

The Integrated Framework for Trade-related Assistance to the Least Developed Countries: A Promising Initiative

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Abstract

The “Integrated Framework for Trade-related Technical Assistance to the Least Developed Countries” (IF) is a global initiative established in 1997 and is a particular application of what has since been known as “Aid for Trade”. The objective of the IF is to support the least developed countries (LDCs) in building their capacity to trade and to integrate trade issues into overall national development strategies. The core multilateral agencies that initiated the IF and participate in it are the International Monetary Fund (IMF), the International Trade Centre (ITC), the United Nations Conference on Trade and Development (UNCTAD), the United Nations Development Programme (UNDP) the World Bank and the World Trade Organization (WTO). The original IF initiative has been gradually reinforced; since 2007, it is called the “Enhanced Integrated Framework” (EIF).

Glossary of Abbreviations

ACP: African, Caribbean and Pacific Countries
AFT: Aid for Trade
ASYCUDA: Automated System for Customs Data
CRS: Creditor Reporting System (OECD/DAC)
DESA: United Nations Department of Economic and Social Affairs
DTIS: Diagnostic Trade Integration Study
EIF: Enhanced Integrated Framework
EPA: Economic Partnership Agreement
EC: European Community
EU: European Union
GATT: General Agreement on Tariffs and Trade
JITAP: Joint Integrated Technical Assistance Programme
IF: Integrated Framework
IMF: International Monetary Fund
ITC: International Trade Centre (UNCTAD/WTO)
LDC: Least Developed Country
MDG: Millennium Development Goals
NIA: National Implementation Arrangements
NIU : National Implementation Unit
ODI: Overseas Development Institute (United Kingdom)
OECD/DAC: Organization for Economic Cooperation and Development/ Development Advisory Committee
PRSP: Poverty Reduction Strategy Paper
UNCTAD: United Nations Conference on Trade and Development
UNDP: United Nations Development Programme
UNIDO: United Nations Industrial Development Organization
UNOPS: United Nations Office for Project Services
WTO: World Trade Organization

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1. Origin and rationale of the IF

1.1. Before the Integrated Framework

That trade plays a vital role in shaping the economic and social performance and prospects of countries is generally accepted. Starting from the early writers in development, such as Nurkse and Lewis¹, the expression “trade is the engine of economic growth” has been a long-held belief in development circles, with much supporting evidence including a study by Sachs and Warner (1995) and Frankel and Romer (1999). This has been criticized by Rodriguez and Rodrik (2001), who challenged the postulate that trade has a causal effect on development and argue that both output growth and export growth might be jointly determined by other factors, such as the strength of a country’s institutions. However, a majority of opinion inclines towards trade as a cause². In any case, strengthening of trade-related institutions is highly desirable.

Assistance to developing countries by donors and agencies to expand their trade is far from new; it did not have to wait for an appellation such as the “Integrated Framework” in 1997 - or the generic term of “Aid for Trade” which came in current use in 2001. There has long existed numerous and significant programmes for building trade capacity, implemented by bilateral donors, international agencies, as well as some NGOs (e.g. OXFAM).

The core agencies of the IF were selected since they had always been active in trade-related technical assistance. Although neither GATT (1947)-which later transformed itself into WTO - nor UNCTAD (1964) were intended as aid agencies, they did operate modest technical cooperation programmes. Together, they created the International Trade Centre (ITC) in 1964, whose specific mission is to deliver technical assistance to developing countries in trade promotion. One of the main sources of funding of the assistance provided by UNCTAD and ITC has been UNDP which has generally considered its support to the trade related technical assistance as being of a strategic and catalytic nature - although not a priority in terms of resource allocation. The World Bank and IMF, for their part, have always included assistance in such areas as trade policy and trade facilitation in their activities - sometimes as part of “adjustment programmes”.

Low income countries have always tended to be particular beneficiaries of aid in general. Since the LDC category has been created in the United Nations, leading to the first UN Conference on LDCs in 1981, there has been a particular focus by many donors and agencies on this group. Trade issues figured prominently among the international support measures agreed in favour of LDCs under the successive 10-year UN Programmes of Action for LDCs³.

The IF, as a distinct programme, originated from the conclusion of the Uruguay Round of multi-lateral trade negotiations (1994) and the creation of WTO (1995). The Uruguay Round finalized in Marrakech took seven and a half years to negotiate. The successful conclusion of these negotiations, with 123 countries participating, was widely held as a major achievement heralding a new

1. See for instance, Nurkse (1959) and Lewis (1980)

2. For a comprehensive review of the literature on this issue, see Winters et al (2004) and for more recent evidence supporting the thesis that trade liberalization causes growth, see Wacziarg and Welch (2008).

3. The Fourth United Nations Conference on the Least Developed Countries (LDC-IV) took place 9-13 May, 2011 in Istanbul, Turkey.

era of world prosperity based on multilateral understanding.

1.2. Developing countries and the Marrakech Agreements.

However, developing countries played a rather limited role in the Uruguay Round; only a minority had the capacity to identify their trading interests and effectively pursue these during the negotiations. The small, low income developing countries and LDCs that were GATT members, (and, *a fortiori*, those who were not) were, in effect, spectators in the process leading to the Marrakech agreements.

In 1994, countries that were GATT members were called upon to agree the Single Undertaking and become WTO members. But the majority of developing countries had little understanding of the complex implications involved, such as the need to submit schedules of concessions and commitments on market access in industrial and agricultural products, as well as commitments on intellectual property rights and in the services sector. In spite of this limited appreciation, all of them that were GATT members signed the Single Undertaking, since the option of not signing -with the fear of being "left out in the cold" -was considered even less attractive. Several years later, it was still considered that "It is no exaggeration to say that developing countries are still grappling with problems of implementation of the various agreements annexed to the WTO and striving to understand their full ramifications on their economies." (Shahin, 2002, chapter 1).

It is true that the 1994 Marrakech Declaration did acknowledge the need to provide trade-related technical assistance to LDCs to help them with their implementation difficulties and associated adjustment costs, and a number of specific agreements adopted contained references to the need to provide support for implementation to developing country members, and in particular the LDCs. But these good intentions concerned a rather narrow range of trade-related problems, and, in any case, were not expressed in the form of concrete and monitorable measures.

