

# ATPC

Work in Progress

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Economic Commission for Africa

## African Trade Policy Centre

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# No Need to Reinvent the Wheel

## Achieving Aid for Trade Through the Almaty Programme of Action

Stephen Karingi  
Robert Tama Lisinge

October 2008

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## No Need to Reinvent the Wheel Achieving Aid for Trade Through the Almaty Programme of Action

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# I. Introduction

Many developing countries face supply-side constraints that severely limit their ability to benefit from the multilateral trading system. The situation of landlocked developing countries is of particular concern. Lack of territorial access to the sea, aggravated by remoteness from world markets, and prohibitive transit costs and risks impose serious constraints on export earnings, private capital inflow and domestic resource mobilisation of these countries and therefore adversely affect their overall growth and socio-economic development. That is why in the United Nations Millennium Declaration, heads of State and Governments, recognised the particular needs and problems of landlocked developing countries, and urged both bilateral and multilateral donors to increase financial and technical assistance to this group of countries in order to meet their particular development needs and to help them to overcome the impediments of geography by improving their transit transport systems.

Heads of State and Governments, in the 2005 World Summit Outcome, also stated their commitment to efforts designed to ensure that developing countries, especially the least developed countries, participate fully in the world trading system in order to meet their economic development needs. They equally stated their commitment to supporting and promoting increased aid to build productive and trade capacities of developing countries. Indeed, new frontiers for technical cooperation are opening as African countries and RECs Secretariats seek to build their capacities to develop sound trade policies. Key among these emerging issues is the Aid for Trade Initiative launched at the Sixth WTO Ministerial Conference. The Aid for Trade Initiative was launched with the purpose of helping developing countries, the least developed in particular, to build their supply-side capacity and infrastructure needed to take advantage of trade liberalization and enhance their participation in the world trading system. In this regard, African countries and RECs are called upon to prepare Aid for Trade Action plans that would become the basis for designing bankable projects whose implementation would build trading capacity.

The Almaty Programme of Action, with the objectives to address the special needs of landlocked developing countries and establish a new global framework for action for developing efficient transit transport systems in landlocked and transit developing countries, could facilitate the task of preparing Aid for Trade action plans because it has already identified key transit transport issues and recommended specific actions for improvement in that regard.

This paper is divided into two parts. Part 1 informed discussions at the regional review meeting on Mobilising Aid for Trade: Focus Africa organised by the WTO, jointly with the African Development Bank and the Economic Commission for Africa, and hosted by the Government of the United Republic of Tanzania. The meeting which took place on 1 – 2 October 2007 was the last of three regional meetings

organised by the WTO in preparation for the Global Review meeting in November 2007. The other two meetings took place in September in Lima, Peru for Latin American Region and Manila, Philippines for the Asian Region. Part 2 of the paper briefly describes the APoA, focusing on its priority areas namely: fundamental transit policy issues; infrastructure development and maintenance; international trade and trade facilitation; international support measures; and implementation and review. It discusses the relevance and recommends specific actions for each of the identified priorities.

## II. Aid for Trade

### **Background**

This section discusses the Aid for Trade (AFT) initiative and its location in dealing with Africa's trade challenges. The AFT is evolving towards being a core area within the broad development finance architecture. Essentially, the AFT idea as will be seen in this paper borders on ring-fenced resources targeted to helping developing countries integration into the global trading system. This paper starts with a discussion of the trade challenges that Africa faces, both internally and externally. These challenges require a response such as that envisaged in the AFT as can be seen from its rationale and its scope which are discussed in this paper.

### **Trade as a development pillar**

It is well accepted that trade is an important development pillar in Africa. The current engagement of African countries in multilateral and bilateral trade negotiations, and the regional integration initiatives in the continent, is evidence of the central role attributed to trade in catalysing growth and hence development. A lot of countries have also shown interest in mainstreaming trade in national development strategies as recognition to the role trade could play in their development.

Beyond the policy arena, there has been a lot of debate, driven by the experience of African countries, regarding how trade policy itself could be used to enable trade play this crucial developmental role. There are several studies that capture concisely the elements of this debate, which revolves around the question of the beneficial effects on growth and poverty reduction of trade liberalisation. What would be useful at this juncture though is to point out that there appears to be a consensus that developing countries like those in Africa neither need neo-liberal trade policies as in the 80s nor interventionist ones like in the 70s. Rather they need proactive and pragmatic trade policies that recognise individual countries development visions and circumstances. Notwithstanding this debate, the most important point is that trade and trade policy is at the mainstream of today's economic policy debate.

Yet, the importance of trade and development is a more urgent issue in Africa than in any other region. This is because the region still experiences a very low level of integration in the global trading system. To put this picture in perspectives, today, Africa's share of global exports especially in merchandises remains historically low. The continent's share in global exports in 2005 was a mere 2.8%, roughly equivalent to its 1991 value and less than half its peak value of 6% last achieved in 1980. The region has also been unable to achieve the desired outcomes in regional integration at the continental level. These two developments have intensified the focus on trade in Africa.

And as noted in ECA's Economic Report on Africa 2007, over the past 6 years, world merchandise exports experienced an average growth rate of 10.4%. Over this period, Africa performed better, increasing its exports by 16% on average annually. However, a closer look at this export performance reveals that the rapid increase in export is concentrated in oil-exporting Sub-Saharan African countries. Thus, it is the price movements, rather than major structural changes in Africa's production and export patterns that have been driving the recent rapid exports growth. Weak supply-side capacities and lack of diversification continue to haunt Africa's endeavours to increase its share in the global trade. As a result, like in the past, Africa is still vulnerable to shifts in international commodity prices, and particularly in changes in prices of oil.

## **Africa's trade challenges**

Given the importance of trade as an important pillar in Africa's development, the question that comes to mind is why the region has not been able to harness this potential? The main answer given to this question in this paper is that Africa still faces major trade challenges. By highlighting these challenges, this paper allows for an objective examination of how best to operationalise the AFT initiative in a way that will help it effectively address the African challenges. At this point, it helps to observe that the AFT initiative as espoused in its rationale and defined scope goes beyond the traditional trade capacity building that programmes like the Integrated Framework (IF) and the Joint Integrated Technical Assistance Programme (JITAP) have been focusing on.

Yet, the African trade challenges go beyond these capacity constraints. In the remainder of this section, the two main categories of trade challenges, not related to trade negotiations capacities are outlined. There are both external and internal challenges. The external challenges happen to be exogenous at the same time in the sense that they are given and Africa as a region cannot do anything about them, as they are driven by policies outside its realm. In the case of the internal challenges, there two types, the software related and those to do with the hardware elements of the trading environment. This section will therefore briefly look at each of these challenges.

### **The external trade challenges**

These challenges relate mainly to the international trade environment that Africa faces. As a result, they have more to do with the market access difficulties that Africa's exports have to deal with. The main elements of the external trade challenges include:

Tariff peaks: African exports are still faced with a protection pattern characterized by a large number of tariff peaks. These peaks concern mainly products of agriculture, food, textiles, and apparel, which require low- and mid-technologies.

**Tariff escalation:** Besides the tariff peaks, Africa faces yet another form of market access constraint that is related to tariff escalation. Any value-addition which could lead not only to diversification but to a higher percentage of income benefiting African economies is discouraged by escalating tariffs on semi-processed goods.

