
<tr>
<th>Process/Strategy</th>
<th>DTIS/Action Matrix</th>
<th>National Export Strategy</th>
<th>Sub-sector Strategy</th>
<th>CAADP Compact</th>
<th>Other</th>
</tr>
</thead>
</table>

**Template 2: National trade priorities in Country XXX by sector**
The following template can be used to gather and organize information related to the trade priorities of the different sectors in a given country.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Agriculture</th>
<th>Environment</th>
<th>Forestry</th>
<th>Trade</th>
<th>DTIS/AM (yes/no)</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Trade Priority</th>
<th>Agriculture</th>
<th>Environment</th>
<th>Forestry</th>
<th>Trade</th>
<th>DTIS/AM (yes/no)</th>
</tr>
</thead>
</table>

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Component 4: Analysis of AfT Flows to agriculture and SLM-relevant sectors

This component aims to assess the AfT financial flows and allocations to agriculture and other SLM-relevant sectors; the assessment will classify the financial allocations by the six AfT categories. To this end, ongoing donor projects and programmes need to be reviewed, and the sources of the financial flows need to be identified in order to have a clear view of the scope of AfT financing, as well as its funding sources and related volumes in a given country.

What to keep in mind when developing Component 4

Research focus:

- Assess the status of AfT flows to the country in the SLM-relevant sectors, especially agriculture, by sector, by AfT category, and by donor, in line with the OECD Creditor Reporting System (discussed in Chapter 3)
- Identify the specific programmes through which the donors are providing AfT, as well as the amount committed/disbursed under these programmes. The programmes providing AfT to agriculture and other SLM-relevant sectors shall be analysed in more detail (e.g. geographic area of interest, main components, funds already disbursed/still available).

Expected outcomes:

- Identification of donors’ AfT flows by sector and by AfT category based on a cross-check of donors’ commitments and disbursement
- Matching of AfT flows with their respective donor programmes in the different sectors. For example, if a donor has an agricultural development support programme, you should be able to point out how much of the programme value is considered AfT and under which AfT category.

Useful sources:

- OECD AfT website: www.oecd.org/dac/aft
- Information on the amount of AfT being delivered to a country, by donors and by sectors can be found in the Partner Country Information Factsheets, CRS Profile and AfT Questionnaire: http://www.oecd.org/document/1/0,3343,en_2649_34665_42926849_1_1_1_1,00.html
- Information on bilateral and multilateral donors, such as their AfT priorities can be found at: http://www.oecd.org/document/43/0,3343,en_2649_34665_42986283_1_1_1_1,00.html
- Donor country offices (both bilateral and multilateral), which can provide information on ongoing trade-related projects and programmes and related finance as well as on AfT financing
Template 3: AfT flows to Country XXX
The following template can be used to gather and organize data related to AfT flows to a given country based on OECD CRS.

<table>
<thead>
<tr>
<th>AFT category</th>
<th>Agriculture</th>
<th>Environment</th>
<th>(sector.....)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Committed</td>
<td>Disbursed</td>
<td>Donor</td>
</tr>
<tr>
<td>2</td>
<td>Committed</td>
<td>Disbursed</td>
<td>Donor</td>
</tr>
<tr>
<td>3</td>
<td>Committed</td>
<td>Disbursed</td>
<td>Donor</td>
</tr>
<tr>
<td>4</td>
<td>Committed</td>
<td>Disbursed</td>
<td>Donor</td>
</tr>
<tr>
<td>5</td>
<td>Committed</td>
<td>Disbursed</td>
<td>Donor</td>
</tr>
<tr>
<td>6</td>
<td>Committed</td>
<td>Disbursed</td>
<td>Donor</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Template 4: Donors’ support programmes in Country XXX
The following template can be used to gather and organize data related to donors’ support programmes to specific sectors in a given country.

<table>
<thead>
<tr>
<th>Donor</th>
<th>Programmes (AfT and other SLM-relevant sectors)</th>
<th>Timeframe</th>
<th>Priorities</th>
<th>Commitments (USD)</th>
<th>Disbursements (USD)</th>
<th>$ Earmarked as AfT (yes/no)</th>
</tr>
</thead>
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Component 5: Analysis of cross sectoral structures
The fifth and final step in analysing the country context is to find out whether any inter-ministerial, cross-sectoral coordination structures exist, and to analyse the membership, tasks and functionality. These coordination structures play a key role in the harmonization of sector-specific processes in the different ministries and institutions.

What to keep in mind when developing Component 5

Research focus:
• Identify any cross-sectoral/inter-ministerial coordination structures and analyse the membership, tasks and functionality

Expected outcomes:
• Proposal to establish a trade and SLM coordination mechanism to promote cross-sectoral collaboration, based on the country scenario identified
• Identification of main stakeholders that need to be engaged to promote cross-sectoral dialogue.

Remember that any trade-related investment can be pooled under the AfT umbrella, no matter what sector it belongs to, as long as it falls under one of the six AfT categories.
The inter-ministerial structure is not necessarily to be found under the trade sector (e.g. the EIF Steering Committee). It may also be found under other sectors. In general terms, the possible scenarios include:

- An inter-ministerial coordination mechanism already exists under the EIF’s NIAs (e.g. the EIF Steering Committee).
- An inter-ministerial coordination mechanism already exists under the UNCCD implementation process (e.g. the SLM Steering Committee).
- An inter-sectoral coordination mechanism exists in relation to processes stemming from one of the SLM priority sectors, such as agriculture and rural development (e.g. CAADP).
- There is no existing inter-ministerial coordination mechanism.

The actions to be taken to promote inter-ministerial coordination will depend on which of the above scenarios applies to the country in question. Key stakeholders will have been identified through the previous steps in the context analysis. In general terms, one way to promote cross-sectoral coordination would be to have the UNCCD focal point institutions represented in the EIF Steering Committee, and the EIF focal point involved in IFS implementation or any other working group/committee for UNCCD implementation in the country. This will also be a contribution towards SLM mainstreaming, which we look at in the section below.

**Box 16: Harmonization of the Strategic Investment Framework for SLM and of the EIF in Uganda**

By establishing the Uganda SLM Strategic Investment Framework for SLM (U-SLM SIF), the Government of Uganda has created a solid base for inter-sectoral coordination and collaboration to address land degradation issues and SLM in the country. The multi-sectoral platform was initiated by the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF) in 2007 under the TerrAfrica Partnership. Initially the U-SLM SIF involved four sectors: agriculture, energy, water and environment, and lands. Trade was engaged as the fifth sector in 2008. The EIF National Implementation Unit engaged in the platform on behalf of the Ministry of Tourism, Trade and Industry (MTTI) with a view to develop and nurture private-sector competitiveness, and to promote trade diversification by supporting the development of value chains that embrace SLM practices. MTTI engagement in the U-SLM SIF is also expected to help mobilize AfT finance for rural development and SLM.

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1 TerrAfrica is a partnership that aims to address land degradation by scaling up harmonized support for effective and efficient country-driven SLM practices in sub-Saharan African countries. Currently, TerrAfrica partners include African governments, NEPAD, regional and sub-regional organizations, the UNCCD Secretariat, the UNCCD Global Mechanism, the World Bank, GEF, IFAD, FAO, UNDP, UNEP and the African Development Bank, as well as multilateral organizations including the European Commission, bilateral donors, civil society and scientific organizations including the Forum for Agricultural Research in Africa and the Consultative Group on International Agricultural Research centres.
<table>
<thead>
<tr>
<th>Components</th>
<th>Aim</th>
<th>Research focus</th>
<th>Expected outcomes</th>
<th>Useful sources:</th>
</tr>
</thead>
</table>
| 1. National trade policy frameworks | To assess whether SLM is one of the factors that have contributed to shape trade policies and legal frameworks and/or to provide recommendations for SLM mainstreaming | - Identify the trade priorities in the national development frameworks (e.g. national development plans, PRSPs)  
- Identify trade priorities within specific trade agreements (national, regional and multilateral)  
- Identify any major policy undertakings (e.g. trade liberalization in certain areas) that will determine the overall context within which resource mobilization will take place | - Entry points for mainstreaming SLM at the trade policy level identified  
- PRSPs and national development plans | - Major trade agreements  
- National trade policy  
- National trade sector strategy  
- National private sector development strategy  
- National trade/investment promotion agencies  
- National chamber of commerce |
| 2. AfT implementation through the EIF | To provide a clear understanding of AfT implementation in the country, as a precondition to engage in partnerships with key trade stakeholders | - Identify the EIF focal point and NIU and describe the main ongoing activities in which they are engaged  
- Describe the composition of the EIF Steering Committee  
- Identify the EIF donor facilitator and describe the type of support provided to AfT/EIF implementation  
- Describe the main ongoing projects under the EIF  
- Describe the status of EIFTF T1 and T2 financing  
- Identify the key stakeholders, development partners and donors supporting the EIF in the country | - Thorough knowledge on the EIF programming cycle, including the cycle of ongoing projects and of the DTIS review/update  
- Suggestions for mainstreaming SLM in the DTIS/Action Matrix and in other EIF relevant projects (ongoing/planned)  
- Analysis of the composition of the EIF Steering Committee and other NIAs and recommendations to engage the UNCCD focal point in the structure if it is not already part of it | - The Enhanced Integrated Framework website: http://www.integratedframework.org/  
- Interview with EIF focal point and donor facilitator  
- Project documents to be provided by the EIF NIU |
| 3. National trade development priorities of SLM-relevant sectors | To identify to what extent SLM-relevant trade priorities are included in the national trade development plans | - Identify the trade priorities listed in the DTIS and Action Matrix especially with regard to agriculture and to other SLM-relevant sectors  
- Identify trade priorities in national export strategies and specific sub-sector strategies  
- Identify the trade priorities within CAADP Compacts (where applicable)  
- Identify any gaps between the sectors by cross-checking the sectoral trade priorities with the priorities in the CAADP Compacts and in the DTIS  
- Identification of any existing gaps between the sectoral trade priorities, the trade priorities identified in the CAADP Compacts, and in the DTIS | - DTIS and Action Matrix, which can be downloaded from the EIF website http://www.integratedframework.org/#IF%20Countries  
- National Export Strategy  
- Specific sub-sector (value chain) development strategies |
<table>
<thead>
<tr>
<th>Components</th>
<th>Aim</th>
<th>Research focus</th>
<th>Expected outcomes</th>
<th>Useful sources</th>
</tr>
</thead>
</table>
| - Identify the trade-related priorities of the SLM-relevant sectors – e.g. agriculture, forestry, land, water and energy – and verify whether the sectors’ trade priorities are included in the DTIS and/or make recommendations in this regard<br><br>- Recommendations on how SLM can contribute to add value/improve trade in the priority areas identified<br>- Identification of entry points for mainstreaming SLM-relevant trade priorities in the DTIS/Action Matrix and in the trade sector and sub-sector strategies<br>- Sector-specific development frameworks, such as CAADP Compacts (where applicable) for the agricultural sector and in particular its Pillar II on Market Access and Trade: http://www.nepad-caadp.net/library-country-status-updates.php<br>- Sector-specific development plans and programmes | - Assess the status of AfT flows to the country in the SLM-relevant sectors, especially agriculture, by sector, by AfT category, and by donor in line with the OECD Creditor Reporting System (discussed in Chapter 3)<br>- Identify the specific programmes through which the donors are providing AfT, as well as the amount committed/disbursed under these programmes | - Identification of donors’ AfT flows by sector and by AfT category based on a cross-check of donors’ commitments and disbursement<br>- Matching of AfT flows with their respective donor programmes in different sectors. For example, if a donor has an agricultural development support programme, you should be able to point out how much of the programme value is considered AfT and under which AfT category.<br>- OECD information on the amount of AfT delivered to countries, by donors and by sectors can be found in the Partner Country Information Factsheets, CRS Profile and AfT Questionnaire: http://www.oecd.org/document/1/0,3343,en_2649_34665_42926849_1_1_1_1,00.html<br>- Information on bilateral and multilateral donors, such as their AfT priorities can be found at: http://www.oecd.org/document/43/0,3343,en_2649_34665_42986283_1_1_1_1,00.html<br>- Donor country offices (both bilateral and multilateral), which can provide information on ongoing trade projects and programmes and related finance as well as on AfT financing. | - OECD AfT website: http://www.oecd.org/document/0,3343,en_2649_34665_1_1_1_1_1_00.html

