



**Comments from the
Federal Ministry for Economic Cooperation and Development
on the study on
German Aid for Trade carried out by DEval (German Institute for Development Evaluation)**

The Federal Ministry for Economic Cooperation and Development (BMZ) welcomes the desk study presented by the German Institute for Development Evaluation (DEval) "German Aid for Trade", which provides an analysis and evaluation of the German approach to Aid for Trade (AfT).

The AfT initiative was launched at the 2005 Ministerial Meeting of the World Trade Organization (WTO) in Hong Kong to help developing countries reduce barriers to trade and make better use of the opportunities created by globalisation and the liberalisation of global trade. The BMZ cross-sectoral strategy paper "Aid for Trade in German development policy" from 2011 mostly provides the framework for Germany's efforts as regards the AfT initiative. Germany, along with Japan and the USA, is one of the three main AfT donor countries.

With a multilateral agreement having been concluded at the 9th WTO Ministerial Meeting in Bali, Indonesia in December 2013, the first such agreement to be reached since the founding of the WTO links the implementation of trade facilitation with efforts that support developing countries. This study is very important for the further development of the BMZ's AfT portfolio.

The BMZ welcomes the fact that the study uses extensive qualitative and quantitative data provided by Germany's implementing organisations and the OECD and also draws on the strategies of other donor countries. The evaluation results show that Germany is one of the most active donor countries within the AfT initiative and compares very well with others.

- The study shows that, when it comes to implementing the AfT strategy, German AfT spending, in particular for trade-related assistance (TRA), varies for the period covered and that political governance is a challenge due to the fact that trade touches a wide range of areas. Germany provides significantly more TRA each year than its international commitment requires. With a view to making it easier to plan and compare spending on TRA and AfT, DEval recommends **refining the criteria for the application of the trade development marker**, which is used to identify the projects that are of relevance for trade development.
- The analysis of the four priority areas of the AfT strategy showed that the areas quality infrastructure and regional integration are well represented in the AfT portfolio. However, **room for improvement** was identified for the **topics trade facilitation and regional and global value chains, in particular in the area of agricultural development and food security**. In part due to the **WTO Trade Facilitation Agreement** the BMZ will be cooperating with **other ministries** to put a stronger focus on **trade facilitation**, both at the bilateral and the multilateral level. There will be close links here with regional and global value chains. The BMZ's **One World, No Hunger initiative** also addresses the above-mentioned sectors.
- As regards **monitoring AfT**, the study recommends evaluating the effectiveness of trade-related project components and specifying the **underlying mechanism that creates impacts**. It is important here to not just take into account quantitative data, but to integrate trade aspects as part of the project design in all projects and to introduce standard indicators for trade-related aspects. The study calls on the BMZ to firmly establish AfT within Germany's development cooperation strategy. The analysis

of the data provided by GIZ and KfW showed that taking trade issues into account in development cooperation projects is not always easy. To do this successfully, the approach of mainstreaming trade issues in development cooperation, which has already proven successful, needs to be taken forward and both the BMZ and its implementing organisations need to build more capacities in this area.

- In addition, DEval recommends **conducting biennial German AfT reviews** modelled on the international AfT Global Review in order to ensure effective knowledge management, provide up-to-date data on trade-related projects and raise awareness of AfT. Although projects are already being fully documented by the implementing organisations, this kind of review would make information on AfT projects even more accessible.
- In 2015, the BMZ's special fund for trade policy and promotion which is implemented by GIZ was topped up, thereby ensuring that the activities under the bilateral and regional programmes can continue. The study recommends taking this as an opportunity to **initiate additional trade-related projects** and enhance AfT mainstreaming.

The BMZ supports to a large extent the conclusions and recommendations of the study – in particular on updating and adapting the AfT strategy – and will swiftly implement them. The following measures will be undertaken in order to implement the recommendations:

- Following the presentation of the evaluation, the BMZ intends to **review** and update its **cross-sectoral strategy on AfT** in order to take recent developments into account. It will hold consultations with other donor countries and international partners and take into account other national AfT strategies, but above all, it will engage in talks with its implementing organisations. In addition, **as part of the update of the AfT strategy** more attention is to be given to the **general conditions for foreign direct investment**.
- **Updating the trade marker** and establishing a thematic team in cooperation with the implementing organisations will be important matters for discussion. A discussion on what the consequences will be for cooperation between the implementing organisations and the BMZ when it comes to trade matters and applying the trade marker is planned.
- **A review and update of the AfT priority areas will require further studies, in particular field studies.** Greater emphasis on the development impact of trade policy is desirable. Keeping abreast of relevant and new topics and building expertise in these areas is indispensable (NB: the WTO Bali Trade Facilitation Agreement). Training on trade-related issues and theme briefings will be offered both at the BMZ and at the implementing organisations to disseminate information on new developments.
- The BMZ has seen that efforts to mainstream trade have been successful in private sector development and regional integration, but that in all other areas a great deal still remains to be done. **The underlying mechanisms by which trade-related projects create an impact need to be further improved and better communicated.** In addition, it makes sense to introduce standard indicators for trade-related aspects in projects.