**Export subsidies:** Export subsidies provided by some of the developed countries also affect market access conditions that ultimately face African goods. The outcome of the export subsidies has been shown to be depressed international prices, which result in an unfair playing field, as African exports get “out-competed” in these markets where they could otherwise have done better.

**Domestic support policies in developed countries:** Domestic support measures leads to overproduction, creating international markets gluts, which then result in international prices collapse that eventually negatively affect African exports. The cotton market is a good example where domestic support measures in some developed countries has led to depressed international prices which make African cotton producers look less competitive.

**Non-tariff barriers (NTBs):** NTBs also pose market access challenges for Africa. The imposition of sanitary and phyto-sanitary measures (SPS) and the technical barriers to trade (TBT) constitute a constraint for Africa in the export of its products to developed countries. The market access constraints related to SPS are more pronounced when one considers the limited capacity for the African countries to meet the measures.

**Restrictive rules of origin:** One might argue that all the above elements related to external market access challenges for Africa are exaggerated given that the region enjoys a wide array of preferential market access schemes. The Everything But Arms and the African Growth and Opportunity Act quickly come to mind, as they are the broadest. But there are other schemes by developed countries such as Canada and Japan, and lately advanced developing countries such as China have provided preferential market access for selected African exports. However, the rules of origin governing these schemes are not universal. Besides, the requirements on local content tend to be high in most cases, making it difficult for African countries to exploit the preferences optimally. In addition to the high local content requirements, most of the rules of origin do not allow for third country sourcing of raw materials (even where they are cheaper). These restrictive rules of origin therefore pose a major constraint to Africa’s ability to fully utilise the preferences and also to deepen the diversification of its economies.

All these challenges, relate to exogenous policy decisions by African trading partners. The current Doha Round has a mandate to address most of these elements. In deed some progress has been made in some of them, and Africa has been very active in the definition of the principles (framework) and now the modalities of how the multilateral rules could be structured in a way that the international market environment is improved.

Yet, even if these externally imposed challenges were to be addressed either through the Doha Round, the EPA negotiations, and other bilateral arrangements, Africa is unlikely to witness any dramatic change in its development prospects through trade for several reasons. In deed, in the context of negotiations, research at the ECA has shown that while there are gains still to be realised from the market access agenda in the WTO, most of these gains could accrue to other developing countries. There will be little benefits for Africa from the multilateral negotiations given the current structure of the African economies, and so their marginalisation in the global trading system is likely to continue. The African countries lack the capacity to exploit the trading opportunities that might be presented by the solutions to the external challenges. And it is this lack of capacity to exploit trading opportunities that AFT is expected to play a major role if effectively operationalised. As will be indicated below, the capacity-enhancing investments in economic and social infrastructure and removal of supply constraints all require significant amount of resources.

Further research within the ECA has also shown that Africa's economies could face the risks of de-industrialisation, for the few African countries that have made some steps towards development of some industries. AFT would be crucial in safeguarding and deepening these gains towards industrialisation, however limited they might have been in the past. Another clear conclusion that studies at the ECA has arrived at is that while there are some benefits from preferences, these benefits could be greater, with the strengthening of internal supply capacities. The AFT would play a major part in such endeavours.

### **The internal trade challenges**

The internal trade challenges that Africa faces are already well documented, and as noted they were indeed the motivation for the need to strengthen development dimensions of the multilateral trading system. The challenges range from institutional to infrastructure deficiencies and this section revisits briefly the main elements.

**Weak supply capacities:** An important challenge that African countries face universally, are the weak supply capacities. There have not been sufficient investments to build requisite capacities to meet the supply needs of demanding markets. Thus, even for the few exports that African countries are able to produce, lack sufficient production infrastructure means that suppliers from Africa are not always able to meet their demand. The low supply capacities are worsened by poor infrastructure and unreliable business support utilities.

**Lack of skills towards better quality products:** The markets for different products produced under the different segments of the global supply chain are becoming intensely contested. In particular, other developing countries are gaining ground in these markets, and are able to exploit potentials of vertical integration. African countries on the other hand, due to lack of skills are not able to exploit these possibilities as the products fail to meet the required quality standards.

**Limited resources for research and development:** In addition to lack of skills, African countries face the challenge of having no or limited resources that would support research and development to aid in development and adoption of better technologies essential for manufactured products diversification. As the Economic Report on Africa 2007, argues, research and development is critical to countries' ability to diversify—vertically and horizontally.

**Trade finance:** Even where African producers are able to secure international markets, an important constraint that they have to overcome relates to trade financing. This includes both pre-financing and insurance. This is an area that is affected by the shallow financial markets and as such most African countries lack instruments that would facilitate trade financing.

**Trade facilitation:** One of the major internal challenges that Africa has with respect to trade relates to trade facilitation. As noted above, improved market access cannot be fully exploited if means to facilitate trade are weak. Therefore, as African countries have argued repeatedly in the Doha Round, the question of trade facilitation for Africa goes beyond the customs administration issues. These are the software elements of the trade facilitation. Rather, trade facilitation concerns for Africa also involve the weak transportation infrastructure to and from the ports of entry of exports and imports.

**Weak port and transportation infrastructure:** Africa is probably most challenged in the area of trade by the dilapidated hardware elements of trade facilitation. Beyond the ports of entry and exit of traded goods, many countries lack appropriate national and even connecting infrastructure to their neighbours. Thus, the time taken to reach the market by African products is magnified by the weak infrastructure making it difficult for Africa to trade.

**Internal non-tariff barriers:** Besides the infrastructure problems, there are intra-African trade barriers that are still a major challenge in the continent. In this regard, Africa is faced with the challenge of removing the intra-African trade barriers, which today make it difficult for the deepening of African integration. The removal of these barriers, when supported with improvements in the trade facilitation mechanisms (to the border, at the border, and after the border) will allow the continent to tackle the small markets problems that make it difficult for African producers and exporters to exploit the economies of scale, which would have the spin-off of helping build competitiveness.

**Institutional constraints:** The ECA's diagnosis of the failure for African countries to fully exploit their trade potential led to the thinking that besides low productive capacities and poor infrastructures, trade development in African countries—and in particular LDCs—has been hampered by weak trade policy capacities. This lack of appropriate capacities to analyse trade policy issues in African countries led to outcomes that did not contribute to better role for trade in the regions development. The trade capacity constraints in African countries identified in ECA work include:

- Lack of the capacity to negotiate effectively on trade issues of interest to Africa.
- Lack of capacity to influence and set the agenda or pace of multilateral negotiations.
- Lack of capacity to fulfil commitments to the multilateral trading system, without undermining African development goals.
- Lack of the capacity to formulate effective trade policies.
- Lack of capacity to exploit trading opportunities.

## **The rationale of the Aid for Trade**

The foregoing discussion shows clearly that African countries are already at a disadvantaged position, and whatever global trade reforms are to be undertaken; they are unlikely to reap proportionate benefits from trade. It is this realisation that developing countries especially those in Africa are unlikely to make in-roads in the rapidly globalising world that underpinned the initiative by World Trade Organization (WTO) Members to develop an Aid for Trade package. AFT was officially put on the WTO agenda at the 6th Ministerial conference in Hong Kong December 2005.