4. AfT flows to agriculture and SLM-relevant sectors

5. Cross-sectoral structures To assess the status of cross-sectoral coordination structures

- Identify any cross-sectoral/inter-ministerial coordination structures and analyse the membership, tasks and functionality
- Proposal to establish a trade and SLM coordination mechanism to promote cross-sectoral collaboration, based on the country scenario identified
- Identification of main stakeholders that need to be engaged to promote cross-sectoral dialogue
6.2 Mainstreaming

The mobilization of AfT resources for agriculture and SLM closely depends on the mainstreaming of SLM and UNCCD priorities into the trade development agenda.

Building upon the findings of the context analysis, concrete actions need to be undertaken to ensure that SLM priorities are integrated/mainstreamed at trade policy, institutional and financial levels.

SLM mainstreaming at (trade) policy level

Mainstreaming SLM in the DTIS is the main step to mainstream SLM-relevant trade priorities in the trade policy-making and national trade planning processes, which determine resource allocation. In order to mainstream SLM in the DTIS, it is very important that we know what the priority sectors in the DTIS/Action Matrix are, and that we understand how the DTIS planning cycle works, especially with respect to the DTIS updates. Ideally, given the linkages between trade and SLM explained in Chapter 2, SLM should be mainstreamed into the DTIS when it is designed, or during the DTIS update. This would enable SLM to trickle down from the DTIS to the Action Matrix, and to the projects and programmes for the implementation of the Action Matrix.

The EIF process foresees that the DTIS and its Action Matrix can be reviewed two times during the five-year EIF implementation cycle. This provides a key opportunity for mainstreaming SLM into the DTIS, as its implementation is reviewed and further priorities can be incorporated. The inclusion of SLM into the DTIS and Action Matrix is conducive to mobilizing the necessary funding to finance trade-related activities with an SLM perspective.

In order to mainstream SLM in the DTIS and in the Action Matrix, it is important that the UNCCD focal point and the ministries involved in developing the SLM investment framework engage in the EIF implementation structure at country level, especially with the NIU.

SLM can also be mainstreamed in the EIF through export and sector strategies. Where the DTIS has just been developed or updated, while waiting for the next update, SLM can be mainstreamed in other processes addressing the DTIS priorities. These include “national export strategies” as well as specific “sector strategies” which refer to the priority sub-sector/value chains identified in the DTIS (e.g. the Cassava Sector Strategy in Zambia, the Gum Arabic Sector Strategy in Mali). 50

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50 Sector: A general term used to describe a group of establishments engaged in similar kinds of economic activity. A sector can be a subgroup of an economic activity - as in “coal mining sector” - or a group of economic activities - as in “service sector” - or a cross-section of a group of economic activities - as in “informal sector”. OECD Glossary of Statistical Terms.

Sectoral strategy: A policy framework, for the long and/or medium term, which has been adopted by a government as a plan of action for a particular area of the economy or society. OECD Glossary of Statistical Terms.
Gum arabic is a very important product for Mali, not only in terms of the trade potential it offers, but also because gum trees are crucial in sequestering nitrogen, thereby also actively contributing towards halting desertification and land degradation. Mali is engaged in the EIF process. Gum arabic is among the priorities identified in the diagnostic trade integration study. It is also a priority in Mali’s PRSP.

The gum arabic value chain in Mali is an excellent example of the national will to initiate dialogue with public actors from different sectors, including the private sector. In fact, throughout the process of updating the Gum Arabic Sector Strategy, in late 2009, the Government of Mali decided that inter-sectoral coordination groups were to be formally established to implement the Strategy. The creation of such groups aims to create an institutional mechanism to strengthen all segments of the production/supply chain in a sustained manner. It will also contribute to the elaboration of a joint strategy between all technical and financial partners to strengthen the linkages between their support programmes vis-à-vis trade, agriculture and the environment.

**Mainstreaming SLM at the (trade) institutional level** Mainstreaming SLM in the EIF NIAs is crucial to ensure that SLM and trade stakeholders engage with one another to define common trade priorities and to facilitate SLM mainstreaming at the policy level. This means that the UNCCD Focal Point institution will engage with the National Implementation Unit (NIU) of the EIF, its National Steering Committee (NSC) and the Donor Facilitator (DF).

Engaging the EIF FP in the development of investment frameworks for SLM is the first step to ensure that SLM priorities are included in the EIF-related planning process. Regular interaction with the NIU can also facilitate the mainstreaming of SLM in the DTIS and in the projects through which Action Matrix priorities are implemented.

The NSC is already an inter-ministerial coordination mechanism. It is established to include different development dimensions, and the related stakeholders, in the EIF process. In order to ensure that the SLM perspective is mainstreamed in the NSC, it is important to have at least one representative from the UNCCD focal point ministry (i.e. environment or agriculture) and possibly from other ministries involved in the development of the national SLM investment framework as a member in the NSC.

It is also important to consider that the participation of the non-trade sectors in the NSC does not necessarily trickle down to the operational level. Therefore while establishing the institutional mechanisms to ensure participation of, and permanent dialogue with the NSC, SLM stakeholders also need to make sure that there is a channel of communication between the representatives in the NSC and those involved in the SLM investment framework at a more operational level, such as the SLM country teams.
Finally, engaging the DF in UNCCD processes at the national level is also quite important since the DF can help to engage the trade donors with the donors supporting SLM and therefore help build synergies between the different sectors and the related investments. This is especially useful for the donors themselves, especially when the donor supporting EIF implementation is also the same donor supporting any SLM-related implementation process, as is often the case. For example, if the DF itself is also leading a major SLM-related process in the country, establishing synergies between the trade- and SLM-related processes is a way for the DF to optimize its investments and to ensure that the processes supported have converging objectives.

Mainstreaming SLM at the (trade) financial level Mainstreaming SLM at the financial level means engaging bilateral and multilateral donors that are providing AfT to the country to also support SLM-relevant trade priorities through their AfT programmes. The process for identifying such priorities is explained in the next chapter.

6.3 Building partnerships
The final step in creating the enabling environment to mobilize AfT resources for SLM is partnership building. The building of partnerships between the trade and SLM stakeholders is crucial to foster the necessary coordination mechanisms and to provide assistance to the implementation of these complex inter-sectoral processes.

Partnership building builds upon the findings of the context analysis, and in particular of the cross-sectoral partnerships and structures analysis, which will provide recommendations on the best coordination mechanisms to be adapted for AfT, SLM and agriculture coordination, or whether an ad-hoc mechanism is necessary.

<table>
<thead>
<tr>
<th>Box 19: Possible country scenarios and related actions to set up the Trade &amp; SLM Coordination Mechanism</th>
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<tbody>
<tr>
<td><strong>Country scenario</strong></td>
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<tr>
<td>An inter-ministerial coordination mechanism already exists under the EIF's NIAs (e.g. the EIF Steering Committee).</td>
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<tr>
<td>An inter-ministerial coordination mechanism already exists under the UNCCD implementation process (e.g. the SLM Steering Committee).</td>
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<tr>
<td>There is no existing inter-ministerial coordination mechanism.</td>
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<tr>
<td>An inter-sectoral coordination mechanism exists in relation to processes stemming from one of the SLM priority sectors, such as agriculture and rural development (e.g. CAADP).</td>
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Partnerships can be established at different levels and involve a multitude of actors. Depending on the country, the AfT, SLM and agriculture Coordination Mechanism may be a “formal” or “informal” entity administratively spearheaded by different institutions (in order to build as much as possible on existing structures). Ideally, the Coordination Mechanism should include, but not be limited to:

- the Ministry of Trade and/or EIF coordinating ministry
- the NIAs, i.e. the EIF Focal Point, the NIU, the NSC and the EIF Donor Facilitator
- the Ministry of Environment
- the national SLM group, e.g. the UNCCD Focal Point and others, depending on the country specificities
- the Ministry of Agriculture
- other ministries involved in AfT/EIF development processes
- other ministries involved in IFS development processes.

