



Sida's Policy for Trade-Related Development Cooperation



SIDA POLICY INFO

A Sida policy offers norms, guidance and support. Sida departments and Swedish embassies are responsible for policy application and execution. Overall responsibility for Sida's policies rests with the Policy and Methods Department. Anyone with comments is welcome to send them to the policy owner.

POLICY NAME: Sida's Policy for Trade-Related Development Cooperation

ISSUE DATE: 4 October 2005

POLICY OWNER: Department for Infrastructure and Economic Cooperation, Division for Market Development

VALIDITY: This policy replaces Sida's document of 1999 "Policy för Sidas arbete med handelsutveckling"

SUPPORTING DOCUMENTS:
A separate background document entitled "Trade and Development – an Introduction" has also been issued.

CONTENTS

Introduction.....	4
Points of departure	5
Purpose of Sida's Trade Support	6
Definition of Sida's Trade Support	7
Focus of Sida's Trade Support.....	8
Sida's Trade Support at Different Levels	9
Sida's Contribution to Swedish Trade Policy Formulation	10
Sida's Co-ordination with Other Donors.....	11
 Annex: Trade support categories.....	 12
Notes	13

Introduction

The goal of Sweden's "Policy for Global Development" is to contribute to equitable and sustainable development.¹ This goal applies to all policy areas. Trade is therefore one of the areas in which Sweden's policy actions are to be devised in such a way as to promote global development. Two perspectives shall permeate all parts of the policy: a human rights perspective, and the perspectives of the poor.²

The overall goal of Swedish development cooperation is to help create conditions that will enable poor people to improve their lives.³ Special emphasis shall be placed on the poorest countries. The Swedish "Policy for Global Development" and Swedish development cooperation are intended to contribute to the achievement of the UN Millennium Development Goals. The eighth development goal includes further development of an open, rules-based, predictable and non-discriminatory multilateral trading system.⁴

In light of the Swedish "Policy for Global Development" and the adherence of the Swedish Government to the UN Millennium Development Goals, Swedish trade policy and Swedish development cooperation policy in the trade field should be mutually supportive. However, this document does not deal with Swedish trade policy, which is the responsibility of the Government. It is limited to Sida's policy for trade-related development cooperation.⁵

This policy forms part of Sida's efforts to realise "Perspectives on Poverty"³. It is primarily intended to meet a need within Sida for an instrument to assist in decision-making on support to trade policy and trade development. It nevertheless does not treat every type of trade-related development cooperation. For example, Sida supports private sector development as well as the development of basic supply capacity through enhanced infrastructure and education. These and other related areas such as corporate social responsibility are subject to separate policies and are not treated in this document.

The implementation of Sida's Policy for Trade-Related Development Cooperation is provided in a separate Plan of Action.

A separate background document was produced during the preparation of this Policy.⁶ The aim of that document is to provide an introduction to the main issues of trade and development and their linkages.

Points of departure

Enhanced trade is likely to lead to economic growth, and growth is in turn conducive to poverty reduction. There is a positive relationship between openness to trade, growth, and poverty alleviation, although this correlation hides a complex set of linkages. Trade can be an important means in the fight against poverty, if trade reform is accompanied by complementary policies which ensure that the growth brought about by trade actually benefits the poor.⁷ Sida believes that trade-related development cooperation does have a role to play, as it can enhance developing countries' possibilities to benefit from trade to pursue sustainable poverty-reducing development.

This is the setting and point of departure for Sida's policy on trade and development. The policy forms part of Sida's efforts to help create conditions that will enable poor people to improve their lives.

This policy deals exclusively with trade support for trade policy and regulations and trade development. A large part of Sida's other work helps improve the supply capacity of developing countries, but is covered by other policy documents.

Because of an increased demand, Sida's trade support will focus on trade policy and regulation, primarily in the poorest developing countries. It is destined to support their capacity to:

- design and manage their trade policy framework
- effectively participate in regional and international trade policy making
- implement agreed rules, meet standards in the export markets, and promote their exports.