It is worth noting however that the idea of the AFT started gaining currency at the 5th WTO Ministerial Conference in Cancun when the UN Secretary General noted the need for AFT to complement other aid for development. The idea was further deepened in many UN reports and gatherings where it was agreed that there was need to go beyond the soft trade-related technical assistance to the support that would help deepen productive capacities, finance trade-related hard infrastructure, while at the same time deal with the adjustment costs of trade reforms.

This integration of the AFT in the Doha Round was a recognition that there was need to go beyond the traditional trade-related technical assistance. This shift towards acceptance of the importance of the hardware elements of the trade-related support is evident in the mandate given by the WTO member states. The mandate with respect to AFT is “to help developing countries particularly least-developing countries (LDCs), to build the supply-capacity and trade-related infrastructure that would assist them to implement and benefit from WTO agreements and more broadly to expand their trade”<sup>1</sup>.

It is also worth recalling that, in spite of the slow progress so far, the need to strengthen trade capacities in developing countries is a major element in the Doha Round. The rationale for the AFT is therefore built around this strong need. But at the same time, it has been accepted that the AFT cannot be a substitute for the development benefits that are aimed for from a successful conclusion of the Doha Round. The Hong Kong Ministerial Decision instructed the Director General (DG) of the WTO to set up the task force that came up with the recommendations on how to implement the AFT. This report was submitted on 27 July 2006 and is the basis of the on-going activities on the AFT initiative.

<sup>1</sup> Paragraph 57 of the Hong Kong Ministerial Declaration., WT/MIN/DEC, 22 December 2005.

## Objectives and guiding principles

In the context of Africa, the objectives of the AFT promise to be an important complement to other forms of aid for development that the region is already receiving. The initiatives objectives includes: enabling developing countries use trade more effectively; helping countries build supply-side capacity and trade-related infrastructure to access markets and export more; helping facilitate, implement and adjust to trade reform and liberalisation; assisting regional integration; assisting smooth integration into the world trading system; and assisting in the implementation of trade agreements. So far, trade-related technical assistance has failed to fully catalyse trade as an engine for growth. This in spite of Africa as a region being more open to international trade than any other developing region except East Asia and the Pacific. Despite its trade openness, the region, as already noted has witnessed a substantial decline in the share of exports relative to the world total. This decline seems even more worrisome, given a marked rise in the relative importance of developing countries as a whole in world exports. Africa could therefore greatly benefit from the AFT were the initiatives objectives to be met.

The Aid for Trade operationalisation will build on existing trade-related assistance mechanism, for example the Integrated Framework (IF) and Joint Integrated Technical Assistance Programme (JITAP). In addition, it will use existing guidelines for aid delivery as outlined in the Paris Declaration on Aid Effectiveness within the five broad areas<sup>2</sup> of ownership, alignment, harmonisation, managing for results and mutual accountability. By adhering to these principles, it is expected that the operation elements of the AFT will result in strengthened demand side as developing countries fully mainstream trade in their national development strategies, leading to strong country ownership of aid programmes and country-based formulation of trade related needs and priorities. On the donors' part, there could be strengthened response to trade-related needs and priorities in terms of policies and coordination. These two results could then lead to a stronger bridge between country demands and donor responses at the country level, regional and global level. Lastly, a strong monitoring and evaluation mechanism is possible if the AFT operationalisation were to be guided by the Paris Declaration principles.

### The scope of the aid-for-trade

To what extent is the AFT likely to address Africa's trade challenges? An examination of the scope of the AFT indicates that there is correspondence with the challenges that Africa faces in trade. This is particularly with respect to the internal challenges identified above and which African countries expected to see in the elements of the AFT (see Box 1). There are six broad categories defining the scope of the AFT. Firstly, it is expected to deal with constraints in developing countries related to trade policy and regulations. This includes among other things training officials, helping governments implement trade agreements, and complying with rules and standards. The traditional trade-related capacity building has to a large extent been addressing some of these issues.

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<sup>2</sup> OECD (2005) Paris Declaration on Aid Effectiveness, DCD/DAC/EFF (2005) Final. OECD Paris.

Second, AFT is also expected to be geared towards trade development that includes providing support services for business, promoting finance and investment, conducting market analysis and e-commerce. Like in the case of support to trade policy and regulations, the focus by AFT on trade development is not new. Traditional technical assistance has been dealing with this. However, the support in this area has not been enough to overcome the market access barriers externally imposed for African exports.

Third, AFT is expected to help in the development of trade-related infrastructure such as building roads and ports. This is a more deepened support for trade assistance, an innovation of the AFT to complement the normal aid for development. At this juncture, it is agreed that there will be additional funds for this component of the AFT, and it will not be a reallocation of already committed development assistance.

#### **Box 1: Key elements for AFT identified by African countries**

- Enhance productive capacities of African countries, through increased productivity, addressing the necessary regulatory reforms, human resource and physical infrastructure needed to make African economies competitive;
- Support investment in improving competitiveness of African countries
- Assist African countries to invest in removing impediments to business that drive up costs for exporters;
- Assist African countries to invest in infrastructure;
- Help African countries to effectively deal with adjustment costs associated with trade liberalization, such as rising food prices for net-food importing countries, preference erosion, reduction in tariff revenues, and other economic and social costs;
- Assist African countries to integrate trade policy in their overall development strategies and create a strong public-private sector partnership; and
- Help African countries to invest in human resource development
- Support to regional integration initiatives

Fourth, AFT is expected to provide support for building productive capacity, which comprises of improving the capacity of a country to produce goods and services. This will enable countries to deepen their diversification through development of new products. AFT will therefore facilitate value chain analysis, and then will support the building of capacities for the development of products that help African countries exploit those segments of the value chain where they have comparative advantage.

Lastly, many studies have clearly shown that implementation of trade reforms is not costless. The ECA work on the impacts of different modalities options for agriculture and non-agriculture market access (NAMA) have shown that beyond the economic costs, are social implications associated with de-industrialisation and preference erosion. It is anticipated that the AFT will provide financial assistance to enable developing countries meet adjustment costs associated with trade policy reform, including balance of payment problems resulting from lost tariff revenues or from erosion of preferential market access. At this point, it helps to note that the AFT is also expected to help developing countries implement other

trade agreements. And while the Doha Round commitments will present adjustment challenges, the same could be said with respect to Africa's commitments under regional integration agreements and the Economic Partnership Agreements (EPAs) under negotiations with the EU. The AFT scope could allow it to be used in support of the implementation of trade aspects of the EPAs.<sup>3</sup>

## **Additionality of resources under the Aid for Trade**

Even before the exact estimates of the AFT requirements, an important question as noted already is whether AFT will deliver “new and additional resources” to support technical assistance programmes and projects. This has been an important issue for African countries. Consequently, it will be important for the AFT not to be a “re-packaging” of existing technical assistance and projects, for this would not serve African countries address the challenges hindering them from benefiting from the global trade. As such, the AFT will need to be adequately funded, with the additional resources predictable and sustainable as well. African countries position has been very clear on the question of additionality of resources (see Box 2 on African countries position on financing the AFT). The additionality of resource flows must hinge on other specific issues as identified in the AFT. These include the scope of AFT that will define the resources needed; the content and elements of the initiative, which will define the programmes and projects to be supported; mechanisms for mobilising the resources; modalities for implementation; and system of monitoring and evaluation.