### Box 20: Actors involved and examples of related responsibilities

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<tr>
<th>Actor</th>
<th>Responsibilities</th>
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<tbody>
<tr>
<td>Government</td>
<td>• Define the legal and institutional environment and play a key role in establishing and operationalizing the structures for inter-sectoral coordination</td>
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<td></td>
<td>• Generate political commitment across the different sectors towards an integrated approach to address trade and SLM issues</td>
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<td>• Generate investments from the (different budget lines in the) national budget, and from bilateral and multilateral donors (using the national development plans)</td>
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<tr>
<td>Private sector</td>
<td>• Use natural resources for the production of goods and services</td>
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<td>• Create value addition</td>
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<td></td>
<td>• Trade goods and services</td>
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<td>• Provide employment opportunities, innovation and economic growth</td>
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<td>• Maximize profits for investors to ensure further investment</td>
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<td>Civil society</td>
<td>• Promote social development (e.g. equal distribution of benefits)</td>
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<td>• Undertake advocacy (e.g. fair labour standards)</td>
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<td>• Serve as guardians of public goods (e.g. natural resources)</td>
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<td>• Implement projects</td>
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<td></td>
<td>• Involve the community (e.g. participation in value chains)</td>
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<tr>
<td>Academia</td>
<td>• Build the information base on trade and SLM</td>
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<td>• Research innovative ways to promote SLM through trade</td>
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<td></td>
<td>• Develop the technical skills of human resources</td>
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<tr>
<td>Donors</td>
<td>• Project or programme financing</td>
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<td></td>
<td>• Technical assistance</td>
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<td></td>
<td>• Capacity building</td>
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<td></td>
<td>• Political lobbying</td>
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<tr>
<td>International organizations</td>
<td>• Project or programme financing</td>
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<td>• Technical assistance</td>
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<td>• Capacity building</td>
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<tr>
<td></td>
<td>• Political lobbying</td>
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<td></td>
<td>• Exchange and dissemination of experiences</td>
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</table>
The UNCCD and the EIF Focal Points play a key role in ensuring communication, participation and coordination between the existing structures under the UNCCD and the EIF.

Once we have made the necessary assessments to understand the conditions that influence the mobilization of AfT resources for SLM, and we have started the mainstreaming and partnership-building activities, we can engage in the mobilization of AfT resources. This will take specific steps, which are described in the next chapter.

### Useful sources of information

#### National trade policy framework:
- PRSPs and national development plans
- Major trade agreements
- National trade policy
- National trade sector strategy
- National private-sector development strategy
- National trade/investment promotion agencies
- National chamber of commerce

#### AfT implementation through the EIF:
- Interview with EIF focal point and donor facilitator
- Project documents to be provided by the EIF NIU

#### Analysis of national trade development priorities of SLM-relevant sectors:
- DTIS and Action Matrix. Copies can be downloaded from the EIF website ([http://www.integratedframework.org/#IF%20Countries](http://www.integratedframework.org/#IF%20Countries))
- National Export Strategy
- Specific sub-sector (value chain) development strategies
- Sector-specific development frameworks, such as CAADP Compacts (where applicable) for the agricultural sector and in particular its Pillar II on Market Access and Trade. The CAADP website provides information regarding the status CAADP of implementation ([http://www.nepad-caadp.net/library-country-status-updates.php](http://www.nepad-caadp.net/library-country-status-updates.php)).
- Sector-specific development plans and programmes

#### Analysis of AfT Flows to agriculture and SLM-relevant sectors:
- Information on the amount of AfT being delivered to a country, by donors and by sectors can be found in the Partner Country Information Factsheets, CRS Profile and AfT Questionnaire: [http://www.oecd.org/document/10,3343,en_2649_34665_42926849_1_1_1_1,00.html](http://www.oecd.org/document/10,3343,en_2649_34665_42926849_1_1_1_1,00.html)
- Information on bilateral and multilateral donors, such as their AfT priorities can be found at: [http://www.oecd.org/document/43/0,3343,en_2649_34665_42986283_1_1_1_1,00.html](http://www.oecd.org/document/43/0,3343,en_2649_34665_42986283_1_1_1_1,00.html)
- Donor country offices (both bilateral and multilateral)
Chapter 7

Mobilizing Aid for Trade resources for sustainable land management: Practical steps

Objectives
The objective of this chapter is to describe the practical steps to mobilize AfT resources for SLM in a given country.

Learning outcomes
By the end of the chapter you will be able to develop an agenda of common trade and SLM priorities and define the steps to mobilize the resources to fund these priorities.

Key elements

| 7.0 Overview                                                                 |
| 7.1 Step 1: Identifying shared priorities                                  |
| 7.2 Step 2: Identifying financial sources                                 |
| 7.3 Step 3: Sorting shared priorities                                     |
| 7.4 Step 4: Project development                                           |
| 7.5 Step 5: Project financing                                             |

7.0 Overview
The objective of this concluding chapter is to guide you step by step towards the development of a harmonized trade and SLM agenda – from the identification of shared trade and SLM priorities, to the sorting of priority activities and the development of a planning matrix, to the final development of trade projects and programmes that are able to target SLM priorities that are instrumental for mobilizing AfT resources.

7.1 Step 1: Identifying shared priorities
As pointed out throughout this manual, the trade-related investments falling under the six AfT categories are not necessarily to be found solely under the Ministry of Trade or related donor support programmes. Other ministries and government institutions may have parts of their budget allocated for trade-related activities. Likewise, donors may have budget allocations for trade-related activities under programmes supporting different sectors (e.g. agriculture, private sector). In the
light of this, it will be important to take the necessary actions to ensure consistency among the trade activities planned within the different government departments as well as between the donor support programmes for the different sectors (see chart Figure 2, Chapter 3).

To achieve this, and ensure that the national trade priorities are beneficial to SLM, the different sectors will need to engage in a joint planning exercise to identify and harmonize common trade priorities that would help to improve SLM. These will then be recognized as part of the national trade agenda, which guides the allocation of AfT resources, so that funds for their implementation can be mobilized.

In previous chapters we have learned that the EIF represents the overarching framework to facilitate the coordination of national trade priorities across different sectors and related donor support programmes. Therefore, engaging in consultation with the EIF implementation structures at the national level is of utmost importance.

The consultation process Trade and SLM shared priorities need to be identified through a participatory consultation process involving the EIF and the major AfT stakeholders on the trade side, as well as representatives from other SLM-relevant sectors who are involved in UNCCD implementation in the country.

In general terms, the sectors and stakeholders to be involved in the consultation process are:

- the Ministry of Trade and/or EIF coordinating ministry
- the NIAs, i.e. the EIF Focal Point, the NIU, the NSC, the EIF Donor Facilitator
- the Ministry of Environment
- the Ministry of Agriculture
- the national SLM group, e.g. the UNCCD Focal Point and others, depending on the country specificities
- other ministries involved in AfT/EIF development processes in the country
- other ministries involved in UNCCD implementation processes in the country
- bilateral and multilateral donors supporting trade and trade-related processes
- bilateral and multilateral donors supporting UNCCD implementation and IFS processes
- private-sector representatives already involved in UNCCD and/or AfT/EIF implementation
- civil society representatives already involved in UNCCD and/or AfT/EIF implementation.

In practice, the combination of specific sectors depends on the characteristics of the country in question.
Suggested steps for undertaking the consultation process are as follows:

1. Informal consultation with the UNCCD and the EIF Focal Points
2. Informal bilateral consultations with the broader group of stakeholders (listed above) involved in UNCCD and AfT/EIF implementation
3. Consultative workshop among all the relevant stakeholders to identify and validate the shared trade and SLM priorities that should represent the basis of the common agenda
4. Workshop report identifying the trade and SLM priorities and the roadmap for next steps.

GM experience shows that hiring a National Trade and SLM Advisor is quite helpful to speed up the coordination and the resource mobilization process. See the opening chapter “About the GM” for information on GM services.

Baseline for the identification of shared priorities The identification of shared priorities will draw on the DTIS and the Action Matrix (as the key references defining the national trade priorities) and on the UNCCD National Action Programme (NAP) and SLM Investment Framework (as the key references defining the national SLM priorities).

A cross-check of the priorities in the DTIS and of the trade-related priorities in the different SLM sectors should help to single out two priority clusters:

Cluster 1: existing trade priorities that are already in the DTIS, but which will be enhanced by introducing SLM practices;

Cluster 2: existing trade priorities that are not in the DTIS, but which are included in sectoral plans of the different SLM-related sectors (e.g. agriculture, forestry, water) and could contribute to foster trade competitiveness through SLM.
Priorities in Cluster 1 can be funded with EIFTF funds; priorities in Cluster 2 can be funded from different AfT funding sources and will be able to access EIFTF funds only after they have been mainstreamed in the DTIS (see Chapter 5).

The trade and SLM priorities identified in the two clusters can be further organized by arranging them according to the six AfT categories (described in Chapter 3).

### Box 21: Trade and SLM priority clusters: some examples

**Cluster 1**

Traditional agricultural export commodities such as cotton, tea and coffee are often identified as DTIS priorities. The dissemination of SLM practices for the production of such commodities may increase trade competitiveness by ensuring a more stable supply, better quality, reduced wastes and costs, improved resilience of crops to climate change impacts (e.g. adaptation practices), etc.

The DTIS also places a strong emphasis on trade diversification. SLM offers opportunities to “diversify” (e.g. organic cotton and coffee).

**Cluster 2**

Too often sectoral plans include trade-related priorities that are not reflected in the DTIS. For example:

- The agricultural sector often prioritizes national and regional trade in food crops, which may have major impacts on rural development and food security, but this is rarely identified as a DTIS priority. The dissemination of SLM practices for the production of food commodities may have the same beneficial impacts as for export commodities.

- The forestry sector may offer trade opportunities in the form of non-timber forest products, carbon trade, commercial forestry or eco-tourism that could be explored to provide alternative livelihoods to the local communities. Dissemination of SLM practices may help to promote the sustainable commercial use of forests; for example through reforestation and land restoration activities (e.g. plantation establishment for carbon trade and commercial forestry).

When value chains identified as priorities by a sector (e.g. agriculture, forestry) are different from those identified as national trade priorities, this results in mismatching of supply and demand and therefore in fragmented supply chains.