Soon after the creation of WTO, it became apparent that the challenges faced by many developing countries members were considerable, while, for non-WTO members, accession procedures had become more stringent. Resources to implement the minimum legal requirements of WTO agreements were themselves found to be significant (Finger, 2000). An effective implementation that would enable developing countries to fully benefit from these agreements required typically the procurement of equipment, training of people, and the creation of institutional, legal and regulatory frameworks, whose costs were far beyond the means of most of them. Estimates (Finger and Schuler, 2000) concerning customs reform, Trade Related Intellectual Property Rights (TRIPs) and Sanitary and Phytosanitary Measures (SPS) were as high as US\$ 150 million per country, for the implementation of just these three agreements. Even if this figure was an over estimate, the actual costs would represent a major part of the annual development budget of many LDCs.

Quite apart from the costs involved in implementation of WTO agreements, there was increasing realization that liberalization (even if fully realized for products and services of interest to the poorest countries) would fail to result in either export growth or development for these countries. This confirmed the experience of the EC/EU Conventions with the ACP countries, under which particularly favourable market access provisions had not led to much increase in the trade performance in most of the latter. The poorer and weaker economies clearly faced enormous challenges

in expanding exports, including greater adjustment costs and greater barriers to seizing new opportunities. In sum, the new international trade regime had not provided a level playing field.

1.3. Launching the Integrated Framework

Shortly after the signing of the Uruguay Round Agreements, African trade ministers had called upon the international community to help strengthen their capacity to formulate trade policy, participate in trade negotiations and implement trade agreements. A first response to this request initiated in 1995 was provided by the WTO, UNCTAD and the International Trade Centre (ITC) by establishing the Joint Integrated Technical Assistance Programme (JITAP) to mobilize expertise and support to help African country partners participate in the WTO, integrate into the new multilateral trading system and take advantage of new trade opportunities arising from globalization ⁴.

The first WTO Ministerial Conference in 1996 duly recognized the special difficulties LDCs faced in integrating into the world economy. As a follow up, in October 1997 the WTO High Level Meeting on Integrated Initiatives for Least-Developed Countries' Trade Development adopted an initiative for strengthening LDCs' trade capacities, which was named "the Integrated Framework for Trade-Related Technical Assistance to the Least Developed Countries" (IF).

Although the initiative was taken in the context of WTO, it was clear that the assistance needed would require inputs in volume and substance going beyond those that could be provided by WTO itself, whose technical assistance is very modest and limited in scope. Consequently, five other multilateral organizations (the IMF, ITC, UNCTAD, UNDP, and the World Bank), considered as the most directly concerned ("core agencies") in this area, were requested to join WTO to develop this Framework and give their support to it. This broadening to several development-oriented agencies contributed to having the IF address issues beyond the mandate of WTO.

2. The Doha Round: Aid for Trade and the Enhanced IF

2.1. Aid for Trade (AFT)

When the WTO Development Round was launched at Doha in 2001, its Ministerial Declaration laid considerable emphasis on trade-related assistance to developing countries. The expression used at the time was "Trade-Related Technical Assistance and Capacity-Building (TRTA/CB)". This was to be followed by a new initiative called "Aid for Trade" (AFT), applying to developing countries in general and launched at the WTO Hong Kong Ministerial Conference in December 2005. AFT reflected a recognition that internal constraints: trade-related infrastructure (ports, roads and transport or 'hard' infrastructure) and trade-related institutions (customs or standards agencies), policies and regulations that discourage trade or 'soft' infrastructure were becoming more important than the barriers to trade resulting from policy barriers at the border which have been drastically reduced by the 'negative agenda' built around the reduction of the traditional (tariffs and quotas) external barriers. In sum, AFT was to reduce trade costs.

According to the vision of WTO Director-General Pascal Lamy, with AFT "we are moving from

4. JITAP was active until 2007.

making trade possible to making trade happen". At the same Ministerial Conference, it was decided to "enhance" the IF. In this regard, it may be noted that AFT is an overall term, used mostly for conceptual and monitoring purposes, but, unlike the EIF, it does not have (in its application to non-LDCs) any formal provision for identification of needs, programming of activities, setting up in-country-structures, nor does AFT have its own budget and distinct secretariat and global management structure. Monitoring is mostly entrusted to OECD/DAC, which since 2007 publishes detailed biennial monitoring reports in cooperation with WTO, with many case studies (in the "Aid for Trade at a Glance" series).

2.2. Enhancing the Integrated Framework.

The IF started rather informally with representatives of the six core agencies meeting as an inter-agency working group to attempt to identify and prioritize the needs of LDCs and coordinate their responses to these needs. There was no budget or secretariat in the initial months of the IF, and some feared that this was one more initiative of a token character, like many of the numerous "support measures" included in the UN Programmes of Action for LDCs.

However, as it turned out, the IF idea was thought sufficiently valuable to merit pursuing in concrete terms: in 1998, a small Administrative Unit was created, located at ITC, with UNCTAD, ITC and WTO each seconding a staff member; this was followed by an IF Implementation Unit with offices in WTO. In February 2001, the WTO sub-committee on LDCs referred specifically to the importance of the IF "as a concrete contribution to the Third United Nations Conference on the LDCs to be held in Brussels in May 2001", and recommended seeking donor support for the establishment of an IF Trust Fund. It also proposed to establish a formal IF Steering Committee, composed of LDC representatives, the six core agencies, and donors.

The original IF Trust Fund started receiving contributions in 2001, and was able to provide limited funding (expenditures of less than US\$ 10 million by 2008) to allow for the first Diagnostic Trade Integration Studies (DTIS) in selected LDCs, as well as a number of follow-up activities. The procedures and format for conducting these diagnostic studies were gradually formalized and refined in the light of experience.

While not negligible, the achievements of the IF during the early years were modest, with only a handful of LDCs accessing benefits from the process. Following an evaluation, and the recommendations by the Development Committee of the World Bank and IMF at their meeting in 2005, a Task Force was set to make detailed proposals, which were considered at the 6th WTO Hong Kong Ministerial Conference in December 2005. The Conference endorsed the three elements that would constitute the enhanced IF (EIF):

- (i) provide increased, predictable and additional funding;
- (ii) strengthen the IF in-country arrangements; and
- (iii) improve the central IF decision-making and management structure.

It took some time to work out the arrangements to give effect to this decision, but at a pledging conference held in Stockholm in September 2007, 22 donors pledged US\$170 million. In April 2010, it was considered that "In July 2009, the EIF took off. Today it has reached the cruising altitude ⁵".

