



aid for trade

norway's action plan



NORWEGIAN MINISTRY
OF FOREIGN AFFAIRS



Front cover:

The harbour of Dar es Salaam, Tanzania, seen from Mapatu House (the offices of the customs administration). In recent years the amount of goods passing through the port has increased significantly, and customs procedures have become far more efficient. The picture is taken from the offices of ASYCUDA's regional technical centre for Southern and Eastern Africa, which is established with support from Norway. ASYCUDA is a computerised customs management system which covers most foreign trade procedures, established and developed by UNCTAD.

Inside front cover:

Customs clearance in the Mapatu House in the port of Dar es Salaam. Well-functioning customs administrations and trade procedures are essential to facilitate the expansion of trade in the least developed countries.

Inside back cover:

Women's participation and the use of modern information and communication technology are fundamental elements in relation to trade and development.

Back cover:

Roses from East Africa make up a significant part of Norway's imports from LDCs in Africa. The biggest importer of roses from East Africa to Norway, Mester Grønn, imports all its roses from Fair Trade certified farms. Approximately 40% of this is marketed as Fair Trade roses in cooperation with Fair Trade Max Havelaar. The Fair Trade label helps producers and workers to achieve fair prices and decent working conditions, and ensures consumers that the products they buy are produced and traded under ethically acceptable conditions. The producers must commit themselves to follow the ILO conventions, the UN Declaration on Human Rights and the Convention on the Rights of the Child.



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Foreword

The Norwegian Government is committed to cooperate with developing countries in their efforts to achieve economic growth and poverty reduction through increased participation in international trade. Norway will make special efforts to ensure that trade and globalisation benefit the weakest countries and population groups, empower women and are environmentally sustainable.

Market access and other improvements in the terms of trade are important in this connection. Negotiations on these issues are currently taking place in the World Trade Organisation (WTO), in what is known as the Doha Round or the Doha Development Agenda. The Government strongly emphasises the importance of these negotiations as part of the effort to develop fair global governance in the area of international trade.

However, market access is not sufficient for the least developed and other low income countries. They lack the necessary prerequisites in terms of well-functioning regulations and trade procedures, productive capacity, infrastructure and marketing expertise. These countries require stronger and more effective development cooperation in order to increase their exports and integrate better into the global economy. Norway will meet this challenge by strengthening our efforts on Aid for Trade.

Aid for Trade is an important priority area for the Government. The Government's platform, set out in the Soria Moria Declaration, emphasises that:

- the Government wants to strengthen the possibilities for poor countries to participate in trade,
- Norway has strong interests in and a desire to promote the fairest possible trade policy,
- the Government will work to promote an international trade regime where decisive importance must be attached to the environment, vocational and social rights, food security and development in poor countries,
- the Government, in the ongoing WTO negotiations, will provide support for countries that promote the interests of the poor part of the world's population,
- Norway must make practical contributions to ensure that poor countries can safeguard their interests,
- the Government's development policy enables countries in the South to participate in and benefit from the development of international trade,

- the Government will work to ensure that there is room for a differentiated trade policy that makes it possible to promote trade with selected poor countries,
- the Government will target assistance towards enabling the least developed countries to utilise their trade preferences.

On this basis, we are now presenting an Action Plan for trade-related development cooperation. This plan will be our contribution to the comprehensive international process that is taking place in this area. At the same time it will contribute towards reinforcing the Government's efforts to promote sustainable economic growth in the poorest countries and thereby achieving the UN Millennium Development Goals. It is a matter of making visible and further developing our present efforts in this area. It is also important to increase our contribution based on the best possible coordination with partner countries, international organisations and other donor countries. We strongly emphasise that this must take place in dialogue with authorities, the private sector and relevant organisations, both in the partner countries concerned and in Norway.




Jonas Gahr Støre
Minister of Foreign Affairs




Erik Solheim
Minister of Environment and
International Development

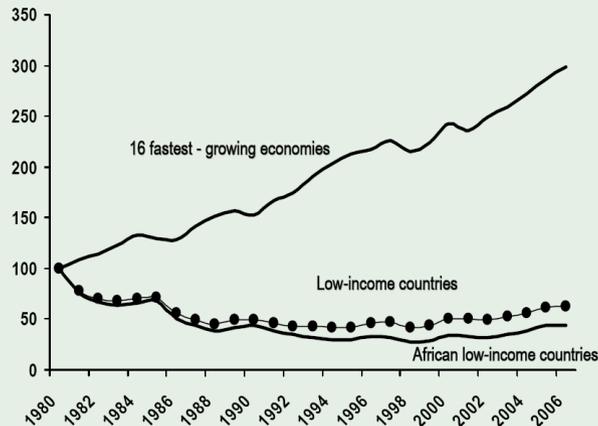
1. Why Aid for Trade?

Trade is vital to promote economic growth and development, and to improve the quality of life in the poorest countries. Many developing countries have experienced strong growth in their foreign trade in recent years. Some developing countries have become important trading nations and key players in the WTO negotiations. Many LDCs and other low-income countries, including some in Africa, have taken part in this growth. It is nevertheless a fact that the poorest countries' share of world trade has declined significantly

over a number of years. Some landlocked states and African countries are in a particularly difficult situation.