### **Box 2: African countries on the characteristics of financing AFT**

#### **African countries have emphasized the following aspects:**

- The Aid for Trade Initiative should be carefully designed, adequately funded, efficiently managed and effectively implemented;
- The AFT should play a catalytic role and be an engine of accelerated growth, development and poverty reduction in Africa;
- The funds provided under the AFT should be additional, predictable and sustainable;
- The funding of the AFT should be provided in grant form
- There should be a wide stakeholder involvement in the design and implementation of the programmes of the AFT at the national and regional levels;
- The AFT should also be supportive of regional integration initiatives
- The AFT should be used to strengthen and develop trade policy and enhance trade negotiation capacity at national, sub-regional and regional levels;
- The AFT should be a complement, and not a substitute, for the development promises of the Doha Development Agenda (DDA) (for example funds made available under ODA, EU's EDF and USA Millennium Challenge Account).

<sup>3</sup> The European Union has already indicated that the large proportion of its Aid for Trade pledge is going to be used for the implementation of the EPAs by the ACP countries.

## **Africa Regional Review on Aid for Trade**

In this section, the paper presents the results of Africa's regional review meeting in Dar-Es-Salaam, Tanzania on 1-2 October 2007. These results feed into the global review meeting in Geneva in November 2007. The overall goal of the review meeting was the need to move the AFT initiative from the Task Force Recommendations to action. The following were the key objectives of the meeting:

- Underline trade's central importance to the achievement of Africa's development goals;
- Identify the key priorities for strengthening capacity and increasing trade;
- Emphasise the importance of comprehensive trade strategies (regional as well as national);
- Highlight the need for increased and effective financing; and
- Secure political commitment on the way forward.

### *Key issues from the African regional review of the Aid for Trade*

The African review meeting was organized jointly by the ECA, WTO and ADB and it brought together African Ministers of Finance, Ministers of Trade, bilateral and multilateral donors and the private sector. Several key points can be summarized from the discussions that took place between the African policymakers, the private sector, regional development banks and the international partners.

First, there is now consensus that that AFT matters for Africa. This consensus is underpinned by the realisation that African products are competitive at the factory and farm-gate level when compared with those of Asian countries. However, the African products lose their competitiveness when it comes to placing them in the international markets. The African review meeting concluded that for the continent to be able to compete and succeed in the global market place, the AFT is necessary, as it would help the countries to diversify and address the cost of production factors. The regional dimension of the AFT programmes would however be critical as this would both help African countries optimize their regional integration processes, but at the same time exploit economies of scale through larger competitiveness-building markets. For this to happen, new instruments by the development banks to finance regional competitiveness-enhancing strategies will have to be developed. And for this to be successful, the competitiveness-enhancing strategies must at the same time address specific needs of each country and must have the private sector as the key anchor.

Second, it was clear from presentations by the African RECs and interventions from the African Ministers that important initiatives at national and regional level aimed at enhancing competitiveness exist. Many of these projects and programmes already identified have been geared towards strengthening of production capacities for trade. A key issue that the review meeting identified was the need to resolve the lack of coordination in the existing strategies. In particular, bilateral and multilateral development partners have separate and uncoordinated programmes with individual countries and regional groupings, and this would have to be addressed to enable seamless super-imposition of the AFT on these existing strategies.

Third, the African review noted the broad array of areas where AFT support is required especially among the RECs, which then calls for clear prioritisation. But most significantly, it was evident that the RECs priorities narrow for now to just three key priority areas, albeit with different ranking for each REC. Moreover, the existing strategies are at different stages of implementation and financing gaps are a major constraint. The African review meeting therefore concluded that it was important that the concrete implementation of the AFT for Africa focus on the following: infrastructure, trade facilitation, and standards. AFT resources that are targeted at the three areas would help address the paradox of African products, which are competitive at the factory and farm-gate, but uncompetitive at the global markets.

Fourth, the success in implementation of competitiveness-enhancing strategies is contingent upon the AFT also strengthening the human capital development in the continent. This should go hand-in-hand with the deepening of the private sector involvement. Only then can the AFT provide the catalytic effect for economic change as it fills the financing gaps of existing and new strategic areas.

### *Conclusions from the Africa Aid for Trade Review meeting*

Leadership the key to success: AFT initiative will have a better chance of succeeding if there is leadership at the national level including on the choices that countries have to make. A pertinent aspect of this leadership relates to clear political decisions that underpin trade and development as an idea upon which countries' future could be built upon. A secondary aspect is the need to build the agenda for trade and development on strengthening national and regional capacity once the political choice is made, as and this must be reflected in the national development plans.

Delivery mechanisms: Existing mechanisms were favoured when it came to the point of implementation. The desire for new mechanisms could only end up duplicating existing structures. It was however noted that the parallel enhanced integrated framework (EIF) would continue to serve the LDCs.

Some of the African priorities: A priority that came up which the AFT must immediately tackle relates to the infrastructure constraints and also the maintenance of the infrastructure. The other important obstacle to private sector competitiveness is the trade facilitation issue including at the border that AFT must target. In both of the above priorities, the regional integration, hence regional dimension is a crucial factor towards competitiveness building. Therefore, capacity for the RECs emerged as a priority area for Africa's AFT. A fourth priority, which is part and parcel of the infrastructure and trade facilitation strategies, was the involvement and development of the private sector. In fact, the private sector is on the one hand a player from demand side but also an actor in the supply of AFT. Furthermore, for Africa, in the context of the private sector, the SMEs were identified, as a crucial component/segment given that it is the SMEs that suffer most with the indirect and direct trading costs, and as a result AFT measures must aim to strengthen their competitiveness. Finally, public-private partnerships hold important leverage for the success of the AFT in Africa.

## **Looking Ahead: Mobilising Aid for Trade in Africa**

As indicated above, the African countries met in Dar-Es-Salaam, Tanzania on 1-2 October 2007 to discuss the best ways to mobilise the political and financial commitments required to realise the objectives and goals of the AFT. But beyond the discussions in Dar-Es-Salaam, there are important issues that the African countries and their partners will have to address in order to achieve effective results from implementation of the recommendations from the Dar-Es-Salaam meeting. These issues are areas of work in themselves for the African countries and the donors as well and they include:

- Mainstreaming of trade in the development strategies of African countries.
- Aligning Donor Strategies with country and regional needs and the global partnership goals as internationally agreed.
- Translating the diagnostics into actionable programmes in which case the regional needs assessments are developed into activities that can be implemented with clear focus on expected outcomes.
- Improving on the delivery mechanisms. In particular, the African countries will have to finalise the regional instruments e.g. the regional funds in which priorities are as agreed among the member states. The effectiveness of the regional delivery mechanisms will depend on actions at national level given that the AFT programmes will cut across national borders.
- Developing monitoring and evaluation frameworks for the AFT programmes.
- Ensuring the participation of the private sector including having the right incentives that would justify its participation especially in regional projects.
- Coordinated support from the donor community. The lessons learnt from IF and JITAP and the commitments under Paris Declaration should guide the response on this issue of donor coordination.

### III. Aid for Trade and the Almaty Programme of Action

#### **Background**

The Almaty Programme of Action (APoA) was adopted in August 2003 with the view to addressing the special needs of landlocked developing countries and establishing a new global framework for action for developing efficient transit transport systems in landlocked and transit developing countries.<sup>4</sup> The objectives of the APoA are to: (a) secure access to and from the sea for landlocked developing countries by all means of transport according to applicable rules of international law; (b) reduce transaction costs and improve trade related services so as to increase the competitiveness of their exports; (c) address problems of delays and uncertainties in trade routes; (d) develop adequate national transport networks; (e) reduce loss, damage and deterioration of goods in transit; (f) open the way for export expansion; and (g) improve safety of road transport and security of people along corridors.

