



**COUNCIL OF
THE EUROPEAN UNION**

Brussels, 9 December 2005

15579/05

**DEVGEN 250
RELEX 748**

NOTE

from : General Secretariat of the Council

dated : 9 December 2005

to : Council

No. prev. doc. : 15255/05 DEVGEN 244 RELEX 722

Subject : Aid for Trade

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

1. At its meetings on 8 December 2005, the Permanent Representatives Committee made progress on the outstanding issues related to the draft Conclusions on Aid for Trade, but could not reach a full agreement.
2. At its meeting on 9 December 2005, the Development Cooperation Working Party was able to resolve all outstanding issues and thus reach a full agreement on the text of the draft Conclusions as set out in the Annex to this note.
3. The Council is therefore invited to confirm this agreement and formally adopt the Conclusions on Aid for Trade as set out in the Annex to this note.

DRAFT
CONCLUSIONS OF THE COUNCIL AND OF THE REPRESENTATIVES OF THE
GOVERNMENTS OF THE MEMBER STATES MEETING WITHIN THE COUNCIL
on
Aid for Trade

RECALLING the EU's stated commitment to ensuring a development-friendly, sustainable and ambitious outcome to the Doha Development Agenda (DDA) that maximises development gains and contributes to the achievement of the Millennium Development Goals (MDGs)¹;

RECALLING ALSO the commitment of the EU to further improving and better co-ordinating trade-related assistance programmes and - in view of possible trade integration costs faced by developing countries - providing additional support for trade adjustment and integration into the global economy²;

RECALLING ALSO its agreement that the different options set out in the Commission Communication of 12 April 2005 on Accelerating progress towards attaining the MDGs: Financing for Development and Aid Effectiveness³ be pursued further within the EU and with the international community;

¹ Conclusions of the Council and of the representatives of the Governments of the Member States meeting within the Council of 24 May 2005 on Accelerating progress towards attaining the MDGs: EU contribution to the review of the MDGs at the UN 2005 High Level Event (doc. 9266/05, paragraph 14).

² Doc. 9266/05, paragraph 15.

³ Doc. 8139/05 - COM(2005)133 final + REV 1.

RECALLING ALSO its decision to increase the volume of the European Union's development assistance, so as to reach 0.56% of EU GNI by 2010, and to set ambitious targets¹ for further increases by 2015; and its commitment to provide collectively at least 50% of the increased resources to Africa;^{2 3 4}

RECALLING ALSO the commitment made at the G8 Summit in July 2005 by the President of the European Commission to increase the level of trade-related aid from European Community resources to €1 billion per year;

RECALLING ALSO the Council Conclusions of 21 November 2005 on the "Doha Development Agenda",⁵

THE COUNCIL AND THE REPRESENTATIVES OF THE GOVERNMENTS OF THE MEMBER STATES MEETING WITHIN THE COUNCIL CONCLUDE THAT:

While further liberalisation of world trade through a new WTO agreement will be beneficial for developing countries in general, many of the poorest of these may face adjustment difficulties in the short term, and will need help to take advantage of the opportunities it creates. As their capacity to produce goods competitively for the international market is weak, the international community needs to provide additional support, so that poorer developing countries feel the Doha Round is genuinely in their interests.

There is a need to put in place a substantive, comprehensive and credible 'Development Package', including on "aid for trade", to help poor countries gain from measures within the Doha Round, and to communicate this to developing countries in time for the Hong Kong DDA ministerial conference.

¹ Member States undertook to achieve the 0.7% ODA/ GNI target by 2015 whilst those which have achieved that target have committed themselves to remain above that target; Member States which joined the EU after 2002 will strive to increase by 2015 their ODA/GNI to 0.33%.

² Doc 8139/05, paragraphs 4 and 22.

³ The full text, including the declarations for the minutes made by a number of Member States, is set out in the Council Conclusions of 24 May 2005 (doc. 9266/05).

⁴ Doc. 14820/05.

⁵ Doc. 14172/05.

Enhanced Integrated Framework

The Integrated Framework for Trade Related Technical Assistance for LDCs (IF) is an important mechanism for helping poor countries use trade-related assistance and infrastructure investment effectively, to stimulate broad based economic growth through trade. However, it needs to find ways to improve its governance, local ownership, alignment with national poverty reduction plans and effective monitoring of results, as well as an expansion of its resources and scope, to make it more effective.

On the understanding that the enhancement of the IF needs to address fully its existing weaknesses, the EU resolves that, within available budgets and with other donors, it will provide resources to enable the enhanced IF to be adequately and predictably funded. Some Member States may alternatively decide to provide aid for the same purpose through other channels.

Trade-Related Assistance

Trade related technical assistance and capacity building as reported by the DAC and WTO covers two broad categories:

- *Trade policy and regulation* covers support for effective participation in trade negotiations, analysis and implementation of trade agreements, trade policy mainstreaming and standards, trade facilitation and customs regimes, support to regional trade arrangements and human resources development in trade.

- *Trade development* covers business development and activities aimed at improving the business climate, access to trade finance, and trade promotion in productive sectors (agriculture, forestry, fishing, industry, mining, tourism, services), including at the institutional and enterprise level.

Within their commitments to future increases in development assistance, Member States will strive to increase the EU's collective spending on trade-related assistance (as so defined), in response to needs prioritised in partner country poverty reduction strategies or development plans, with a view to reaching a figure of € 1 billion per year by 2010, inclusive of spending on the enhanced Integrated Framework. This would bring the contribution of the EU as a whole, including the Community contribution, to € 2bn per year by 2010.

Infrastructure

There is general agreement among aid donors on the importance of infrastructure in facilitating trade, and this is reflected in:

- The European Commission's proposal to increase EU (Community and member states') aid to infrastructure (including energy and water) through a new Europe-Africa Partnership on Infrastructure, linked to the decision of Member States to increase ODA by € 20 billion per year by 2010;
- The World Bank's plans to increase infrastructure lending by \$1 billion per year to around \$10 billion by 2008;
- The Gleneagles agreement by the G8 "*to boost growth, attract new investment and contribute to Africa's capacity to trade*" through the establishment of the Infrastructure Consortium for Africa, jointly supported by African countries and by the European Commission, G8, and key multilaterals.

The EU confirms the importance of aid to help improve developing countries' infrastructure, in particular because infrastructure is complementary to trade-related assistance in stimulating export-led growth, and will work towards more effective and increased infrastructure activity, particularly in Africa. Aid for infrastructure should therefore be assessed on qualitative aspects with a view to maximizing its benefit in terms of poverty reduction and environmental protection.

Adjustment

Some developing countries are likely to be faced with adjustment difficulties, notably for the following reasons:

- erosion in trade preferences;
- reduction in government revenue resulting from lower tariffs, and
- increased cost of food imports resulting from reductions in export subsidies, for net food importers.

The importance of providing additional support for trade adjustment and integration was recognised in the Millennium Review Summit outcome. Adjustment issues, related to trade reform, should be part of an overall package of domestic policy reforms and economic planning and financial support. However, developing countries need to be assured of credible assistance and mechanisms to facilitate adjustment.

The EU recognises the need for adequate provision for trade adjustment, notably for countries facing erosion in trade preferences. The IMF and the World Bank should provide transparent monitoring of the impact of erosion in preferences and trade liberalisation on a country by country basis, to allow additional resources to be made available in response, including through the IMF's "trade integration mechanism" and the WB's programs.

