



Federal Ministry  
for Economic Cooperation  
and Development

# Free and fair trade as a driver for development

The German strategy for Aid for Trade

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STRATEGY



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## INTRODUCTION FUNCTION AND OBJECTIVES OF THE STRATEGY PAPER

The strategy paper ‘Trade as a driver for development – the German strategy for Aid for Trade’ constitutes the development policy guidelines of the German Federal Ministry for Economic Cooperation and Development (BMZ) for the design of German trade-related development cooperation (DC).

The Aid for Trade (AfT) initiative of the World Trade Organization (WTO) is a comprehensive approach to trade-related assistance to developing countries. The goal of the initiative is to support partner countries with their integration into the global economy and regional economic communities. Thus, Germany contributes to shaping the WTO as a “fair trade organisation”. The central frame of reference for the German AfT approach is the Agenda 2030, with its goals for sustainable development (Sustainable Development Goals, SDGs). German AfT measures contribute towards achieving several SDGs (SDGs 1, 2, 5, 7, 8, 9, 10, 11, 12, 16, 17). German AfT assistance comprises contributions by various Federal ministries (BMZ, Federal Ministry for Economic Affairs and Energy, Federal Foreign Office, Federal Ministry of Food and Agriculture, Federal Ministry of Finance, Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety). The AfT strategy of the European Union is likewise taken account of. BMZ is the lead ministry for German AfT strategy.

The present strategy paper establishes the framework for action for German bilateral and multilateral DC. It is organised as follows. The first chapter describes the WTO AfT initiative and shows how trade can contribute to economic growth, increased employment, poverty reduction and food security – and so to sustainable development. Chapter 2 outlines Germany’s contribution to AfT to date, after which chapter 3 looks at the international developments and challenges which set the framework for future German AfT measures. Chapter 4 then describes the future regional priority areas and defines fields of action, and chapter 5 presents the approaches and cooperation arrangements for implementing AfT.

The present strategy paper replaces the 2011 strategy paper ‘Aid for Trade in German development policy’. The fields of action of German Aid for Trade from now on are integration and trade policy, quality infrastructure, trade facilitation, productive capacities, promotion of investment and competition, and economic infrastructure.

# At a glance: Key points of the German AfT strategy

Trade is a driver for economic development.

Germany's AfT contributes towards achieving the Agenda 2030 for sustainable development.

Germany has been the second-largest bilateral donor of AfT since 2013 and thus draws upon broad experience.

Germany will continue to expand AfT assistance to LDCs.

Fields of action of German AfT:

Regional economic  
integration, trade policy

Quality  
infrastructure

Trade facilitation

Productive  
capacity

Promotion of investment  
and competition

Economic  
infrastructure

# 1 What is Aid for Trade?

## 1.1 INTRODUCTION TO THE AID FOR TRADE INITIATIVE

The Aid for Trade (AfT) initiative was launched in 2005 in the course of the WTO's Doha development round in order to create additional resources for and greater awareness of the importance of trade to development. The initiative aims to assist developing countries in building up trade infrastructure and capacity in order to improve their integration into regional and international trade. AfT is a fixed component of many programmes of official development aid (ODA). The measures include both technical and financial cooperation and are aligned with five of the categories defined by the WTO which distinguish between AfT in the narrower sense and AfT in the broader sense (see box 1).

The AfT initiative is a move by the international community to promote economic growth and employment through international trade, as an important contribution towards poverty reduction. According to the World Bank, trade can benefit poor population groups in developing countries if these countries meet the requirements in the fields of financial infrastructure, education and good governance.<sup>1</sup>

<sup>1</sup> Le Goff, M. and Jan Singh, R., 2013. Does Trade Reduce Poverty? A View from Africa, Policy Research Working Paper, World Bank, Washington, D.C.



## 1.2 THE IMPORTANCE OF AID FOR TRADE FOR DEVELOPMENT

The AfT initiative aims to create the basic conditions for developing a competitive export sector and strengthening trade capacities in developing countries, and at the same time it assists partner countries in minimising the economic and social costs of market opening and making use of the opportunities this offers for pro-poor growth. Overall, AfT thus targets a **more equitable design of global trade** which serves the **sustainable development goals**.

### ECONOMIC GROWTH

Trade is a key for sustainable economic growth and prosperity. Many countries that have opened their economies to international trade in recent years have shown faster economic growth than those pursuing a more protectionist policy.<sup>2</sup> However, not all countries have benefitted from international trade. For trade and investment to result in sustainable economic growth, the institutional framework conditions must be solid. Important requirements for this are a clear and transparent legal system, efficient public administration at all levels, responsible management of public finances, an independent judiciary and measures for combating corruption. Structural change is also necessary to strengthen local value creation. In many developing countries, economic growth is based on exporting largely unprocessed commodities, which leaves little potential for value creation and sustainable development. Greater value creation requires a shift in economic activity towards processing industries with higher productivity. The Agenda 2030 presents a global consensus that productivity is of central importance for pro-poor growth. The Agenda is an explicit agreement between industrialised and developing countries on the goal of seeking higher economic productivity in developing countries by concentrating on labour-intensive sectors with higher added value (**SDG 8.3**). AfT measures can take this as their starting point, for example by strengthening the export capability of local companies and integrating them into regional and international value chains (see fields of action

‘Quality infrastructure’ and ‘Productive capacity and sustainable value chains’).

### INCREASING EMPLOYMENT AND IMPROVING WORKING CONDITIONS

The expansion of global trade and economic growth accompanied by structural change has the potential to increase and improve employment.<sup>3</sup> Increasing employment is especially important in the context of DC. Many partner countries, particularly in Africa, are struggling with the effects of high underemployment and unemployment of adolescents, young adults and women. Many people in full-time employment are unable to provide adequately for themselves and their families on their income. Opportunities for more productive employment and greater participation by working-age women in the workforce would make a higher income possible for many households. In addition, working conditions must be improved, as people in many developing countries are exposed to grave social and health risks at their workplace. To ensure the quality of employment and minimise danger in everyday work, AfT is accordingly the supporting formulation and implementation of labour law and human rights standards (see fields of action ‘Productive capacity and sustainable value chains’ and ‘Regional economic integration and equitable international trade agreements’). Within the framework of AfT, focused promotion of investment combined with developing productive capacity can create new jobs (see field of action ‘Investment and competition policy’). More productive and better-quality employment in the developing countries also raises prospects of staying in the long term.

### POVERTY REDUCTION

By promoting sustainable and inclusive economic growth and employment, trade creates important conditions for poverty reduction. Firstly, employees in export and downstream sectors benefit directly from the wages. Secondly, consumers have a wider choice of products as a result of trade, and pay a lower price for many goods and services. This particularly benefits lower-income households, as these spend a

2 Cali, M.; Hollweg, C. H.; and Ruppert Bulmer, E. 2015. Seeking shared prosperity through trade. Policy Research Working Paper 7314. Washington, D.C.: World Bank Group.

3 World Bank, 2015. Global Economic Prospects, June 2015: The Global Economy in Transition. Chapter 1.3: Recent Developments in Emerging and Developing Country Labor Markets, World Bank, Washington DC.

disproportionately higher amount on tradeable products and services.<sup>4</sup> Thirdly, additional tax revenue from the economic growth can finance investment in the social infrastructure, e.g. health and education, and social protection systems. However, the experience of many developing countries shows that trade can only contribute to poverty reduction if specific conditions – such as a stable financial sector, a high level of education and efficient, transparent structures under the rule of law – are present.<sup>5</sup> In addition, current studies show that trade liberalisation without accompanying measures can result in growing inequality.<sup>6</sup> This is why it is important for horizontal and vertical control mechanisms to be established and for the role of civil society in value chains to be strengthened, e.g. through trade unions or cooperatives. Ensuring principles of good governance, such as non-discrimination, transparency, accountability and participation, helps ensure that poor population groups too benefit from trade and economic growth. AfT accordingly supports partner countries in such adjustment processes. AfT measures also check for potential effects of trade liberalisation and existing inequalities in advance, so that all population groups can benefit from the economic opportunities of trade.