### Box 22: Cluster 2 priorities and mainstreaming in the DTIS – non-timber forest products in Uganda

In Uganda, the non-timber forest products (NTFP) sector was identified by the Ministry of Water and Environment as an economically feasible sector for trade development and with potential to improve livelihoods and contribute to sustainable management. The Ministry prepared a Justification Paper highlighting the contribution of the sector to the national gross domestic product, market prospects and opportunities, and implications for livelihood and ecological enhancement. Preliminary discussions have been held with trade officials and the Ministry of Agriculture, which will officially present the NTFP sector to the NIU for consideration in the DTIS review.
### Box 23: AfT and SLM priority matrix of Uganda (priorities grouped by AfT categories)

<table>
<thead>
<tr>
<th>AfT Category</th>
<th>AfT and SLM Priorities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Trade Policy and Regulation</strong></td>
<td>• Enhance coordination on the development and implementation of agriculture and trade sector development policies and plans (e.g. ENR SWAp, Agriculture Investment Plan, Trade Development Policies)</td>
</tr>
<tr>
<td></td>
<td>• Develop policies that heavily regulate those sub-sectors which have major negative impacts on SLM (e.g. floriculture, charcoal)</td>
</tr>
<tr>
<td></td>
<td>• Build capacity and facilitate standardization, packaging, labelling and certification of sub-sectors that do not increase the pressure on land (e.g. pineapples, vanilla, non-wood forest products (NWFPs) such as gum arabic, aloe, shea nuts.) and non-traditional sub-sectors (e.g. livestock)</td>
</tr>
<tr>
<td></td>
<td>• Align national standards with international standards on sustainable environmental management</td>
</tr>
<tr>
<td></td>
<td>• Simplify the language and procedures of national standards, make them more user-friendly and improve information flow</td>
</tr>
<tr>
<td></td>
<td>• Support development and implementation of species management plans for NWFPs</td>
</tr>
<tr>
<td></td>
<td>• Develop integrated and multi-sectoral sub-sector strategies for each relevant sub-sector/value chain (which may lower the pressure on land or increase food security)</td>
</tr>
<tr>
<td></td>
<td>• Develop an M&amp;E system to assess the impact of trade activities on SLM (e.g. building on the EIF M&amp;E system)</td>
</tr>
<tr>
<td><strong>Trade Development</strong></td>
<td>• Promote fair trade and organic production of agricultural products (including commodities and non-commodities)</td>
</tr>
<tr>
<td></td>
<td>• Carry out marketing and feasibility studies to provide evidence of the market potential of non-commodity value chains that help to lower pressure on land (e.g. pineapples, NWFPs)</td>
</tr>
<tr>
<td></td>
<td>• Set up a monitoring system on market trends, demand and supply of relevant staple crops that could be traded at regional level (e.g. maize, beans, cassava) and carry out marketing studies in the region</td>
</tr>
<tr>
<td></td>
<td>• Collect statistical data and develop information systems that would help market development for non-commodity value chains that are good for SLM</td>
</tr>
<tr>
<td></td>
<td>• Develop studies providing evidence of the economic returns of value chains embedding SLM production practices (taking into consideration the opportunity costs)</td>
</tr>
<tr>
<td></td>
<td>• Increase support to value chains that do not increase pressure on land (e.g. pineapples, vanilla, NWFPs)</td>
</tr>
<tr>
<td></td>
<td>• Increase support to value chains that may contribute to increased food security (e.g. maize, beans, cassava - staple foods)</td>
</tr>
<tr>
<td></td>
<td>• Promote trade in non-traditional sectors (e.g. livestock and related products)</td>
</tr>
<tr>
<td></td>
<td>• Support sustainable trade in services (e.g. eco-tourism)</td>
</tr>
<tr>
<td></td>
<td>• Identify successful cases of value chains embedding SLM practices and promote the sharing of knowledge</td>
</tr>
<tr>
<td><strong>Building Productive Capacity</strong></td>
<td>• Link value chains to climate change financing mechanisms</td>
</tr>
<tr>
<td></td>
<td>• Conduct studies on improving the resilience of value chains to climate change</td>
</tr>
<tr>
<td></td>
<td>• Promote the import of technologies for SLM practices that will contribute to climate change adaptation</td>
</tr>
<tr>
<td></td>
<td>• Promote the use of SLM practices within the major export commodity chains identified as priorities in the DTIS (e.g. coffee, cotton, tea), including adaptation practices which could make these value chains more resilient to climate impacts</td>
</tr>
<tr>
<td></td>
<td>• Establish disease-controlled zones for livestock</td>
</tr>
<tr>
<td></td>
<td>• Develop pest- and disease-resistant SLM crops and animals with market potential</td>
</tr>
</tbody>
</table>
The list of trade and SLM priorities, once validated by the government, is to be considered as a key reference for the development of AfT projects contributing to SLM.

To ensure the full alignment of the AfT and UNCCD implementation processes, the list of trade and SLM priorities should be reflected in the future DTIS updates as well as in the national SLM Investment Framework.

7.2 Step 2: Identifying financial sources

Once the trade and SLM priorities are identified, it is important to identify the potential financial sources to fund the implementation of these priorities. Building on the financial analysis of the national AfT flows (already described in Chapter 6 as part of the context analysis), it would be useful to map out the main donors investing in trade-related activities (falling under one of the six AfT categories) in the different SLM-relevant sectors (e.g. agriculture, land, water, energy), their ongoing programmes, main areas of interest and overall budget available, possibly indicating the priority areas and the related budget allocations.

<table>
<thead>
<tr>
<th>Donor</th>
<th>Programme title</th>
<th>Duration</th>
<th>Programme priorities</th>
<th>Programme value (USD millions)</th>
<th>Contact</th>
</tr>
</thead>
<tbody>
<tr>
<td>AfDB and Nordic Development Fund (NDF)</td>
<td>Farm Income Enhancement and Forest Conservation Project (FIEFOC)</td>
<td>2005-2010</td>
<td>Improving farm incomes, rural livelihoods and food security through sustainable natural resources management and agricultural enterprises development</td>
<td>62.9</td>
<td>Ministry of Agriculture, Animal Industries and Fisheries (MAAIF) Ministry of Water Lands and Environment (MWLE)</td>
</tr>
<tr>
<td>AfDB</td>
<td>Markets and Agricultural Trade Improvement Project – I</td>
<td>Planned</td>
<td>Market infrastructure development, capacity building for vendors, and support to value addition technologies</td>
<td>55.0</td>
<td>Ministry of Local Government</td>
</tr>
<tr>
<td>DANIDA</td>
<td>Agriculture Sector Programme Support (ASPSII)</td>
<td>2004-2010</td>
<td>Increase productivity income share of marketed production for economically active, low income small farmers</td>
<td>1.1</td>
<td>MAAIF</td>
</tr>
<tr>
<td>Donor</td>
<td>Programme title</td>
<td>Duration</td>
<td>Programme priorities</td>
<td>Programme value (USD millions)</td>
<td>Contact</td>
</tr>
<tr>
<td>------------------------</td>
<td>---------------------------------------</td>
<td>------------</td>
<td>----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>--------------------------------</td>
<td>-----------------</td>
</tr>
<tr>
<td>Belgium, Denmark, Sweden and EC</td>
<td>U-Growth Project</td>
<td>2010-2013</td>
<td>Programme components: (i) Public Sector Agriculture Support; (ii) Rural Transport Infrastructure (iii) The Agribusiness Initiative (ABI) Abi focus: - Strengthening the competitiveness of Uganda’s agricultural and agro-processing sector; and - Enterprise development, market and product diversification with organic farming as a key element. Intervention areas include: (a) value chain (coffee, maize, oil seeds, pulses and horticultural export products) development; (b) financial services supporting agribusiness; (c) trade-related SPS measures and quality management</td>
<td>77.3</td>
<td>The Royal Embassy of Denmark</td>
</tr>
<tr>
<td>EC</td>
<td>EPA-related Trade &amp; Private Sector Support Programme</td>
<td>2009-2013</td>
<td>Institutional capacity strengthening, and conformity and compliance to international quality standards Includes a component on enhancing linkages between trade and the productive sectors</td>
<td>7.9</td>
<td>Ministry of Tourism, Trade, and Industry (MTTI)</td>
</tr>
<tr>
<td>EC</td>
<td>Karamoja Livelihood Improvement Programme (KALIP)</td>
<td>Planned</td>
<td>(i) Strengthening local governments (ii) Agriculture (to also include marketing issues) (iii) Agriculture, pastoralism and water (iv) Identifying technologies for replication</td>
<td>19.5</td>
<td>Office of the Prime Minister</td>
</tr>
</tbody>
</table>

1 In a real Donor Matrix the “contact details” should also include name, email and telephone of the project/programme coordinator
The map of donor-funded programmes/projects covering AfT priorities in the SLM-relevant sectors can be considered as the basis for mobilizing AfT resources for SLM. By comparing the list of national AfT and SLM priorities with the mapping of donor support programmes/projects to AfT in the SLM-relevant sectors, it is possible to identify:

- ongoing donor-funded programmes/projects that could potentially finance the implementation of AfT projects resulting from the trade and SLM priorities identified;
- existing gaps in terms of donors’ AfT support to the implementation of the trade and SLM priorities; and
- donors’ planning cycles and therefore entry points to start negotiating with donors about financial support for specific projects and programmes for implementation of the trade and SLM priorities.

It is also important to recall that finance for the implementation of AfT and SLM priorities can also be mobilized through AfT financing instruments. Some of these instruments have been described in Chapter 5. The use of these instruments should be considered in relation to projects for the implementation of specific trade and SLM priorities that fall under the scope and priorities of these instruments (e.g., SPS). In this case, the country may also benefit from dedicated technical assistance by the institution that delivers AfT through the specific financing instruments (e.g., for SPS, the STDF).

### 7.3 Step 3: Sorting the shared priorities

Once the trade and SLM priorities have been identified and the available sources for funding their implementation assessed, the priorities should be organized in a way that enables the country government to know on which priorities it will concentrate first for project design. The main criterion to be used for this exercise is feasibility. Feasibility is assessed by matching the trade and SLM priorities with the priority areas of investment of ongoing donor-funded programmes/projects. By doing this we will be able to tentatively sort the priorities depending on the funding available for them using the scale in Box 25 below.

While this process does not prejudge the validity of each of the trade and SLM priorities identified, it provides a filter to single out and sort the priorities to be considered first for project design. In fact, projects built around activities for which investments are already available are easier and quicker to fund than projects designed around equally important activities for which investments would have to be mobilized from scratch.

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**Be realistic!** Remember that each donor identifies priority areas for investment (see Chapter 5) and that their country support programmes are coherent with such investment priorities. Donor support should be sought in this context. It is very difficult to mobilize additional investments from donors on top of their ongoing programmes.

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**The Planning Matrix** Knowing which of the trade and SLM priorities has
Box 25: Priority scale

| Short term                  | • Priorities fully matching the investment priorities of ongoing donor-funded (and government-supported) programmes/projects for which resources have not been fully allocated/earmarked yet, and therefore can fund the implementation of projects designed around the shared priorities
|                           | • Priorities matching the eligibility criteria for financing under specific funds and financing mechanisms (e.g. EIF TF, STDF, MDTF-TD) |
| Medium term                | • Priorities matching the investment priorities of ongoing donor-funded (and government-supported) programmes/projects for which funding has been committed/earmarked but is not yet available
|                           | • Priorities partially matching the investment priorities of ongoing donor-funded (and government-supported) programmes/projects for which part of the funds are already available and part need to be mobilized |
| Longer term                | • Priorities which do not match the investment priorities of any ongoing donor-funded (and government-supported) programmes/projects and which therefore need to be negotiated with donors, according to their planning cycles, to mobilize the related funds |

Funding available enables us to plan our next steps. In fact, by sorting the priorities by funding availability we can produce a Planning Matrix which defines what needs to be done to mobilize the relevant resources identified for the implementation of the trade and SLM priorities. While the short term priorities may be quickly translated into bankable projects, the medium- and longer-term priorities may need other actions before resources can be mobilized for their implementation, such as the mainstreaming of such priorities in national and/or donor planning processes.