For many years, developing countries have demanded improved terms of trade in order to be able to participate more fully in international trade. The ongoing round of negotiations in the World Trade Organisation (WTO), which began with the WTO Ministerial Conference in Doha in 2001, is officially called the Doha Development Agenda (DDA). The special situation and interests of the developing countries is the main focus of these negotiations. The goal is to integrate the developing countries into the multilateral trading

Change in average share of world merchandise exports (1980 = 100)



Since 1980, sixteen non-oil-exporting developing economies sustained high average annual growth rates of 4.5 percent or more (Sri Lanka, Chile, China, India, Botswana, Burkina Faso, Indonesia, Pakistan, Mauritius, Uganda, Thailand, Malaysia, Taiwan, Cambodia, Singapore, and South Korea). This growth builds on a strong increase in their foreign trade, also as a share of world trade. Low-income countries collectively have seen their share of the global market decline since 1980, and the African low-income countries (excluding those in the high performing group) fared even more poorly.

Source: World Bank staff calculations, based on IMF World Economic Outlook, normalized using 1980 as base year (1980=100).

system and into the global economy by improving their market access and providing special and differential treatment.

However, market access is not sufficient. It has been demonstrated in many different contexts that the poorest countries will not be able to take advantage of an open, rules-based international trade regime without substantial and effective development cooperation. Norway's own experience shows that allowing tariff-free access for imports from the least developed countries (LDCs) does not necessarily lead to a significant increase in imports, partly because the LDCs lack productive capacity and expertise.

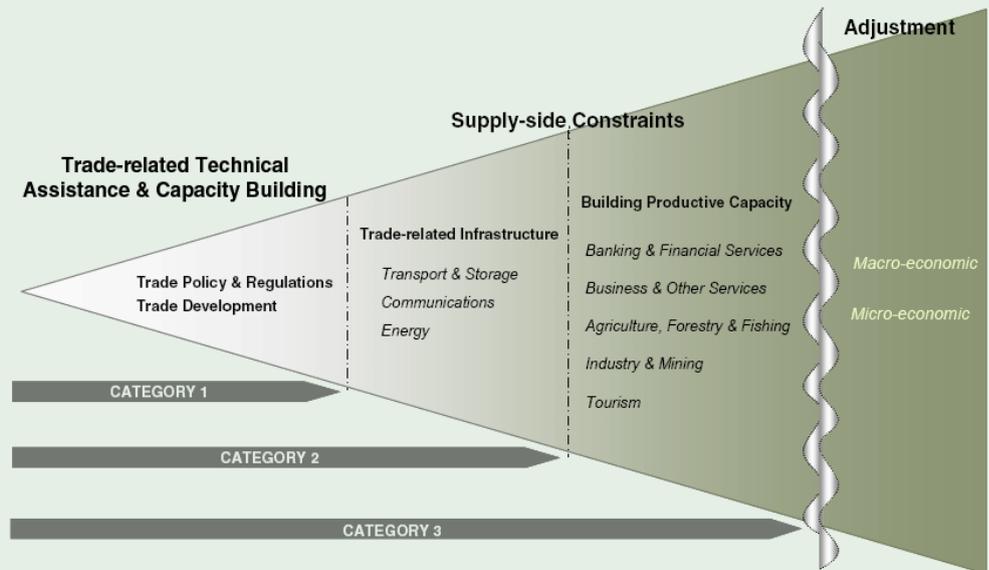
For Norway, a high priority objective is to ensure that the poorest countries reap the greatest possible benefits from the possibilities offered by the multilateral trading system, and that these benefits are enjoyed by both women and men. It is also imperative to ensure policy space for developing countries so that they can choose development strategies that take their special needs and level of development into account. Poor countries must not be deprived of the right to choose their own strategies and make use of

instruments that have been important for the development of our own society into a welfare state. Norway strongly emphasises that Aid for Trade must go hand in hand with our efforts to achieve the best possible result from the Doha Round and must be supportive in fulfilling the objective of the Doha Round as a development round.

The objective of integrating developing countries into world trade must also be viewed from the perspective of the UN Summit in 2000 and the adoption of the Millennium Development Goals (MDGs). Through the MDGs the world community has committed itself to making a concerted effort to halve poverty by 2015. The development of an open, rules-based trading system is an explicit subsidiary goal. Increasing transfers from rich to poor countries is one of the instruments for achieving the MDGs. On this basis, the UN Conference on Financing for Development in Monterrey in 2002 advocated increased mobilisation of private resources and foreign investment, development assistance, trade and debt relief. The conference stressed that trade is an important driving force for development.

An expanded agenda on Aid for Trade

Aid for Trade has received increased attention in parallel with developments in the WTO Doha Round. There was a strong focus on this issue leading up to the WTO Ministerial Conference in Hong Kong in 2005, where a decision was made to establish a Task Force on Aid for Trade (cf. Appendix 1). As an input to the work of this task force, the OECD drew up the following diagram:



Source: Effective Aid-for-Trade: Local Accountability and Global Review, OECD 2006.

The diagram illustrates the expansion of the agenda, which previously was limited to trade related technical assistance and capacity building. The developing countries, in particular the LDCs, regarded this as insufficient and put emphasis on supply side constraints. In the expanded Aid for Trade agenda there are three categories:

- Trade-related technical assistance and capacity building
- Trade-related infrastructure
- Building productive capacity

In addition, there are on-going discussions on the question of possible compensation for adjustment costs related to new trade agreements.

2. Challenges

Norway's Aid for Trade aims at ensuring that the developing countries, and especially the LDCs, achieve sustainable economic growth, higher employment, poverty reduction and an improved quality of life for the entire population. Increased exports and participation in international trade do not automatically lead to such results. The relationship between trade and poverty reduction is complicated. If increased trade is to lead to poverty reduction, an equitable national employment and distribution policy, and environmental considerations must be taken into account.