Measures within the framework of AfT are often also concerned with the needs of small, medium and micro enterprises (SMMEs), e.g. small-scale farmers, and strengthening particularly sensitive economic sectors (see field of action ‘Productive capacity and sustainable value chains’). Vocational education and training is another priority area, aiming to train poor and disadvantaged population groups specifically for the labour market.

#### FOOD SECURITY AND AGRICULTURAL TRADE

Increased participation in agricultural trade can make an important contribution to food security. Firstly, in addition to self-sufficiency, small-scale farmers gain new potential income-generating opportunities if they can sell their surplus profitably on regional or international markets. Secondly, international trade allows the import of important foods which cannot be produced locally.

Inadequate rural infrastructure often makes it impossible to convey agricultural products to markets cheaply. In addition, a lack of investment and innovation contributes to the generally low level of productivity in the agricultural sector in many developing countries. This makes it necessary to link trade liberalisation to specific measures in the fields of education, infrastructure, rural development, financial services and employment. AfT measures can also strengthen developing countries in shaping trade and investment agreements so that their own agricultural sector is strengthened and food shortages can be made up from increased regional agricultural trade (see field of action ‘Regional economic integration and equitable international trade agreements’). AfT measures also promote specific development of physical infrastructure and reliable and equal access for men and women to productive resources (see fields of action ‘Productive capacity and sustainable value chains’ and ‘Economic infrastructure’). This increases agricultural yields and makes food constantly available.

4 International Monetary Fund, World Bank, World Trade Organisation (2017). Making Trade an Engine of Growth for All. The Case for Trade and for Policies to Facilitate Adjustment.

5 Le Goff, Maëlan and Singh, Raju Jan (2013). Does Trade Reduce Poverty? A View From Africa. World Bank: Policy Research Working Paper. <http://documents.worldbank.org/curated/en/2013/01/17194965/trade-reduce-poverty-view-africa>.

6 Dabla-Norris, M. E., Kochhar, M. K., Suphaphiphat, M. N., Ricka, M. F., & Tsounta, E. (2015). Causes and consequences of income inequality: a global perspective. International Monetary Fund: Staff Discussion Notes No. 15, 13.



## 2 How is Germany already involved in Aid for Trade?

Germany became involved in AfT from the start of the initiative in 2005 and is the second largest bilateral donor.<sup>7</sup>

### THEMATIC FIELDS OF ACTION OF GERMAN AfT MEASURES

The German AfT portfolio covers a wide range of measures. A substantial part of the AfT funding in 2015 went to the categories ‘**Economic infrastructure**’ (EUR 2.1 billion or 46%) and ‘**Developing productive capacity**’ (EUR 2.0 billion or 45%, see Fig. 1). A particular priority area is support for production and distribution of agricultural and fishery products to increase food security, on which EUR 487 million was spent. This represents 11% of total German AfT expenditure or 24% of German support for productive capacity. By comparison, EUR 101 million was spent in the same year on measures to promote industry.<sup>8</sup>

### REGIONAL PRIORITIES OF GERMAN AfT MEASURES

Germany supports partner countries throughout the world within the framework of the AfT initiative. In 2015 around 20% went to **Asia, primarily central and south Asia**, and 36% to **Africa, mostly to sub-Saharan Africa** (Fig. 2). These regions have a particularly high need for infrastructure and productive capacity.

<sup>7</sup> AfT expenditures in 2013, in USD bn: Japan 6.85; Germany 3.44; USA 3.40. AfT expenditures in 2014, in USD bn: Japan 6.84; Germany 4.48; USA 3.12. (OECD: [https://public.tableau.com/views/Aid\\_for\\_trade/Aid\\_for\\_trade?:embed=y&:showTabs=y&:display\\_count=no&:showVizHome=no#1](https://public.tableau.com/views/Aid_for_trade/Aid_for_trade?:embed=y&:showTabs=y&:display_count=no&:showVizHome=no#1)).

<sup>8</sup> OECD Stats, own calculation, in USD. Converted using average exchange rate for 2015. <http://www.usforex.com/forex-tools/historical-rate-tools/yearly-average-rates>

FIGURE 1

GERMAN AfT EXPENDITURE by category (EUR million)

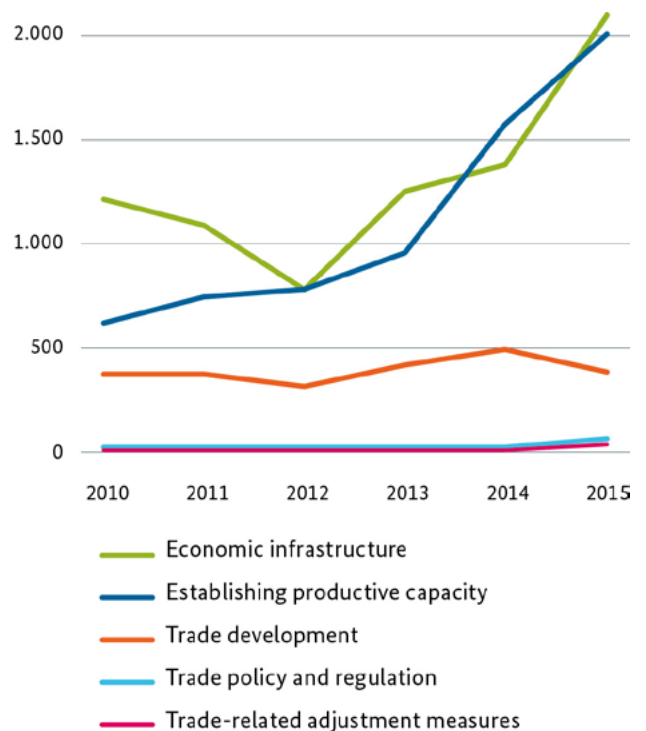
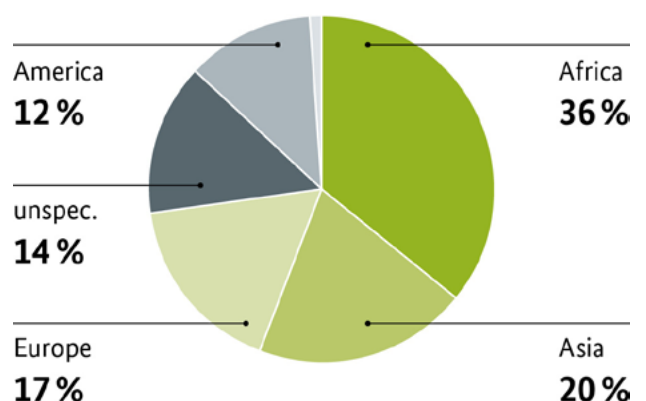


FIGURE 2

REGIONAL BREAKDOWN OF GERMAN AfT (2015)



### 3 What are the new framework conditions for AfT?

Since publication of the **BMZ strategy paper on AfT** ('Aid for Trade in German development policy') in **2011**, the international community has created a range of new framework conditions and obligations for international cooperation which are the basis for the AfT strategy. The focus is on the **2030 Agenda for Sustainable Development**, which was adopted in September 2015 at the UN summit in New York and, as a **comprehensive agenda for transformation**, takes into account all three dimensions of sustainable development (economic, ecological, social). By laying the foundation stone for a new global partnership, the Agenda 2030 is initiating a paradigm shift for German DC as a whole and with it for the German AfT approach. Germany sees the Agenda 2030 and its principle 'Leave No One Behind' as a set of **guidelines for sustainable and inclusive shaping of its AfT**. In this context Germany understands equitable trade to mean that everyone and every country can participate in and benefit from global trade. The central strategy for implementing the Agenda 2030 in Germany is the new 2016 version of the German sustainability strategy. One of the German Government's goals in this is to increase the share of imports from LDCs in total German imports by 100% by the year 2030 (baseline: 2014).

