

**ILEAP - Woodrow Wilson International Center for Scholars, (Program on Science, Technology, America, and the Global Economy) Seminar:**

**Aid for Trade and Development**

**Washington DC, April 15, 2008**

**Introduction**

An afternoon seminar was organized at the Woodrow Wilson Centre on 15<sup>th</sup> April 2008, at which a range of stakeholders from the academic, public and private sectors attended. A list of participants is attached as Annex 1. The seminar aimed to inform the Washington-based audience on recent developments on aid for trade and had a two-fold objective; namely a review of developing country/region experiences with the preparation of their AFT plans; and an exchange of views on donors' and multinational organizations' respective strategies, in particular with respect to implementation mechanisms for non-LDCs and regional programmes. The seminar theme centered on the intersection between the initiatives on Aid for Trade and progress on economic development. The seminar was also an opportunity to introduce participants to ILEAP's latest publication: *Aid for Trade and Development*.

**Main Sessions**

**John Sewell** from the Woodrow Wilson Center did a round of introductions of the speakers, and kicked off the main sessions. **Kent Hughes**, Director, Program on Science, Technology, America, and the Global Economy, Woodrow Wilson Center provided the preliminary and welcoming remarks, situating the seminar in the broad objective of the science and technology program and the long standing involvement of the Woodrow Wilson Center on international development issues.

**Dominique Njinkeu**, Executive Director of ILEAP after introducing the salient points in the book *Aid for Trade and Development*, provided a synopsis of views on aid for trade from Africa, Caribbean and the Pacific as presented by various stakeholders at a recent meeting on implementing Aid for Trade.<sup>1</sup> There is consensus that most trade capacity building programs have not been successful in the ACP countries. The hope from developing countries is that they now have an opportunity to shape and design projects which are relevant to them, in order that they will benefit from AFT programmes directly. Various issues, including private sector development, cross border infrastructure issues and cross border aid for trade are constant themes highlighted in the debate. It would therefore be useful if the AFT debate is seen as part of the overall aid discourse, which must bring trade and aid specialists together.

Although the WTO Taskforce on AFT has conceptualized the elements of AFT, it still needs to resolve issues of implementation of the AFT, thus ensuring that AFT is geared towards poverty reduction and trade enhancement in developing countries. However,

---

<sup>1</sup> Held at University of Oxford on 11 April 2008.

questions still abound on how the implementation will be effected to help developing countries alleviate poverty. Commitment is necessary from both donors and the beneficiaries. The donors need to make a firm commitment that the flow of AFT money will be constant; while the beneficiary countries will need to commit to designing projects that are bankable. Some of these beneficiaries, especially the LDCs, will require some form of technical assistance and capacity building to enable them to design bankable projects. The appropriate modalities for delivering AFT to meet beneficiary needs would require a flexible approach to develop responses based on the precise situation, which could either be project-based or delivered via budgetary support.

There are recurring issues which appear to be common to all regions. These include trade facilitation, infrastructure development and overcoming supply side constraints. There is also urgent need to create institutional and technical capacity and increase the competitiveness of various regions. Urgent attention therefore needs to be given in most regions to building a consensus on an overall outward oriented approach to regional integration, institution building and ultimately, developing an AFT strategy. Preference erosion is also a constant source of concern. Further, the implementation of various trade agreements, including the current EPAs, comes with a substantial implementation cost to developing countries; and concerns over the impact of the EPAs are high. Successful implementation of AFT would need to take into account all these issues. In this respect, AFT should be viewed as part of an overall growth and poverty reduction agenda.

Some regions continue to experience difficulty in identifying aid for trade projects; nevertheless countries need to own any aid for trade projects that will be implemented in their region. On the whole, AFT projects should be defined on a case by case basis as various countries and regions are at different places economically, although they may experience similar problems.

Donors will need to make clear how AFT resources will be provided to a region. Attention needs to be given to some beneficiaries who may fall outside donors' priority lists and end up as 'aid orphans'. It might be useful not to rely on the distinction between LDCs and non-LDCs in the AFT discourse. Although this is a very political and polarized issue, it might be useful to look at Africa for example, as a "Development Zone" for purposes of the AFT. On a similar note, beneficiary countries should be looked at as customers or clients as opposed to merely donor recipients.

Several concerns were raised on the design of AFT. First question is how AFT fits into the WTO system to ensure that AFT can be implemented without undermining the WTO, which, it is recognized, is not a development agency; hence the need to clarify the role of development banks in AFT implementation. Second, participants noted the fact that some donors could be designing their AFT strategies independently from the AFT Task Force recommendations. Thirdly, it is crucial for the private sector and government ministries to consult widely in identifying and designing projects. Fourth, monitoring and impact assessment should be an essential part of any AFT programme, and attention will need to be given to this both nationally and regionally. Fifth, the link between AFT and the ongoing Doha Round or EPA negotiations needs to be clarified. Sixth concern was

the level of awareness of donor field offices on AFT; this is partly due to lack of centrally defined aid for trade strategies by the various donors. It was therefore stressed that donors should enhance the capacity in their missions situated in the recipient countries, and the necessary guidance given to field officers in donor agency local offices. Finally, the status of donor pledges prior to the Task Force recommendations will need to be clarified in order to determine how much funds are expected to ensure additional and predictable flow of resources to AFT.

**Carolyn Roberts (from IDB)** gave a presentation of the role that regional banks are playing in the AFT. Trade has been a strategic area of work for the IDB and the organization has aligned its institutional structure, technical expertise and financial and non-financial instruments with client needs in the area of trade. Its work has shown that there is an overwhelming need for trade related assistance in Latin America and Caribbean countries. The IDB has been able to identify specific needs and gaps, which can be filled by AFT, through a high-level regional review in Peru.