5. Ambassador Maruping of Lesotho, Chair of the EIF Board. WTO press release -PRESS/601, 30 April 2010

3. Substantive scope of the (E) IF

Since the beginning of the IF, the question arose of defining the scope of this initiative. Trade-related assistance was sometimes interpreted in the past in a fairly narrow sense -even merely as "assistance to the Ministry of Trade". At the other extreme, some LDCs clearly expected assistance to help them increase their productive capacity. In 2003, an IF evaluation noted that there appeared "to be a divergence of opinion between the donors and several LDCs with respect to supply-side constraints" (Capra International Inc. and Trade Facilitation Office Canada (2003)). This matter was formally addressed in the context of the AFT initiative. It may be said that AFT in non-LDCs does not have the same structured arrangements as the EIF, but both may be considered to address the same substantive areas: EIF may be said to be Aid for Trade at work in LDCs.

Following the work of a task force appointed for this purpose ⁶, the activities covered by AFT- which thus also apply to the EIF-, have been grouped under six categories:

- a. Trade policy and regulations, including: training of trade officials, analysis of proposals and positions and their impact, support for national stakeholders to articulate commercial interest and identify trade offs, dispute issues, institutional and technical support to facilitate implementation of trade agreements and to adapt to and comply with rules and standards.
- b. Trade development, including: Investment promotion, analysis and institutional support for trade in services, business support services and institutions, public-private sector networking, e commerce, trade finance, trade promotion, market analysis and development.
- c. Trade-related infrastructure, including physical infrastructure
- d. Building productive capacity
- e. Trade-related adjustment, including: supporting developing countries to put in place accompanying measures that assist them to benefit from liberalized trade.
- f. Other trade-related needs

These categories have been further elaborated in the WTO/OECD Database created to monitor AFT, which contains 26 sub-categories which are regrouped in four main categories: : economic infrastructure, building productive capacities, trade policy and regulations, and trade-related adjustments . However, there still remains uncertainty as to the exact contours of AFT and EIF. In the 2011 Global Survey only 5% of respondents stated that the OECD profile accurately reflected the quantity of Aid for Trade they received in 2006 and 2007; 19% stated that it did not; and 67% were not sure. (WTO/OECD, 2011a) .This lack of consensus is one factor that makes evaluation difficult. But it seems now accepted that addressing supply-side issues such as "physical infrastructure" and "building productive capacity" is to be included.

6. AFT Task Force (document WT/AFT/1).

4. Operational features of the EIF

The EIF, as it stands in 2013, comprises an elaborate set of steps and procedures that have evolved over the years and have been specified in considerable detail ⁷. It may be noted that these features are specific to the EIF and do not apply to AFT generally. They are described in a simplified form below.

4.1. Phases

The EIF consists of four phases, namely:

1. Awareness-building on the importance of trade for development;
2. Preparation of the Diagnostic Trade Integration Studies (DTIS): These diagnostic studies are comprehensive documents (typically of some 150 pages) that aim at identifying for each LDC the constraints and opportunities it faces in the areas covered by the IF. The country itself chooses the lead agency to undertake the DTIS; in practice this role is played by the World Bank or UNDP – which have field offices in LDCs. The DTIS is preceded by a “Concept Note” which is initially drafted by the DTIS team leader (usually a consultant chosen by Government from a short-list). This draft is finalized and approved by Government and the six core agencies; it serves to provide focus to the DTIS and to recruit national and international consultants in the appropriate fields (usually the DTIS team consists of 10-12 consultants). The DTIS contains an action matrix identifying priority actions and parties responsible for follow up. This document goes through various drafts with Governments and the core agencies making comments. The penultimate version of the DTIS is usually submitted to a validation seminar attended by the main national and international stakeholders, and the finalized version is posted on the IF website. Provision is made to update the DTIS –and several such updatings of the early studies have taken place.
3. Integration of the action matrix into the national development strategy which in the majority of LDCs takes the form of a PRSP (Poverty Reduction Strategy Paper); and
4. Implementation of the action matrix in partnership with the development cooperation community.

7. Since 2012, a compendium “toolbox”, with complete guidelines and templates, is available on the IF website in French, English and often Portuguese (www.integratedframework.org).

4.2. Structures at the global level

At the global level, there are a number of EIF structures—with their functions specified by guidelines. Although the EIF secretariat is housed at WTO, and EIF staff use a “wto.org” e-mail address, it is important to note that these structures are quite independent and distinct from WTO.

- The EIF Board is the key decision-making body for operational and financial oversight as well as the provision of policy direction. The Board is composed of three representatives each of the LDCs (usually Ambassadors based in Geneva) and of Donors, as well as one representative from each of the six IF Core Agencies—with UNIDO, FAO and OECD as observers.
- The EIF Steering Committee is constituted by all LDCs, the six EIF Core Agencies, all Donors to the EIF Trust Fund and others granted observer status. This Committee reviews the overall effectiveness of EIF operations.
- The EIF Executive Secretariat coordinates and facilitates the process and supervises the EIF TF project implementation. It is administratively housed at the WTO and headed by an Executive Director (Ms. Dorothy Tembo, who took up her post in October 2008). There are two other professional staff and one support staff.
- The EIF has a multilateral Trust Fund attached to it. The Trust Fund Manager for the EIF, operational since 2008, is the UN Office for Project Services (UNOPS), part of UNDP.

The EIF Trust Fund has two parts called “tiers”, replacing the earlier “windows”.

- Tier 1 continues to fund the pre-DTIS activities, the Diagnostic Studies themselves (or their updates). It also provides funding to help to incorporate trade into national development plans and to translate trade priorities into bankable projects for broader funding. Thus, as soon as an LDC is admitted to the EIF, it has access first to the pre-DTIS project, then to the DTIS funds (costing between US\$ 200 000-400 000 per country), and may access the multi-year “Support to the National Implementation Arrangements” (NIA) project. The most significant disbursements under the EIF in recent months have been under these NIA support projects - which typically amounted to US \$ 1m per country.
- Tier 2 enables countries to access funding for Action Matrix priorities identified under the diagnostic studies. It makes provision for the possibility of providing bridge funding to “jump start” activities through project preparation, feasibility studies and funding of smaller projects, including seed projects. It is clear however that Tier 2 will always be limited in size and can only fund small proportion of the needs of LDCs to implement their Action Matrix priorities. Most of the funding needed for implementation has to be mobilized from other sources beyond the EIF Trust Fund.