Trade in general and AfT in particular are fixed elements in the SDGs (see Figures 3 and 4). Firstly, the trade-related SDGs target the institutional framework, as embodied in the WTO among other organisations. Secondly, they are about trade flows as such, i.e. imports and exports of goods and services. Industrialised countries are explicitly called on to expand their AfT and provide greater support to LDCs in future (**SDG 8a, 10a, 10b**). Trade is also seen as a central means of implementing the Agenda 2030, as the growth-promoting effect of trade will generate domestic revenue for developing countries which is available for investment in all of the SDG areas. The international community has also committed to increasing domestic revenue under the

Addis Ababa Action Agenda (AAAA), an integral part of the Agenda 2030.

Another reference point for German AfT measures is the **WTO Trade Facilitation Agreement**, adopted in December 2013 at the WTO Ministerial Conference in Bali, which entered into force on 22 February 2017. The goal of trade facilitations is to accelerate the flow of goods across borders, and so reduce trade costs. When implemented, the Agreement will lead to simplification, harmonisation and standardisation of procedures for importing and exporting goods. The industrialised countries have committed to assisting developing countries with this.

The **21st Conference of the Parties on Climate Change** (COP 21) in December 2015 requires transitioning from a commodity-intensive economy to a resource-conserving and pro-poor economy. Free trade plays an important role in this. Open agricultural markets can respond better to climate-related changes and balance surpluses and shortages of products (e.g. foods).

With the publication of the Cornerstones of a Marshall Plan with Africa "Africa and Europe – A New Partnership for Development, Peace and a Better Future", BMZ calls for a paradigm shift in cooperation with our neighbouring continent. The focus is on fair trade, more private investment, more economic development as well as more entrepreneurial development and employment promotion. The AfT strategy picks up the trade and economic policy dimension of the Marshall Plan, thus making it operational.

Germany's National Action Plan on Business and Human Rights implements the UN Guiding Principles on Business and Human Rights. The Guiding Principles provide an international frame of reference for the state's human rights duties and corporate responsibility in upholding human rights in an age of globalisation.

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 THE GERMAN STRATEGY FOR AID FOR TRADE

FIGURE 3  
 TRADE-RELATED SDGS AND SELECTED SUB-GOALS  
 RELATING TO TRADE AND AFT



**END POVERTY IN ALL ITS FORMS EVERYWHERE.**

- 1.1 Eradicate extreme poverty by 2030
- 1.a Ensure significant mobilisation of resources, including through enhanced development cooperation
- 1.b Create sound policy frameworks



**END HUNGER, ACHIEVE FOOD SECURITY**

- 2.1 Ensure access to safe food
- 2.4 Ensure sustainable food production systems
- 2.c Ensure the proper functioning of food commodity markets and facilitate access to market information



**FULL AND PRODUCTIVE EMPLOYMENT AND DECENT WORK**

- 8.3 Promote productivity, entrepreneurship, innovation and formalisation
- 8.5 Achieve full and productive employment and decent work
- 8.10 Strengthen the capacity of domestic financial institutions
- 8.a Increase Aid for Trade support



**RESILIENT INFRA-STRUCTURE AND INCLUSIVE INDUSTRIALISATION**

- 9.1 Promote development of regional and transborder infrastructure
- 9.c Increase access to information and communications technology



**ENHANCE RESOURCES AVAILABLE FOR IMPLEMENTATION AND THE GLOBAL PARTNERSHIP FOR SUSTAINABLE DEVELOPMENT**

- 17.5 Adopt and implement investment promotion regimes
- 17.8 Enhance use of basic technologies
- 17.10 Promote an equitable multilateral trading system
- 17.11 Significantly increase the exports of developing countries

## 4 How are German AfT measures coping with the new framework conditions?

### 4.1 OBJECTIVE OF THE GERMAN AfT MEASURES

The **overarching goal** of German AfT measures is to configure trade so that it serves sustainable development and eliminates poverty (**SDG 1**). For this purpose BMZ supports partner countries with successful integration into the global economy. To achieve this, the following **goals** are pursued:

- a pro-poor, equitable, inclusive and sustainable design of global trade based on human rights (see box 2)
- development-oriented, transparent and participatory design and implementation of trade and investment agreements and other trade-relevant policy measures
- improvement in the economic and policy framework conditions for production of export goods and services (e.g. legal environment, services to companies, economic infrastructure) and reduction of trade costs incurred for exports and imports
- greater integration and consideration of the special needs of LDCs and SMMEs in global trade.



#### Making global trade equitable: promoting social and environmental standards and respecting human rights

Trade can be a central driver for development, but working conditions, equality of distribution, environmental compatibility of production processes and respect for internationally binding human rights in the partner countries and throughout the delivery chain must all be considered to ensure that trade really does lead to sustainable development. Within the framework of the AfT initiative, Germany is committed to designing global trade in a way which is based on human rights, equitable, inclusive and sustainable. This also includes environmental and social standards, and ensuring the rights and opportunities of all population groups.

Value-based and development-oriented design of trade and investment agreements is of central importance in order to promote sustainable development through trade and reduce global inequality. By embodying relevant standards in these agreements it is possible e.g. to achieve social and ecological improvements along delivery chains, for instance in the textile industry or in palm oil production. Besides designing content, Germany also assists its partner countries in implementing these agreements and monitoring their effects.

Through these measures AfT contributes to greater consideration of social and environmental standards and human rights in trade and production processes, and can in the long term lead to effective reduction of poverty and inequality and to sustainable development through trade.

#### 4.2 REGIONAL PRIORITIES OF FUTURE GERMAN AfT MEASURES

The regional priorities remain unchanged, with most of the German AfT measures continuing to benefit Africa and Asia. 43 of the world's 48 LDCs are in these two continents, and many of the other countries in these regions also need particular support.

Also the Marshall Plan envisages an increase in support to African countries in the domain of trade. The Agenda 2030 (**SDG 8a**) and the Outcome Document of the Third International Conference on Financing for Development (Addis Ababa Action Agenda, AAAA, sections 51, 90) strengthen this prioritisation by calling for a general increase in ODA to LDCs to 0.15% to 0.2% of gross national income and an increase in AfT support to LDCs. In 2014 around 7% of all German AfT expenditure went to LDCs.

For an open trade policy to lead to sustainable development and poverty reduction, a large number of conditions must be met (see chapter 1). As these conditions are often not met in LDCs and in crisis and conflict countries, these countries must in future be given even more comprehensive support in all areas. This is only possible through close and coherent cooperation between the various national and international actors.

There has been cooperation on support for LDCs in the past, for example through the WTO's Enhanced Integrated Framework (EIF, see section 5.1) for bilateral assistance in the field of regional economic integration (see section 4.3).