Sida will work with trade support at all levels of the trading system: national, regional, and international, and will engage actively in co-operation with other donors at the international level to co-ordinate activities, fill gaps, ensure that duplication and overlap is avoided and, at the national level, to minimise the administrative burden of coordination on the partner country, and enhance the effectiveness of the bilateral development cooperation. Sida will also contribute to the analysis of the development perspective in the formulation of Swedish trade policy.

Purpose of Sida's Trade Support

The goal of the Swedish “Policy for Global Development” of equitable and sustainable development applies to all policy areas, and the goal of Swedish development cooperation is to help create conditions that will enable poor people improve their lives. Sida's trade support therefore aims to assist developing countries to integrate into the world economy in a way that makes it possible for them to benefit from trade to promote sustainable, poverty-reducing growth. With this overall goal in mind:

Sida will

- **support developing countries' capacity to design and manage their trade policy framework**
- **support developing countries' capacity to effectively participate in bilateral, regional and multilateral trade policy making**
- **support developing countries' capacity to trade by implementing agreed trade-rules, meeting standards in the export markets, and by promoting their own exports.**

The purpose of Sida's trade support is to contribute to increase the trade-related human and institutional capacity that developing countries need in order to benefit from an open trade regime to promote sustainable poverty reduction.⁸ This includes the capability to:

- (i) analyse and formulate national trade policy positions and development priorities, taking environmental considerations and social development into account
- (ii) articulate the country's trade policy interests through active participation in bilateral, regional and multilateral trade negotiations
- (iii) implement the resulting trade reforms by adhering to the agreed rules and living up to standards set in the export markets. Capacity to promote their real and potential exports is also essential.

Building this capacity is a long-term commitment. To ensure and sustain country ownership of the trade support activities, it is imperative that the capacity-building process is geared towards the development of knowledge and analytical competence at the country and regional levels in the countries concerned.

To ensure an effective, participatory, consultative process at the national level, the Government bodies responsible for trade policy-

making in the partner countries need the capacity to engage relevant stakeholders in the reform process, e.g. the political parties, the private sector, worker representatives, and civil society. For trade reforms to be sustained, they should also be mainstreamed into national development plans.

In addition to development cooperation in the area of trade policy and regulation, Sida will continue to support wider trade development, i.e. the capacity of developing countries to effectively engage in regional and multilateral trade. This includes supporting the fulfilment of the quality requirements of export markets and export promotion, and is closely related to what Sida does in private sector development. It also includes establishing regulations and structures to ensure that imports meet national consumer health and safety standards.

Definition of Sida's Trade Support

With respect to this policy, trade support falls into two basic categories⁹:

- trade policy and regulations
- trade development.

Trade policy and regulations concern support to the partner country's effective participation in international trade negotiations, analysis and implementation of trade agreements, trade-related legislation and regulatory reform, trade facilitation (including customs duty structures and customs regimes) and human resource development in the trade field.

Support to trade development covers business development and activities aimed at improving the business climate, access to trade finance, trade promotion, and market development in the productive and services sectors, including the institutional and enterprise levels. Trade development is defined as trade support if the activity contains a specific measure related to international trade. See Annex I for a list of all types of trade support.

It is difficult to distinguish trade support from other measures designed to promote economic development, such as private sector development.¹⁰ Successful private sector development makes local and domestic markets work for the poor by promoting the production of goods and services. Successful participation in international trade also requires a well-functioning infrastructure in areas such as transport, storage, communications and energy.

Sida provides development cooperation in these and several other areas which are directly or indirectly trade-related. Health care and education are two other examples. These activities create prerequisites for trade and are important complements to the trade support activities. These areas are nevertheless not treated in this document as they are covered by other Sida policies. Sida will ensure that its trade support is coordinated with, and relevant to, Sida's development cooperation in all other relevant policy areas.