The following issues emerged from the review: the cost of trade in Latin America is high because of inefficient regulatory structures, institutional weaknesses and poor infrastructure which reduce the region's competitiveness. In the Peru meeting there was consensus on the need for more and effective financing; the need to promote public-private partnerships; the need to act regionally, including getting regional financing mechanisms; and a focus on regional priorities. Given these gaps and priorities, the IDB is now finalizing a Plan of Action to contribute to the implementation of the 2008 AFT Roadmap with a focus on country, regional and sectoral priorities.

The following activities are envisaged for 2008:

- Selected national and sub-regional AFT reviews in Latin America and the Caribbean. These will be focused, technical and results-oriented to assist countries to advance the implementation of concrete national, sub-regional and regional strategies, and include:
  - A regional meeting in the Caribbean
  - A sub-regional review in Central America with a sectoral focus on trade facilitation and technical standards
  - Two national reviews in countries which either already have an AFT plan or have identified needs with a view to finalizing an AFT plan.
- The establishment of an Aid for Trade LAC support network, in collaboration with the WTO, to assist countries and sub-regions to map out priorities and develop action plans that would be the focus of national or sub-regional reviews.

**Michael Finger (Lead Economist for Trade Policy, Resident Scholar American Enterprise Institute)** identified trade facilitation as the main concern for the majority of developing countries. In addressing this issue, some countries have created joint ownership of AFT projects by involving the private sector. This allows them to get much needed extra financing, from national sources or from donors and commercial entities. In

this respect, it would be useful to monitor countries in various regions and within various regional trade agreements so as to understand the impetus for these reforms. As a way of promoting further trade facilitation reforms, it might be important to establish a central agency through which AFT money is distributed once countries and regions have identified national priorities. It is important to acknowledge that many positive developments have taken place, and national, donor and private sector money has been used to address trade facilitation in the ACP countries. In his view, AFT should be driven by a perspective of mutual benefit.

Speaking from a donor perspective, **Ann Tutwiler (from William & Flora Hewlett Foundation)** started by noting that supply side constraints faced by developing countries need to be addressed to help these countries benefit from international trade. Donors have been focusing on improving market access for agricultural products by assisting farmers to meet international standards and increase their access to market information. Further, there have been programs aimed at improving and creating access to regional markets for farm inputs. Finally, infrastructure improvement in developing countries has been on the top of the priority list of most donors, and this dovetails well with one of the AFT categories.

In promoting market access and trade facilitation, the AfDB has pushed for development quotas that are used to pay for the infrastructure development. These quotas are regional, and are heavily dependant on public-private partnerships. They connect farmers to markets. In Africa, this quota system has enabled donors to concretely focus on specific geographical areas, thus bringing development benefits to communities within these geographical areas. Despite these efforts, most donors continue to struggle to make AFT operational.

**Bernard Hoekman (World Bank)** reiterated that the priorities of the beneficiary countries should guide the design and implementation of AFT programmes. The World Bank and the IFC have increased the amount of trade related and capacity building project funding over the years. Most of these activities are geared towards increasing the competitiveness of developing countries in agriculture. Trade facilitation and infrastructure financing also continue to be a key area of focus for the World Bank. Currently, the World Bank has an ongoing project on regional policies, providing advice on regional cooperation and trade agreements, e.g. on transport corridors. Research is also ongoing on the links between trade, poverty and development. The World Bank continues to work with various partners including ILEAP, OECD and regional development banks to improve trade, reduce poverty and enhance development in developing countries.

## **Conclusion**

The meeting's objectives were broadly met, resulting in increased understanding about the strategies and plans of both developing country beneficiaries and donors with respect to AFT implementation. Consensus was reached on four points moving forward.

### *1. Needs Identification, Monitoring, Evaluation and Impact Assessment*

The OECD has taken the lead at the global level, with complimentary work needed to develop a basket of indicators that would enable an assessment of impact. Similarly, the operationalization and implementation of AFT now requires the preparation and refinement of national and sub-regional AFT strategies. The development of monitoring, evaluation and impact assessment framework shall be an integral part of these strategies.

### *2. Country Ownership*

To help ensure ownership, broad-based stakeholder consultations, with adequate involvement of the private sector and other non-state actors, should be organized to validate the needs and set priorities. Such a process should build on those initiated in the lead-up to the 2007 Regional AFT. A great deal of effort at the international and domestic level is still required to properly empower beneficiary countries and regions to actively and directly participate and guide this work.

An important complimentary process is research and analytical work. Projects such as the UK-DFID's on global trade architecture could assist in identifying priorities of joint policy action (international cooperation) to support the process of globalization by enhancing its inclusiveness and sustainability. In particular such a research should focus on operationalizing trade and sustainable development, taking better account of the distributional and equity effects of globalization and looking towards the use of appropriate instruments to facilitate adjustment.

### *3. Institutional Framework*

In terms of moving towards AFT implementation, for the LDCs the framework to consider shall be the Enhanced Integrated Framework (EIF). There is still a vacuum with respect to concerns of non-LDCs as well as cross-country and regional needs; hence the need for urgent attention to the development of an EIF-equivalent process for non-LDCs and for tackling regional aid for trade issues.

### *4. Donor response*

The success of the AFT will depend on availability of adequate level and predictability of resources in a sufficient timeframe to address the lingering trade and development challenges of beneficiaries. Donors should therefore urgently clarify their funding commitments. The capacity of field officials of donor agencies needs to be built to enable them to take concrete and coordinated steps on AFT.