Germany will provide further AfT support to Africa and Asia (and particularly the LDCs) in future in close cooperation with other international partners (see section 5.1). This is why Germany endorses new UN instruments, such as the Technology Bank for LDCs, and supports the Technology Facilitation Mechanism (TFM), which bundles initiatives and mechanisms in the field of technology transfer and makes them more easily accessible. For this an increase in the share of LDC promotion in the AfT portfolio is being targeted. Finally, Germany will continue to support the work of multilateral organisations whose activities go beyond German bilateral DC (see section 5.1).

4.3 FIELDS OF ACTION OF FUTURE GERMAN AFT MEASURES

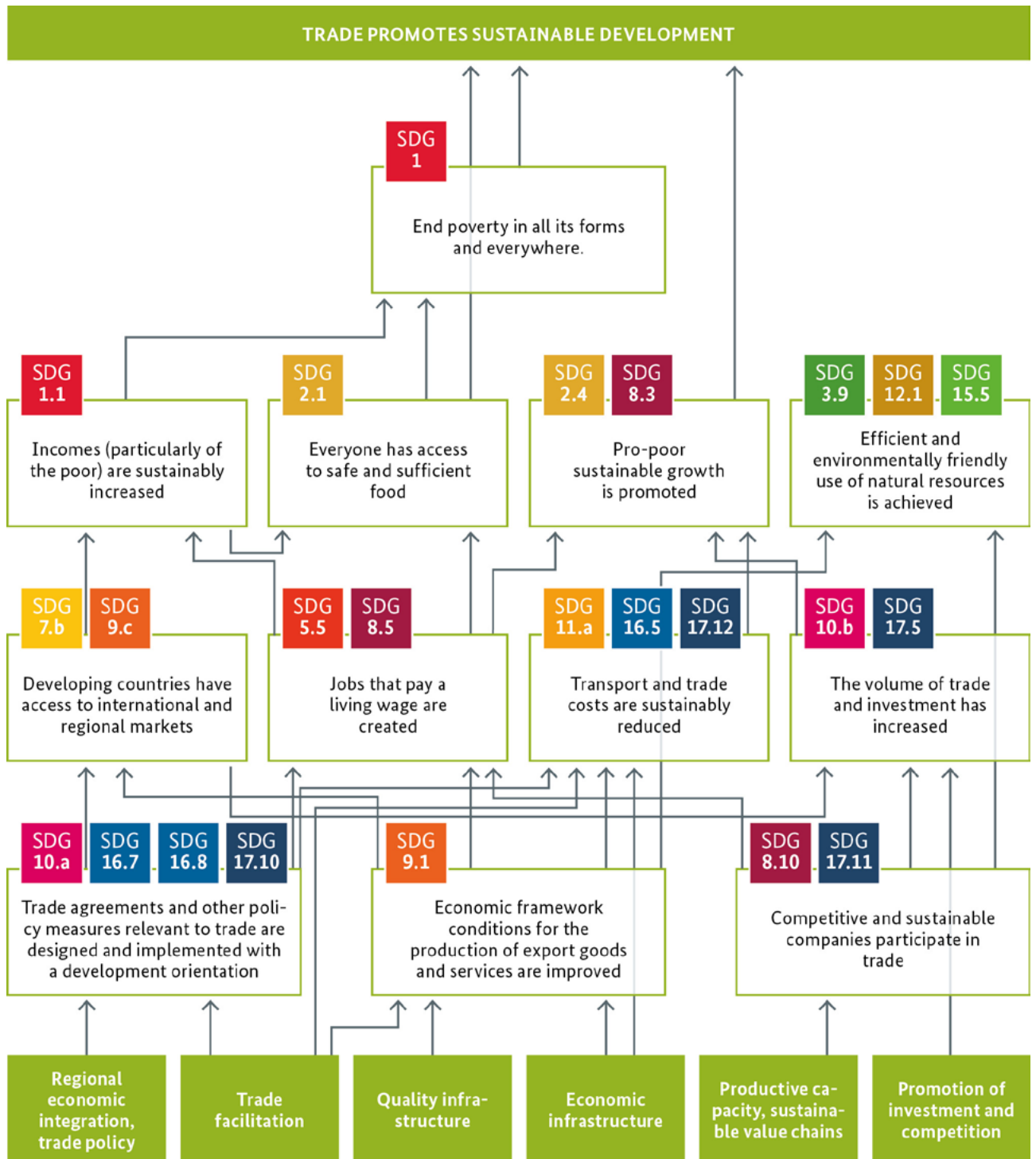


FIGURE 4  
 THE FIELDS OF ACTION OF GERMANY'S AFT STRATEGY  
 AND THEIR EFFECTS IN THE CONTEXT OF AGENDA 2030

Germany will concentrate its AfT on the following fields of action:

#### 4.3.1 REGIONAL ECONOMIC INTEGRATION AND EQUITABLE FORMULATION OF INTERNATIONAL TRADE AGREEMENTS – STRENGTHEN THE INSTITUTIONAL FRAMEWORK FOR SUSTAINABLE DEVELOPMENT AND TRADE

The growing number of regional trade agreements in recent decades shows the importance of regional economic integration. Since the beginning of the 1990s, the number of preferential trade agreements has grown fivefold from around 50 to about 270.<sup>9</sup> Countries with small domestic markets in particular can benefit from these by opening up new sales markets and collaboratively advancing regional value creation. Regional integration also offers countries an opportunity to increase the efficiency of their policies through cooperation arrangements and to strengthen their position in negotiations with third countries. However, trade barriers between developing countries are often significantly higher than for exports from developing countries to industrialised countries.

Within the framework of AfT Germany develops capacities of regional economic communities with the goal of **increasing intraregional trade**, and opening up international markets to a greater extent. **Regional agricultural trade** in particular is supported, for example by introducing simplified trade in goods for agricultural products, harmonising quality standards, or eliminating discrimination in access to market information on **regional food reserves**. In this way, Germany is contributing to limiting extreme fluctuations in food prices (**SDG 2c**) and to food security.

Germany is also strengthening the **capacity of partner countries** to negotiate and implement trade and investment agreements. These include the economic partnership agreements between the EU (and its Member States) and regional groups of countries in the Africa, Caribbean and Pacific region (ACP states), as well as the African Union's continental free trade zone. In negotiating all **trade and investment agree-**

**ments** the goal is **the most development-friendly design possible**. Among other aspects this includes good market access conditions for export products, coupled with increased protection of sensitive sectors in the developing countries. This enables partner countries to develop their young industries and domestic producers to offer their products competitively abroad (**SDG 7**).

To design multilateral trade agreements in a manner which is equitable and compliant with human rights, Germany promotes participation of the developing countries in global steering organisations such as the WTO (**SDG 16.8**) and appropriate participation of civil society in structuring multilateral trade agreements (**SDG 16.7**). Germany is also committed to a multilateral trade system which is universal, rule-based, open, non-discriminatory and equitable within the framework of the WTO (**SDG 17.10**).

Trade can promote structural change in the economy away from the polluting economic sectors towards **more environmentally friendly industries and services**. To encourage this process in partner countries, Germany is promoting improved access to conservationist technologies, such as those for generating renewable and demand-driven energies (**SDG 7, 13**). For this, Germany is adding its weight to EU efforts to adopt a plurilateral Environmental Goods Agreement (EGA) together with other WTO members, as the first set of regulations for reducing trade barriers specifically for eco-friendly goods. The goal is to extend this agreement subsequently to all WTO members, so that partner countries can also benefit from it.