#### **Coherence between APoA and AFT**

The APoA is structured around five priority areas namely: fundamental transit policy issues; infrastructure development and maintenance; international trade and trade facilitation; international support measures; and implementation and review. The programme document discusses the relevance and recommends specific actions for each of the identified priorities.

As mentioned earlier, the African AFT Review meeting identified infrastructure constraints and trade facilitation as two priority areas which the AFT should tackle immediately. These are also the central issues of the APoA. Indeed the APoA could speed up efforts to improve Africa's transport infrastructure and facilitate trade within the continent as well as between the continent and other regions of the world because it has already identified specific actions to be undertaken. The APoA could therefore be considered as an important starting point for any needs assessment related capacity building and technical assistance in connection with AFT. This section reviews the APoA priorities and presents the specific recommended actions under each priority area, which could be implemented as part of AFT.

##### *Priority 1: Fundamental Transit Policy Issues*

The APoA stresses the need for landlocked and transit developing countries to increase transparency of transit and border regulations; establish streamlined administrative procedures; further simplify border

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<sup>4</sup> The APoA was adopted at the International Ministerial Conference of Landlocked and Transit Developing Countries and Donor Countries and International Financial and Development Institutions on Transit Transport in Almaty in August 2003. The Almaty Declaration was adopted at the same conference.

control and procedures; promote the use of information technology and promote training programmes in the sector. In this regard, it recommends the following actions:

- Modernising existing facilities and increasing the commercial orientation of transport and infrastructure by eliminating non-physical barriers to transit transport;
- Establishing regional transport corridors and adopting common rules and standards; and
- Further strengthening existing institutional mechanisms at the policy and operational levels to monitor and promote the implementation of agreements and arrangements involving landlocked and transit developing countries.

### *Priority 2: Infrastructure Development and Maintenance*

The APoA acknowledges that inadequate infrastructure, including the deterioration of existing stocks, constitute a major obstacle to establishing efficient transit transport systems in landlocked and transit developing countries. It recognizes that addressing these needs requires considerable investments, capacity building, and new policies and institutional reforms. It further recognizes that the share of national resources and Official Development Assistance (ODA) allocated to infrastructure development in many landlocked and transit developing countries is limited. Also, addressing the challenge of establishing adequate infrastructure facilities and of remedying the deterioration of existing transport infrastructure in both landlocked and transit developing countries requires the setting up of partnerships between the public and private sectors. Moreover, the financial and technical support of donors, international financial institutions and development assistance agencies remains critical.

The APoA recommends landlocked and transit developing countries to make every effort to provide a conducive environment for using all modes of transport in transit services in order to encourage competition among different support modes, particularly road and rail transport. These countries are urged to give particular attention to constructing “missing links” in regional and subregional transport networks. Several specific actions are also recommended in the areas of railways, roads, ports, inland waterways, pipelines, air transport, and communications.

Ports are particularly important for transit transport and the efficiency of their operations depends on adequate infrastructure and good management. Many seaports are critical bottlenecks in transit systems because of a range of physical inadequacies and operational constraints. Problems of quality of handling and storage facilities for transit cargo, cumbersome procedures for the clearing and release of cargo, congestion and the shortage of skilled manpower, are particularly relevant.

The APoA recommends the following specific actions with the view to improving ports efficiency in transit developing countries:

- Landlocked and transit developing countries should seek cooperative arrangements to improve port facilities and services for transit goods, including the modernization of existing terminals, the

- establishment of new ones and the simplification of procedures where appropriate;
- Expanding the capacity to handle transit trade and allowing private terminal operations to promote competition and encourage efficiency;
- Promoting greater cooperation and coordination between public and private institutions dealing with transit traffic in ports (customs administration, security personnel, port authorities, commercial banks, clearing and forwarding agents, insurance companies);
- Promoting the establishment of dry ports in landlocked and transit developing countries; and
- Expanding training programmes for port workers to enable them to adapt to new technologies and procedures.

### *Priority 3: International Trade and Trade Facilitation*

The APoA acknowledges that trade is an important engine for economic development but that the participation of landlocked and transit developing countries, which is crucial for their development prospects, is not as significant as it could be. It also recognizes that trade and transport are inextricably linked with transport being a key sector for international trade, regional integration and for ensuring a balanced national development. The APoA identifies high trade transaction costs as one of the main causes of the marginalization of landlocked developing countries from the international trading system.

The causes of high transaction costs and inefficiency identified by the APoA include excessive transport costs, cumbersome border-crossing procedures, inadequate infrastructure facilities, and costly bank transactions. Landlocked developing countries, with additional border crossings and transit dependence can be at a particular disadvantage, depending on the state of their own and their neighbours' border procedures and the level of bilateral cooperation, as well as regional cooperation or integration.

In light of the above, the APoA recommends as follows:

- More efforts are required within available financial resources to facilitate transit traffic through border posts, to expand the use of information technology, to implement efficient customs control systems and simplification of documents and procedures, and to strengthen the capacity-building of government agencies in the field of trade facilitation;
- Landlocked and transit developing countries should consider becoming parties to and implementing effectively the international conventions and instruments that are applicable to various transport sub-sectors, including road, rail, inland waterways and multimodal transport; and
- Landlocked and transit developing countries should consider establishing, where appropriate, or strengthening existing national trade and transport boards or committees involving all major stakeholders, including the private sector.

#### *Priority 4: International support measures*

The primary responsibility for implementing the APoA rest with landlocked and transit developing countries. To that end, it is essential that they seek to create conditions in which resources can be generated, attracted and effectively mobilized to address their development challenges, including those that result from being landlocked. This notwithstanding, landlocked and transit developing countries by themselves are unable to meet the cost requirements for establishing and maintaining an efficient transit transport system. Many of the landlocked developing countries are among the poorest countries in the world while most of the transit countries are themselves developing countries with limited resources. The APoA therefore underscores the need for development partners to play an important role in supporting transit transport development programmes. It also highlights the importance of ensuring that such support fully takes into account the special vulnerabilities and developmental needs of landlocked and transit developing countries.

Specifically, the APoA urges the international community, including financial and development institutions and donor countries to:

- Facilitate an external environment supportive of the full and timely achievement of its objectives;
- Facilitate access to, and encourage transfer of, technologies related to transit transport systems, including information and communication technology; and
- Provide technical support through partnership.

#### *Priority 5: Implementation and Review*

The APoA recognizes that its implementation requires individual and concerted efforts by the landlocked and transit developing countries; their development partners; the organizations and bodies of the United Nations system; relevant international organizations, such as the World Bank, the regional development banks, WTO and WCO; the Common Fund for Commodities, regional economic integration organizations, and other relevant regional and subregional organizations. It also recognizes the importance of bilateral, regional and subregional cooperation in establishing efficient transit transport systems and the need to promote such cooperation on the basis of the mutual interests of both landlocked and transit countries. The APoA calls for the strengthening or establishment of arrangements, where necessary, for regular review and monitoring of the implementation of transit agreements through public and private sector dialogue and consultations. Furthermore, relevant international organizations, including the World Bank, and WCO are invited to give priority to requests for technical assistance to supplement national and regional efforts to promote the efficient use of existing transit facilities, including the application of information technologies and the simplification of procedures and documents.