The process to assure that certain priority activities are eligible for funding may be a lengthy one. Therefore it is important that the Planning Matrix also include a timeline as well as the risks and assumptions that may contribute to determine the feasibility of certain activities.

7.4 Step 4: Project development

In order to mobilize resources and bring them on the ground, the trade and SLM priorities need to be translated into concrete projects and programmes. At this point, the activities have been prioritized and information is available on:

- the trade and SLM priorities that can be translated into projects (short term);
- the stakeholders that are interested in supporting their implementation;
- the financing sources (national budget, bilateral and multilateral donors) that can be used to implement specific project activities.

Project proposals are country-specific and can be very diverse.

Project formulation The projects can be initiated by any of the ministries that are engaged in the national SLM Investment Framework and that participated in identifying and validating the national trade and SLM priorities. It is also
**Project design** The project design needs to focus on activities contributing to the trade and SLM priorities. It is important that specific implementation responsibilities be assigned to implementing institutions, taking into consideration their specialization and comparative advantage. All parties involved must agree on the institutional arrangements.

**Project management and implementation** Each institution should be responsible for the management and implementation of the specific activities falling under its responsibilities, while overall coordination should be ensured by the national Trade and SLM Coordination Mechanism (see Chapter 6), which should also endorse the project proposal.

**Monitoring & evaluation** The project monitoring & evaluation modalities will be defined depending on the country context and building on existing monitoring frameworks to measure trade impacts on sustainable development and poverty reduction (e.g. the EIF M&E framework). To date, there is no M&E framework for the implementation of trade and SLM priorities. Therefore countries will need to develop this on a case-by-case base.

**Technical assistance** Project development is a critical area for the mobilization of resources. The capacity of countries to develop integrated cross-sectoral project proposals will determine their capacity to effectively mobilize AfT resources for SLM. Technical assistance can be provided by development partners as needed. On the trade side, these include the EIF core agencies, and the donors and development partners committed to supporting AfT implementation.

## Box 26: Possible outline for the Planning Matrix (with examples to explain each column)

<table>
<thead>
<tr>
<th>Priority activities</th>
<th>Requirements for resource mobilization</th>
<th>Institutions involved</th>
<th>Timeline</th>
<th>Risks and assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short term</td>
<td>Project design</td>
<td>Depending on the country</td>
<td>6 months to 1 year</td>
<td>Agreement between the implementing institutions on assigned roles and responsibilities</td>
</tr>
<tr>
<td>Medium term</td>
<td>Mainstreaming into the DTIS to facilitate access to funding under Tier 2 and harmonization of AfT from different sectors</td>
<td>Depending on the country</td>
<td>1 year to 3 years</td>
<td>The NSC accepts the proposal for DTIS mainstreaming</td>
</tr>
<tr>
<td>Longer term</td>
<td>Mainstreaming into national and/or donor planning processes</td>
<td>Depending on the country</td>
<td>1 year to 5 years</td>
<td>Timing of the donor/government planning cycle</td>
</tr>
</tbody>
</table>

Important to liaise with potential financiers (donors, funding mechanisms, etc.) throughout project design.
In order to ensure that the cross-sectoral nature of project interventions is respected, it is important for the technical assistance of trade institutions to be combined with the technical expertise of agriculture, environmental and rural development organizations.

Given the relevance of project development, it is also important to recall that some institutions also provide capacity building on project development as well as seed funds and technical assistance to project design. This is the case, for example, with the Standard and Trade Development Facility (see Chapter 5).

7.5 Step 5: Project financing

Once a project to be jointly undertaken by trade and SLM stakeholders has been designed, the AfT resources can finally be mobilized. Resources for project implementation can be mobilized by:

- engaging the different bilateral and multilateral donors supporting AfT at the country level;
- drawing on the national budget (trade budget lines) of the relevant ministries;
- submitting a project proposal for funding through one of the AfT financing instruments, such as the EIF Trust Fund (Tier 2) and the STDF; and
- using other financing instruments and mechanisms that may have been established for delivering AfT in a specific country (e.g. basket funds, SWAps).

As already explained in the manual, the different options to mobilize AfT resources are not mutually exclusive or necessarily sequential. Therefore they can be pursued simultaneously.
The AfT and SLM priorities will be implemented through projects and programmes that pool funds from different sources, as several donors can be called upon to co-finance a trade and SLM project. The totality of the projects and programmes contributing to the implementation of the trade and SLM priorities will enable the AfT flows to SLM in a given country to be defined.

Box 28: Example of cross-sectoral technical assistance: The EU All ACP Agricultural Commodities Programme (AAACP)

Drawing upon the expertise of five international organizations (Common Fund for Commodities (CFC), Food and Agriculture Organization of the United Nations (FAO), International Trade Centre (ITC), United Nations Conference on Trade and Development (UNCTAD) and the World Bank), the AAACP aims to improve incomes and livelihoods for African, Caribbean and Pacific (ACP) producers of agricultural commodities, and to reduce income vulnerability at both producer and macro levels.

A key tool in achieving this objective is the development of commodity-specific value chain development strategies and associated implementation plans. Examples include cassava in Zambia, fruits and vegetables in Samoa and Fiji, nutmeg in Grenada, coffee in Cameroon and, at a regional level, cotton in both Western and Eastern and Southern Africa.

The involvement of the different implementing partners in the process of strategy development has been critical to ensure: (i) a balanced focus of the strategies to the benefit of all value chain stakeholders; and (ii) appropriate decisions over resource allocation to the key support activities.

In the Pacific region, where consumers, including in the growing tourism sector, are often reliant on imported fruits and vegetables, the importance of domestically grown products as import substitutes is paramount in the strategies developed under the programme. This has ensured that the relatively limited scope for export-based sector development was mitigated by prioritizing appropriately targeted activities to strengthen the supply to, and returns from, the domestic market.

In Zambia, the engagement of different implementing partners in the cassava strategy development process has facilitated the design and subsequent use of analyses to better understand and strengthen the linkages between producers and the nascent processing sector. For example, through the provision of appropriate financing and risk management mechanisms, the propensity of producers to market their cassava, critical to ensuring that commercialization strategies of the sector are built, will be supported.

The funds to implement AfT and SLM priorities projects and programmes will be pooled from different sources.
Donor AfT strategies, priorities and useful links

The European Commission

The EU (i.e. the European Commission plus Member States) provides around one third of total AfT ODA flows. Between 15 and 20 per cent of EU development assistance is allocated to AfT sectors. The EU provides its ODA through its executive arm, the European Commission (EC). The EC is the world’s largest donor of TRA, while individual EU Member States are relatively more active in other AfT fields. Sub-Saharan Africa receives most of the AfT flows, followed by Asia, the Mediterranean countries, Europe and Latin America.

EU AfT Strategy

In October 2007, the Council of Ministers adopted the EU strategy on Aid for Trade. The objective of the Strategy is to support developing countries, in coherence with their own trade priorities and trade-related reforms, to integrate into the rules-based trading system and to use trade more effectively in poverty reduction. The aim of the strategy is to contribute to AfT mainly by:

- increasing the volumes of EU AfT;
- enhancing the quality of EU AfT;
- implementing effective monitoring and reporting.

EU AfT covers all AfT categories. Another important feature of the EU Strategy is that it commits the EU to collectively upgrade AfT at regional level and to further strengthen its support for the implementation of regional integration strategies. The Strategy therefore commits the EU to also provide adequate responses to the priorities defined at the regional level.

The EU AfT strategy is implemented in partner countries and regions under the partners’ leadership and with the support of EU country and regional offices. This is where the key activities take place, such as policy dialogue, programming, stakeholder coordination and programme implementation. EU Headquarters supports country and regional work by means of a ‘backstop’ function: helping to focus and prioritize work, facilitating EU collaboration, providing technical analysis, establishing baselines and ensuring information sharing.

53 EU Strategy on Aid for Trade: Enhancing EU support for trade-related needs in developing countries, Brussels, 29 October 2007, No. prev. doc.: 13070/07.
**The European Commission** The EC budget does not include specific, identifiable budget articles or items on "Aid for Trade". All the aid provided by the EC that corresponds to the various AfT categories (including TRA and the wider AfT agenda) is considered AfT. The total EC AfT can only be identified through ex-post analysis of programmes. The EU AfT Strategy includes a commitment to do so regularly.\(^5\)

EC ODA delivery modalities The EC organizes its ODA around geographical clusters and thematic areas. Geographic clusters include African, Caribbean and Pacific (ACP) countries and overseas countries and territories (OCTs), Asia, Latin America and Eastern Neighbours, etc. Thematic areas include trade and regional integration, governance, democracy and human rights, rural development, environment and others. Since this manual focuses on LDC countries, and since the majority of ACP countries are also LDCs, we will look at how the EC supports AfT in ACP countries.

As explained in Chapter 4, ACP countries can benefit from EC support to the AfT process through the EC contribution to the EIF TF. Nevertheless, the majority of EC support to AfT in LDCs is provided through two different legal instruments, the European Development Fund (EDF) and the Development Cooperation Instrument (DCI), which are described in Box A-1.

**EC planning and resource allocation** The allocation of resources to each ACP country and region, as well as the timeframe and priority areas of cooperation, are established through negotiated multi-annual programming documents, following a consultation process involving the EC, partner countries, civil society stakeholders and other donors.

As regards the EC, its national and regional offices will play a key role in negotiations. At country level, National and Regional Authorizing Officers, who are usually appointed by partner countries within the Ministry of Finance or Planning, are responsible for EDF negotiation with the EC, as well as for the implementation of the agreed-upon strategies.

These negotiations result in Country or Regional Strategy Papers (CSPs/RSPs), which provide a “strategic framework” for EC assistance programmes. CSPs and RSPs take into account EC cooperation objectives as well as the country/region’s policy agenda (PRSP or national development plan) and define the priority sectors of assistance. Therefore, CSPs and RSPs are key to ensure the matching of national and regional policies and aid flows. These strategy papers also include National or Regional Indicative Programmes (NIPs/RIPs) that fix an indicative budget for CSP/RSP implementation. The EC tries to concentrate around 85 per cent of resources on two or three priority sectors, for the sake of effectiveness and impact.

