



**COUNCIL OF
THE EUROPEAN UNION**

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REPORT

from : Permanent Representatives Committee

To : Council

No. prev. doc. : 13659/06

Subject : **Aid for Trade**

- Draft Conclusions of the Council and the Representatives of the Governments of the Member States meeting within the Council

1. On 12 December 2005, the Council and the Representatives of the Governments of the Member States meeting within the Council adopted Conclusions on Aid for Trade in preparation for a "development package" with a view to the December 2005 Hong Kong WTO/DDA Ministerial Conference¹.
2. On 31 August 2006, the Presidency and the Commission presented to the 133 Committee and the Development Cooperation and ACP Working Parties a background paper on Aid for Trade as a basis for Council Conclusions to be adopted at the October GAERC. The objective was to push forward the Aid for Trade Initiative on the basis of the July 2006 recommendations of the WTO Task Force on Aid for Trade.

¹ Doc. 15791/05

3. On 12 October 2006, the Permanent Representatives Committee reviewed the preparatory work done in the trade, development and ACP sectors and solved the outstanding issues in order to reach an overall agreement on the attached draft Conclusions.

 4. Council is therefore invited to adopt the attached draft Conclusions at the GAERC joint meeting of Trade and Development Ministers on 16 October 2006.
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**DRAFT CONCLUSIONS OF THE COUNCIL AND THE REPRESENTATIVES OF THE
GOVERNMENTS OF THE MEMBER STATES MEETING WITHIN THE COUNCIL
ON
AID FOR TRADE¹**

On the Global Aid for Trade Agenda

1. As set out in the European Consensus on Development and recalling the Paris Declaration on Aid Effectiveness, the Council emphasises that increased and more effective Aid for Trade (AfT) is needed to enable all developing countries, particularly LDCs, to better integrate into the multilateral, rules-based trade system and to use trade more effectively in promoting the overarching objective of poverty eradication in the context of sustainable development.
2. The Council endorses the recommendations of the WTO AfT Task Force, and affirms the Member States' commitment to support the implementation of the AfT initiative. The Council notes that AfT is a complement, but not a substitute, to a successful outcome of the WTO DDA negotiations amplifying the benefits from the negotiations for developing countries. However, delivery of AfT should not be conditional upon the speed of progress in the Round.

¹In adopting these conclusions, the Council refers to certain previous conclusions and statements (see Annex).

3. Underlining the importance of strengthening developing countries', in particular LDC countries', capacities to identify AfT needs the Council expresses its readiness to support the recommendations of the Integrated Framework Task Force. Recalling the commitment made by the WTO 2005 Ministerial Conference to operationalise the Enhanced Integrated Framework by 31 December 2006, the Council urges those EU donors, who are intending to support this programme, to make in time pledges for its speedy and predictable funding. The Council invites the Member States and the Commission to explore, along with other donors, the possibility of a similar, but separately funded, in-country process for IDA-only countries.²

4. The Council invites the Member States and the Commission to support in-country monitoring and evaluation of AfT programmes. The Council confirms its active support for the creation of a Global AfT Review Mechanism in close cooperation with beneficiary countries, other donors and institutions. This mechanism should make use of the existing processes. The Council invites the Commission to report for the Community and on behalf of all Member States concerned to the Global AfT Review Mechanism.

² International Development Association (IDA)-only is a country classification by the World Bank for countries with, for example, a low GDP per capita (USD 1,025 GDP/capita maximum). This classification is not entirely overlapping with the UN LDC-classification. There are therefore poor countries that are not LDCs, but are classified as IDA-only by the World Bank. These IDA-only countries are: Mongolia, Tonga, Vietnam, Albania, Armenia, Georgia, Kyrgyz Republic, Moldova, Tadjikistan, Guyana, Honduras, Nicaragua, Sri Lanka, Cameroon, Republic of the Congo, Cote d'Ivoire, Ghana and Kenya.

5. The Council urges the Community and Member States to put their respective commitments on trade related assistance into operation. In this context, the Council recalls the commitment of Member States to strive to increase their collective spending with a view to reaching € 1 billion per year by 2010, bringing the contribution of the EU as a whole, including the Community contribution, to € 2 billion per year by 2010. The Council also invites the Member States and the Commission to explore how to respond effectively to the call for support by the WTO AfT Task Force for prioritised partner-country needs specifically related to building productive capacities and trade-related infrastructure as well as adjustment challenges that certain developing countries are and may be facing as a result of trade liberalisation. In addition to the Community efforts, the Council is also committed to explore how to step up Member States' efforts to support regional, sub-regional and cross-border AfT needs, including those related to regional integration.

6. The Council emphasises the importance of strengthening the effectiveness of AfT fully respecting the principle of partner country ownership and inclusive, donor-wide partnership. It stresses the importance that partner countries mainstream trade into their national strategies as a basis for demand-driven alignment of AfT. The Council encourages the Member States and the Commission to address quality issues such as strengthening the integration of AfT in their aid programming; promoting EU and donor-wide AfT coordination; promoting the collection and analysis of data on trade policies and their impact, facilitating knowledge sharing and developing best practices for the use of programme-based modalities in AfT financing. Member States and the Commission are also invited to evaluate the impacts on poverty reduction of AfT and to address the mainstreaming of cross-cutting issues. Special efforts should be made to integrate gender into the activities at country level to strengthen trade capacity and to facilitate economic empowerment of women.

