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Challenges of incorporating Aid for Trade into German development cooperation

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- DIE research project
- Political requirements of the AfT initiative
- Trade within German bilateral cooperation
- Challenges
 - The EU pledge
 - Qualitative aspects



- Commissioned by BMZ

- Research question
 - How can Germany implement AfT in order to fulfil both its quantitative and qualitative commitments?

- Methodology
 - Identification of political requirements (“Soll-Zustand”)
 - Identification of the current state (“Ist-Zustand”)
 - Portfolio analysis of approaches to AfT
 - Country case studies (desk research plus field studies)



Quantitative commitments

- Contribution to the EU pledge on TRA
- 50 % of additional TRA to ACP
- Increase of wide AfT in proportion to overall ODA increases

Qualitative commitments

- Paris Declaration
- EU Code of Conduct on Complementarity and Division of Labour
- Trade-poverty linkages
- Regional dimension



- Trade is a cross-cutting issue within several thematic focal area (“Schwerpunkte”)
 - Sustainable economic development
 - Environment and resource protection
 - Governance and civil society
 - Food security and agriculture
 - Energy (wide AfT)
 - Transport and communication (wide AfT)

- Only limited special budgets for trade
 - Monterrey Fund: tool for incorporating trade into existing bilateral activities
 - Earmarking within yearly budget planning procedure: 30 € million for 2009

- ➔ Under the current system, trade activities are difficult to steer and impossible to predict.

Challenges – The EU pledge / 1



Monitoring suffers from unclear definitions and arbitrary outcomes.

- Not consistent over time: High fluctuations of German TRA between years, partly caused by loose integration of trade within development cooperation, partly by changes in monitoring practices.
- Not consistent among donors: Different approaches used in the past for reporting to the TCBDB
- New monitoring rules are intended to calibrate monitoring practices. However, they risk to inflate (German) TRA figures, especially through the 100% attribution of „business support and institutions“ (CRS code 25010) to the AfT category „trade development“.

→ Is EU pledge already fulfilled through thorough monitoring?



Even if the EU pledge turned out to be already fulfilled, there are reasons speaking in favour of advancing the AfT initiative:

1. Developing countries are **still** in need of assistance to build the supply-side capacity and trade-related infrastructure → Rationale of the AfT initiative remains valid.
2. Additional AfT will be needed for EPA-related support.
3. Room for improvement remains when it comes to the quality of AfT.



Ownership and alignment

- AfT is perceived as a donor-driven agenda within German organisations.
- AfT is weakly integrated into national development strategies (e.g. PRSPs)
- Productive sectors are difficult to integrate into national development strategies under the current interpretation of Aid Effectiveness (ie. government-oriented SWAPs and direct budget support)



Donor coordination

- Division of Labour: What is Germany's comparative advantage? How could this actually be determined? Could / should a comparative advantage be developed intentionally?
- EIF: Possible stronger involvement of Germany? What could an EIF for non-LDCs look like?
- Regional dimension (ACP)
 - Ideas on regional packages and regional funds have not yet concretised substantially.
 - Neither partner countries nor donors are well positioned on the regional level.



Structural challenges of German development cooperation

- Tools for positioning trade (in addition to the “trade development marker” to be introduced in 2009):
 - target line for the allocation of funds (Zielgröße),
 - a special AfT fund or
 - deeper integration of trade into other relevant sectors?
- Before the AfT initiative emerged, trade activities and consequently trade experts had been downsized. These capacities would need to be rebuilt.



- Trade as cross-cutting issue
- Difficult to work with TRA as basis for the pledge
- Weak integration into national development strategies
- AfT as donor-driven agenda?
- Lack of experience/capacity on both sides
- Mechanism for the regional level?
- Comparative advantage of Germany?



Thank you for your attention!

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