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\(^5\) The EC Staff Working Paper ‘Aid for Trade Monitoring Report’ is publicly available and provides a good overview of the AfT and TRA commitments and activities of the EC and EU Member States.
Box A-1: The European Development Fund and Development Cooperation Instrument

The European Development Fund (EDF) is the main instrument for providing EC aid for development cooperation in the African, Caribbean and Pacific (ACP) states and overseas countries and territories (OCTs). The EDF consists of grants managed by the Commission and risk capital and (concessional) loans managed by the European Investment Bank (EIB) under the "Investment Facility". Each EDF is negotiated for a multi-annual period and is implemented within the framework of an international agreement guiding the relations between the European Union and partner countries. The programming process begins with a series of consultations of EC delegations at the country level mainly through an identified National Authorizing Officer (NAO) and civil society organizations (CSOs).

Geographical cooperation with the ACP countries under the 10th EDF is governed by the ACP-EC partnership agreement signed in Cotonou in 2000 and revised in Luxembourg in 2005, whose underlying objective is the fight against poverty.

The 10th EDF was negotiated for 2008-2013. It has been allocated €22.68 billion. Of this amount, €21.96 million is allocated to the ACP countries, €286 million to the OCT and €430 million to the Commission as support expenditure for programming and implementation of the EDF. The amount for the ACP countries is divided as follows: €17.77 million to the national and regional indicative programmes, €2.70 million to Intra-ACP and intra-regional cooperation and €1.50 million to Investment Facilities. An increased share of the budget is devoted to regional programmes, thereby emphasizing the importance of regional economic integration as the basic framework for national and local development.1

In addition to the EDF, EC cooperation with the ACP countries is also funded through the Development Cooperation Instrument (DCI). This is part of the EU’s regular budget (External Relations budget line). From the geographic point of view, the DCI focuses on Latin America and Asia, including Central Asia. From the thematic point of view, it focuses on five thematic programmes: non-state actors; food security; human and social development; environment; and asylum and migration. The last DCI, covering 2007–2013, has been allocated €16.89 billion.

1 Summaries of EU legislation: the European Development Fund.

EC implementation modalities

Upon the adoption of the Strategy Papers and Indicative Programmes contained therein, specific support programmes or projects are identified and formulated in every priority sector. They are linked as closely as possible to the framework and expenditure plan of the government or regional organization concerned. This appraisal process gives way to the preparation of one Action Plan per year and country including a number of projects or programmes. These are screened by EU Member States and the European Parliament before the EC takes a financing decision.

Once financing decisions are taken by the EC, three main modalities or procedures are used to implement external EU aid/the Action Plan:

- **Projects**: The project approach channels the aid through a project which is designed to achieve clearly specified goals within a defined time period and with a defined budget.

- **Sector programmes**: The sector programme approach aims to promote coherent policies and strategies for a particular sector of a country’s
society or economy. The sector approach coordinates the development activities of both government and donors (which can involve projects, technical assistance and budget support).

- **Budget support**: Budget support means channelling aid through country systems, from government-to-government, either by general or sector-specific assistance.

Given the planning process described above, SLM and trade-related support can only be made available if they are taken up in CSPs/RSPs as a funding priority. In turn, since the EC seeks to align its aid assistance (and therefore also AfT assistance) with the development strategies of its partner countries, this will only be the case if the country concerned considers SLM and trade to be essential to its own national development agenda and has therefore included them as a priority within its Poverty Reduction Strategy or National Development Strategy. This is in line with the EC commitment to the Paris Agenda.

**Mainstreaming SLM in CSPs/RSPs** Within the current EDF framework (2008-2013), CSP and RSP implementation is monitored annually. The CSPs and RSPs will be reviewed at mid-term (2010) and at end-of-term (2012). As a result of these reviews, the Commission may revise the strategies and resource allocation in light of the needs and performance of the ACP states or regions concerned. These reviews represent an opportunity for SLM mainstreaming. National and Regional Authorizing Officers, who are responsible for the implementation of CSPs/RSPs and NIPs/RIPs, are very important actors and will need to be consulted and engaged to mainstream SLM in CSPs/RSPs.

**EU Member States** While the EU AfT Strategy applies to all Member States, several of them have developed specific, operational national strategies for AfT, in line with their own development aid priorities.\(^\text{56}\) As regards the EC, it applies the EU AfT Strategy but it complements it with programming guidelines for each region.\(^\text{57}\) In spite of the existence of these mechanisms,

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\(^{56}\) This is the case for: Austria, Belgium, Finland, France, Ireland, Italy, Luxembourg, Netherlands, Spain, Sweden and United Kingdom.

Annex - Donor AfT strategies, priorities and useful links

The EU AfT Monitoring Report 2009 states that AfT is not yet sufficiently mainstreamed in the policy dialogue between EU donors and partner countries. This provides a window of opportunity for mainstreaming SLM alongside AfT in EU policy dialogue with partner countries. To do this it is very important to engage in dialogue with the EU country and regional offices (i.e. EC Delegations and Embassies of EU Member States).

The EU country or regional strategy and the environment In 2006, the EC updated the “Common framework for drafting Country Strategy Papers” – the document that forms the basis for defining the CSPs/RSPs. The document includes for the first time the obligation to develop Country and Regional Environmental Profiles (CEPs/REP) and include an analysis of the environmental situation in the country or region.
In May 2008, the EU announced the elaboration, jointly with ACP regions, of regional AfT packages to support the ACP countries’ regional integration agendas by providing a coordinated and increased EU financial response. In November 2008, the EU reiterated its commitment to work with ACP regions in order to deliver regional AfT packages in line with the priorities of ACP regions by the first semester of 2009.

The purpose of a CEP/REP is to identify and assess environmental issues to be considered during the preparation of a Country or Regional Strategy Paper, which will directly or indirectly influence EU cooperation activities. Consequently, the profile includes information on the state of the environment (of a country or common to a group of neighbouring countries), looking at the driving forces pressuring the environment and the social and economic repercussions. More specifically, issues to be assessed in a CEP/REP include: environmental policy, legislation and institutions; integration of environmental concerns into the main policies and sectors; EU cooperation with the country from an environmental perspective; and cooperation funded by other donors from an environmental perspective. It also proposes recommendations for the integration of the environment during CSP/RSP preparation.
It is clear that CEPs/REPs are fundamental tools for assessing land degradation in a country or region, and that they can be powerful tools for mainstreaming SLM in the CSP/RSP when they are being negotiated. They also provide a base for undertaking an analysis of the economic impact of land degradation, which can be a powerful argument for mainstreaming SLM in CSPs and RSPs.

European union countries

Finland

Finland AfT Action Plan Finland launched its AfT Action Plan for 2008-2011 in September 2008. This Action Plan outlines Finland’s contribution towards the implementation of the common European Union AfT strategy. The Action Plan has a strong pro-poor focus in the context of sustainable development. Key sectors of Finnish AfT are agriculture, forestry and energy. Central themes are private-sector development, information society and environment, as well as cross-cutting issues such as gender equality. The Action Plan contains around 35 concrete actions on how to implement AfT.

In Finland’s AfT cooperation, particularly in bilateral cooperation, strengthening productive capacity is a priority area. The main country focus of Finland’s bilateral AfT cooperation is on its long-term development partner countries, which are Ethiopia, Kenya, Mozambique, Nicaragua, Nepal, Tanzania, Vietnam and Zambia. AfT cooperation is carried out with other countries mainly through thematic and regional programmes. Regional integration is one of the Action Plan’s priorities.

AfT delivery Finland’s AfT projects and programmes are implemented using established practices of Finnish development assistance. These include several instruments, all relevant from the AfT perspective: a) multilateral agency and EU cooperation; b) programme-based cooperation; c) project cooperation; d) funds for local cooperation; e) cooperation between institutions; f) the Finnish Fund for Industrial Cooperation Ltd. (Finnfund); g) the Business Partnership Programme (Finnpartnership); h) concessional credits; and i) other instruments, as may be devised to respond to upcoming challenges in development cooperation.

Useful Links

Finnish Ministry for Foreign Affairs
http://formin.finland.fi

Finnish Aid for Trade Action Plan 2008-2011
France

France is developing its AfT strategy, which will be in line with the European Strategy and therefore focused on poverty reduction. Special attention will also be devoted to regional integration. Currently, a main feature of French AfT is that it is demand-driven, which has led to strong variations in the amount of AfT provided every year.

AfT implementation The main implementing agency is the Agence Française de Développement (AFD). To date, it has implemented AfT through specific projects and programmes, such as the Programme de Renforcement des Capacités Commerciales (PRCC). In 2009 the PRCC is being evaluated, and its lessons will be the basis for the French AfT Strategy. Most of French AfT is delivered bilaterally, within the “partnership framework document” (document cadre de partenariat) developed every three or four years. Regional issues are addressed as part of national governments’ requests.

Useful links
Agence Française de Développement
http://www.afd.fr/

Germany

Germany AfT Approach The joint EU AfT Strategy is the baseline for German financial contributions, AfT approach, priorities and delivery mechanisms. In German development cooperation, AfT is understood as a cross-cutting issue, and therefore there is no AfT programme as such. Because of its cross-cutting nature, AfT is currently a factor in 6 out of the 11 priority areas identified by the German Federal Ministry for Economic Cooperation and Development (BMZ): Sustainable Economic Development, Environment and Resource Protection, Governance and Civil Society, Food Security and Agriculture, Energy and Transport, and Communication.

To address the issues concerned in these sectors, the German AfT approach is threefold and focuses on strengthening the capacity to negotiate, the capacity to implement and the capacity to actually trade (supply-side constraints, competitiveness). All German Cooperation Programmes are designed in close consultation with partner country stakeholders. Germany also provides support to AfT at the regional level.

Half of total German AfT is provided in the form of loans. Despite the explicit designation of Sub-Saharan Africa as the primary target area of overall BMZ engagement, Asia was the most important destination for both German total AfT (44 per cent) and TRA (32 per cent) between 2005 and 2007. German support in total AfT for Sub-Saharan Africa (16 per cent) and TRA (19 per cent) both appear low, particularly compared with its share in overall German ODA (30 per cent).
**AfT implementation** While BMZ is coordinating with partners on the cooperation focus, a variety of German specialized agencies implement AfT (see useful links). Among these, the analysis of German TRA data for 2005-2007 shows that GTZ was the most active German implementing agency: it implemented more than half of German aid commissioned by BMZ in the AfT category “trade policy and regulation” and around a third of “trade development.”

GTZ GTZ’s AfT aim is to support partners in effectively implementing trade agreements and in benefiting from trade opportunities while minimizing risks. To achieve this, assistance is provided at three levels: (1) at the national policy level where governments and other stakeholders are supported in developing capacity to negotiate and implement trade agreements, and to embed trade policies in national and regional development strategies; (2) at the level of intermediate institutions providing trade-related business development services to the private sector; and (3) at the regional or inter-governmental level, where policy makers are assisted in their efforts to promote regional economic integration processes and institutions.

