



Economic Commission for Africa

**Expert Group Meeting and Workshop on Aid for Trade
and Africa's Trading Capacity: Supply, Demand and
Performance**

Concept Note

**31 May – 2 June 2010
Addis Ababa – Ethiopia**

I. CONTEXT

Relevant Background

Contemporary economic history shows that trade is one of the engines of sustained economic growth and development. It is broadly agreed that today's developed and newly industrialised economies have reached where they are through among other things, the optimal use of trade. African countries have not been able to replicate the same kind of gains from trade. Due to now well known internal and external trade challenges, African countries have been unable to reap maximum benefits from trade. Weak diversification and poor competitiveness as a result of high trading costs has limited Africa's capacity to reap maximum gains from trade. In order for the African countries integration to the multilateral trading system to be enhanced, they must continue seeking new ways to diversify their economies. They need also to continue with efforts that aim to derive competitive advantages from reduced unit costs of landing quality products to markets.

It is noteworthy that regional integration has been acting as a platform, albeit in a sub-optimal way, through which Africa has tried to tackle the challenges of low diversification and weak competitiveness. Regional markets have been opened to complement the market access available to African countries internationally. However, openness both at the regional and international levels has not been sufficient. African countries still lack competitive and diversified production base, necessary infrastructure, and legally-sound institutional frameworks.

The Aid for Trade initiative was launched in 2005 to help developing countries address the challenges such as those faced by the African countries. Analysis of Aid for Trade flows by UNECA, based on OECD statistics, indicate that Africa is receiving a substantial share. Specifically, the analysis has shown that Aid for Trade commitments to Africa have been increasing year on year since 2002 by an average growth rate of 17 per cent in nominal terms. The commitments had risen to US\$6.2 billion in 2007, which is 21 per cent above the average for the 2002-2005 base-period. The commitments rose even further to reach US\$8.3 billion, equivalent to a 62 per cent nominal growth above the base period. The flows to Africa are in line with the global performance. Between 2005 and 2007, global Aid for Trade flows had grown by more than 20 per cent in real terms.

During the Second Global Review of the Aid for Trade, there was evidence that partner countries (including those from Africa) are increasingly prioritizing trade in their development strategies. At the same time, donors had responded with additional aid to help them deal with the supply-side constraints. This is consistent with the growth in the Aid for Trade flows. On the crucial question of turning commitments into realities, the OECD reported that disbursement rates for Aid for Trade

resources are around 90 per cent. Increased mainstreaming of trade in the national and regional development strategies is also evident since the start of the initiative. This has allowed African countries and RECs to prioritise the areas where the AfT funding is most needed, hence the high proportions of AfT going to economic infrastructure (60 per cent of the Aid for Trade resources in Africa) and building productive capacity (36 per cent of total flows). More certainly remains to be done to ensure that this relationship between mainstreaming, prioritisation and delivered Aid for Trade continues.

Another positive aspect that emerged from the Global Review is that funding for regional programmes had more than doubled since the launching of the initiative in 2005. Institutions such as the African Development Bank¹ and the World Bank have developed financing instruments for regional programmes, dispelling the (mis)perception that aid allocation to regional programmes is not possible due to free-rider problems.

Other indications that the momentum for Aid for Trade to Africa is significant are the observations that resources flow to the region has increased at a faster rate than in other developing areas of Asia and Latin America. There has also been some additionality (i.e. no shifting of ODA resources) in Aid for Trade commitments, with Africa taking 60 per cent of the additional funds in 2007.

However, despite the success of the Aid for Trade in terms of demand and supply, more still needs to be done in order to sustain the current momentum. There is still a perception gap as in some countries the initiative is viewed as a concept rather than a reality, a point echoed by the UN Secretary General during the opening of the Second Global Review. This concern cannot be overlooked if the Aid for Trade is to contribute towards inclusive trade the way it is expected to. Countries targeted by the initiative and actors in sectors that make trade happen must be involved.

The real success of the Aid for Trade will happen when there are visible and possibly measurable impacts. Are the Aid for Trade projects and programmes having tangible results on the ground? Is there improved competitiveness as a result of reduced trade costs and improved business climate? Is the exports' portfolio diversified due to a broader production base? How are tackling supply-side constraints in Africa improving its trade performance, generating economic growth and employment, with the goal of reducing poverty? Given the regional dimension of the approach, and the significance of this principle in Africa, the success of the AfT will also be assessed on how well the region's integration processes (and RECs) harness the power of AfT to promote further and deeper integration,

¹ The AfDB has since the launch of the initiative increased its lending to regional programmes three-fold. The Bank has allocated more than 20 per cent of its current resources to regional programmes.

taking advantage of economies of scale and regional forms of finances among other things?

It is against this background that the ECA and its African Trade Policy Centre, in collaboration with the African Development Bank and World Trade Organisation is organizing this event. The meeting will assess existing and new knowledge on the impacts of the Aid for Trade as part of the monitoring and evaluation objective. The meeting will also provide a forum in which the perception gap on the Aid for Trade could be narrowed, by bringing together actors in the initiative.

ECA Current Work on Trade and International Negotiations

The ECA's current work in the area of trade and international negotiations falls under four main components: (1) Trade mainstreaming; (2) Trade negotiations; (3) Implementation of trade policies and international trade agreements; and (4) Aid for Trade.