Germany's support also includes establishing anti-corruption standards, e.g. a reference to the UN Convention against Corruption (UNCAC) in trade agreements (**SDG 16.5**) and **sustainability and human rights standards in trade and investment agreements**. Germany actively supports social and ecological improvements along delivery chains, whether in the textile industry, palm oil production, extraction of commodities, or the production of other export goods. This creates decent working conditions for all men and women, including young people and people with disabilities (**SDG 8.5**), and combats child labour, forced labour, human trafficking and modern slavery (**SDG 8.7**). Consideration of the special needs of the

<sup>9</sup> See WTO Regional Trade Agreements Information System, <http://rtais.wto.org/ui/PublicMaintainRTAHome.aspx>.

poorest and most disadvantaged people also contribute to implementation of the 'Leave no one behind' principle of the Agenda 2030.



#### Support for regional integration in West Africa

The Economic Community of West African States (ECOWAS) pursues the goal of promoting the economic integration of and cooperation between its 15 member states. However, there is currently only little trade within the region.

To change this situation, the ECOWAS Commission needs to be strengthened so that it can push ahead better with the regional integration process. Conversely, regional policies must be meshed with the national level for effective implementation there.

Under a BMZ commission and with EU cofinancing, GIZ is supporting the ECOWAS Commission with the content-related design and implementation of regional trade agreements. In addition, a separate programme in the ECOWAS Member State Nigeria is promoting application of the regional agreements.

Major successes have already been achieved. The regional programme has, for example, advised the ECOWAS Commission during negotiations on the Common External Tariff (CET). Its introduction was supported with training and sensitisation measures provided by both the regional and bilateral programmes. A CET implementation committee was set up in Nigeria with the help of the bilateral programme. Nearly 3,000 customs officers and forwarding agents from all 15 member states were trained in CET implementation, and some 4,000 representatives of the private sector, parliaments, civil society and media were informed of resulting changes. Overall, the two programmes are contributing to promoting regional integration through trade, and so enabling the people of the region to make better use of economic potential.

#### 4.3.2 TRADE FACILITATION – REDUCING TRADING COSTS AND IMPROVING COMPETITIVENESS OF EXPORTS

In the past 60 years, many customs tariffs have been eliminated worldwide. However, nontariff trade barriers, such as inefficient customs procedures and demands for technical standards which have not been internationally coordinated, are still causing high trading costs for cross-border movements of goods. Within the framework of the WTO Trade Facilitation Agreement, Germany and other industrialised nations have committed to assisting developing countries in implementing trade facilitation measures. These measures simplify, harmonise and standardise procedures for exporting and importing goods, and so contribute towards reducing trade costs permanently. The transparency of goods clearance is increased, public access to information improved (SDG 16.10), and the risk of corruption and bribery reduced (SDG 16.5). **Reduced trade costs** mean that exports from developing countries can offer their products more competitively on **regional and international markets** (SDG 17.11). Besides assistance with customs, Germany's approach to trade facilitation also includes technical advice on quality and safety standards and transport regulations.

Germany also favours close involvement of companies in trade facilitation measures, as their extensive knowhow on trade and customs processes can make a decisive contribution towards more efficient design of customs procedures. Many companies are interested in close involvement, as they benefit directly from trade facilitation. This applies to both large companies and SMMEs. The introduction of simpler and more transparent customs procedures also motivates companies in the informal sector to become active in the formal economy (SDG 8.3).



**Improve framework conditions and structures for regional and international trade in central Asia**

The national development strategies of the four central Asian countries Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan emphasise the value of foreign trade as an important contribution to economic development and contain plans for corresponding reforms. Currently, however, clearance of imports and exports between the four countries can take weeks.

To promote regional and international trade and ensure stable economic growth, the infrastructure in the region must be improved, effective transport routes developed, trade barriers eliminated and an atmosphere of mutual trust established.

On behalf of BMZ GIZ has been assisting the four countries in creating favourable frameworks and structures for regional and international trade since 2006. The project has three priority areas: introducing single window mechanisms, reforming the quality infrastructure for foreign trade and promoting regional coordination mechanisms for those in positions of responsibility in politics and business in the four countries.

Single window mechanisms (also known as one-stop shops) enable faster customs clearance, as traders can complete all the administrative formalities at one point. This makes more efficient use of the often limited control resources of the customs authorities, and renders possible solicitation or acceptance of advantages by customs officials more difficult.

In Kyrgyzstan, 9 of the 11 agencies responsible for dealing with foreign trade are already integrated into the national single window mechanism. In 2013 they processed over 7,400 permits, and already in 2014 they issued over 28,000 e-certificates. In addition, promotion of the dialogue between the public and private sectors made it possible to reduce the number of export documents required from eight to three. In Uzbekistan the time for export customs clearance was reduced from three days to one.

**4.3.3 QUALITY INFRASTRUCTURE – ENSURING HIGH PRODUCT QUALITY FOR MORE DEVELOPMENT THROUGH TRADE**

A basic requirement for successful participation in international trade is the availability of high-quality export goods. To enable companies to manufacture products in line with the quality requirements of international markets, a complex interplay of institutions offering quality assurance services is needed. First, the required quality criteria which companies have to meet must be available in the form of voluntary norms or binding protective regulations. Reliable measurements are needed in the manufacturing process itself. This requires calibration of the measuring equipment in the production facilities and proper training for the staff. The laboratories calibrating measuring equipment and the certifying bodies evaluating the competence of the staff must in turn be accredited as external proof of their competence. This network of institutions providing quality assurance services is described as quality infrastructure. In many developing countries the national quality infrastructure is deficient, so that companies have to buy for instance expensive services (e.g. calibration of a measuring instrument) from foreign laboratories, which in turn damages their competitiveness.

For this reason, German DC promotes the improvement of the quality infrastructure in partner countries by capacity-building for institutions in the quality infrastructure (metrology institutes, standards institutes, accreditation bodies, testing and calibration laboratories, certification bodies and inspection institutions). By making quality assurance services available, AfT measures increase the competitiveness of companies, contribute to integrating developing countries into **regional and global trade** and promote their exports (SDG 17.11). Strengthening the quality infrastructure also contributes to monitoring of and compliance with social, labour and environmental standards (SDG 8, 10, 12) and anticorruption standards (SDG 8, 12, 16.5). The same applies for sanitary and phytosanitary measures which minimise health and environmental risks for mankind, animals and plants (SDG 3). In the agricultural sector, German DC also strengthens institutional frameworks for defining, measuring and monitoring food safety, which improves the availability, quality and hence the tradeability of foods (SDG 2).



### Strengthening the quality infrastructure for trade and consumer protection in the SADC region

The Southern African Development Community (SADC) has 15 member states and pursues the goal of economic and political integration. The SADC Protocol on Trade is the statutory basis for the free trade zone. The Annex 'Technical Barriers to Trade' (TBT) calls for the abolition of barriers to trade in the free trade zone. However, capacity and competence in the quality infrastructure (standardisation, metrology, conformity evaluation, accreditation) have not yet been sufficiently developed at either regional or national level to meet the requirements for regional economic integration and ensure consumer protection.

On behalf of BMZ, Germany's national metrology institute PTB is assisting the SADC Secretariat and the relevant regional institutions for quality assurance services in designing regionally harmonised regulations and procedures and implementing these at the national level.

Establishment of regional institutions for standardisation, technical regulations, metrology and accreditation is completed and the issue of 'Quality and quality assurance' is a fixed element in the work of the SADC Secretariat. That applies not only to trade issues, but to all areas of consumer protection.

Collaborative solutions are enabling the provision of quality assurance services for less developed SADC member states as well. Sharing of expertise within the economic community is now established practice. For example, the establishment of an internationally recognised regional accreditation body permits reliable proof of the competence of test laboratories within the entire SADC region. This not only facilitates trade, but also saves substantial transaction costs. In the area of quality infrastructure the SADC is a model for other regional economic communities in Africa.