7. The Council invites the Member States and the Commission to prepare in 2007 a Joint EU AfT Strategy in relevant preparatory bodies to be adopted by the Council. The strategy shall, among other things, take into consideration how the AfT agenda is moved forward in the context of the WTO. Fully respecting the existing competencies, the strategy shall give guidance on AfT financing and effectiveness in the context of commitments made. The Strategy, which would be updated periodically thereafter and be flexible in nature shall: i) set a road map for the EU collectively to reach the EUR 2 billion target on trade-related assistance by 2010, ii) based on AfT needs as prioritised by partner countries, identify modalities for coordination and response at various geographical levels, iii) propose ways to strengthen EU capacity to deliver and to monitor AfT, and iv) address and set best practises on relevant effectiveness and quality issues.

Aid for Trade to ACP countries and EPA support

8. The Council recalls its conclusions from April 2006 and reaffirms the essential role of the Economic Partnership Agreements (EPAs) in the EU–ACP partnership as instruments for development, contributing to increased economic growth, regional integration and reduction of poverty in the ACP countries. The Council underlines the importance of the timely conclusions of the negotiations and of the entry into force of the EPAs by 1 January 2008. The Council recalls the Joint EU-ACP declaration on the EPA progress review and the role this review will play in helping conclude successful EPA negotiations.³

³ACP-CE 2117/06, covering the review agreed under the Cotonou Agreement, Article 37.4

9. The Council recognises that increased and more effective AfT is needed to support the ACP countries in their endeavours to use trade more effectively for reaching their development objectives, and to take full advantage of the increased trading opportunities including those provided by future EPAs. In line with the declaration made in Port Moresby in June 2006⁴, and within the existing commitments referred to in paragraph 5 above, the Council underlines the need to ensure that a substantial share of the Community and Member States' commitment to increase their trade-related assistance to EUR 2 billion by 2010, will be devoted to the ACP countries. This collective contribution of the Member States is additional to EDF resources.

10. Furthermore, in addition to trade-related assistance (as so defined), the Council welcomes the Member States' and the Commission's considerable level of on-going support to other categories of AfT, namely productive capacities and infrastructure. Member States and the Commission are fully committed to continue and strengthen this support, and furthermore address trade-related economic adjustment, in response to needs as prioritised by ACP countries. In this context, the Council stresses the potential of the new EU-Africa Partnership for Infrastructure.

11. The Council invites the Commission and the Member States to support in a collective effort, within the above commitments, and as an immediate priority, the implementation of EPA-related reform commitments. The preferred delivery mechanisms for this support will be existing nationally and regionally owned financing mechanisms.

⁴ The EU declaration made at Port Moresby, Council decision No 1/2006 of the ACP-EC Council of Ministers of 2 June 2006 specifying the multiannual financial framework for the period 2008 to 2013 and modifying the revised ACP-EC Partnership Agreement. Annex: Declarations. EU Declaration. OJ L 247 (9.9.2006), p.25.

12. The Council underlines the importance of ownership and reaffirms its support for identifying and mainstreaming demand-driven and needs based trade-related priorities, including EPAs, in the ACP countries' own plans and strategies. The definition of these priorities by ACP countries and regions in their development strategies is an essential step to enable the EU Member States and the Commission to respond to them effectively and appropriately in their development assistance programming.

13. The Council underlines that increased efforts to ensure coordination and monitoring of all EU assistance along the principles of aid effectiveness are needed. In this context the Council encourages the Commission and ACP regions to improve the functioning of the Regional Preparatory Task Forces (RPTFs) or their equivalent bodies and invites the Member States to take part, in order to enhance the link of the EPA process and EPA support. The Council looks forward to the assessment of the contribution of the RPTFs in the forthcoming review. In this regard, the Council emphasises that the institutional arrangements to be agreed for EPAs should include an appropriate and transparent monitoring mechanism to follow the impact of EPAs in ACP countries and regions. This would allow effective monitoring of the development and trade challenges from the start of implementation of the EPAs.

In adopting these conclusions, the Council refers to the following conclusions and statements:

November 2002, Council Conclusions on Trade and Development as the Council response to the 2002 Commission Communication (doc. 14514/02, in particular paragraphs 14-16 on trade-related assistance).

March 2005, Paris Declaration on Aid Effectiveness, Paris 2nd March 2005.

May 2005, Council Conclusions on Accelerating progress towards achieving Millennium Development Goals (doc.9266/05, in particular paragraphs 4 and 14-17).

November 2005, European Consensus on Development, Joint Statement by the Council and the Representatives of the Governments of the Member States meeting within the Council, the European Parliament, and the Commission (doc.14602/05).

December 2005, Conclusions on Aid for Trade (doc. 14385/05).

December 2005, Ministerial Declaration of the 6th WTO Ministerial Conference (paragraphs 57 and 48-51).

April 2006, Conclusions on Financing for Development and Aid Effectiveness (doc. 8388/06, in particular paragraphs 31-34 on trade-related assistance).

April 2006, Council Conclusions on Policy Coherence for Development (doc. 8244/06).

April 2006, Conclusions on Economic Partnership Agreements (doc.8384/06).

June 2006, Recommendations of the Enhanced Integrated Framework Task Force.

July 2006, Recommendations of the Task Force on Aid for Trade.