4.3. In-country arrangements

At the country level, a number of detailed “National Implementation Arrangements” (NIA) are specified. These are the National EIF Focal Point who is usually a senior Government official, supported by a National Implementation Unit. A Donor Facilitator facilitates donor coordination and donor government dialogue. This has often been the EU; but other examples are Australia (in Lao PDR), UNDP (in Cambodia) or France (Comoros); the EIF National Steering Committee is a senior level forum for decision-making and coordination among the Government entities concerned, the private sector and, in some countries, civil society entities.

These NIAs have not been as easy to set up as might appear at first sight. Ensuring that the National IF Focal Point (often at the Ministry responsible for Trade) works in close collaboration with other Ministries, as well as with the business sector is often difficult to achieve. To assist in this area, NIA support projects (funded by the EIF Trust Fund) often propose activities to increase awareness of the importance of trade for development among the Government and private sector stakeholders in the country.

5. Outcomes and results

5.1. Activities and funding

In January 2013, all LDCs were participating in the EIF, except Myanmar, Somalia and Equatorial Guinea. In Eritrea, IF activities have been suspended at the request of Government. As reflected in the EIF website which is regularly updated, all 48 participating LDCs have appointed a Focal Point, and almost all have a national steering committees and a donor facilitator. 43 LDCs have completed their Diagnostic Studies (DTIS) (this includes Cape Verde and Maldives, which have since graduated from the LDC category), of which 11 have undertaken- or are currently undertaking- DTIS updates. In 5 others, initiation of the DTIS has started. 28 “Support to NIA” projects have been approved, and 14 are in the pipeline.

As regards mobilization of funds, the initial target for the EIF Trust Fund was set in 2007 at US\$ 250 million over a five-year period. In total, EIF pledges amounting to US\$ 170 million were made during the 2007 pledging Conference in Stockholm by 22 donors, essentially OECD countries. Contributions to the EIF Trust Fund passed the US\$ 100 million mark in April 2010, and amounted to US\$ 179 million in March 2013 (including credits transferred from the earlier IF Trust Fund), with 23 donors contributing ⁸.

According the UN OPS website ⁹ (consulted on 3 may 2013), expenditure as at December 2011 stood at US \$ 59,400 000. Most of this was for Tier 1 activities: pre-DTIS activities, the Diagnostic Studies themselves (or their updates), incorporating trade into national development plans and support to translate trade priorities into bankable projects for broader funding, and support to

8. for the detailed overall receipt status by donor and by year as at 25 march 2013,

see <http://www.enhancedif.org/documents/EIF%20toolbox/EIF%20Trust%20Fund%20Current%20Status.pdf>

9. http://data.unops.org/Index.htm#SegmentCode=ORG&FocusCode=DATA_OVERVIEW&EntityCode=PARTNER_CODE&EntityValue=UNOPS-308#_PARTNER_CODE=UNOPS-308#SectionCode=OVERVIEW

the National Implementation Arrangements (NIA). Tier 2 activities (actual funding of projects from the DTIS action matrix only started in August 2011, and so far only 5 LDCs (namely Cambodia, the Gambia, Nepal, Sierra Leone and Uganda) have benefitted from Tier 2 funding. Several other Tier 2 proposals are in the pipeline.

It may be noted that, since most of the activities identified in the DTIS are to be funded outside the Trust Fund, these disbursements are only a modest part of the AFT received by LDCs, which has increased significantly in recent years. As reported by WTO/OECD in 2011, “commitments to LDCs for trade-related aid rose from US\$ 5.2 billion in 2002 to US\$ 12.1 billion in 2009, up 133% in real terms and a significantly faster growth rate than the 73% for global Aid-for-Trade flows. Furthermore, while global Aid-for-Trade flows only increased by 2% between 2008 and 2009, those to the LDCs continued to increase by 20%.” (WTO/OECD (2011b), p.9) The same review estimates that LDCs share in total Aid for Trade has risen from 26.5% during the base line period of 2002-2005 to 30.4% in 2009 and more than two-thirds of all new commitments are provided as full grants, while this was only half for commitments during the baseline period. As for disbursements, they also increased steadily from US\$ 5.2 billion in 2006 to US\$ 8.3 billion in 2009¹⁰.

5.2. Problems in evaluating outcomes and impact

The question of assessing the outcomes and measuring the impact of the EIF- and AFT generally- remains the subject of much debate. The IF has been independently evaluated before AFT had become fully launched ¹¹, and many of the recommendations made have been taken into account in determining the modified provisions and practices established under the EIF. There have been numerous evaluations and assessments of the IF/EIF- and of AFT in general (and of its functioning in LDCs) by various parties. One of the main sources has become the comprehensive regular reports issued by the OECD, jointly with WTO: the most recent one is for the third Global review of AFT (WTO/OECD, 2011a), contains a detailed evaluation of summaries of 269 case stories volunteered by AFT recipients, including from 34 LDCs. Another recent report focuses on LDCs: “Aid for Trade and LDCs: starting to show results” (OECD/WTO, 2011b). These reports contain detailed information from the OECD CRS data base, and numerous case studies.

There have also been many reviews and assessments of the evaluations and of the monitoring process of aid for trade, making suggestions for improvements. (For instance, OECD (2011), ODI (2012), Hallaert (2012), Cadot and de Melo (2013). Some are quite critical:

“No stakeholder has an incentive to report failures or problems. Donors want to herald their successes (especially when the fiscal crisis threatens aid budgets). Recipient countries are afraid that reporting problems would lead to a reallocation of resources. The WTO needs to show success (especially when the Doha Round faces a difficult time). This flaw in the monitoring framework was particularly visible in one of the innovations of the 2011 monitoring exercise: the case stories. About 270 case stories were submitted but it is hard to find critics or failures

10. OECD has only started tracking AFT disbursements since 2006.

11. Capra International and Trade Facilitation Office Canada (2003); Agarwal, Manmohan, and Cutura (2004) ; Liebrechts and Wijmenga, (2004)

reported. At best, this “beauty contest” allowed learning from success but not from failure” (Hallaert, 2012, p.11) ¹² .