The main challenge is to ensure that Aid for Trade actually contributes to an improved quality of life for the poorest people. To meet this challenge, Norway will set certain priorities:

- Norway will give clear priority to Africa and the LDCs.
- Norway will seek to contribute in areas where our own particular experience and competence might contribute effectively to achieve substantial results. Our efforts must be consistent with other Government policies. In its development policy, the Government has given a particular focus to five main areas:
 - Climate, environment and sustainable development

- Peace-building, human rights and humanitarian aid
- Women and gender equality
- Petroleum and clean energy
- Good governance and the fight against corruption

Economic development and trade are important factors in all these priority areas.

- As stated in the Government's platform, Norway will not support programs that are conditioned upon liberalisation and privatisation in developing countries. Poor countries must not be deprived of the right to choose their own strategies and use the instruments that have been important for the development of our own welfare state.
- Trade must promote the economic position of women, and Norway's contributions must also be based on considerations related to income distribution, fundamental social standards, the environment and food security.
- Aid for Trade should support efforts to reform the UN and to develop "one UN" at country level. Organisations working in the area of trade must operate within their respective mandates and coordinate their activities in order to obtain synergy and ensure the best possible utilisation of resources.
- Norwegian support will be determined by the organisations' comparative advantages and niches.

The Paris Declaration

The Paris Declaration, adopted in 2005, is endorsed by approximately 110 countries as well as the UN system and the international financial institutions. The declaration draws up guidelines for more effective development cooperation, with emphasis on national ownership as a prerequisite for long-term results.

Principles laid down in the Paris Declaration:

- Ownership	The partner country defines the priorities, translates them into practice and plays a leading role in dialogue with donors.
- Alignment	Donors base their support on partner countries' national priorities and make use of their systems and procedures.
- Harmonisation	Donors make joint efforts and harmonise their requirements.
- Managing for results	Focus on results in the planning, implementation and monitoring of development measures.
- Mutual accountability	Donors and recipients are mutually accountable to each other. Authorities are accountable to their own parliament and population.

- It is a fundamental challenge to build on the well-tried principles for development cooperation that have been endorsed by the international community. The Paris Declaration on Aid Effectiveness contains a valuable set of principles and commitments on which Aid for Trade must also be based.
- Increased Aid for Trade must be based on national development strategies. Donors must coordinate their efforts and help to build the capacity of the trade authorities.
- Weak institutions and limited capacity pose a particular challenge for many developing countries, above all for the LDCs and other low income countries. Developing the authorities' administrative capacity is a long-term process. In many developing countries, the trade authorities are among the weakest parts of the government apparatus. Consequently, it may often be more appropriate to channel resources through multilateral agencies and through programmes supported by several donors rather than through individual, bilateral projects, which often impose an unnecessary burden on national authorities. Good coordination and division of labour between stakeholders is essential.
- The developing countries themselves face a challenge in terms of improving their

coordination and cooperation. Trade barriers and the lack of effective infrastructure prevail at both national and regional levels. A special challenge is to promote regional integration and trade, especially in Africa. Regional cooperation is also necessary to meet the special challenges faced by landlocked states. Sustainable trade development is conditional upon trade becoming more diversified, and upon breaking the uniform pattern of north-south trade. It is therefore essential to develop trade with neighbouring countries,

but it is also important to further develop south-south trade across regional borders.

- It is essential to involve the private sector both in Norway and in partner countries. The development of innovative ideas and projects in the private sector is crucial for good results. Without the active participation of business and industry in both recipient and donor countries, it will be difficult to achieve sustainable growth in trade and export revenues.

3. Existing cooperation

With reference to the division of Aid for Trade into three categories (cf. the figure in Ch. 1), Norway is already making a considerable contribution in all three categories. However, efforts in categories 2 and 3, trade-related infrastructure and building productive capacity, have so far only to a limited extent been defined as trade-related. A case in point is the Norwegian Investment Fund for Developing Countries (Norfund), which has substantial resources at its disposal for private sector development.

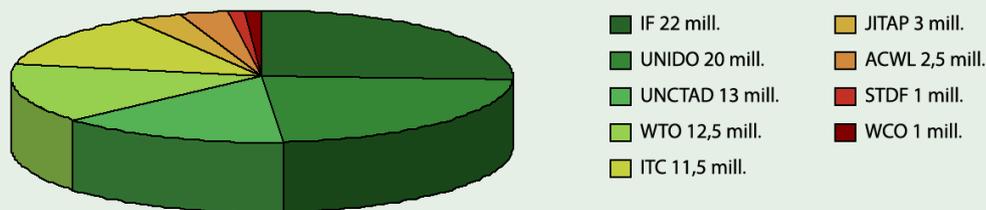
The World Bank and the regional development banks are major contributors to the financing of infrastructure in developing countries. Norway contributes funds for this purpose through its annual core contributions to these institutions. Norway also gives earmarked contributions to, among others, a World Bank fund for

strengthening the framework and conditions for investments in infrastructure and focus on the barriers to effective trade in developing countries.

Norway's trade-related development cooperation, as it has so far been defined, has largely been related to technical assistance and capacity-building activities, which have been reported to the "Doha database" (the WTO/OECD Trade Capacity Building Database). This assistance has largely been provided through multilateral funds to which Norway is a major donor.

Norway provided substantial support for the Integrated Framework for Trade-Related Technical Assistance in the Least Developed Countries (IF). The IF is regarded as a channel with a real potential for strengthening national capacity in the area of trade, and for integrating trade-related aspects into national development strategies. Further information about the IF may be found in Chapter 4 and Appendix 2.

Norway's financial contributions to selected multilateral organisations in 2007 (in NOK)



The United Nations Conference on Trade and Development (UNCTAD) has received support from Norway for technical assistance and capacity building in the areas of investment, competition and trade negotiations, and for various activities targeting the LDCs. Within the cooperation with UNCTAD, Norway has financed the establishment of an ASYCUDA regional centre for Eastern and Southern Africa (Automated System for Customs Data) based in Dar es Salaam. In the customs area Norway has also entered into collaboration with the World Customs Organisation (WCO) in order to strengthen customs administrations mainly in sub-Saharan Africa.