## IV. Conclusion

This paper has discussed the challenges that Africa faces in the area of trade and how the scope of the Aid-for-Trade is likely to address these challenges. Operationalising of the AFT initiative should come up with national and regional mechanisms that would effectively address these trade-related challenges as highlighted in the paper in looking ahead. The paper has also shown that there is consensus on the importance of AFT operationalisation in Africa, judging by the outcomes of the African Regional Review meeting on the initiative. The paper also suggests some of the issues that will have to be addressed as the international community and the African countries look ahead to the mobilisation of AFT resources for Africa. Finally, the paper has shown that the APoA could play an important role in operationalising AFT given that the two initiatives have similar goals and that the APoA has already identified specific actions for improving transit transport systems in landlocked and transit developing countries.

# Annex I: Recommendations of the Task Force on Aid for Trade <sup>5</sup>

## Mandate

The Hong Kong Ministerial Declaration invited the WTO Director-General to create a Task Force to provide recommendations “on how to operationalize Aid for Trade” and “on how Aid for Trade might contribute most effectively to the development dimension of the DDA”. It states that “Aid for Trade should aim to help developing countries, particularly LDCs, to build the supply-side capacity and trade-related infrastructure that they need to assist them to implement and benefit from WTO Agreements and more broadly to expand their trade. Aid for Trade cannot be a substitute for the development benefits that will result from a successful conclusion to the DDA, particularly on market access.”

## Rationale

Aid for Trade is about assisting developing countries to increase exports of goods and services, to integrate into the multilateral trading system, and to benefit from liberalized trade and increased market access. Effective Aid for Trade will enhance growth prospects and reduce poverty in developing countries, as well as complement multilateral trade reforms and distribute the global benefits more equitably across and within developing countries.

## Financing

Additional, predictable, sustainable and effective financing is fundamental for fulfilling the Aid-for-Trade mandate. The effectiveness of the following recommendations for operationalizing Aid for Trade requires substantial additional targeted resources for trade-related programmes and projects as pledged at the WTO’s Hong Kong Ministerial Conference, and against the background of the broader international commitment at the UN’s Monterrey Conference and the G8 Summits in Gleneagles and St. Petersburg to significantly scale up development assistance by 2010. The Task Force urges the Director-General to seek confirmation from donors and agencies that funds are readily available for the implementation of the Aid-for-Trade initiative as part of his mandate to consult on “appropriate mechanisms to secure additional financial resources for Aid for Trade”.<sup>6</sup> In order to measure additionality and the adequacy

<sup>5</sup> WTO/AFT/1 27 July 2006.

<sup>6</sup> **In Hong Kong, Japan announced development assistance spending on trade, production and distribution infrastructure of \$10 billion over three years, the US announced Aid-for-Trade grants of \$2.7 billion a year by 2010, and the EU and its member States announced trade-related development assistance spending of €2 billion per year by 2010.**

of funding available to meet the Aid-for-Trade needs of developing countries, including those associated with a successful completion of the DDA, an account of what is being done today needs to be established as part of that process. The Task Force urges donors and agencies to provide the necessary information in order to make it possible for the Director-General to fulfil his mandate.

## Scope

The scope of Aid for Trade should be defined in a way that is both broad enough to reflect the diverse trade needs identified by countries, and clear enough to establish a border between Aid for Trade and other development assistance of which it is a part. Projects and programmes should be considered as Aid for Trade if these activities have been identified as trade-related development priorities in the recipient country's national development strategies. In this regard, it should be pointed out that while the PRSPs<sup>7</sup> reflect national development priorities for some countries, other development strategies are equally important and will need Aid-for-Trade financing. At the same time, clear and agreed benchmarks are necessary for reliable global monitoring of Aid-for-Trade efforts to assure accurate accounting and to assess additionality. The following categories, building upon the definitions used in the Joint WTO/OECD Database, have been identified:

- (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

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<sup>7</sup> Poverty Reduction Strategy Papers (PRSPs) describe the macroeconomic, structural and social policies and programmes that a low income country will pursue over several years to promote broad-based growth and reduce poverty, as well as external financing needs and the associated sources of financing. They are country-led, country-written documents prepared by governments through a participatory process involving domestic stakeholders and external development partners, including the World Bank and the IMF.

Reporting on categories (a) and (b) should follow the definitions in the Joint WTO/OECD Database. The activities that fall outside of the current Joint WTO/OECD Trade Capacity Building Database definition, i.e. category (c), (d) (e) and (f) should be reported as Aid for Trade when these activities have been explicitly identified as trade-related priorities in the recipient country's national development strategies, such as the PRSP.

## **Challenges/Gaps**

Since the start of the DDA in 2001, donors have stepped up their commitments on trade-related assistance. More developing countries are also integrating trade into their development strategies. But major challenges remain. These can include:

- Low attention to trade as a tool of development in recipient countries and in donor agencies.
- Insufficient trade mainstreaming in national development strategies and PRSPs.
- Lack of private-sector involvement in identifying trade needs.
- Limited absorptive capacity in recipient countries.
- Inadequate linking mechanisms and lack of predictability in donor response to trade priorities identified at the national and regional levels.
- Lack of coordination and coherence in donors' trade-related response.
- Slow, duplicative and bureaucratic processes in the assessment and delivery of trade assistance, including burdensome parallel structures within recipient countries.
- Lack of data on, and analysis of, trade policies and their impact on development, lack of easily-available information on existing Aid-for-Trade instruments.
- Ineffective monitoring of trade-related country policies and donor activities; absence of rigorous, independent project and programme evaluation and impact assessment.
- Limited support for regional, sub-regional and cross-border trade-related programmes and projects.
- Inadequate support to address the adjustment costs of trade liberalization.
- Insufficient resources for infrastructure and productive capacity building.
- Uneven country coverage.

## **Operationalizing Aid for Trade**

### **F.1 Objectives**

- To enable developing countries, particularly LDCs, to use trade more effectively to promote growth, development and poverty reduction and to achieve their development objectives, including the Millennium Development Goals (MDGs).
- To help developing countries, particularly LDCs, to build supply-side capacity and trade-related infrastructure in order to facilitate their access to markets and to export more.
- To help facilitate, implement, and adjust to trade reform and liberalization.

- To assist regional integration.
- To assist smooth integration into the world trading system
- To assist in implementation of trade agreements.

## **F.2 Guiding principles**

Aid for Trade should be guided by the Paris Declaration on Aid Effectiveness, applicable to all parties involved (donors, agencies and beneficiaries), including key principles such as country ownership, mutual accountability, aligning aid to national development strategies, effective donor coordination, harmonization of donor procedures, use of programme-based aid modalities, managing for result, transparency, and predictable and multi-year commitments, which should be built into all programming. Aid for Trade should be rendered in a coherent manner taking full account, inter alia, of the gender perspective and of the overall goal of sustainable development. Administrative costs associated with the delivery of Aid for Trade should be minimized to ensure that the resources go to the actual implementation of identified priority projects and programmes. The competence and skills of the human resources available at national and regional levels should be used in an optimal way.

