



# Trade Policy and Trade Promotion Fund

## Objectives, selection criteria and procedure for new projects financed by the Trade Policy and Trade Promotion Fund

### 1) Objectives

The objective of the 'Monterrey Fund' (Trade Policy and Trade Promotion Fund) reads, 'Decision-makers in selected developing countries have at their disposal coherent cross-sectoral strategies and instruments for trade policy and trade and investment promotion. Developing countries are offered support in strengthening negotiating and trade policy capacities, implementing reforms and strengthening actual trading capacities. The methods used are aimed primarily at establishing trade-related competences (capacity development) among the responsible political decision-makers, government agencies, and private sector and civil society organisations in the partner countries. With the 2010 topping up of the Monterrey Fund, the thematic focus is to be primarily on the field of trade-policy advisory services and the integration of trade-related issues and strategies into national development plans.

Trade-related assistance is not a separate priority area in German development cooperation, but part of other sectors (particularly sustainable economic development; food security and agriculture; environmental policy, conservation and sustainable use of natural resources; and democracy, civil society and public administration). Therefore, the Monterrey Fund plays a key role in the mainstreaming of trade, in the development of innovative instruments and expertise, and in the integration of trade-related assistance into the approaches and instruments of German development cooperation.

### 2) Thematic priorities and selection criteria

The relevant thematic areas and criteria for a project suitable for promotion can be derived from the above objective. They are closely related to the joint EU Aid for Trade Strategy and the existing priority areas of German development cooperation.

The most important **thematic areas** are listed below:

- 1) Development of trade strategies and integration of trade in national development strategies and plans
- 2) Implementation of the Economic Partnership Agreements (EPA) in the ACP states and regions
- 3) Regional trade and investment agreements
- 4) WTO accessions and their implementation
- 5) Intellectual property rights and access to essential drugs
- 6) Agricultural trade promotion, increase of added value
- 7) Trade in services (including implementing GATS obligations)
- 8) Foreign direct investment, investment agreements
- 9) Quality and sustainability standards in trade, including Corporate Social Responsibility
- 10) Promotion of sustainable trade in commodities.

The decision on a project appraisal is based on **selection criteria**, which are also referred to in the offer or order.

- The effectiveness and sustainability of measures are to be enhanced by integrating the project in existing priority programmes of our partners and in coordinated sector programmes of several donors (particularly in the context of the Enhanced Integrated Framework).
- The partner country seeks to develop a coherent trade strategy and implement it at various levels, in particular within



the framework of its national development strategy or in specific sectors.

- The project develops innovative instruments, methods and approaches or deals with innovative issues related to trade and investment. These innovative instruments and issues are tested in practice and their sphere of application is expanded. This includes cooperation with new stakeholders.
- Projects should run for just one phase, serving as a pilot measure and providing start-up financing. The transition to another form of financing and an exit strategy should be planned at the outset when the measure is selected. Topping up beyond the first phase from the Monterrey Fund is possible, but requires specific justification.
- Sustainability of projects is ensured through reference to an existing partner strategy, and is secured methodologically through a systemic multi-level approach. An important element is the institutionalisation of dialogue between the public and private sectors.
- Inputs are used for capacity development of partners and are therefore provided in the partner country. The expected results should show a realistic relationship to the duration and financial resources of the measure. In case more ambitious objectives are envisioned, the expected results should refer explicitly to the link with a priority programme.
- LDCs have priority.
- Support is given to strengthening regional integration processes aimed at enhancing trade and investment flows.

### 3) Information on the selection procedures

The terms of reference for the Monterrey Fund set the framework for the procedures of selection of individual projects. GIZ manages the fund on behalf of BMZ.

Brief project proposals covering 2-3 pages should follow the requirements regarding structure and content of standard GIZ proposals. They should include information on the context, objectives, methodology, possible partner organisations, expected results, duration and volume. The connection with a current German priority programme or programme co-financed by other donors as well as with the partner's strategy (where known) is shown. Project proposals are jointly reviewed by the GIZ Trade Programme and the German Federal Ministry for Economic Cooperation and Development (BMZ). They are then forwarded to the relevant regional divisions for further coordination. Approval by BMZ (in writing by Division 415) is generally followed by an appraisal mission coordinated by GIZ. Project appraisals are also financed by the fund and carried out in close cooperation with local structures (German embassies, GIZ country directors) and with internal or external consultants.

The appraisal is followed by a short 1 to 2 page appraisal report, which lays out the most important results.

Where there is corresponding need for technical cooperation in the partner countries as well as interest and commitment in concrete project implementation on the part of the intended project partners (ownership), the appraisal results in an offer to the BMZ (using the format of a working proposal for the implementation of a Fund-project). The offer is closely related to the terms of reference of the Fund as a whole. Approval is advised in writing by Division 415.

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