Norwegian support to the International Trade Centre (ITC) has primarily financed the organisation's programmes to boost capacity in the private sector. Support has also been provided for programmes to promote south-south trade, with special focus on Africa, to support the preparation of national export strategies, to help small and medium-sized enterprises to start using electronic applications, and to integrate disadvantaged groups into the economy of developing countries. Norway has also supported the Joint Integrated Trade Related Assistance Programme for Africa (JITAP), which is a joint programme run by the ITC, UNCTAD and the WTO to promote trade and WTO-related trade competence in Africa.

Furthermore, through the United Nations Industrial Development Organisation (UNIDO),

Norway has supported programmes in the field of standardisation and product control, mainly based on a regional approach both in Africa and Asia. Norway has also decided to support The Standards and Trade Development Facility (STDF). The Common Fund for Commodities (CFC) has received funding from Norway for the financing of measures to improve competitiveness and increase the degree of processing of various raw materials that are produced in developing countries.

Through its support to the WTO and the Doha Development Agenda Global Trust Fund (DDAGTF), Norway contributed to the financing of technical assistance for training in WTO regulations, with special emphasis on meeting the needs of the LDCs. Priority has also been given to the Advisory Centre for WTO Law (ACWL), which provides free advice on WTO law to LDCs and other developing countries. Moreover, ACWL helps developing countries defend their interests in WTO dispute settlement proceedings at very modest fees. Travel grants have been provided to enable delegates from the LDCs to attend important WTO-related meetings, including WTO Ministerial Conferences, WTO Public Forums and the WTO Negotiating Group on Trade Facilitation.

There are several schemes intended to improve physical and institutional infrastructure, develop capacity and promote investment and the establishment of business in developing countries. The schemes include the extensive support

provided through Norfund, to be used for profitable investments in developing countries, with special focus on the LDCs and sub-Saharan Africa. This Action Plan will be linked to existing Norwegian support schemes for the private sector, such as Norfund, Norad's industrial and trade facilities and the Information Office for Private Sector Development.

Work is in progress on a concept for Public Private Partnership (PPP) between Norwegian authorities, Norwegian companies, local authorities and companies, in order to promote improvements throughout the value chain. The collaboration with the multinational fertilizer producer Yara is one example.

Norad is financing programmes for industry and trade development, such as the Match-Making Programme, which is intended to promote commercial cooperation between small and medium-sized enterprises in Norway and in selected developing countries. Efforts to increase imports to Norway are supported through organisations such as the Federation of Norwegian Commercial and Service Enterprises (HSH). Support is also provided for organisations and companies working to promote fair trade.

Norway's trade agreements with developing countries, through the European Free Trade

Association (EFTA) or through bilateral cooperation, are important in promoting imports from developing countries. Norway has entered into such agreements with several developing countries (including for example SACU), and is currently negotiating more. Some of these agreements include Aid for Trade, and it will be possible to further develop this aspect.

The Norwegian General System of Preferences for import of goods from developing countries ("the GSP scheme") has allowed tariff and quota-free market access for all products from all the LDCs since 2002. In 2006-2007 the Government reviewed the GSP scheme with a view to further improving the system (see the report "Developing Countries' Access to the Norwegian Market" - only available in Norwegian). As a result of this review, the Government has proposed (in its budget proposition to the Parliament for 2008) to expand tariff and quota free market access for all goods to cover 14 low-income countries in addition to the 50 LDCs. The GSP review also emphasises the importance of information measures and trade-related development cooperation, in particular with a view to improve the LDCs' and the 14 low-income countries' ability to make use of the open market access that is available to them.

4. Priority areas

Norway will continue and further develop its current efforts through organisations such as UNCTAD, WTO and ACWL. In connection with improvements to the Norwegian GSP scheme, which are expected to be implemented from 1 January 2008, Norway aims to make targeted efforts to ensure that the LDCs and other low income countries make use of their tariff and quota-free access to the Norwegian market. Work will also continue on the environment-related aspects of trade, for example through the work of the OECD. This Action Plan will be viewed in conjunction with the Norwegian Action Plan for Environment in Development Cooperation (www.regjeringen.no).

The strengthened Aid for Trade effort will be concentrated on selected areas to which Norway gives special priority and that developing countries themselves focus on. In line with the recommendations of the WTO Task Force on Aid for Trade, the increase in Norway's Aid for Trade will mainly take place through multilateral organisations, with particular emphasis on the Enhanced Integrated Framework (EIF). Good governance, regional trade and women and trade are three thematic areas which will receive particular attention.

Good governance and the fight against corruption

A key aspect of Norway's development policy is to promote good governance and fight corruption, which is an important part of the larger nation-building agenda. This is also a key issue in Aid for Trade. Norway is committed to be an active and constructive participant in the efforts to strengthen the multilateral trading system through the WTO. It is in the interest of Norway and the global community to further develop a rules-based, multilateral trading system. The fundamental goal, both globally and at country level, is to develop good systems of governance, predictability and transparency in order to promote trade, investment and sustainable economic growth. The main focus of Norway's efforts in this area will be to strengthen the poorest countries' capacity to participate in international trade negotiations and to develop trade policy and framework conditions that promote investment and facilitate exports.

Trade policy

Many developing countries have limited capacity and knowledge related to the WTO agreement and its rules and dispute settlement system. Negotiating capacity is often weak and formulation of national positions and development strategies pose great challenges. Increased capacity building in these areas is therefore essential. Support will also continue to be



Trade and growth possibilities in Southern Africa: Cashew nuts from Mozambique. Agricultural products are among Africa's most important export commodities.

provided for the LDCs to enable them to participate in important trade negotiations and other trade related meetings, in particular in the WTO.