## **F.3 Strengthening the “demand side”**

A commitment to country ownership and country-driven approaches – as well as a commitment of governments to fully mainstream trade into their development strategies – is key to the effectiveness of Aid for Trade. In some countries, the processes for mainstreaming trade into national development strategies, for formulating trade strategies, and for proposing priority trade projects for donor financing, need to be strengthened through technical assistance and capacity building to help developing countries put in place effective and sustainable trade policy frameworks and processes. Where consultative mechanisms already exist, they can be used – or improved upon. Value-chain analysis could be one valuable tool to identify trade needs.

The Enhanced Integrated Framework (IF) for LDCs. The purpose of the IF is to strengthen the LDCs’ trade capacity, including the ability to identify their trade needs and to propose priorities to be supported by development partners. The recommendations on an enhanced IF, as agreed by the Integrated Framework Steering Committee (IFSC), will be an essential foundation for strengthening the demand-side of Aid for Trade in LDCs.

Non-LDCs. Many other developing countries also need support to mainstream trade into national strategies, to establish broad-based consultation processes involving the private sector, civil society organizations and relevant government agencies to formulate trade strategies, to develop action matrices, and to formulate priority project proposals.

Regional needs. Some of the constraints facing developing countries are regional, sub-regional or cross-border in nature. These needs should be identified and properly addressed. Regional organizations, including regional banks, regional integration organizations and regional economic communities, may play a role in assisting countries to identify such needs.

### **Recommendations:**

- Implement the recommendations for an enhanced Integrated Framework.
- Establish effective national coordination, involving all relevant stakeholders, including the private sector, with a view to identifying the strengths and weaknesses of economies as a whole, and the particular challenges facing the trade sector.
- Explore the necessity of establishing a similar, but separately funded, in-country-process for non-LDCs “International Development Assistance (IDA)-only” countries, if such mechanisms do not already exist or can be improved upon.
- Urge agencies, donors and governments in other developing countries to work together to establish similar processes if they do not already exist. These processes should be modelled to the specific circumstances and needs of the country concerned, building on what already exists where possible and appropriate.
- Urge donors and agencies, together with regional banks and organizations, to step up their efforts to identify regional, sub-regional and cross-border needs, including those related to regional integration.
- Establish a system of data collection and analysis at country level.

### **F.4 Strengthening donor “response”**

Donor policies. Donors should give more attention to trade issues in their aid programming and strengthen their trade expertise both in the field and at headquarters. There is a need for improved coordination of staff working across sectors and for greater trade mainstreaming in aid agencies’ programmes.

Donor coordination. Greater donor and agency coordination and harmonization of procedures – at both the local and global level – is critical. Trade-related programmes and projects should be more coherent, both in terms of operations and policy.

Donor response. In allocating resources for Aid for Trade, donors and agencies should be guided by priority projects and programmes identified by developing countries, as well as by their potential merit in relation to the objectives for Aid for Trade. These priorities should be mirrored by donor and agency support. Each agency would need to determine how to deploy or reorient its financial and technical assistance to support either capacity building or accompanying measures related to trade liberalization.

## **Recommendations:**

Donors and agencies should:

- integrate trade and growth issues more effectively in their aid programming;
- further strengthen their trade expertise both in the field and in capitals;
- use needs assessment processes (where available), and their results, as a basis for their programming;
- move towards a programme/sector/budget approach, if country owned, if mainstreamed in national development strategies and if a robust system of financial accountability is in place;
- make targeted funds available for building infrastructure and removing supply-side constraints – over and above capacity building and technical assistance – perhaps as co-financing with multilateral development banks; and
- consider channelling Aid-for-Trade Funds multilaterally, when appropriate.

### **F.5 Strengthening the bridge between “demand” and “response”**

#### **F.5.1 Country level**

**Matching.** Strengthened in-country structures, with improved links to donor financing, are needed to help move from trade-related diagnostics to implementation, and to maximize access to multilateral and bilateral resources. The task of matching demand for Aid-for-Trade projects with response could be addressed by strengthening national coordination through a “National Aid-for-Trade Committee”, which would include recipient countries, donors, and other relevant stakeholders, such as the private sector, under the leadership of relevant ministries. This committee should complement – not replace – existing PRSPs and other coordination mechanisms. If needed, this process could be supported by agencies that could serve as a clearing house.

**Mainstreaming trade.** Effectiveness in implementing Aid for Trade will depend on many actors working together in a coherent way. It will involve, for example, the World Bank, the IMF, regional development banks, UN agencies and donors at the national as well as the international level, and trade, agriculture, development and finance ministries at the national level. It is the responsibility of donors, agencies and recipients to do their part in reforming how those entities integrate trade into development and national strategies.

**South-South cooperation.** Technical cooperation among developing countries is a valuable tool to deliver effective results because of their common experience and understanding of the challenges they face. The valuable technical expertise of the South could be used to implement projects through triangular schemes of cooperation.

Private sector. As actors in the field, private enterprises are well placed to identify trade-related problems and bottlenecks. An increased dialogue between the public sector and private entrepreneurs would improve effectiveness in assessing Aid-for-Trade needs, in diagnostics, and in implementation, as well as in evaluating effectiveness in implementation.

### **Recommendations:**

- Recipient countries should mainstream trade into national strategies, such as PRSPs, formulate trade strategies, and propose priority trade projects for donor financing.
- The division of responsibility for funding and implementing Aid-for-Trade projects and programmes should be addressed through country-based processes such as PRSPs or Consultative Groups, if necessary complemented with a partner conference focusing specifically on trade-related support, convened once countries have integrated trade into their national strategies.
- A National Aid-for-Trade Committee could be established, where necessary, to ensure trade mainstreaming in national development strategies, determine country needs, set priorities, assist in matching “demand” and “response”, and help in evaluation. Tasks could include identifying co-financing or leveraging funds from other larger funds, as well as assessing adjustment needs and brokering financing for such programmes. Recipient countries could request agencies to perform a coordinating role.
- Partners should commit to contributing to the implementation of trade strategies and identified priority projects and programmes. The resulting plan should incorporate a results-based management framework resting on – and reinforcing – mutual accountability. Indicators of progress should be agreed.
- Promote the involvement of local, regional and private-sector actors, as well as South-South cooperation through triangular schemes.

#### F.5.2 Regional level

Many countries require cross-border infrastructure and regional policy cooperation to trade more effectively. The ability to identify cross-border and regional needs should be strengthened at the country, regional and multilateral level. Once needs have been identified, donors and agencies must improve their ability to respond. In particular, assistance in formulating and financing accompanying measures could help to make regional integration an effective building block for the multilateral trading system. At the forthcoming September Development Committee Meeting, strengthening support for regional, sub-regional and cross-border needs will be discussed.

## Recommendations:

- Strengthen the following functions in relation to regional, sub-regional and cross-border issues:
  - diagnosis of needs;
  - costing of projects;
  - preparation of project proposals; and
  - the coordination of donor response, including brokering and co-financing of needs that at present are difficult to finance through country-based processes, (e.g., cross-border infrastructure and policy-integration projects).
- Assign responsibility for these functions. In doing so, priority should be given to improving and strengthening existing mechanisms, including those at the multilateral and regional level, before considering a new mechanism. In exploring the most efficient solution, the conclusions from the discussions at the forthcoming Development Committee should be taken into account. Any solution should involve all relevant stakeholders and give priority to existing regional integration programmes that lack funding.
- Explore the merits of establishing a Regional Aid-for-Trade Committee, comprising sub-regional and regional organizations and financial institutions, to oversee the implementation of the sub-regional and regional dimensions of Aid for Trade, to report on needs, responses and impacts, and to oversee monitoring and evaluation.