### 4.3.4 ECONOMIC INFRASTRUCTURE – LINKING MARKETS AND ENABLING EFFICIENT EXCHANGE OF GOODS

A functioning economic infrastructure is required for the production and distribution of competitive goods and services. In many developing countries, however, the absence or inefficiency of the economic infrastructure drives up production and trade costs, forming a barrier to participation in trade.

More than one-third of German AfT expenditure in the past went to economic infrastructure (see chapter 2). This includes not only transport routes but also warehousing, cold chains, communications systems, port clearance and energy supply. An adequate warehousing, cold chain and transport infrastructure is a basic requirement for regional and international trade in agricultural products. At the same time, an efficient transport infrastructure also improves the connections between rural producers and national and regional markets. For these reasons, Germany will continue to support the establishment of a national and cross-border infrastructure (**SDG 9.1, 12.3**), with greater attention to the needs of LDCs in future.

Strengthening regional energy markets is becoming increasingly important for our partners. By providing modern, sustainable and demand-oriented energy services for all (**SDG 7**), German DC is complementing the development policy of promoting **renewable energies and energy efficiency** and thus making an important contribution towards **harmonising trade promotion and environmental goals**.

Effectiveness, efficiency and transparency in financing and implementing **public** infrastructure projects can be supported by strengthening good financial governance.

**More income and employment in rural areas through infrastructure and financing in Malawi**

Malawi's economic development is largely dependent on agriculture. Around 80% of the country's 17 million people live and work on the land. Despite a wide range of agricultural products, the value added within the country is small. Both high-end goods (machinery, motor vehicles, medicaments) and goods for everyday needs have to be imported, which has led to a structural trade deficit in recent years.

The Malawi Government has recognised these challenges, and addressed them in its growth and development strategy and the National Export Strategy (NES). One of the priorities in this is the expansion and diversification of exports as a driving force for creating jobs and poverty reduction.

On behalf of BMZ, KfW Entwicklungsbank (KfW Development Bank) is assisting the Malawi Government in its development and export strategies by building an economic infrastructure, such as roads, rural routes, warehouses and cold stores, and processing facilities and markets, in order to create or improve marketing opportunities for agricultural producers. In addition, in a second component, FC funds are being provided for the Malawi Innovation Challenge Fund, which aims to use favourable financing opportunities for SMMEs as an investment incentive specifically for innovations within the firms.

Construction and improvement of the infrastructure is creating new jobs (e.g. in processing facilities) which open up additional income-generating opportunities for the population. At the same time, the processing and marketing chains are being optimised, thus strengthening the productivity and competitiveness of companies and farms. Through the improved inclusion of SMMEs in sustainable value chains and the deliberate promotion of women as producers, traders or entrepreneurs, the project is contributing to equality of opportunity and equal participation in Malawi's growth process.

**4.3.5 PRODUCTIVE CAPACITY AND SUSTAINABLE VALUE CHAINS – CREATING SUSTAINABLE CONSUMPTION AND PRODUCTION MODELS<sup>10</sup>**

To be able to offer competitive goods and services on regional and international markets as a means of jump-starting economic growth and employment, efficient and sustainable production structures and a high level of local added value are needed.<sup>11</sup> The availability of qualified skilled labour is an important prerequisite for viable economic development, as it strengthens the innovative capability and competitiveness of companies. This is why German DC supports vocational education and training in partner countries worldwide (SDG 4.4).

German AfT measures assist both large and small companies, which promotes the economy's ability to export. SMMEs are frequently the backbone of the economy in the partner countries, creating many of the jobs. They are also often suppliers to larger companies and thus integrated in international value chains (SDG 8).

The entrepreneurial potential of women is also being specially promoted, to ensure equality of opportunity in social and economic life (SDG 5).

German AfT measures promote value chains with export potential in **agricultural and non-agriculture sectors, including services**. Another key element is increasing the production of staple foods. Given its contribution to ending hunger and achieving food security, agriculture remains a central sector (SDG 2). Value chains in the commodities sector are supported for example by promoting further processing of commodities. Particular attention is paid to value chains which produce environmentally friendly goods and services, e.g. using **low carbon technologies** (SDG 13). In this way German DC creates economically relevant private sector structures which are also sustainable.

10 For a comprehensive overview of the German approach to private sector promotion, see BMZ Sector Concept: Private sector development, BMZ Strategy Paper 9/2013

11 OECD, 2016. Aid for Trade and the 2030 Sustainable Development Agenda: Achieving Win-Wins. DCD/DAC (2016)30, DAC Meeting, 17 June 2016, p. 17.

Price pressure on international markets can lead to a situation where production methods focus on short-term profit and sustainability aspects are sacrificed. This is why Germany is pressing for compliance with **minimum human rights, ecological and social standards** (see box 2). These include e.g. the ILO core labour standards (**SDG 8.8**). Germany works with local and international companies to improve social and ecological production conditions and establish **sustainable consumption and production models** worldwide (**SDG 12**).

In addition, export-oriented SMMEs in partner countries have their competitiveness and innovative ability strengthened. This includes promoting technology transfer, expanding research networks (**SDG 9.5**), and strengthening SMMEs in preventing corruption in their delivery chains (**SDG 16.5**). Many SMMEs also lack the financial resources to make necessary investments and expand their activities to export markets (trade finance). German DC accordingly strengthens the capacity of national financial institutions (**SDG 8.10**) to provide **needs-oriented financial services** for SMMEs and particularly companies headed by women (**SDG 5a**). In this connection, German DC also assists national financial institutions in checking compliance with environmental and social compatibility standards in financing arrangements in order to make production processes in SMMEs more socially and environmentally acceptable, thus contributing in the context of trade financing to more sustainable global value chains.

To be able to sell competitive goods and services on regional and international markets, Germany cooperates within the framework of AfT with institutions of private sector promotion, including the institutions of German foreign trade policy (e.g. Import Promotion Desk, German Chambers of Commerce Abroad).



### Promoting social and environmental standards in industry

The Bangladesh Government has set itself a target of increasing textile exports to USD 50 billion by 2021. However, this must not be done at the expense of social and environmental standards, a recognition that is gradually gaining ground after the disasters at the Tazreen factory in 2012 and the Rana Plaza complex in 2013. Although there are already statutory provisions on compliance with social and environmental standards, by no means all establishments are willing or able to implement these.

To change this, state actors require knowhow, staff and equipment to enforce their laws. Knowledge about social and environmental standards must be disseminated in the factories and tanneries, and qualified staff must be trained. Just as important is the role of international buyers and fair buying practices.

On behalf of BMZ GIZ has been carrying out a project to promote social and environmental standards in the industry since 2010. In one field of action, for example, state labour inspectors are being trained jointly with the ILO. Through the major business associations in the clothing industry, the project experts are also working directly with factory managements to improve social and environmental standards. Inclusion of people with disabilities is being encouraged in another field of action through a specially established job centre.

The project has already achieved concrete results. Over 870 factories have demonstrably improved compliance with national labour laws and international standards. Over 230 factories have also improved their environmental management. More than 500 middle managers have been trained in implementing social standards in a six-month diploma course. In addition, 250 labour inspectors have been trained and over 2,800 inspections carried out. Almost 150 factories have implemented measures to integrate people with disabilities – for example, barrier-free access to buildings.

**Promoting sustainable imports from emerging economies and developing countries**

Trade and entrepreneurial initiative are key factors for promoting economic growth and sustainable development in emerging economies and developing countries. For developing countries, particularly the LDCs, it is often difficult to become integrated into global value chains and so gain access to new sales markets.

