



## IMF Executive Board Discusses Doha Development Agenda and Aid for Trade

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On August 30, 2006, the Executive Board of the International Monetary Fund (IMF) discussed the joint paper on the Doha Development Agenda and Aid for Trade prepared by Bank and Fund staffs. The paper was discussed on August 29 by the Executive Board of the World Bank.

### Background

This paper reports on follow-up to the joint September 2005 Bank and Fund paper submitted to the Development Committee (DC) at last year's Annual Meetings of the Bank and Fund.<sup>1</sup>

The paper provides a brief update on the WTO negotiations under the Doha Development Agenda and "Aid for Trade" since April 2006, reports on ongoing trade-related activities of the Bank and Fund, and responds to the request by the DC to examine the adequacy of existing mechanisms to address regional and cross-country aid for trade needs and explore new mechanisms as necessary.<sup>2</sup> It has been transmitted to the DC as a background paper for this year's Annual Meetings.

### Executive Board Assessment

Executive Directors welcomed the opportunity to discuss the joint Bank and Fund staff paper detailing recent developments on Aid for Trade, and reaffirmed the importance of successfully concluding the Doha Round of multilateral trade negotiations. Directors regretted the de facto suspension of negotiations that was announced in late July. They urged WTO members to maintain their commitment to the rules-based multilateral trading system, resist protectionist calls, preserve progress that has already been made, and return to the negotiating table to create the basis for an ambitious and successful agreement. They underlined that failure to conclude the talks will have serious implications for global economic prospects, and for the growth outlook of low-income countries, in particular.

Directors stressed that work on Aid for Trade should proceed regardless of the status of the Doha Round, since it has its own rationale and was not a subject of the Doha Round negotiations. While Aid for Trade cannot substitute for an ambitious outcome in the Doha Round, it supports trade policy reform, benefiting the global economy, by enabling developing countries to address supply constraints and other obstacles to exploiting trade opportunities fully.

Directors welcomed Bank and Fund support to members engaged in trade-related reform, in the context of the Aid for Trade initiative. They considered that the Fund should continue with selective interventions within its mandate and core areas of competence, including the macroeconomic implications of changes in trade policies and in the global trade environment, and tax and customs reform advice. In this context, Directors noted that excessive proliferation of preferential trade arrangements can undermine the non-discrimination principle on which the multilateral trading system is based; however, if properly designed, they can benefit their members and, in the view of a few Directors, could support multilateral trade liberalization more generally. Directors viewed that the need for financial support in addressing the potential adjustment costs of trade reform can generally be met in the context of the existing Fund facilities—supplemented, as appropriate, through the Trade Integration Mechanism—in collaboration with other International Financial Institutions and the donor community.

Directors took note of the proposals of the WTO Task Forces on an Enhanced Integrated Framework (IF) and on Aid for Trade. At present, trade-related priorities in many least developed countries remain disconnected from the Poverty Reduction Strategy Papers process. Against this background, Directors observed that implementation of the recommendations of the IF Task Force could allow the IF to play a more effective role in helping to identify aid for trade needs and in coordinating trade-related technical assistance. They welcomed the recommendations for strengthened capacity in IF beneficiary countries, and improved IF governance, and recognized donor commitments for the financing of this effort. Directors viewed that the emphasis placed by the Aid for Trade Task Force on the Paris Principles of Aid Effectiveness, which focus on, inter alia, consistency with country-led processes, is appropriate. In order to be effective, aid efforts must be linked to viable growth strategies, build on complementarities with the private sector, and ensure that aid can be absorbed. Some Directors supported the Task Force's proposal to explore the case for processes, modeled on the Integrated Framework, in International Development Association-only countries that are not Least Developed Countries. Directors looked forward to the Task Force's concrete operational proposals for implementing its recommendations. In this context, efforts should build on existing institutional structures where feasible, and should avoid the proliferation of new and untested arrangements to manage and deliver aid for trade.

Directors welcomed the paper's examination of the adequacy of existing mechanisms to address regional or cross country infrastructural needs, as requested by the DC at the 2005 Annual Meetings. They noted that regional cooperation on trade-related projects can help promote the competitiveness of low-income countries in ways that purely national interventions cannot, or can only do less efficiently. Many Directors considered that coordination and capacity problems, which hamper progress in regional cooperation on infrastructure and trade-related regulation, could be overcome by improving existing instruments and by strengthening the monitoring of regional initiatives and funding, while some others saw merit in the establishment of a dedicated grant funding mechanism for this purpose. A deeper analysis of opportunities associated with regional projects and constraints to their undertaking would need to underpin the development of effective, well-targeted programs. Directors noted that the Fund's role in this regard would be very limited as the issue lies within the Bank's areas of core competency, and outside the Fund's expertise.

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<sup>1</sup> See <http://www.imf.org/external/np/pp/eng/2005/091905.htm>.

<sup>2</sup> At the time of the 2006 Spring Meetings, staffs submitted "Trade Progress Report: The Doha Development Agenda and Aid for Trade: Hong Kong and Beyond" to the DC as a background paper, which updated developments on the Doha Round and Aid for Trade since September 2005. See [http://siteresources.worldbank.org/DEVCOMMINT/Documentation/20890708/DC2006-0005\(E\)-TradeProgress.pdf](http://siteresources.worldbank.org/DEVCOMMINT/Documentation/20890708/DC2006-0005(E)-TradeProgress.pdf).

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