Germany contributes to the Enhanced Integrated Framework (EIF). However, multilaterally the German contribution to AfT is rather limited.

**BMZ AfT working group** To increase its capacity to promote AfT, in 2008 BMZ institutionalized a working group on AfT (so-called ‘Themeteam Aid for Trade’) consisting of trade experts from BMZ and implementing agencies like GTZ, KfW, InWEnt, PTB (see Useful links below). The working group meets three times a year; its main function is to exchange information about ongoing and planned activities, discuss best practices and lessons learned and develop possible joint activities. Furthermore, the working group will be used to discuss conceptual issues of the forthcoming German AfT approach and develop tools and guidelines for specific AfT support measures.

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**Useful links**

GTZ (Deutsche Gesellschaft für Technische Zusammenarbeit) Trade Programme  

KfW Entwicklungsbank (KfW development bank)  
http://www.kfw.de/EN_Home/index.jsp

BGR (Federal Institute for Geosciences and Natural Resources)  
http://www.bgr.bund.de/nn_322882/EN/Home/homepage__node.html?__nnn=true

PTB the German national metrology institute, (Physikalisch-Technische Bundesanstalt)  
http://www.ptb.de/index_en.html

InWEnt - Capacity Building Inter-national  
http://www.inwent.org/index.php.en

CIM (Centrum für internationale Migration und Entwicklung)  

DED (German Development Service)  
http://www.ded.de/cipp/ded/custom/pub/content,lang,2/oid,5/ticket,g_u_e_s_t/~//  
Homepage.html
Spain

Spain does not have an AfT strategy as such. Nonetheless, since 2005 it has increased its support to trade-related technical assistance and capacity building. Such support is characterized by a pro-poor approach and is demand-driven, with particular emphasis on the private sector as a key actor in trade processes.

**Main areas of AfT support** In line with the European Strategy for AfT, the Plan Director de la Cooperación Española (2009-2012), the Spanish cooperation lead strategy paper, identifies AfT among its priorities as a means for poverty reduction. The Plan Director focuses on: a) capacity building and value chains; b) resource generation for trade-related infrastructure; c) improving trade policy and regulation; d) support to fiscal adjustment for trade policies; and e) strengthening the capacity of partner countries in relation to multilateral and bilateral trade negotiations.

### Useful links

- Agencia Española de Cooperación Internacional para el Desarrollo
- Plan Director de la Cooperación Española (2009-2012)

Sweden

The main steering documents for Sweden’s trade-related development cooperation are the EU Strategy on AfT, the Swedish government’s annual guidelines on AfT and the Swedish international development cooperation agency (Sida) operational “Plan for trade-related development cooperation”. Sweden’s trade-related development cooperation assistance focuses on the poorest countries, and the priority region is sub-Saharan Africa. As regards partner countries, Swedish development cooperation is based on their demands and needs as identified in their Poverty Reduction Strategies.

**AfT implementation** Sida is the main implementing agency of Swedish AfT, and is currently implementing a major organizational restructuring, which will increase opportunities for closer cooperation across different working areas of Swedish development cooperation and facilitate trade integration into all development cooperation activities. The current approach to AfT foresees that all trade-related contributions should have a pro-poor growth and poverty reduction focus, and be demand-driven and integrated into the overall development cooperation. Swedish AfT strategy also supports regional integration, engaging in particular with regional organizations.

In the EU context, Sweden and the UK are leading a working group on AfT: "Promoting inclusive growth and poverty reduction". This working group is primarily designed to strengthen the pro-poor focus and quality of the EU AfT by further developing ways in which key stakeholders understand and act upon the linkages among trade, poverty and inequality.
The annual government guidelines on AfT make explicit the priority areas for Swedish trade-related development cooperation. For 2009, priorities are: Sanitary and Phytosanitary Measures, Technical Barriers to Trade (TBT), Economic Partnership Agreement (EPA) related support, Trade and Climate Change, and Trade Facilitation.

Useful links
Swedish international development cooperation agency
http://www.sida.se/English/

United Kingdom

DFID AfT Strategy In 2008, DFID published its AfT Strategy “Sharing the Benefits of Trade - Aid for Trade.” The strategy concentrates on four main elements: a) building partner country capacity to trade through growth and competitiveness strategies; b) ensuring trade results in poverty reduction and inclusive growth; c) facilitating regional trade and integration and ensuring EPAs will be of benefit to ACP countries; and d) building an international system that delivers more and better AfT. Within this framework, DFID focuses on supporting countries, especially LDCs, to integrate trade priorities into their national development plans, budgets and related growth and competitiveness strategies. To date, DFID’s AfT support has focused mainly on sub-Saharan Africa and South Asia.

DFID financial support to AfT Over 60 per cent of DFID’s AfT expenditure is delivered through multilateral organizations such as the EC, the World Bank and the African Development Bank. The remaining AfT is delivered through numerous channels including bilateral support to DFID country offices, international partnerships, think tanks, NGOs, global trust funds like the EIP, international agencies, and regional bodies like the Regional Economic Communities. Indeed, the regional dimension is an essential element of DFID’s AfT strategy; it is closely related to the EPA negotiations, and the level of regional support is expected to increase significantly.

Since DFID’s AfT Strategy was designed, the agency has been pursuing a programme of internal outreach to sensitize its country offices to AfT. Since 2007, the UK has merged its international trade and development departments in a joint Trade Policy Unit, with a Minister dedicated to trade and development issues giving political oversight. This has helped raise the profile of AfT both internally and vis-à-vis external stakeholders, and to increase coherence. DFID is also establishing internal arrangements to deepen its trade and development work between headquarters and country offices.

Useful links
Department for International Development - Trade
Sharing the Benefits of Trade - Aid For Trade
Non-European Union Countries

Japan

Together with the World Bank, the United States, and the European Commission, Japan is one of the four main providers of AIT. Japan’s country assistance strategy for each partner country is formulated on the basis of Japan’s ODA Charter, which places high priority on support for promotion of trade and investment. In line with this, in 2005 Japan announced a new development strategy called the “Development Initiative for Trade” (DIT), aimed at promoting the empowerment of developing countries and helping them reap the benefits of the multilateral trading system. Although the DIT was developed before the December 2005 WTO Ministerial Conference, where the AIT process was formulated, it is in line with AIT principles and provides the tools for Japan’s AIT implementation. Following the announcement of the DIT in December 2005, Japanese overseas embassies, offices and relevant public entities were instructed to work closely with partner countries to address in-country AIT challenges. This ensures that AIT is effectively integrated into Japan’s overall development strategy and programming both at headquarters and in-country.

Japan Development Initiative for Trade

The DIT consists of assistance to facilitate activities at three different stages of trade: “Produce”, “Sell” and “Buy”. To do so, Japan provides assistance through all available resources and measures, namely “knowledge and technology”, “people”, “financial assistance” and “system”. Thus, Japan conceptualizes AIT as a comprehensive package of extensive development assistance, covering all three aspects. Japan implements its AIT commitments based on demand from developing countries, taking their development strategies, plans and priorities into consideration. The AIT share is determined on a project-by-project basis. Japan carries out AIT not only at country level but also at sub-regional and regional levels. Japan International Cooperation Agency (JICA) is the main AIT implementer.

In July 2009, Japan announced the “Development Initiative for Trade 2009” as its new strategy for Aid for Trade. Under this new initiative, Japan committed to provide USD 12 billion through bilateral assistance for trade-related projects from 2009 to 2011, as well as technical assistance for 40,000 people in the field of trade-related activities.

Useful Links

Ministry of Foreign Affairs - Japan’s Official Development Assistance

One village one product campaign

Aid for Trade and Japan’s position

Japan’s New Development Initiative for Trade

Japan International Cooperation Agency
http://www.jica.go.jp/english/
Norway

Norway AfT Action Plan The Norwegian AfT Action Plan was launched in November 2007 and covers the triennium 2008-2010. The plan has a pro-poor focus, and gives priority to Africa and the LDCs. Based on Norway’s overall development policy, the Action Plan identifies three broad themes on which Norwegian AfT concentrates: 1) good governance and corruption eradication; 2) regional trade; and 3) women and trade. In relation to regional trade, particular attention is given to Africa and to strengthen the capacity of the regional institutions, such as the regional economic communities. To date, support has been concentrated on development and implementation of regional diagnostic studies and trade facilitation.

Norway is making a considerable contribution to the AfT categories of trade-related technical assistance and capacity building; trade-related infrastructure; and building productive capacity. Priority areas of cooperation are discussed with partner countries and institutions on a regular basis within the framework of the Action Plan and needs identified by partners. An AfT working group was also established within the Ministry of Foreign Affairs to continuously review the implementation of the Action Plan. Interventions have also been made in the regular budget and planning process of the Ministry to raise awareness and interest, particularly in Norwegian Embassies in LDC countries, and to contribute to a consistent and coherent follow-up of the AfT activities.

Financial support to AfT Norway provides the core AfT support through multilateral channels; therefore the increase in Norway’s AfT will mainly take place through multilateral organizations, with particular emphasis on the EIF. Consequently, AfT has not been an important part of the bilateral policy dialogue and bilateral country assistance strategies.

Norway will undertake a comprehensive assessment of the implementation of the Action Plan after three years (2010), considering possible adjustments of the priorities.

Useful links

Aid for Trade Norway’s Action Plan, Norwegian Ministry of Foreign Affairs
http://www.regjeringen.no/upload/UD/Vedlegg/Utvikling/aidfortrade_e.pdf
Norwegian Agency for Development Cooperation
http://www.norad.no/en/Frontpage
United States

US AFT strategy The US AFT strategy is integrated within its overall development assistance framework. In the Strategic Framework for Foreign Assistance, economic growth is one of five pillars, and support to AFT/trade capacity building (TCB) is one of the economic growth priority objectives. In 2008, US AFT (TCB) spending reached USD 2.24 billion, a 59 per cent increase over 2007.

Alongside the Strategic Framework, the US Agency for International Development (USAID) developed a strategy – Securing the Future: A Strategy for Economic Growth (April 2008) – to guide the agency’s work in helping developing countries achieve rapid, sustained and broad-based economic growth by: developing well-functioning markets; enhancing access to productive activities; and strengthening international frameworks of policies, institutions and public goods, including trade.

AFT implementation US TCB assistance focuses on country-based bilateral and regional programmes. The two leading implementers of US TCB efforts are USAID and the Millennium Challenge Corporation (MCC). Their broad work is complemented by more than 20 US government agencies providing assistance in their areas of specialization. US TCB is developed at country and regional levels. For the latter, the US has created Hubs for Global Competitiveness to support TCB in sub-Saharan Africa.