Focus of Sida's Trade Support

Sida will

- **enhance its trade support, and in particular its support related to trade policy and regulation, as part of Sida's work to alleviate poverty**
- **prioritize the poorest countries**
- **design trade support according to the priorities of developing countries, as established in national development plans.**

The advance of globalisation has increased the need and demand for trade support among developing countries. Although Sida has traditionally been engaged in trade development, Sida is enhancing its capacity to respond to the increasing numbers of requests for trade support, especially in the areas of trade policy and regulation. The needs and demand for trade support vary with changes in the trading environment and with progress in trade negotiations. Sida will adjust the focus of its trade support to these changes in needs and demand.

Although Sida aims to design its support according to demand, a prioritization of the poorest countries will be made. The level of economic development has implications for the type of trade-related development cooperation needed. The least-developed countries (LDCs) for example may thus request assistance with a different focus than more advanced developing countries. Special attention will be given to requests regarding trade-related measures identified as priority areas in countries' Poverty Reduction Strategy Papers (PRSPs), Diagnostic Trade Integration Studies (DTIS), or other national development plans. Sida's engagement in trade support activities will be focused on adding value, recognising Sida's relatively limited administrative and financial resources. Maintaining country ownership is then a prerequisite for success.

Sida's Trade Support at Different Levels

Sida will

- **work at the national level with trade support activities which are integrated in national poverty reduction strategies, and contribute to partner countries' own efforts to engage in trade**
- **work at the regional level to promote regional cooperation and capacity-building among developing countries**
- **work at the international level to strengthen the voice of developing countries in regional and international trade policy-making, including negotiation capacity**
- **work to ensure that activities at the different levels are mutually supportive.**

At the national level, Sida will work with a selected number of countries, according to their needs, their requests, and Sida's comparative advantage. Sida's trade support activities should feed into the development agenda of the partner country and Sida will assist the partner country to consider trade issues in the processes linked to its PRSP or other national development plans. Sida's trade support activities should also be in line with Sida's country cooperation strategies. Sida's trade support activities should also recognize that openness to trade is only one of several policy components that, in combination, will constitute a successful national development strategy. Furthermore, Sida's trade support activities at the national level should aim at supporting the involvement and co-ordination of relevant stakeholders in the partner country's trade policy formulation in order for the national trade policy to become sustainable. In addition, the capacity of the partner country to absorb trade support activities will be taken into account.

At the regional level, Sida's trade support aims to support regional integration and promote regional cooperation and capacity building in trade-related matters of regional interest, for example, training officials on how to meet the standards in common export markets. The existence of several regional trade agreements with overlapping membership sometimes constitutes a challenge, and Sida must ensure that its efforts are not duplicated when allocated to several regional agreements.

At the international level, Sida's trade support is channelled to several countries through organisations with the relevant knowledge and ability to deliver development cooperation. Increased capacity to analyse the domestic economic situation as well as the international trading environment will increase the likelihood that the priorities of developing

countries will be reflected in the design of multilateral trade rules. Increased capacity to negotiate will facilitate the building of alliances with like-minded countries at regional or multilateral level. Trade support at the multilateral level can often be designed to build long-term analytical capacity but sometimes to meet more short-term needs.

Sida's Contribution to Swedish Trade Policy Formulation

Sida will

- **contribute to the analysis of the development perspective in the formulation of Swedish trade policy¹¹**

Sida will continue to contribute to the analysis of the development perspective and provide input to the formulation of Swedish trade policy. As noted previously, Sida's analysis is to be informed by the rights perspective based on international human rights conventions, as well as the perspectives of the poor. Furthermore, Sida will continue to contribute to a policy debate with a wider audience and perform and commission analysis concerning trade policy and development.

Sida's Co-ordination with Other Donors

Sida will

- **engage actively in cooperation with other donors at the international level to co-ordinate activities, fill gaps, ensure that duplication and overlap is avoided and to influence and draw on good practices and, at the national level, to minimise the burden on the partner country.**

Sida will continue to be actively engaged in cooperation with other donors in the area of trade support. Sida will concentrate on cooperation with the donors working at the forefront of trade and development, especially like-minded bilateral donors and specialised international intergovernmental and non-governmental organisations, for example within the Integrated Framework for Trade-Related Technical Assistance to LDCs (IF).¹²

Each donor cannot by itself deliver the full range of trade support that is needed to ensure that all developing countries benefit from trade. Because several donors, are engaged in supplying trade support, it is important to ensure that overlap and duplication are avoided and that gaps are filled. The basis for this coordination should be the strategies and priorities of the developing country partners.