In this situation the Federation of German Wholesale, Foreign Trade and Services (BGA) and sequa gGmbH have initiated the Import Promotion Desk (IPD), supported by BMZ. The IPD acts as an interface between German or European importers and SMMEs from selected emerging economies and developing countries (Colombia, Egypt, Ethiopia, Indonesia, Kyrgyzstan, Nepal, Peru and Tunisia). The goal is sustainable and structured import promotion of specific products, while complying with high quality, social and environmental standards. For this, the IPD purposefully brings together importers and exporters as trading partners. The focus here is on brokering long-term business connections which are primarily concerned with sustainability, since this creates jobs in the long term and strengthens the trading capacity of partner countries. The IPD works in close cooperation with the business support organisations operating at the local level in the partner countries, which are to continue the IPD services to exporters independently in the long term.

With the assistance of the IPD, 135 business connections have so far been created with participation of over 100 exporters from the eight IPD partner countries. Increased export volumes have enabled the companies to create up to 800 new jobs along the complete value chain, and implement other improvements such as certification and employee training. Given that it often takes several months or even years to establish a new business connection, and many of the nearly 4,700 meetings arranged by IPD are currently being followed up, the number of business transactions will probably continue to rise.

Through this measure, BMZ is contributing among other things to reaching the goal defined in the German sustainability strategy of increasing German imports from LDCs.

**4.3.6 PROMOTING INVESTMENT AND COMPETITION – DESIGNING INVESTMENTS TO BE DEVELOPMENT-ORIENTED**

Foreign direct investments (FDI) can lead to technology transfer, creation of a more competitive economic environment and increased participation in trade. They are also an important resource for **financing sustainable development (SDG 10b)**. FDI can also improve ecological conditions in the target country, for example if more environmentally friendly technologies are used as a result (**SDG 13**). However, prerequisites for these positive results are encouraging regulatory frameworks, such as legal security, efficient and effective administrations at all levels, and combating and preventing corruption (**SDG 16**). To strengthen investment in environmentally friendly technologies it is also crucial to ensure that the price of polluting technologies is no longer artificially reduced by the state (e.g. through subsidies for fossil fuels). This is why German DC supports improving the framework for FDI. **Incentive systems** for FDI should be established primarily in LDCs (**SDG 17.5**), although without incurring human rights risks or prompting competition to offer the lowest social and environmental standards or the most business-friendly tax code. The primary objective remains poverty reduction through sustainable development. This also means that while foreign investors need legal security, the right of partner countries to regulate must not be undermined. The links between FDI and the national economy must also be strengthened, to lead to positive effects. This is, for example, a requirement enabling the **technology transfer necessary for industrialisation** to take place (**SDG 9**).

An environment which promotes fair competition, prevents market-distorting structures, and so lowers the entry barriers for new suppliers is essential, not only for investment decisions – it is also a fundamental condition for the competitiveness of SMMEs in national and international markets. This is why German DC is seeking to make **competition policy** development-oriented, e.g. by advising on the establishment of a cartel office and in fighting corruption, or in formulating fair competition legislation. The goal is a competition policy which takes into account the special structural features of developing countries.



### Co-financing for SMEs in Kenya

Due to market risks and their small size, SMEs in local markets often lack access to financing. The SME Meru Greens Horticulture in Kenya produces e.g. fruits for the local market, thus making an important contribution towards food security. At the same time, demand from the EU is rising, particularly for green beans. To meet the demand and at the same time ensure continuity of production and the quality of the products, the company would like to set up its own canning plant. However, it does not have the money.

The company is receiving co-financing from DEG Upscaling Programme funds, enabling it to build its own canning plant to cover rising demand from the EU. Through the Upscaling Programme, the DEG is financing pioneering investment by SMEs which want to expand an innovative business model generating positive development effects. The need for financing lies between microfinancing and classic financing by commercial banks. The DEG funds must be repaid if the investment is successful. The company is also assisted by DEG Business Support Services, to expand cooperation with small-scale farmers. This programme supports companies in further improving their sustainability in the environmental and social areas and implementing good business practices.

Co-financing through the Upscaling Programme enables the company to maintain continuous production and at the same time ensure consistently high quality for the domestic market and exports. Financing gives the SME access to international trade and contributes to food security. At the same time, DEG assistance through the Business Support Services is making it possible to expand the small-scale farmer programme from the previously 1,500 enlisted farmers to 12,000 in future. For the small-scale farmers the cooperation with Meru Greens Horticulture means a secure source of income, which thus also serves to reduce poverty. This ensures the integration of the small-scale farmers into the economic cycle. The measure also serves to improve the productivity and further qualification of the small-scale farmers, since as part of the measure the company also assists the farmers with harvesting.

#### 4.4 CROSS-CUTTING THEMES OF GERMAN AfT MEASURES

In addition to the six fields of action, there are a number of cross-cutting themes that are addressed in the implementation of the respective measures in all fields of action.

**Good governance** is an important element in poverty reduction through trade. However, weak state structures in developing countries often foster an environment which blocks development-oriented policy-making and favours corruption. Good governance, promoting the rule of law and combating corruption (**SDG 16**) are therefore issues which are systematically incorporated into German AfT measures. Besides anticorruption, the issues of rule of law, effective and citizen-oriented public administrations at all levels and promotion of constructive state-society relations are particularly important. Legal security, legal protection of private investment, access to justice and efficient, transparent court procedures are all important requirements for business activities and for improving the investment climate in our partner countries. An effective public administration and transparent financial system create the conditions for economic modernisation and evidence-based planning and implementation of reforms in the trade sector. Functioning administrative structures promote a positive investment climate and create good conditions for the local economy and for pro-poor and inclusive development. The social dialogue between state, business and civil society and the collaboration with organised business and civil society help entrepreneurial potential to develop and economic growth to serve poverty reduction.

Participation of women in economic and gainful activity on equal terms contributes to sustainable development. This is why **gender equality** is a guiding principle of German AfT measures (**SDG 5**). Equal access to the means of production, financial services and sales markets is encouraged, and women's right to be heard and take decisions in trade policy processes is strengthened. This thus lowers barriers which obstruct women's participation in trade.

The **digital transformation** gives people in remote regions and landlocked countries the opportunity to participate in cross-border trade. It is particularly important for SMMEs as well, as these often lack knowledge of and access to new markets. The internet can be an important door-opener here. However, this requires an appropriate information and communications infrastructure and corresponding e-literacy among users, which many developing countries still lack. German DC accordingly supports the expansion and use of new technologies and design of the legal framework for digital trade (including **e-commerce** and data transfer). This expands access to information and communications technologies (ICT), particularly in the least developed countries (**SDG 9c**). Assistance with ICT contributes to sustainable and inclusive growth, for example by increasing productivity, and also by strengthening female employees and entrepreneurs especially (**SDG 5b, 8.3**). This was the goal when Germany launched the 'E-skills for Girls' initiative, which prepares young women in particular for the digital transformation. Digitalisation also has the potential to create new markets and opportunities for trade, accelerating integration into global markets. Through this it contributes to the goal of increasing the share of global exports by LDCs (**SDG 10a, 17.11**).

## 5 How are German AfT measures being effectively implemented?

### 5.1 PARTNERS IN IMPLEMENTATION

To implement bilateral AfT measures in line with needs, the Federal Government will continue to commission the German implementing organisations to support partner countries through customised measures in the area of trade. Within the framework of financial cooperation, Kreditanstalt für Wiederaufbau (KfW) and DEG primarily implement measures in the field of economic infrastructure and productive capacity. Technical cooperation is provided by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, Germany's national metrology institute (PTB), and the Federal Institute for Geosciences and Natural Resources (BGR). While BGR implements support measures in the field of natural resources and geosciences, PTB specialises in establishing quality infrastructure. GIZ carries out a wide range of measures in AfT, such as advising on trade policy and regulation, trade development and developing productive capacity, and assisting with negotiation of important investment contracts for natural resources. In addition, civil society actors and political foundations also implement AfT measures using Federal Government funds.