It would take this paper too far afield to discuss the merits of the various indicators and their sources that may be used to evaluate the effects of trade-related aid. The main point on which there seems to be agreement is that this area is fraught with difficulties. For instance, the 2006 OECD publication: “Trade-Related Assistance. What do recent evaluations tell us?” devotes a special Annex to “Methodological Difficulties”. The chair of the OECD/ DAC subsequently wrote that “The poor state of evaluation in aid for trade is not just a case of poor data entry, missing files, and still confusing cross-cutting aid categories. The difficulty in measuring outcomes points to systematic problems at the design and implementation stage, and in assigning macroeconomic outcomes and impacts to individual aid-for-trade programmes and projects.” (OECD, 2011, p.3).

Cadot and de Melo (2013), summarizing the main lessons from a workshop ¹³ held in December 2012, title their summary paper: “Aid for Trade: Can it be Evaluated?” They recognize that a multiplicity of approaches are needed to learn what works and what does not and note that the emphasis on reducing trade costs is well placed in spite of the lack of firm evidence linking AFT flows to measures of trade costs because trade volumes are consistently found to be responsive to variations in trade costs. However, relying on cross-country studies to detect AFT (‘hard’ or ‘soft’) effects as in Cali and Te Velde (2011) and Vigil and Wagner (2012) is inconclusive. They conclude that impact evaluation, although a credible alternative is not a panacea because it faces three difficulties: (i) the treatment may spread to the control group in which case it is not discernible; (ii) situations of “clinical interventions” in trade are rare; (iii) incentives and costs are a hurdle in implementation.

In his statement at this same workshop, WTO Director-General Lamy was particularly prudent-if not cryptic. He talked about the “monitoring dilemma”, and stated that :

“Focusing on just the outcomes of Aid for Trade is perhaps too limiting a focus. This is fundamentally because the Aid for Trade initiative is first and foremost about coherence. It is about winning the argument on mainstreaming trade in national development strategies. It is about helping countries and the decision makers and policy makers (and policy takers) in these countries to see the wisdom of integrating the different strands of the economy....Trade is not a sector. It cuts across all sectors of the economy. If the linkages between trade and sectoral policies are not adequately captured, the priorities are hard to get right. ... The linkage is not always clear or understood. ... Understanding the trade and development interface is a first step to coherence. The next is grasping how to set appropriate and measurable targets. And here is where the real value of experimentation lies... We have some way to go yet before we are likely to really master the complexity of these systems.” (http://www.wto.org/english/news_e/sppl_e/sppl260_e.htm)

12. However, this alleged bias does not apply to all IF evaluations. In Yemen, for instance, the evaluation was very critical: there were no “expectations that IF would result in concrete (technical assistance) projects; No mainstreaming of trade has taken place under the IF activities. Coordination between the core agencies has not developed as it should have; there was little local participation in the preparation and organization of the DTIS neither from inside nor outside the government” (Librechts and Wijmenga (1996)). 5.5., p. 76).

13. Jointly organized by the Fondation pour les Etudes et Recherches sur le Développement International (Ferdi), the International Trade Centre (ITC), and the World Bank, on: Aid for Trade: What Have we Learnt? Which way ahead?, 6 December 2012.

5.3. Results achieved

Although the EIF involves a more specific process than AFT (as it applies to non-LDCs), its evaluation is subject to many of the same methodological difficulties. In addition, it is not easy to ascertain to what extent the trade-related assistance received by LDCs is derived from the EIF process, or would have occurred anyway. In spite of these limitations, some evidence of certain types of results and outcomes achieved under aid for trade in LDCs (much of it closely related to EIF's work) is provided below - without any claim that they constitute a comprehensive or rigorous evaluation of the EIF itself.

(a) Country examples : Numerous country examples are available. In some cases, the evidence documents intermediate results, which are regarded as enabling conditions to increase trade, and sometimes evidence is put forward of improved trade performance of LDCs. ; examples concerning Mali and Zambia are given in Boxes 1 and 2, respectively.

Box 1 : Résultats de la mise en œuvre du Cadre Intégré au Mali

(Statement of Minister Ahmadhou Abdoulaye Diallo, Minister of Industry, Investment and Trade, Ministerial Breakfast on the enhanced Integrated Framework, 1 December 2009).

- **au plan de l'industrie culturelle :** des ateliers de sensibilisation et de formation des acteurs et élus nationaux et une vaste campagne de communication ont permis la relecture de la loi malienne en matière de droit d'auteur pour la rendre conforme aux accords et conventions internationaux auxquels le Mali a souscrit.

- **au titre du développement de la filière mangue :** Les exportations sont passées de 2.915 tonnes en 2005 à 4.520 tonnes en 2006, 8.500 t en 2007 et à 12.576 tonnes en 2008, soit 330% d'augmentation de 2005 à 2008. En 2008 les recettes d'exportations se sont élevées à environ 30 millions \$. Ces résultats ont été obtenus grâce à l'appui conséquent de certains partenaires au développement, notamment :

- la coopération néerlandaise pour la construction d'une station de conditionnement de fruits ;
- ITC : participation au Salon International Fruit Logistica de Berlin, Informations sur les prix pratiqués par SMS ;
- l'OMC : mise à niveau en matière d'application des normes ;
- le Bureau du PNUD au Mali pour son assistance technique et financière pour la gestion des projets.
- Le cadre intégré a certes largement contribué à l'obtention de ces résultats mais la synergie avec d'autres programmes/projets reste non moins importante. Je citerai le Programme de Compétitivité et de Diversification Agricole soutenu par la Banque Mondiale et les différents projets de l'US AID.

Source: www.wto.org/english/thewto_e/minist_e/minog_e/ldc_mali_e.doc

Box 2. Zambia's increasing competitiveness

Using the EIF and Aid for Trade, Zambia made tangible, significant progress in increasing competitiveness and diversifying exports. Through a combination of reforms at the policy and legal levels and investment to reduce trade cost and increase quality and standards compliance, Zambia rose in the World Bank's Doing Business indicators from rank 182 to 90 and reduced the share of copper in exports from 90 percent to under 45 percent. Furthermore, Zambia anchored its national development plan on trade as the key tool for development and job creation. As a landlocked country, it is now shifting its development focus from national to regional development, with a particular focus on the North-South Corridor and transport infrastructure along the Corridor, because transport is key bottleneck to trade and diversification. As a concrete example, on 5 December (2009), the first one-stop border post under the North-South Corridor will be launched.