The WTO/OECD database uses the concept of trade-related technical assistance and capacity-building for trade support. The following categories are included in the database:

I. Trade policy and regulations

Dispute settlement
Customs valuation
Sanitary and phytosanitary measures (SPS)
Technical barriers to trade (TBT)
Trade-related intellectual property rights (TRIPS)
Trade-mainstreaming in PRSPs/development plans
Tariff negotiations – non-agricultural market access
Agriculture
Services
Rules
Trade and environment
Trade and investment
Trade and competition
Trade facilitation
Transparency and government procurement
Accession
Tariff reforms
Trade-related training education
Negotiation training
Regional trade agreements (RTAs)

II. Trade development

Trade promotion strategy: design and implementation
Market analysis and development
Business support services and institutions
Public-private sector networking
E-commerce
Trade finance

Sources: OECD (2004) and <http://tcdb.wto.org>

Notes

1. Swedish Government Bill 2002/03:122 (2003)
2. Ibid
3. This goal is defined in the Swedish Policy for Global Development. Sida's understanding of poverty and poverty reduction is expressed in "Perspectives on Poverty", Sida (2002) and "The Rights of the Poor – Our Common Responsibility", Swedish Government Report 1996/97:169, published in 1997.
4. www.undp.org
5. Sida's work on trade and development is governed by the Government's yearly Letters of Appropriation to Sida and other special guidelines. The most recent documents are the Government's Decision III:10 and the Guidelines for Swedish Trade-Related Development Cooperation, (UD2004/66115/GU), both of 22 December 2004.
6. "Trade and Development – An Introduction", Sida (2005)
7. For a more thorough discussion, please see the background document accompanying this Policy: "Trade and Development – An Introduction" (2005).
8. As already indicated, although Sida deals extensively with general supply-related capacity building, it is outside the scope of this policy.
9. As defined in the WTO/OECD database on trade support. The WTO/OECD database uses the concept of trade-related technical assistance and capacity-building for trade support. See <http://tcdb.wto.org>
10. Private sector development (psd) involves poverty-reducing promotion of competitive markets, entrepreneurship and property rights that are effective for the poor and for gender equality, and are based on a human rights perspective (Sida, 2003).
11. The formulation of Swedish trade policy remains the responsibility of the Swedish Government. Sweden is a member of the European Union (EU), and the EU pursues a common trade policy for all its member states. Swedish trade policy positions therefore concern trade policy issues pursued by the EU in the World Trade Organization (WTO), as well as in other regional and bilateral fora.
12. The IF is a multi-agency, multi-donor mechanism which assists LDCs in integrating trade into their national development strategies and aims at providing trade support in a coherent and coordinated manner. Sida will participate in the IF by being active in the coordination process among bilateral donors, and by being active at the individual country level in Sida's partner countries, where the country expresses a wish for Swedish engagement and where trade support has been identified as an area for development assistance in the country cooperation strategy. The IF is an undertaking of six core multilateral organizations (IMF, ITC, UNCTAD, UNDP, World Bank and WTO), bilateral donors and LDCs. See www.integratedframework.org for more information.

PRINTED BY EDITA, 2005

ISBN 91-586-8311-9

ART. NO: SIDA4891EN

Halving poverty by 2015 is one of the greatest challenges of our time, requiring cooperation and sustainability. The partner countries are responsible for their own development. Sida provides resources and develops knowledge and expertise, making the world a richer place.



SWEDISH INTERNATIONAL DEVELOPMENT
COOPERATION AGENCY

SE-105 25 Stockholm Sweden
Phone: +46 (0)8 698 50 00
Fax: +46 (0)8 698 56 15
sida@sida.se, www.sida.se