Relevant measures:

- Support the World Bank's multi-donor fund for integrating trade into national development plans.
- Cooperation with UNCTAD and the WTO on capacity building in the LDCs and other low-income countries in relation to trade rules and trade negotiations, including the development

of national priorities and positions.

- Contribute towards strengthening the ACWL's work providing legal advice to LDCs and other developing countries, and assistance in dispute settlement proceedings in the WTO.

Trade facilitation

Trade facilitation reduces the time spent on and the costs of importing and exporting goods, making trade and customs procedures simpler,

faster and more predictable. This area is important for the development of trade, not least regional trade, and is also essential in efforts to promote good governance and fight corruption. One particular goal in this Action Plan is to meet Norway's obligations in the negotiations on trade facilitation in the WTO to support active participation of developing countries in the negotiations and ensuring satisfactory implementation of an agreement. Norwegian customs authorities have valuable competence and experience in this field and are ready to contribute actively.

Relevant measures:

- Collaboration with UNCTAD on regional ASYCUDA centres in Africa.
- Develop the recently initiated cooperation with the WCO, with participation from the Norwegian customs administration.
- Contribute to the WTO trade facilitation needs assessment trust fund.
- Support for specific trade facilitation projects through the World Bank.

Standards and trade

Market access is not sufficient to ensure exports of goods from developing countries. Their products must also satisfy consumer demand for quality and regulations on food and product safety. Lack of knowledge and capacity to comply with the standards that regulate trade in food,

animals and plants as well as in industrial products, put a constraint on developing countries' export opportunities. The use of standards is regulated through the Agreement on Sanitary and Phytosanitary Measures (SPS) and the Agreement on Technical Barriers to Trade (TBT) in the WTO. Norway has relevant expertise and experience in the areas of food safety and plant and animal health through the Norwegian Food Safety Authority and associated organisations. There is a considerable need for capacity building in this area and the specialised institutions in Norway have indicated their willingness to contribute.

Relevant measures:

- Increased support for UNIDO programmes relating to standardisation and product control. This includes facilitating the start-up of new programmes, especially in Africa.
- Provide support for the work of the STDF.
- Support work on accreditation systems in Africa.
- Consider the possibilities for cooperation with regional organisations, such as the Common Market for Eastern and Southern Africa (COMESA) and the East African Community (EAC).
- Involve Norwegian agricultural and fishery expertise in efforts to promote effective development cooperation in this area.

Fair and responsible trade

This Action Plan stresses the importance of promoting fair and responsible trade. It is important to contribute to decent labour rights and conditions, and to ensure that environmental aspects are taken into account. The International Labour Organisation (ILO) plays a fundamental role in this area. Labour rights, labour conditions and environmental regulations are important elements in good governance, and necessary factors in creating a sound framework for sustainable international trade. The promotion of responsible production methods, and thus creating necessary conditions for fair trade, must also ensure that companies can remain competitive. Economic and social security will put producers and workers in a better position to advance their fair trade efforts. Roses from East Africa make up a significant part of Norway's imports from LDCs in Africa. The biggest importer of roses from East Africa to Norway, Mester Grønn, imports all its roses from Fair Trade certified farms. Approximately 40% of this is marketed as Fair Trade roses in cooperation with Fair Trade Max Havelaar.

Relevant measures:

- Increased support for fair trade initiatives, both bilaterally and multilaterally, through organisations such as the ITC and the International Federation of Organic Agriculture Movements (IFOAM).

- Support for ILO's work on joint international regulations and norms on labour standards.
- Increased information and awareness raising on fair and responsible trade in cooperation with relevant Norwegian stakeholders.

Regional trade

Barriers to trade, such as tariffs, non-tariff barriers and poor infrastructure, may often be greater between developing countries than between developing and industrialised countries. This problem affects landlocked states in particular and may be one of the reasons why many of these lag behind in terms of development. It is important that trade and cooperation between neighbouring countries are strengthened so that these countries can move away from non-diversified trading patterns. Regional diagnostic studies and financing of regional infrastructure, both physical and institutional, are essential elements in this aspect. The multilateral development banks and other international agencies have the necessary expertise and financial resources to support the development of physical infrastructure and to contribute to the establishment of the necessary institutional framework. Norway already makes substantial financial contributions to the World Bank's International Development Association (IDA), which is one of the key supporters of infrastructure programmes and public sector governance. Earmarked Norwegian contributions to organisations such as the World Bank, the

regional development banks and the ITC can also be used to support the implementation of measures such as diagnostic studies, and measures that require special attention and are particularly important for these countries.

Relevant measures:

- Strengthen the capacity of the regional institutions in the area of trade, mainly through relevant UN agencies, ITC, and the multilateral development banks.
- Contribute towards financing and follow-up of regional diagnostic studies and measures through the World Bank, including regional infrastructure projects.
- Explore the possibilities for closer cooperation with the other Nordic countries (Denmark, Finland, Iceland, Sweden) for example through the development of specific inter-regional programmes.

Women and trade

Much is already being done internationally and by Norway to strengthen women's participation in economic activity. On 8 March 2007, the Government launched a Norwegian Action Plan for Women's Rights and Gender Equality in Development Cooperation (www.regjeringen.no). Norway is also the main contributor to the World Bank's multi-donor fund for integrating women into the economic sector ("Gender as Smart

Economics”). Women's rights and situation in the formal and informal economy must be improved. Trade policy and agreements must ensure that women have the same opportunities and advantages from increased trade and economic growth as men do. Trade liberalisation can also promote poverty reduction for women, especially in countries where trade result in higher employment. However, several studies show that trends in international trade can also have a negative impact on women, as workers, producers and consumers.