### F.5.3 Global level

A number of tasks in relation to Aid for Trade are best performed at the global level. These include:

**Data collection.** Lack of empirical data has made it difficult to examine the relationship between policies related to trade and development performance. Better data and statistics are a precondition for better understanding the process of globalization and its impact, and for determining priorities for development cooperation.

**Knowledge creation and sharing.** Dissemination of Aid-for-Trade evaluation results, development of best practices and guidelines, and facilitation of information sharing, involving all relevant actors, needs to be improved at the global level, in order to assure efficient use of Aid-for-Trade funds.

**Channelling donor funding.** Some donors might wish to direct Aid-for Trade funds through multilateral channels, which would allow them to support Aid for Trade without having to build their own institutional capacity in this area and without getting involved at country level. This could include providing support for processes similar to the IF for non-LDC IDA-only countries.

Matching. While a clearing-house function should in most cases be performed at the country and the regional level, sessions dedicated to specific themes and groups of countries could be periodically organized to provide a platform for donors and developing countries to discuss specific gaps which may occur in the implementation of Aid for Trade. One important function could be to connect outstanding Trade-Related Assistance (TRA) needs to donors willing to contribute to their fulfilment.

### **Recommendations:**

- Strengthen the following functions in relation to global issues:
  - the collection and analysis of data on trade policies and their impact, the facilitation of knowledge sharing, and the development of guidelines. Funding for such activities needs to be secured;
  - provision of information on existing Aid-for-Trade instruments and expertise; and
  - matching and brokering unfunded TRA-needs and available donor funding for such projects and programmes.
- Assign responsibility for these functions. In doing so, priority should be given to improving and strengthening existing mechanisms before considering the establishment of a new clearing house at the global level.

### **F.6 Strengthening monitoring and evaluation**

Monitoring and evaluating progress is essential in building confidence that increased Aid for Trade will be delivered and effectively used. It will also provide strong incentives to both donors and recipients to advance the Aid-for-Trade agenda. It is important to emphasize the need for concrete and visible results on the ground. All the providers of Aid for Trade and the recipient countries have the responsibility to report on progress and results.

Monitoring. In recipient countries, monitoring should cover trade mainstreaming in national strategies, such as PRSPs, the identification of priority needs, donor responses, progress in implementing trade-related projects and programmes as well as the impact of these efforts. Donors who have made commitments to Aid for Trade should report on the content of such commitments as well as on how they plan to meet the targets for Aid for Trade that they have announced.

Evaluation. Rigorous Aid-for-Trade programme evaluation is particularly important because projected significant increases in Aid for Trade may stretch the delivery capacity of donors and the absorptive capacity of recipients. In-depth country-impact evaluations of Aid-for-Trade programmes should be undertaken to build knowledge and facilitate a results-based approach to delivery. Evaluation of in-

country processes should focus, inter alia, on progress in mainstreaming trade in national development plans. Evaluations should adopt a results-based approach in order to ensure effectiveness of Aid-for-Trade programmes in relation to the objectives.

### **Recommendations:**

- A global periodic review of Aid for Trade should be convened by a monitoring body in the WTO, based on reports from several different sources, to be published if feasible on the WTO web page:
  - from the country level;
  - from donors;
  - from the regional level;
  - from relevant multilateral agencies; and
  - from the private sector.
- Mechanisms to facilitate reporting to the global monitoring body should be enhanced, including the possibility of a notification process for WTO Members.
- The global periodic reviews should be followed by an annual debate on Aid for Trade convened in the WTO General Council to give political guidance on Aid for Trade.
- Recipient countries should report on the trade mainstreaming in national development strategies, such as the PRSPs, the formulation of trade strategies, Aid-for-Trade needs, donor responses, and implementation and impact. The primary responsibility for reporting to the global monitoring body would lie with the National Aid-for-Trade Committee.
- Donors should report on funds dedicated for Aid for Trade, how they intend to meet their announced Aid-for-Trade targets, the Aid-for-Trade categories covered, and their progress in mainstreaming trade into their aid programming.
- Multilateral and regional actors should be encouraged to report regularly on their Aid-for-Trade activities, progress and impact. When appropriate these actors – including the OECD/DAC – should be asked to assist in providing input and in the organization of the periodic Aid-for-Trade review in the WTO.
- The private-sector should be provided an opportunity to report on their Aid for Trade contributions.
- An assessment of Aid for Trade – either as a donor or as a recipient – should be included in the WTO Trade Policy Reviews.
- Evaluation of country-needs identification, trade mainstreaming in national strategies and PRSPs, donor response and impact on the ground in relation to stated objectives, should be promoted and funded.
- The scope of the Joint WTO/OECD Database should be reviewed in light of the Task Force's definition of Aid for Trade. It should also be updated based on more accurate identification of needs (and the responses) by both providers and recipients of Aid for Trade.

## **How Aid for Trade can contribute to the Development Dimension of the DOHA-Round**

Aid for Trade is important in its own right. It should assist developing countries to benefit from increased trade opportunities multilaterally (both from previous rounds and from the anticipated results of the DDA), regionally, bilaterally and unilaterally. The Task Force therefore recommends that Aid for Trade must be operationalized as soon as possible. At the same time, the Task Force affirms that Aid for Trade is a complement, not a substitute, for a successful Doha Round. Increasing trade opportunities for developing countries, in particular the least-developed among them, remains the most important contribution that the WTO can make to development. A successful conclusion of the Round will increase the need for assistance to implement new agreements (e.g., Trade Facilitation), to ease adjustment costs, and to make use of new market access. Aid for Trade is a complement to the Doha Round, but it is not conditional upon its success.

### **Next Steps**

These recommendations are directed to many different actors. The Task Force suggests the following next steps:

- urges Members to expeditiously implement the recommendations of the Task Force.
- urges the Director-General to use these recommendations in pursuing his mandate to consult on “appropriate mechanisms to secure additional financial resources for Aid for Trade” so that the joint mandate in Paragraph 57 of the Hong Kong Declaration can be implemented in a holistic manner.
- invites the Director-General to communicate these recommendations to relevant agencies and organizations and to urge Ministers at the upcoming Development Committee Meeting in Singapore to give consideration to these recommendations and to encourage the Bank and the Fund to ensure adequate follow-up and to report on the results at the 2007 Annual meeting.
- invites the Director-General to continue, under his coherence mandate, a dialogue on how recommendations targeted at the agencies could be implemented, including where responsibility for implementation should lie.
- invites the Director-General to establish an ad hoc consultative group to take forward the practical follow-up of these recommendations.
- invites the Director-General to begin examining how to implement the recommendations regarding WTO monitoring of Aid for Trade.
- invites the Director-General to convene, at an appropriate time, an initial review of Aid for Trade, with the participation of all relevant stakeholders.
- suggests, after the completion of the DDA, that the Secretariat conduct an assessment of associated Aid-for-Trade needs in developing countries, particularly those most affected, including LDCs, and of how Aid for Trade can contribute to the development dimension of the DDA.