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Regional Aid for Trade

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Related ILEAP papers

ILEAP (2005). “Aid for Trade: Why and How?” ILEAP Negotiating Advisory Brief No. 10. Prepared by Dominique Njinkeu and Hugo Cameron, ILEAP.

ILEAP and German Marshall Fund (2006). “Aid for Trade After the Hong Kong Ministerial – An Introductory Text”. ILEAP Background Brief No. 8. Prepared by Claire Healey, Dominique Njinkeu and Hugo Cameron.

ILEAP (2006) “The Financial Architecture of Aid for Trade”. ILEAP Background Brief No. 9. Prepared by Overseas Development Institute (ODI).

ILEAP (2006). “Aid for Trade: How We Got Here, Where We Might Go”. ILEAP Background Brief No. 10. Prepared by Michael J. Finger.

ILEAP (2006). “Operational Modalities for the Aid for Trade Initiative”. ILEAP Background Brief No. 11. Prepared by Ademola Oyejide.

ILEAP (2006). “Aid for Trade Facility: Lessons for the Tanzanian Experience on Trade Related Assistance”. ILEAP Background Brief No. 12. Prepared by Bede Lyimo and Edward Sungula.

ILEAP (2006). “An African Perspective on Aid for Trade. ILEAP Negotiating Advisory Brief No. 11. Prepared by a team of African experts led by Dominique Njinkeu.

ILEAP (2006). “Financing International Public Goods: A Framework to Address Aid for Trade”. ILEAP Negotiating Advisory Brief No.14. Prepared by Dirk Willem te Velde.

ILEAP (2006). “Scale and Types of Funds for Aid for Trade”. ILEAP Negotiating Advisory Brief No. 15. Prepared by Massimiliano Calì, ODI.

ILEAP (2006). “Aid for Trade: A New Issue in the WTO”. ILEAP Negotiating Advisory Brief No. 16. Prepared by Sheila Page, ODI.

These papers can be accessed on the ILEAP website, www.ileap-jeicp.org.

1 Summary

Aid for trade was brought into sharp focus in the current World Trade Organization (WTO) Doha Round trade negotiations, though not part of the single undertaking. Aid for trade is concerned with helping developing countries to trade or adjust to trade liberalisation. Several issues are not yet addressed adequately in the current discussions, such as additionality of aid for trade funds, the role of private sector, over-reliance on donor co-ordination at country level to safeguard effective aid for trade, and the lack of regional aid for trade (RAFT). While ideas on RAFT featured in post Hong-Kong Aid for Trade discussions, it is not apparent that these are currently being followed up as new mechanisms suggested by IMF/World Bank. seem to have been rejected; the DG's report of 14-15 December 2006 did not elaborate on the regional context of aid for trade.

There is a clear rationale for RAFT: (i) to support the provision of regional governance public goods; (ii) to provide regional knowledge public goods; and (iii) to overcome other market and co-ordination failures, and the provision and co-ordination of activities with strong regional externalities. Some regional aid for trade is also already occurring. Multilateral and regional (especially IADB) development banks, bilateral donors and the EC have provided regional aid for trade (i.e. aid for trade co-ordinated or implemented at a regional level). There are limitations to the ways donors can engage at a regional level in regional projects, e.g. projects of the World Bank and even the Regional Development Banks tend to be implemented nationally. The process by which regional aid for trade is determined seems less systematic than national aid for trade (in LDCs informed by a Diagnostic Trade Integration Study).

Three types of regional activities add value to national aid for trade programmes. (1) Support that helps a region to take a co-ordinating role on regional trade issues, particularly for integration efforts appropriate at the regional level; (2) support directed at knowledge sharing and learning within a region; and (3) support for activities with cross-border externalities, such as regional infrastructure projects. Regional Aid-for-Trade Committees could be set-up to monitor regional aid for trade in order to facilitate the monitoring of regional trade policy integration, the sharing of knowledge

and learning across the region, and needs assessments of cross-border aid for trade projects (e.g. a regional DTIS), the development of proposals for mechanisms to share costs and benefits of cross border projects across countries, and a review of the adequacy of existing mechanisms to finance RAFT.

In conclusion, we suggest

- it is important to provide regional aid for trade along-side national aid for trade.
- to establish regional aid for trade committees (taking into account WTO and EPA negotiations), and
- to give this committee the tasks to monitor regional aid for trade by
 - Supervising a regional DTIS to assess the costs and benefits of cross-border projects most in need of aid for trade at the regional level,
 - Collecting and analysing information on national aid for trade programmes for the benefit of learning and knowledge sharing,
 - Supporting regional analytical capacity and private sector representation
 - Reviewing the adequacy of existing mechanisms to finance regional aid for trade.
- to make RAFT a topic at a planned WTO General Council annual debate on aid for trade.
- to take practical steps towards appropriate regional aid for trade programmes. This would entail undertaking, in selected regional groupings, work aiming at effectively creating such regional aid for trade programmes.