Relevant measures

- Reinforce efforts through multilateral organisations, such as the ITC and UNIDO, to introduce special programmes related to women and trade.
- Ensure that the gender perspective is integrated into all Aid for Trade, for example through specific labour market measures that put women in a positive position in relation to national, regional and international trade.
- Provide strategic support in the area of gender equality in regional and sub-regional trade organisations.
- Improve knowledge and analysis on the relation between women, trade and development in close cooperation with development partners.

The Enhanced Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries (EIF)

In addition to the three thematic priority areas there is an ongoing international effort to expand and further develop the Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries (IF). The IF is a mechanism based on collaboration between the UNDP, UNCTAD, ITC, WTO, IMF and the World Bank. Norway regards the IF as an important instrument for promoting trade-related cooperation with the LDCs. However, the IF has had problems with a lack of local support and ownership, and has had limited funds for financing trade-related activities. In 2005 the IF was one of the main topics in relation to Aid for Trade in the meetings of the WB/IMF Development Committee and the WTO Ministerial Conference. Thereafter, a task force has formulated a basis for an EIF. A donor conference for the EIF was held in Stockholm on 25 September 2007.



Tomorrow's female entrepreneurs and traders. Patricia Francis, Executive Director of the ITC, together with a participant in a training programme organised by the Small Industries Development Organisation in Tanzania.

The purpose of the EIF is to integrate trade into the LDCs' development plans so that trade can become an effective tool for poverty reduction. The EIF aims to strengthen national competence and ownership by establishing and supporting a national implementation unit and ensuring structured and simplified dialogue with donors. Efforts through the EIF and dialogue with donors are based on a diagnostic study of the trade situation, which provides the basis for the

authorities' priorities in the area of trade.

The EIF's purpose and structure, with its emphasis on national ownership and donor coordination, can make a positive contribution to the practical implementation of important goals such as the initiative for "one UN" at country level. The EIF will be one of the main channels for Aid for Trade in the LDCs.

5. Monitoring and evaluation

All stakeholders involved in Aid for Trade are responsible for reporting on progress and results. Clear targets must be set for both quantity and quality. Developing countries rightly demand that the rich countries fulfil their promises of increased aid and that the enhanced aid for trade effort is truly additional. On this basis, a global monitoring mechanism is being developed for Aid for Trade. Monitoring will take place at three levels: globally, through self-assessments by donors (multilateral and bilateral), and through self-assessments by recipients. The WTO General Council will hold annual meetings dedicated to the global review of Aid for Trade, as a practical and direct follow-up to the report of the WTO Task Force on Aid for Trade (see Appendix 1). The first annual review meeting will take place in Geneva in November 2007. Aid for Trade will also be a permanent element of the WTO's periodic trade policy reviews of each member state.

Norway will contribute actively towards ensuring an optimal monitoring and evaluation of results, on the basis of both the global monitoring mechanism and special Norwegian requirements for the utilisation of financial contributions. The following points can be emphasised in this connection:

- The main instrument for planning and reporting is the Government's annual national budget proposal.
- Reporting on allocations and the use of resources within the priority areas in this Action Plan will be based on the international reporting system of the OECD Development Assistance Committee (DAC).
- Priority will be given to technical work and reporting in relation to existing databases, and to the development of gender-specific statistics and information as a basis for reporting.
- Emphasis will be put on active participation in the work of WTO bodies, in particular on the annual debate in the WTO General Council.
- The multilateral organisations, through which much of Norway's assistance is channelled, have their own targets for their activities and carry out evaluations based on their own quality assurance and result monitoring systems. Norway will actively follow up the reporting of these organisations through our representation in governing bodies, framework agreements and policy dialogue, to ensure that Norwegian resources are used in the best possible way and that such use is in accordance with the conditions for support. Norway will on an ongoing basis consider whether to initiate its own evaluations, possibly in cooperation with other donors.



WTO Deputy Director-General Valentine Rugwabiza and Norway's State Secretary of International Development Anne Stenhammer at a regional meeting for Africa in Dar es Salaam. This meeting was one of three regional gatherings in the preparation of the first WTO Global Review of Aid for Trade in Geneva in November 2007.

- Norad has a particular responsibility for ensuring a high quality standard in Norway's development cooperation.
- Norfund has a particular responsibility for ensuring optimal results of its efforts to promote the development of sustainable business and industry in developing countries.
- Priority will be given to maintain an open dialogue in order to receive critical views and evaluations that can lead to improvements. This dialogue must include partners in developing countries and international organisations as well as the private sector and relevant organisations and institutions in Norway.
- In the monitoring process, consultations will take place in an advisory committee comprising representatives of Norwegian institutions and organisations. There have also been consultations with these representatives in the preparation of this Action Plan.
- The Action Plan and its implementation will be subject to a thorough assessment after three years. The assessment will consider whether the priorities should be revised, for example by increasing the efforts related to climate change and the environment.

Appendix 1: The WTO Task Force on Aid for Trade

The WTO Task Force on Aid for Trade, which was established following a decision of the WTO Ministerial Conference in Hong Kong in December 2005, presented its report in July 2006. The report was thereafter approved by WTO member states. In November 2007 the WTO General Council will consider the status of the follow-up process. The report is a relatively brief document that may be found on the WTO website. All recommendations of the report are shown below:

Recommendations: Strengthening the "demand side"

- Implement the recommendations for an enhanced Integrated Framework.
- Establish effective national coordination, involving all relevant stakeholders, including the private sector, with a view to identifying the strengths and weaknesses of economies as a whole, and the particular challenges facing the trade sector.
- Explore the necessity of establishing a similar, but separately funded, in-country-process for non-LDCs "International Development Assistance (IDA)-only" countries, if such mechanisms do not already exist or can be improved upon.
- Urge agencies, donors and governments in other developing countries to work together to establish similar processes if they do not already exist. These processes should be modelled to the specific circumstances and needs of the country concerned,

building on what already exists where possible and appropriate.