Source: www.integratedframework.org/.../EIF%20Breakfast/Summary_EIF%20breakfast_1%20Dec%2009.pdf

In Ethiopia, it was found that a trade marketing and licensing programme in the coffee sector had helped producers of three premium coffee varieties to get higher and more stable prices¹⁴. Time to cross the border from between Laobao (Lao PDR) and Dansavanh (Viet Nam) is reported in 2011 to have fallen from 487 minutes, before an Asian Development Bank Project, to 151 minutes (after the project). (<http://www.oecd.org/aidfortrade/47078344.pdf>, p.3). There are also many evaluations in several LDCs of the introduction of the ASYCUDA World software system with support from UNCTAD leading to reduced customs clearance time.

(b) Link between Aid for Trade and reduced trade costs : Some other types of evidence or calculations which are not country specific are also put forward. They apply to AFT in general, but are very relevant in assessing interventions typical of those under the EIF. Thus, "Empirical assessments undertaken by the Commonwealth Secretariat show that Aid-for-Trade flows have had significant favourable effects for recipient countries. Particularly, the effects of aid to trade facilitation in reducing trading costs have been very robust. A doubling of aid to trade facilitation was found to be associated with a decrease in the cost of importing by 5%." The United Nations Economic Commission for Africa (UNECA) examined if there was a relationship between Aid for Trade and the costs of exporting one 20-foot container from Africa. The results showed that a 1% increase in Aid for Trade reduces the cost of exporting one 20-foot container by 0.11%. Put differently, a 10% increase in Aid for Trade reduces the exporting costs by 1.1%. To appreciate this result, one needs to recall that millions of 20-foot containers pass through African ports for export. Put in this context, Aid for Trade can have a significant impact on reducing trade costs in Africa." (WTO and OECD (2011a), p.144)

Although it cannot be ascertained that the intermediate results obtained with external assistance will in all cases lead to the final objective of trade improvement, there is a strong presumption that this will often be the case. Or at least, such results are necessary conditions. For instance, it is hardly conceivable that an LDC would be able to develop its creative and cultural industries without adequate copyright legislation, or that the economy would be truly internationally competitive with outdated and bureaucratic procedures in customs administration and company formation.

14. WTO (2009), paras. 331-332.

(c) Link between trade-related aid and trade performance : There are also claims that certain types of trade-related aid lead to increased trade. Thus, in 2011 the Commonwealth Secretariat submitted a case story that found quantitative evidence of increased aid to economic infrastructures having positive impact on export performance. In general, for the whole set of developing economies, doubling of such aid leads to a 3.5% increase in the merchandise exports by recipient countries" (<http://www.oecd.org/aidfortrade/47700215.pdf> , p.2) ¹⁵.

In fact, WTO and OECD point out that over the 2000-2009 decade, the total exports of LDCs registered an average annual growth rate of 14.6%, which was nearly twice the world average (7.8%). (WTO/OECD (2011b), p. 10) However, although this is welcome development, no direct causal effect may be claimed, since the main export increase has been due to petroleum products.

But, even when improved trade performance is observed, the extent to which this is related to the assistance provided is almost always difficult to ascertain. A number of other factors besides trade related assistance may have led to this outcome, including higher commodity prices, favourable weather conditions, and improvements in political stability and security, and so on-or indeed, if the role of assistance is that might have been made available in the absence of the EIF. ¹⁶ Conversely, an eventual stagnation of exports would not necessarily lead to the conclusion that the IF has failed, since it is possible to argue that the situation would have been worse without IF interventions. There are also considerable delays between capacity building activities undertaken under the EIF and actual performance, so that some of the actual impact achieved may only be observed over the medium term.

In spite of these caveats, it can credibly be claimed that without trade-related assistance, actively promoted by the EIF in LDCs, positive developments such as increased mango exports from Mali or higher coffee prices in Ethiopia, would not have occurred.

(d) Enhanced levels of awareness: Another criterion of the success of the EIF (AFT generally) is the extent to which it has met its objective to enhance the level of awareness of trade as an important factor in development and poverty reduction, mainstream it into development strategy and place trade-related issues higher in the development agenda of LDCs and their development partners.

At the national level, there is much evidence that following the availability of the DTIS trade is being increasingly integrated into NDPs and PRSPs in LDCs. The 2004 World Bank IF evaluation had already noted that Cambodia, Madagascar, and Senegal "have incorporated DTIS recommendations into their PRSPs." (Section 3.13) A recent UN Development Programme (UNDP) study found that 85% of PRSPs included a trade component at the time, whereas only 25% had this in 2000 (UNDP, 2011). In surveys carried out for the 2009 WTO Global Review, 96% of recipients claimed that trade had been partly or fully mainstreamed into development strategies. Trade Policy Reviews (in WTO) of Democratic Republic of Congo, Malawi, and a joint review of Burkina

15. However, surprisingly, "aid to productive capacity does not seem to have any noticeable impact".

16. In fact, the most spectacular export performance of any LDC in recent years has been Equatorial Guinea, one of the few LDCs (recommended for graduation by ECOSOC since 2010) where the IF has not so far been implemented -the performance resulting solely from the coming on stream of petroleum exports.

Faso, Benin and Mali all highlight progress being made in operationally mainstreaming trade in national development strategies. (WTO/OECD, 2011b, p.10) This contrasts with most of the early PRSPs which might at best contain a small section on “trade”, usually contributed by the Ministry of Commerce.

As regards international agencies that do not have trade as their central mandate, the World Bank has considered that the IF has “raised trade issue awareness within the Bank”, in a context where, “in the 1980s and early 1990s, the quantity of trade work declined ... at the Bank”, as “other, seemingly more urgent problems, including macro stabilization, government budgetary policy, and financial sector reforms attracted attention.” (Agarwal and Cutura. 2004, para. 3.32)

In UNDP, in view of its emphasis “sustainable human development” and implementation of the MDGs, trade-related assistance is not a major priority. Yet, UNDP has played an important role in the IF, including acting in some cases as lead agency and donor facilitator in some LDCs and providing support through its Office for Project Services (OPS) which is managing the EIF trust Fund. It is mainly because of the IF that UNDP has set up a “Trade and Human Development Office” in Geneva, whose main work is “geared at scaling up UNDP’s substantive support to the IF and facilitating institutional relationships with IF partner agencies”. (<http://www.undp.org/geneva/trade.html>). It is very likely that without the IF, UNDP’s involvement in trade issues might have been reduced to mere token activities.