1) Mainstreaming and integration of trade policies in national and regional development strategies to achieve faster growth for poverty reduction and sustainable development

Mainstreaming of trade in national and regional trade strategies is important if trade is to play its role as an engine of growth. But for mainstreaming to be successful, the appropriate trade policies and how they link to the various sectors in the national and global economy must be identified. As a result, ECA's work in the area of trade mainstreaming starts with a focus on the formulations of trade policies, which involves enhancing the analytical and institutional capacity of African countries and RECs for trade policy formulation.

2) Trade negotiations for effective integration into the global economy

The formulated trade policies at national and regional level need to be coherent with bilateral, regional and multilateral trade agreements for them to be implementable and effective. Consequently, the ECA focuses on improving the capacity of African countries through their Capitals, Representatives in Geneva and Brussels, and RECs to participate effectively in bilateral, regional and multilateral trade negotiations. The Economic Partnership Agreements, the Doha Round of the WTO negotiations, and the rationalisation and harmonisation of the RECs trade protocols is the current focus with respect to trade negotiations activities.

3) Implementation of trade policies and international trade agreements.

Integrating the commitments of African countries to make into their national and regional policy frameworks is an important step in realising the intended objectives of trade agreements. The ECA, therefore, helps the African countries meet their commitments by strengthening their institutional capacity for implementation of trade policies and

international trade agreements. This requires the unpacking of the trade agreements and helping African countries formulate their schedules that must be deposited with the relevant authorities for monitoring implementation of trade agreements commitments.

4) *Aid for Trade*

The ability of the trade policies and implementation of trade commitments to realise improved performance of the African countries from trade depends to a large extent on how the internal and external trade challenges are dealt with. The Aid for Trade implementation focuses on dealing with these challenges. The ECA supports countries and RECs in identifying the priority areas for Aid for Trade implementation. The ECA also builds the capacity of African countries and RECs to monitor the implementation of the Aid for Trade.

This workshop falls under Component 4.

II. OBJECTIVES OF THE WORKSHOP AND EXPECTED RESULTS

Overall objective

To examine how effectiveness of Aid for Trade should be assessed and how Aid for Trade can support regional integration processes in Africa.

Specific objective(s)

- (a) Examine selected studies employing different methodologies to assess the effectiveness of Aid for Trade.
- (b) Provide a forum for a dialogue between donors, African countries and RECs on how Aid for Trade can support regional integration processes in Africa.

Expected Results

- (a) Refinement of the methodologies for measuring the impact of Aid for Trade.
- (b) Enhanced support for clear and focused strategies for regional integration among national and regional partners, including RECs, bilateral donors, regional development banks and international financial institutions.

III. ASSUMPTIONS AND RISKS

This workshop assumes ownership of the Aid for Trade and commitment of all actors in the initiative to the Aid for Trade Work Programme for 2010-2011 and its six objectives.

The risk to the workshop is poor response from invited countries, RECs, bilateral partners, regional and international institutions and/or representation of the same by participants who are not familiar or are not well briefed on the Aid for Trade initiative so far.

IV. ORGANISATION AND METHODOLOGY

Organisation of the workshop

The Trade and International Negotiations Section will organize the workshop in collaboration with the African Trade Policy Centre, AfDB, and WTO. The ECA staff will prepare the technical and issues papers for the meeting. ECA collaborators will also make presentations. ECA partners including UNDP, World Bank and the OECD will also be invited to prepare papers for presentation at the meeting.

The workshop will be for three days. Day 1 and Day 2 will be devoted to the first objective examining how the effectiveness of the Aid for Trade could be assessed. Day 3 will be an open discussion forum bringing together the RECs, partner countries, and donors on how Aid for Trade can reinforce regional integration.

Participation

The meeting will be attended by capitals-based and RECs senior officials that are involved with the Aid for Trade initiative. Bilateral and multilateral development partners supporting the Aid for Trade initiative will also be expected to participate in the meeting. International and regional bodies active in Africa's development process will also be invited.

Workshop facilitation and expenses

The ECA will be responsible for making available all the meeting documents and the necessary resources for the delivery of the presentations. Workshops expenses, including coffee breaks, consumables, etc., will be met, as per the programme and budget.

Cost of participation

The ECA and ATPC will pay for **economy class round air tickets** and **applicable per diem rates** to sponsored participants.

Language

The working languages during the Workshop will be English and French.

V. REQUIRED EXPERTISE:

The experts to be sponsored to attend and participate in the workshop must have experience in identifying and tackling African challenges in

international trade and regional integration. The RECs participants should be familiar with development of bankable regional projects, mobilisation of resources and donor practices. The participants from donor partners should have experience in Africa's development challenges, and be conversant with Africa's regional integration processes.

VI. LOCATION, DATE AND DURATION OF THE MISSION

Starting date

The workshop will be held from 31 May to 2 June 2010.

Location

Addis Ababa, Ethiopia.

Milestones and Reports

- (a) A report of the workshop will be prepared and submitted before 31 July 2010.
- (b) A communiqué from the forum on how Aid for Trade could reinforce regional integration will be concluded by the third day of the meeting.
- (c) Reporting to the WTO's Committee on Trade and Development (CTD) on Aid for Trade.