Multilateral institutions will continue to assume an important role in providing both public goods and technical support measures. In this context, Germany will continue to support the work of the WTO in technical assistance to developing countries, and the work of the UN Conference for Trade and Development (UNCTAD), the UN Industrial Development Organisation (UNIDO) and the International Trade Centre (ITC). Special attention is also paid to multilateral instruments in assistance to LDCs. Furthermore, Germany is part of the partnership to assist LDCs in overcoming trade barriers and integrating into the

international trade system, the 'Enhanced Integrated Framework' (EIF). The goal of the EIF is to put LDCs in a position enabling them to utilise trade as a driver for sustainable development and creation of economic prospects. For this the EIF also finances formulation of coherent strategies and national capacity development in the area of trade.

Germany will also continue to support financing institutes such as the World Bank, the IMF and various regional banks which themselves carry out and finance AfT measures worldwide.

### 5.2 APPROACHES TO IMPLEMENTING FREE AND FAIR TRADE

As the second largest bilateral donor in AfT, Germany has already accumulated and processed a great deal of experience in supporting trade-related measures. This was evaluated in a study by the German Institute for Development Evaluation (DEval)<sup>12</sup> in 2015. Besides strategic revision of the German AfT approach, the study recommended greater attention to trade-relevant aspects in the various sectors of German DC, such as agriculture, energy and infrastructure. Advisory services on trade policy, for example, should promote better trade conditions specifically for agricultural products promoted by German AfT measures. This mainstreaming of trade as a cross-cutting theme is one of the particular challenges in implementing AfT. The numerous interfaces with other issues increase the need for coordination

12 Kröger, A. and P. Voionmaa (2015). Aid for Trade – Policies and Strategies in German Development Cooperation, German Institute for Development Evaluation (DEval), Bonn.



but at the same time offer potential for exploiting synergies through cooperation with other actors.

To make greater use of **synergy effects between the various German AfT activities**, adequate interlocking of the national, regional, European and global level is necessary. For this reason, care is taken to coordinate German AfT measures at these levels better. In addition, existing instruments with global range, e.g. the Trade for Development fund, are linked closely with the current portfolio to avoid stand-alone solutions. In future, close cooperation between German implementing organisations and the multilateral organisations will be sought even more consistently to implement complex AfT measures, so that the various performance profiles can supplement each other optimally. Moreover, partner countries are supported with their integration into the global economy and regional economic communities. Thus, Germany contributes to shaping the WTO as a “fair trade organisation”.

### 5.3 PARTNERSHIPS WITH THE PRIVATE SECTOR AND CIVIL SOCIETY

Achieving the goals set requires substantial funding and knowhow extending beyond the scope of current ODA. For example, the funding required for successful implementation of the WTO Trade Facilitation Agreement is estimated at over EUR 1 billion within the next five years. This makes cooperation between all the actors involved more important than ever. To meet these challenges, **SDG 17** calls for new partnerships with actors such as the private sector and civil society. Besides additional funding, the private sector can also contribute extensive knowhow on the practical procedures of trade, particularly in the field of facilitating trade. This is why in future too proactive partnerships will be sought in implementation to attract the German and international **private sector as implementation and financing partners** for AfT. The Global Alliance for Trade Facilitation is a model for this (box 10). Multi-actor partnerships embracing politics, civil society, the private sector and science are explicitly mentioned under **SDG 17**.



#### The Global Alliance for Trade Facilitation

In the WTO Trade Facilitation Agreement the industrialised nations have committed to assisting developing countries in implementing trade facilitation measures.

Together with the USA, Canada, UK and Australia, Germany accordingly founded the Global Alliance for Trade Facilitation. This implements reforms for trade facilitation jointly with the partner countries and with the help of technical assistance from companies. The World Economic Forum (WEF), the International Chamber of Commerce (ICC) and the Centre for International Private Enterprise (CIPE) form its Secretariat.

On behalf of BMZ, GIZ is a Global Alliance implementation partner. The focus is on carrying out projects jointly with companies, associations and chambers, customs authorities and ministries. The global process is supplemented by an alliance in Germany between representatives of the business sector, Federal Ministries and GIZ.

In Montenegro, for example, GIZ is carrying out a project jointly with a logistics company (DHL Express) and the local customs administration to speed up customs clearance of express deliveries. This is to be enabled via advance notification of the customs authority. In a dialogue between public and private actors, solutions are being developed for optimising customs procedures (e.g. matching customs offices' opening hours to goods arrival times). Appropriate legal conditions are being created, a suitable IT system developed, and training offered for customs officials.

#### **5.4 POLICY COHERENCE IN THE FRAMEWORK OF THE AGENDA 2030**

The Agenda 2030 provides for all areas of policy, e.g. development, trade, agricultural and environmental policy, to contribute actively towards sustainable development. Ongoing and close sharing between the ministries makes it possible to generate coherence and synergies between the policy fields and to create fair international framework conditions for sustainable development. This involves close consultation in national processes and also at EU level (SDG 17.14). In this regard, Germany has already been successfully active at EU level in eliminating agricultural export subsidies. BMZ also intends to work at national and EU level for the elimination of trade-distorting subsidies in the agricultural sector.

A fair playing field also includes global facilitation of market access for products from developing countries, which is why Germany is supporting a pro-development conclusion to the WTO Doha Round to achieve a fair, open and non-discriminatory multilateral trading system (SDG 17.10). As part of the EU it already offers duty-free and quota-free access for imports from the LDCs (the EU's 'everything but weapons' initiative). In addition, Germany is also aiming to facilitate market access by promoting simpler and more transparent country-of-origin rules and other cumulation rules in agreements with developing countries in order to level access to the European domestic market for these countries and to promote regional integration.

Given that all policy areas together are intended to contribute to sustainable development, market access regulations in EU trade agreements are aligned with the development status of the partner countries. In addition, civil society makes an important contribution towards policy coherence through political educational work.

#### **5.5 MAXIMISE AND MEASURE RESULTS**

By promoting sustainable and inclusive economic growth and employment, AfT can make an important contribution to poverty reduction. However, this is done through long and complex results chains. Figure 4 in section 4.3 shows the relationships between results through which the fields of action of German AfT are to achieve the overarching objective of sustainable development and poverty reduction. The results model presented there will in future serve as orientation in generating the concepts for German AfT measures.

To maximise the desired results, even more systematic analysis and consideration of the social and economic consequences of trade for the various population groups and the ecological consequences will be required in advance. Partner institutions will accordingly be assisted – with the participation of the target groups – in estimating the social and economic consequences for disadvantaged population groups in advance. This will make it possible to analyse the expected responses to trade reforms and develop strategies which can help respond to challenges as they arise.

Results-based monitoring is a fixed element in all AfT projects. It evaluates the effects on social and environmental standards as well as on human rights. The results achieved are documented in reports. Independent final and ex post evaluations assess the success of German AfT measures, either on termination or retrospectively, for example in terms of their effects on different population groups.

In addition to the standard results monitoring of AfT measures, the amount and breakdown of German AfT is analysed and documented annually on the basis of statistical data.

The present AfT strategy will be evaluated after five years. The review will include possible adjustment of the strategic orientation, to ensure that German AfT measures continue to contribute to eliminating poverty for everyone, in every form and everywhere.

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