- Urge donors and agencies, together with regional banks and organizations, to step up their efforts to identify regional, sub-regional and cross-border needs, including those related to regional integration.
- Establish a system of data collection and analysis at country level.

Recommendations: Strengthening donor "response", donors and agencies should:

- integrate trade and growth issues more effectively in their aid programming;
- further strengthen their trade expertise both in the field and in capitals;
- use needs assessment processes (where available), and their results, as a basis for their programming;
- move towards a programme/sector/budget approach, if country owned, if mainstreamed in national development strategies and if a robust system of financial accountability is in place;
- make targeted funds available for building infrastructure and removing supply-side constraints – over and above capacity building and technical assistance – perhaps as co-financing with multilateral development banks; and
- consider channelling Aid-for-Trade Funds multilaterally, when appropriate.

Recommendations: Strengthening the bridge between "demand" and "response"

- Recipient countries should mainstream trade into national strategies, such as PRSPs, formulate trade

strategies, and propose priority trade projects for donor financing.

- The division of responsibility for funding and implementing Aid-for-Trade projects and programmes should be addressed through country-based processes such as PRSPs or Consultative Groups, if necessary complemented with a partner conference focusing specifically on trade-related support, convened once countries have integrated trade into their national strategies.
- A National Aid-for-Trade Committee could be established, where necessary, to ensure trade mainstreaming in national development strategies, determine country needs, set priorities, assist in matching "demand" and "response", and help in evaluation. Tasks could include identifying co-financing or leveraging funds from other larger funds, as well as assessing adjustment needs and brokering financing for such programmes. Recipient countries could request agencies to perform a coordinating role.
- Partners should commit to contributing to the implementation of trade strategies and identified priority projects and programmes. The resulting plan should incorporate a results-based management framework resting on – and reinforcing – mutual accountability. Indicators of progress should be agreed.
- Promote the involvement of local, regional and private-sector actors, as well as South-South cooperation through triangular schemes.

Recommendations: Regional level

- Strengthen the following functions in relation to regional, sub-regional and cross-border issues:
 - diagnosis of needs;

- costing of projects;
- preparation of project proposals; and
- the coordination of donor response, including brokering and co-financing of needs that at present are difficult to finance through country-based processes, (e.g., cross-border infrastructure and policy-integration projects).
- Assign responsibility for these functions. In doing so, priority should be given to improving and strengthening existing mechanisms, including those at the multilateral and regional level, before considering a new mechanism. In exploring the most efficient solution, the conclusions from the discussions at the forthcoming Development Committee should be taken into account. Any solution should involve all relevant stakeholders and give priority to existing regional integration programmes that lack funding.
- Explore the merits of establishing a Regional Aid-for-Trade Committee, comprising sub-regional and regional organizations and financial institutions, to oversee the implementation of the sub-regional and regional dimensions of Aid for Trade, to report on needs, responses and impacts, and to oversee monitoring and evaluation.

Recommendations: Global level

- Strengthen the following functions in relation to global issues:
 - the collection and analysis of data on trade policies and their impact, the facilitation of knowledge sharing, and the development of guidelines. Funding for such activities needs to be secured;
 - provision of information on existing Aid-for-Trade instruments and expertise; and

- matching and brokering unfunded TRA-needs and available donor funding for such projects and programmes.
- Assign responsibility for these functions. In doing so, priority should be given to improving and strengthening existing mechanisms before considering the establishment of a new clearing house at the global level.
- Donors should report on funds dedicated for Aid for Trade, how they intend to meet their announced Aid-for-Trade targets, the Aid-for-Trade categories covered, and their progress in mainstreaming trade into their aid programming.
- Multilateral and regional actors should be encouraged to report regularly on their Aid-for-Trade activities, progress and impact. When appropriate these actors – including the OECD/DAC – should be asked to assist in providing input and in the organization of the periodic Aid-for-Trade review in the WTO.

Recommendations: Strengthening monitoring and evaluation

- A global periodic review of Aid for Trade should be convened by a monitoring body in the WTO, based on reports from several different sources, to be published if feasible on the WTO web page:
 - from the country level;
 - from donors;
 - from the regional level;
 - from relevant multilateral agencies; and
 - from the private sector.
- Mechanisms to facilitate reporting to the global monitoring body should be enhanced, including the possibility of a notification process for WTO Members.
- The global periodic reviews should be followed by an annual debate on Aid for Trade convened in the WTO General Council to give political guidance on Aid for Trade.
- Recipient countries should report on the trade mainstreaming in national development strategies, such as the PRSPs, the formulation of trade strategies, Aid-for-Trade needs, donor responses, and implementation and impact. The primary responsibility for reporting to the global monitoring body would lie with the National Aid-for-Trade Committee.
- An assessment of Aid for Trade – either as a donor or as a recipient – should be included in the WTO Trade Policy Reviews.
- Evaluation of country-needs identification, trade mainstreaming in national strategies and PRSPs, donor response and impact on the ground in relation to stated objectives, should be promoted and funded.
- The scope of the Joint WTO/OECD Database should be reviewed in light of the Task Force's definition of Aid for Trade. It should also be updated based on more accurate identification of needs (and the responses) by both providers and recipients of Aid for Trade.