The United Nations Industrial Development Organization (UNIDO) - which has observer status at the Integrated Framework Steering Committee- has shown particular interest in trade related assistance, going beyond its strict mandate. In 2010, it has produced a two volume “Trade Capacity Building Resource Guide” (UNIDO, 2012)

A clear signal of the importance attached to trade related assistance by donors is provided by the establishment in 2006 by the OECD and the WTO of an elaborate operational monitoring and evaluation framework for AFT, which, since 2007, informs the Global Reviews of Aid for Trade. These Reviews are a biennial monitoring exercises conducted by WTO in collaboration with OECD to “examine how support has been mobilized to help developing countries, in particular least-developed countries (LDCs) integrate into the international trading system and monitors the associated impact on development”¹⁷. The fourth Global Review of Aid for Trade, entitled “Connecting to Value Chains”, will take place in July 2013.

6. Overall assessment

6.1. Positive features

The following positive features may be claimed for the IF - and in particular in its enhanced version:

(a) Concrete support to LDCs: The EIF is one of the few programmes where donors have shown tangible commitment to support LDCs, and actually delivered. No other mechanism in favour of

17. http://www.wto.org/english/news_e/news12_e/devel_07nov12_e.htm

LDCs is operationalized by dedicated management structures, a secretariat and a Trust Fund. This contrasts with the majority of provisions and measures agreed in favour of LDCs in the successive Programmes of Action where the good intentions expressed are not often followed by practical implementation. This also contrasts with the situation of AFT as a whole (i.e. in non-LDCs) where there is no clearly earmarked external support to identify and articulate trade related constraints (identified as one of the shortcomings of AFT (see, e.g. ODI (2012), p.27). Although the direct contribution of the EIF Trust Fund remains modest, the EIF can take at least some credit for the increase in trade-related aid to LDCs. As mentioned above, both commitments and disbursements of trade-related aid to LDCs rose considerably in recent years, and significantly faster than for global Aid-for-Trade as a whole.

This being said, the funds expended directly by the EIF Trust Fund remain limited (see section 5.1 above). Moreover, EIF TF resources are spread evenly among each participating LDC, irrespective of the size of their economy. For a large country like Bangladesh, any trade assistance programme is likely to have a limited impact- far less than the potential gains from improved “beyond-the border” conditions. This may explain the late application (2009) of that country to participate in the EIF.

(b) Built-in coordination : The high degree of coordination under a multi stakeholder umbrella is one of the distinguishing features of the IF process –addressing two of the main criticisms¹⁸ made of some of the earlier trade related assistance:

- the multiplicity of initiatives with little or no horizontal coordination has been greatly diminished, placing less stress on the generally weak coordinating national mechanisms in LDCs. There are also built in mechanisms to ensure close interagency coordination. In particular, the World Bank and IMF work closely together with other multilateral agencies in the EIF -something which is often not the case in many countries and programmes.
- the risk that the assistance would lack impartiality and be biased in favour of particular donors’ interests is minimal. The EIF’s distinct decision-making and management structures also avoids the possibility that one lead agency would in practice take over the process. This contrasts with the situation for AFT in non-LDCs where it has been considered that “The choice to give the WTO the responsibility to operationalize the Aid for Trade Initiative” implies that emphasis is placed “on supporting trade and trade reforms rather than on establishing mechanisms that will increase the impact of trade on economic growth and poverty. The WTO is not a development agency and, often, its members remind the Secretariat of the scope of its mandate limiting its capacity to steer the Initiative and even its advocacy and analytical role. ... In practice, the monitoring of aid-for-trade flows was outsourced to the OECD” (Hallaert, p.6).

(c) Enhanced awareness of trade as a development factor : As described in section 5.3 (d) above, the IF has enhanced the awareness of trade as an important factor in development and poverty reduction. In LDCs, trade issues are increasingly mainstreamed in the overall development and poverty reduction strategies, while the steady increase of trade-related aid to LDCs shows that donors and agencies are responding to the growing importance and prioritization of this “sector”.

¹⁸.These are well articulated in Prowse (2002).

(d) A catalyst for the AFT initiative : The launching of the AFT initiative in 2005 was certainly influenced by the earlier successful experience of the IF since its beginnings in 1997. It was felt that problems concerned were not exclusive to LDCs and also needed to be addressed in non-LDCs (but with a less formalized approach).

(e) Enhancing the recognition of LDCs as a category : It may also be claimed that the IF has helped to enhance recognition of LDCs as a category needing special attention, beyond the UN system. It firmly established the special treatment of this category within WTO. The World Bank and IMF in their operations and analyses use different concepts like “low-income countries”, and the initials “LDCs” often stood for a nebulous group of “Lesser Developed Countries”. By participating in the IF, the IMF and, significantly the World Bank, (henceforth a leading player in the IF) de facto recognize the relevance of the LDC category as meriting special attention.

(f) Concrete example of implementing the Paris Declaration on Aid Effectiveness : Finally, the design and implementation of the IF process may be regarded as a concrete example of implementing the Paris Declaration on Aid Effectiveness (adopted in 2005 by the Ministers of developed and developing countries responsible for promoting development and heads of multilateral and bilateral development institutions). It constitutes a genuine –and often effective–attempt to apply the Declaration’s key principles such as country ownership, mutual accountability, aligning aid to national development strategies, effective donor coordination, harmonization of donor procedures, and use of programme-based aid modalities, managing for results, transparency and predictable and multi-year commitments.

6.2. Criticisms and limitations of the EIF

It may first be noted that some criticisms one finds against other types of related programmes have not (so far) been levied against the IF. For instance, the usual arguments against the “conditionality” of the programmes of the World Bank and IMF–some of them involving trade policy changes–clearly do not apply. Another important programme concerning most LDCs with a strong component of trade-related assistance: the Economic Partnership Agreements (EPA) between the EU and ACP countries has also been the subject of a number of criticisms and reservations. Some critics have charged that it includes measures –such as trade liberalization–which are being “imposed” by the EU on the ACP countries¹⁹. The EIF is immune from such criticism. However, a number of criticisms or shortcomings should be mentioned.

(a) The EIF may draw resources away from other priority needs: The concern that aid for trade “must not come at the expense of aid for development”²⁰ does exist. The question arises –as regards the IF–and AFT generally–“to what extent (the resources) would be additional to existing aid commitments or merely a re-categorization of existing funding directed towards trade and related activities”²¹. The claims made that AFT “was not at the expense of overseas development

19. See for instance: ‘World Bank urges Africa to reject EPAs with EU’, The Chronicle, Ghana; 14 November 2012. (<http://www.bilaterals.org/spip.php?article22310>). Hurt (2003) affirms that “the new EU/ACP agreement has shifted the relationship further from one of co-operation to one of coercion”.