The Millennium Challenge Corporation AFT projects are an integral part of MCC programmes. MCC partner countries determine their priorities and are responsible for developing their own programmes. AFT is reflected in MCC programmes when partner countries place a priority on AFT. USAID, for example, works with a particular partner country or regional group in those development sectors prioritized by that country or group. MCC, on the other hand, works bilaterally with MCC-eligible countries primarily in the economic growth sector. MCC partner countries consistently prioritized AFT in their proposals.

US multilateral contributions to international financial institutions are not earmarked for AFT. TCB programmes complement and cut across many other categories of assistance.

Useful Links

US Strategic Framework for Foreign Assistance http://www.state.gov/f/c23053.htm#
Millennium Challenge Corporation (MCC) http://www.mcc.gov/
International financing institutions

**African Development Bank**

The African Development Bank (AfDB) does not have an explicit AfT strategy. Nevertheless, many of the projects and programmes it has funded since its inception could be classified as AfT, such as infrastructure development, technical assistance and exports diversification. AfDB funds a large number of infrastructure projects, mainly transport infrastructure (roads) and energy.

**AfT support at country level** Together with the WTO and the Economic Commission for Africa, the AfDB is a member of the AfT Working Group that was created in 2008 to implement the AfT initiative in Africa and identify potential projects for AfT financing. AfDB funds projects and programmes on a case-by-case basis, and in so doing it pays particular attention to the principles of ownership, selectivity, focus on development effectiveness and results, and strategic partnerships. The Bank is also an active promoter of regional integration processes and has been instrumental in establishing key regional organizations.

**Financial support to AfT** The Bank’s AfT funding is channelled through its ordinary channels, i.e. Regional Assistance Strategy Papers and Country Strategy Papers.

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**Useful links**

OECD/WTO, Aid for Trade at a Glance 2009: Maintaining momentum
http://www.wto.org/english/res_e/booksp_e/aid4trade09_e.pdf

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**Asian Development Bank**

Asia’s main regional development partner, the Asian Development Bank (ADB), is a key player in AfT in the region. Under its Long-term Strategic Framework for 2020, ADB follows three complementary agendas that support trade initiatives in the region: inclusive growth, environmentally sustainable growth and regional integration. Within this framework, ADB views AfT as an integral part of regional cooperation and integration in the Asia and Pacific region. ADB has created a Regional Technical Group (RTG) with the aim of increasing region-wide dialogue on moving AfT forward and helping formulate an integrated approach to operationalizing AfT in the Asia and Pacific region. The Bank’s AfT agenda is carried out by the Office of Regional Economic Integration in the Philippines.

**AfT support at regional and country levels** ADB engages with partner countries in Asia and the Pacific at the national and regional levels. At the national level, ADB engages partner countries through a Country Partnership Strategy (CPS). CPSs are the main planning document at the country level and emphasize consultations with the government, the private sector, civil society and all project stakeholders. The strategy functions as a business plan composed of individual loan and technical
assistance projects and programmes planned for priority sectors and themes. To ensure coherence over a wider geographical area, Regional Cooperation Strategies and Programmes (RCSPs) are also prepared for the five sub-regions covered by ADB’s regional operations.

Financial support to AfT ADB’s financial instruments comprise loans, technical assistance, grants, advice and knowledge. ADB does not earmark resources as AfT, but rather AfT activities are effectively integrated through RCSPs and CSPs. Moreover, RCSPs and CSPs are aligned with national plans, budgets, expenditure frameworks and public investment programmes.

Useful links
ADB’s Strategy 2020
Aid for Trade in Asia and the Pacific
ADB Regional Integration Centre
http://www.aric.adb.org/index.php
Aid for Trade in Asia and the Pacific: Report to the Second Global Review on Aid for Trade – 2009

Inter-American Development Bank

The Inter-American Development Bank (IDB) has actively supported the implementation of the AfT initiative. It is also the main institutional counterpart for the World Trade Organization (WTO) in the region for AfT. Within IDB, AfT is under the responsibility of the Integration and Trade Sector, under the Vice-Presidency for Sectors and Knowledge.

AfT support at regional and country levels The IDB engages with partners in the Latin American and the Caribbean (LAC) at the regional and national levels. Regionally, the IDB engages in particular in trade-related issues, based on a diagnosis of common regional development problems. At the national level, the IDB lending and technical assistance plan is driven by the demand of client countries and systematically uses policy-planning and budget frameworks of client countries. The specific mix of trade-related lending, technical assistance and non-financial products proposed to client countries depends on the importance of trade-related issues in their national development strategies.

Financial support to AfT The Bank uses a blend of lending and non-lending instruments to serve its clients in trade-related matters, including the Trade Sector Facility, the Lending Programme for Trade and Integration and trust fund instruments. In November 2008, IDB announced the creation of a new Aid for Trade Fund, a multi-donor trust fund created under the “New Framework for
Technical Cooperation” and designed to help mobilize resources to support AfT implementation in LAC. The framework establishes a limited number of strategic thematic funds, focused on results, and financed with untied and preferably multi-donor grant contributions.

**AfT Fund** The AfT Fund seeks to help countries benefit from liberalized trade and increased market access by channelling grant resources to overcome supply-side constraints. It has been designed in close coordination with the OECD and WTO, and the UK has made a commitment to contribute funding. Four areas of activity have been identified: a) trade policy, negotiation and implementation of agreements; b) trade facilitation and private-sector development; c) “soft” trade-related infrastructure; and d) trade-related adjustment.

**Useful links**
- **IDB Integration and Trade Sector**
  - [http://www.iadb.org/topics/trade/int/index.cfm?](http://www.iadb.org/topics/trade/int/index.cfm?)
- **IDB Aid for Trade Homepage**
- **IDB Aid for Trade Fund – Rationale**
- **IDB-WTO, Implementing Aid for Trade in Latin America and the Caribbean, the national and regional review meetings 2008-2009**
  - [http://www.wto.org/english/tratop_e/devel_e/a4t_e/iadb_report09_e.pdf](http://www.wto.org/english/tratop_e/devel_e/a4t_e/iadb_report09_e.pdf)

**Islamic Development Bank**

**IsDB AfT Strategy** Trade financing is one of the traditional activities of the Islamic Development Bank (IsDB). The main thrust of IsDB’s trade strategy is to assist member countries in their efforts to develop export and promote trade. The underlying philosophy is to use trade and financing opportunities as a means of complementing policies towards the eradication of poverty. This is achieved in conjunction with the Bank’s projects department. In 2005, to further promote its trade strategy, IsDB established an autonomous international AfT finance and promotion entity, the International Islamic AfT finance Corporation (ITFC). The ITFC delivers on the IsDB trade strategy through two parallel lines of approach: AfT finance operations and trade cooperation and promotion programme (TCPP).

**International Islamic AfT finance Corporation** TCPP is the trade promotion arm within the ITFC and aims to promote and enhance intra-trade and trade cooperation among Organisation of the Islamic Conference (OIC) member countries through four key business lines: trade promotion; trade facilitation; capacity building; and the development of strategic commodities that can increase a country’s export potential. ITFC is designed to deliver trade-related technical assistance programmes in cooperation with its international, regional and local trade partners.
Useful links

Islamic Development Bank
http://www.isdb.org/

International Islamic AfT finance Corporation
http://www.itfc-idb.org/

Trade Cooperation and Promotion Program
http://www.itfc-idb.org/node/90

The World Bank

World Bank AfT Strategy The objectives of the World Bank AfT Strategy are to make developing countries more integrated into the world economy to spur their economic growth and reduce poverty and to make the world trading system more supportive of development. In 2007, the Bank became the largest donor, with USD 4.7 billion, equivalent to 18.7 per cent of total AfT.

The AfT Strategy of the World Bank Group revolves around improving competitiveness, trade facilitation, trade-related infrastructure, regional integration and multilateral cooperation. The first three are pillars of the World Bank country programmes, while the last two form the strategic thrust of the Bank’s regional and multilateral programmes.

Country engagement modalities The World Bank Group’s activities at the country level originate in discussions with the country’s finance minister and economic cabinet. Demand for services flows out of national development strategies, such as Poverty Reduction Strategy Papers. The government teams and World Bank staff then together assemble an indicative programme in a Country Partnership Agreement and Country Assistance Strategies (CAS), which are ratified by the government and the Bank’s executive directors. Since CAS priorities derive from the country’s identified priorities in its development strategy, trade needs to be among those priorities in order to be integrated in the CAS. In countries where the Bank believes that the national development strategy should have but lacks a strong trade development component, the Bank, through its country team, engages with the government to begin country dialogue on strategic trade issues that are important for leveraging growth.

The World Bank has also conducted many comprehensive Diagnostic Trade Integration Studies (DTISs) that identify the major trade constraints and proposed areas for technical assistance and investments for LDCs within the EIF.

AfT regional strategy At the regional level, the Bank’s AfT strategy is to promote regional integration through targeted AfT investments in trade facilitation and transport infrastructure, and to promote “open regionalism” in regional trade agreements. The World Bank has also been supporting regional integration through concessional and non-concessional lending for trade-related infrastructure projects.
In 2007–08, the Bank provided to low-income countries an annual average of about USD 600 million for trade lending operations aimed at facilitating regional integration. The bulk (90 per cent) of these operations was concessional lending for countries in Africa.

**Financial support to AfT** The instruments used by the Bank range from concessional loans and grants to non-concessional loans, technical assistance, market-expanding investments in trade-related private activities, external training, analysis and research, all of which support the AfT objective of overcoming supply-side constraints. The Bank also participates in or manages a number of AfT financing instruments. For example, the it participates in the EIF Trust Fund and in the STDF and manages the MTDF TD and the Trade Facilitation Facility (TFF). Grants meeting the general OECD definition of AfT are also provided through mechanisms which are not trade-specific, such as the Global Environment Facility (in 2008, 57 projects were identified including a trade component).

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**Useful Links**
  - [http://go.worldbank.org/CJVEJIR2J0](http://go.worldbank.org/CJVEJIR2J0)
- OECD/WTO, Aid for Trade at a Glance 2009: Maintaining momentum
- The Standards and Trade Development Facility
  - [http://www.standardsfacility.org/](http://www.standardsfacility.org/)
- Multi-donor Trust Fund for Trade and Development
  - [http://go.worldbank.org/6ZB321LK50](http://go.worldbank.org/6ZB321LK50)
- DfID bilateral trust funds
  - [http://go.worldbank.org/5JRDRHVIO0](http://go.worldbank.org/5JRDRHVIO0)
- Trade Facilitation Facility
  - [http://go.worldbank.org/KEKGYP0V0](http://go.worldbank.org/KEKGYP0V0)
- Bank Netherlands Partnership Program