Next steps

These recommendations are directed to many different actors. The Task Force suggests the following next steps:

- urges Members to expeditiously implement the recommendations of the Task Force.
- urges the Director-General to use these recommendations in pursuing his mandate to consult on "appropriate mechanisms to secure additional financial resources for Aid for Trade" so that the joint mandate in Paragraph 57 of the Hong Kong Declaration can be implemented in a holistic manner.
- invites the Director-General to communicate these recommendations to relevant agencies and organizations and to urge Ministers at the upcoming Development Committee Meeting in Singapore to give consideration to these recommendations and to encourage the Bank and the Fund to ensure adequate follow-up and to report on the results at the 2007 Annual meeting.
- invites the Director-General to continue, under his coherence mandate, a dialogue on how recommendations targeted at the agencies could be implemented, including where responsibility for implementation should lie.
- invites the Director-General to establish an ad hoc consultative group to take forward the practical follow-up of these recommendations.
- invites the Director-General to begin examining how to implement the recommendations regarding WTO monitoring of Aid for Trade.
- invites the Director-General to convene, at an appropriate time, an initial review of Aid for Trade, with the participation of all relevant stakeholders.
- suggests, after the completion of the DDA, that the Secretariat conduct an assessment of associated Aid-for-Trade needs in developing countries, particularly those most affected, including LDCs, and of how Aid for Trade can contribute to the development dimension of the DDA.

Appendix 2: The Integrated Framework (IF)

What is the IF?

The Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries (IF) is a mechanism for joint capacity-building to assist the least developed countries to incorporate trade into their development plans. The IF was established following the WTO Ministerial Conference in Singapore in 1996 as a joint initiative by the UNDP, UNCTAD, ITC, WTO, the World Bank and the IMF. The UNDP has been the IF fund manager since the start, while the governing bodies (the IF Working Group and the IF Steering Committee) have been based in Geneva and have used the WTO as their secretariat.

The unique characteristic of the IF is that its activities are based on key principles laid down in the Paris Declaration on Aid Effectiveness, such as national ownership and donor coordination. The diagnostic trade integration studies and the action matrices resulting from the diagnostic studies, which indicate what the authorities' trade priorities in a particular country will be, play a pivotal role in the IF.

A global trust fund has been established for the IF, which has financed diagnostic studies in each participant country and has made financial contributions (within a framework of USD 1 million per country) for priority projects to follow up the diagnostic studies. So far, the IF has been supported financially by approximately 15 bilateral donors. Norway has been the largest donor to the IF (until 2006).

The Enhanced Integrated Framework (EIF)

In 2005, The World Bank and International Monetary Fund's Development Committee recommended enhancing the IF, a recommendation that was supported by the WTO Ministerial Conference in Hong Kong later that year. The EIF will be given increased and predictable financial resources, will be strengthened at country level, and will improve the decision-making and administrative structure to ensure effective follow-up and implementation of the diagnostic studies and the action matrices.

The EIF has changed considerably in comparison with previous generations of the IF. Certain organisational steps have been taken, both in Geneva and at country level, to strengthen its structure, support and ownership, the various roles have been clarified through job descriptions, and steps have been taken to free up additional financial resources at the country level. A Global Trust Fund will hereafter finance the secretariat function in Geneva, capacity-building at country level, diagnostic studies and more specific follow-up of the diagnostic studies. An effort has also been made to improve financial predictability at the EIF by urging donors to make multi-year commitments. The premise is that much of the EIF will be financed by releasing bilateral resources at country level. Furthermore, each country will receive more financial resources to implement diagnostic studies and action matrices.

The cost of the EIF is calculated to be USD 400 million over a 5-year period (2007-2011). USD 250 million will be financed from the Global Trust Fund, while the remaining USD 150 million will come from bilateral contributions.

A donor conference for the EIF was held on 25 September 2007 in Stockholm. The meeting was considered successful, as the critical target for work to begin was met and several new donors joined the EIF.

Abbreviations

ASYCUDA	Automated System for Customs Data	ITC	International Trade Centre
ACWL	Advisory Centre on WTO Law	JITAP	Joint Integrated Trade Related Assistance Program for Africa
COMESA	Common Market for Eastern and Southern Africa	LDC	Least Developed Countries
CFC	Common Fund for Commodities	Norad	Norwegian Directorate for Development Cooperation
DAC	Development Assistance Committee (of the OECD)	Norfund	Norwegian Investment Fund for Developing Countries
DDA	Doha Development Agenda (the ongoing round of negotiations in the WTO)	OECD	Organisation for Economic Cooperation and Development
DDAGTF	Doha Development Agenda Global Trust Fund	PRSP	Poverty Reduction Strategy Paper
Doha Round	Informal title of the DDA	SACU	Southern African Customs Union
EAC	East African Community	SPS	Sanitary and Phytosanitary Measures
EFTA	European Free Trade Association	STDF	Standards and Trade Development Facility
EIF	Enhanced Integrated Framework for Trade Related Technical Assistance to Least Developed Countries (LDCs)	TBT	Technical Barriers to Trade
GSP	Generalized System of Preferences	TRA	Trade Related Assistance
HSH	The Federation of Norwegian Commercial and Service Enterprises	UN	United Nations
IDA	International Development Association	UNCTAD	United Nations Conference on Trade and Development
IF	Integrated Framework for Trade Related Technical Assistance to Least Developed Countries (LDCs)	UNDP	United Nations Development Programme
IFOAM	International Federation of Organic Agriculture Movements	UNIDO	United Nations Industrial Development Organisation
ILO	International Labour Organisation	WB	World Bank
IMF	International Monetary Fund	WCO	World Customs Organisation
		WTO	World Trade Organisation



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