20. UN Secretary General, Kofi Annan’s statement at the WTO’s Fifth Ministerial in Cancun, Mexico, 2003.

21. UNDESA (2010) , World Economic and Social Survey 2010, (E/2010/50 Rev.1), p 87

assistance provided in other areas, such as health or education”²² are impossible to verify to the satisfaction of critics. The alleged positive feature of placing trade higher in the development assistance agenda may thus not necessarily constitute a positive development for all LDCs. But the trade-off between AFT and support to areas such as “human development” and the implementation of the MDGs may be a false dichotomy, since AFT can “increase income and government tax so that governments could spend money more effectively in the social sectors”²³.

(b) EIF may be used as an alibi for delaying action on market access issues: It may be argued that the IF – and the AFT initiative in general - deflects attention from addressing the market access issues which are often the main constraint to trade development. It is, for example, a well-established fact that the dumping of agricultural surpluses from developed countries supported by export subsidies has damaged farm production in a number of developing countries-including LDCs. The case of the cotton subsidies in the US and other developed countries, and their negative impact on the exports of LDCs such as Mali, Benin, Burkina Faso and Chad is a well-documented instance. There are also numerous examples where tariff peaks, tariff escalation and many non-tariff and para-tariff barriers in developed countries frustrate efforts by LDCs to diversify their exports. Reducing or eliminating biases against developing country products in the import and agricultural regimes of developed countries would have a considerable impact on development, which would in many cases exceed the benefits of the EIF. This being said, even accepting the argument that EIF (and AFT) may constitute an alibi for donors/developed trading partners to avoid having to address market access issues, hardly implies a recommendation to do away with the EIF; LDCs would lose the IF benefits, while market access conditions might still remain just as restrictive.

(c) Definition of trade becoming too wide. The implementation of the IF, and later of AFT, has contributed to specifying the subjects to be covered by trade-related assistance. This has led to a particularly wide interpretation, mostly to meet the needs of the LDCs, whose representatives have repeatedly pointed out that, while aspects like improving market access and reducing transactions costs are needed, unless supply-side constraints are addressed at the same time, they would not be able to benefit from the opportunities. However, there is a danger of EIF overemphasizing the supply side aspect²⁴. If, for instance, “Roads linking villages to markets”, identified in the Action Matrix of the Lao PDR- is counted as trade-related assistance, it become difficult to draw the line on what other infrastructure should be excluded from the scope of the EIF. There seems to be an increasing tendency to continue to expand the scope of Aid for Trade. More recently, under the name “Deepening Coherence,” the WTO’s Aid for Trade Work Programme for 2012-13, covers new issues such as “gender empowerment,” “green growth,” and “climate change” (WTO, 2011b). Too wide a definition may dilute the focus of the programme. It is also quite likely that regular projects which were being implemented anyway have been labeled as EIF/aid-for-trade projects, thus inflating reported aid-for-trade flows in LDCs, allegedly triggered by the EIF. This has led to questioning the reality of resource mobilization. (Hallaert, 2012).

22. WTO document IP/C/W/544, 26 October 2009, p.3.

23. Ms. Kate Bird, Overseas Development Institute (ODI), UK; (WTO, 2009, para. 331)

24. In fact, the first sentence on EIF web site defines the EIF is a multi-donor programme, which supports LDCs to be more active players in the global trading system by helping them tackle supply-side constraints to trade” (emphasis added) (www.enhancedif.org, consulted on 19 January 2013)

(d) Exclusive country focus : If the scope of the subjects covered is perhaps too wide, it can be argued a contrario that the EIF, being targeted towards individual LDCs, provides too narrow a focus. This tends to neglect the significant gains that could be obtained by focusing on ensuring greater integration of trade within regions, as well as measures to promote global value chains relevant to the development of LDCs. It may be difficult to extend EIF activities to regional (or global) activities comprising non- LDCs, thus losing the LDC-only focus; so that these aspects may be better addressed by other programmes; for instance, non-EIF Regional Aid for Trade in the context of the EU-African, Caribbean and Pacific (ACP) Economic Partnership Agreements (EPAs).

(e) Bureaucratic practices and time-consuming procedures : The EIF procedures are quite detailed and bureaucratic. This explains the rather slow pace of disbursements from the Trust Fund, which in turn does not provide an incentive to donors to renew their contribution. This being said, any programme which comprises coordination among many agencies and donors, and where due control over budgets and quality of delivery have to be exercised will inevitably involve some bureaucracy and corresponding administrative costs. In fact, the opposite point of being too flexible has also been made. The Yemen evaluation in 2004 concluded that “a more critical review of selection criteria for admission of new IF countries is needed to guarantee that there will be a broad consultative and participatory approach during the DTIS and that there is a reasonable business climate for export activities”²⁵ may still be valid, for instance in LDCs subject to internal political crises or conflict (e.g. Afghanistan). It may also be considered that the NIAs of the EIF contribute to the proliferation of parallel implementation units thus creating an additional burden for governments and weakening government capacity by siphoning off the most able nationals.

(f) New partners not fully involved: Countries like China, India and Brazil –and in a few cases Taiwan–now have substantial assistance programmes towards LDCs and they are increasingly important trading partners. Similarly multinational corporations, philanthropists and international NGOs have also become major players in LDCs. Their interventions could be better integrated in a truly “Integrated Framework”.

7. Conclusion

The EIF is a concrete process available to recipients and donors alike to operationalize Aid for Trade in countries that need it most, while applying the principles of the Paris Declaration on Aid Effectiveness. Many of the shortcomings pointed out by evaluations have been taken into account. Several criticisms of the AFT initiative in general do not apply to the EIF. The EIF only became truly operational in mid-2009 and has reached “cruising altitude” in mid-2010. Tier 2 disbursements from the Trust Fund have only started in August 2011. Consequently, the programme is still “work in progress” and it is too early to undertake its definitive evaluation.

However, the IF constitutes one of the most concrete and tangible measures taken by the international community in favour of LDCs to assist them to get “out of the trap”. It should continue to be improved and built upon in the coming years.

25. Richard Liebrechts and Paul Wijmenga, (2004), p.75.

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