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Geneva, 1 July, 2015 (ECA) - In one of the side events organized in the framework of the 5th Global Review of Aid for Trade, Mr. Stephen Karingi, Director of ECA's Regional Integration and Trade Division, was invited to speak as a panelist at a stakeholder consultation on "The Future of the European Union Aid for Trade strategy".

Mr Karingi started his intervention by recalling some of the key findings of a joint ECA-WTO report titled "Reducing Trade Costs to support Africa's Transformation – the Role of Aid for Trade", which contained a detailed monitoring of Aid for Trade flows to Africa. He recalled that it is encouraging to see the increase in Aid for Trade funds to Africa, as well as the focus on countries with special needs (namely Least Developed Countries, Landlocked countries and Small Island Developing States). However, he pointed out that one source of concern from Africa's point of view is that recent growth has not translated meaningfully into structural change and industrialization. Aid for Trade strategies should ideally contribute to redressing this situation; yet, over the 2011-2013 period, industry only accounted for 6 percent of Aid for Trade disbursements to Africa.

A related point emphasized by Mr. Karingi was that African countries show relatively high participation in global value chains, but this is driven mainly by exports of raw materials and intermediate goods embodying limited domestic transformation. Accordingly – he argued – one way in which Aid for Trade could have greater impact is to support the emergence of regional value chains, harnessing the regional market to foster economic diversification and domestic value addition. In this context, the establishment of the Continental Free Trade Area and the implementation of the African Union Action Plan for Boosting intra-African Trade warrant the adequate support as key avenues to achieve authentic regional integration in the continent.

Mr Karingi also pointed out the critical role played by the services sector in terms of employment creation and contribution to value addition along the value chain. In line with this consideration, he contended that Aid for Trade should target in a more pronounced way those high-end services which promise to exert positive spillovers on the rest of the economy; that is the case of business and financial services, logistics and distribution, as well as infrastructure-related services such as transport and energy provision.

Touching upon the specific theme of this Fifth Global review – trade facilitation – Mr. Karingi warned against the risk of limiting the trade facilitation agenda to those specific measures that respond to the interests of large traders and transnational corporations. He instead argued that Aid for Trade support to Africa should also focus specifically on the needs of small and medium enterprises, as well as informal traders. Moreover, it should support efforts to streamline procedure while enhancing the effectiveness of custom controls, with a view to strengthen domestic resource mobilization and curb illicit financial flows through trade mispricing.

Echoing some of the concerns raised also in the African region, other panelists noted that there is scope for reducing the volatility and unpredictability of Aid for Trade support, and improving the degree of alignment with recipient countries' development strategies. They also mentioned the need to facilitate access to Aid for Trade funds by harmonizing procedures and strengthening the coordination across donors, as well as enhancing the dissemination of information about funding opportunities.

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