1. Introduction

Aid for trade has emerged rapidly as an important topic for those interested in both aid and trade.¹ Aid for trade became firmly established as a concept when the World Trade Organization's (WTO) Sixth Ministerial Conference in Hong Kong in December 2005 led to the establishment of a Task Force on Aid for Trade. The Task Force reported to the WTO membership in July 2006, and the General Council endorsed its recommendations on 10 October, 2006.

The Aid for Trade Task Force suggested that the scope of aid for trade included support for trade policy and regulations, trade development, trade-related infrastructure, building productive capacity, trade-related adjustment, and other trade-related needs. However, despite the laudable results of the Task Force, little is known about the precise operationalisation of aid for trade.

The Director General of the WTO, Pascal Lamy, followed up on the Task Force recommendations in the "DG's report on Aid for Trade to General Council 14-15 December 2006"². He suggests that the operationalisation should predominantly be evident from monitoring activities, which should take place at three levels. First monitoring to assess global aid for trade flows using the OECD-DAC CRS database to increase transparency on pledges and disbursements, second monitoring the evaluation reports by development agencies, and finally, monitoring and evaluation of in-country aid for trade (successful cases)³.

There are several gaps and concerns not properly addressed in post-Hong Kong Aid for Trade discussions. First of all, it is by no means certain that current pledges will actually lead to additional aid for trade, not only because it is not clear how additionality is to be measured but also because the amounts announced differ and are re-announced several times. Secondly, aid for trade is ultimately to help the private sector to trade but there have been few inputs from the private sector. Thirdly, there seems to be a view that the Paris Declaration on Aid Effectiveness, a process which sets a group of donors against individual recipient countries in order to reduce transaction costs of aid delivery, would be sufficient to secure the effective aid for trade. Of course, national processes work less well for international challenges, where international delivery and co-ordination mechanisms seem more appropriate.

Regional Aid for Trade features in post Hong-Kong Aid for Trade discussions (World Bank, 2006; Task Force recommendations). For instance, the Task Force recommendations state (see appendix E): strengthen the functions in relation to regional, sub-regional and cross border issues; assign responsibility for these functions; and explore the merits of establishing a Regional Aid-for-Trade Committee. It is, however, not apparent that these ideas are being followed up, as new mechanisms suggested by the IMF/World bank⁴ were rejected, and the DG's report of 14-15 December 2006 fails to elaborate on the regional context.

¹ See <http://www.odi.org.uk/IEDG/aid4trade.html> for references to the literature. See Page, S. (2007), "The Potential Impact of the Aid for Trade Initiative", draft paper for the Group of Twenty-Four, for the most recent and comprehensive account of Aid for Trade initiative.

² JOB(06)262, WT/AFT/1

³ There should be a section in WTO Trade Policy Review on aid for trade.

⁴ IMF and World Bank (2006), "Doha Development Agenda and Aid for Trade," Submitted to the Development Committee of the IMF and World Bank: 18 September 2006.

Most attention focused initially on resources, and then on the operationalisation of *national* aid for trade programmes with an emphasis on the monitoring aspects. Despite the fact that much trade policy making and challenges to trade competitiveness are currently at the regional level, the current discussions implicitly assume that national aid programmes are adequate for all challenges, national, regional and international. This paper argues that regional programmes are required alongside national ones (and multilateral programmes). Regional Aid for Trade (RAFT) is defined here as Aid for Trade co-ordinated and/or implemented at a level involving more than one country.

Section 2 provides a rationale for looking at regional aid for trade in addition to national aid for trade. Section 3 provides a brief overview of regional aid for trade. Section 4 suggests possible ways forward, and Section 5 concludes.

2 Rationale for regional aid for trade

The two motivations for aid for trade are: 1) in broad terms, to help developing countries build up the productive sectors to trade and benefit from trade liberalisation, and 2) in narrow terms, to provide payments to countries to meet the costs of implementation of trade agreements. WTO agreements on further liberalisation are associated with preference erosion, higher bills for net food importing countries, implementation costs and adjustments costs such as retraining or changing a trade tax system to a VAT system.

The two motivations differ in their implications for how regional aid for trade might be viewed. When aid for trade is viewed broadly, regional aid for trade is regarded as solving regional challenges not covered at other levels of which national level programmes are the most predominant. On the other hand, when regional aid for trade is seen as closely connected to the WTO, *regional* aid for trade is a “constraint”⁵ or a sub-set of *multilateral* aid for trade (potentially harming the efficiency of aid for trade). The case for regional aid for trade is strongest in the first approach, but not entirely absent in the latter approach.

The rationale for regional aid for trade rests on three pillars.

- *To support the provision of regional governance public goods.* Effective international economic governance promotes economic development. Some challenges are best met at the national or multilateral level, but some policy making occurs at a regional level in parallel to national trade policy making. There has been an increase in regional policy making and in the number of Regional Trade Agreements over the past decades and as they evolve to consider deeper regional integration, particularly the liberalisation of sensitive service sectors or the provision of social projects (which make sense in a regional context⁶), there is a need for regional institutional development and regional governance.
- *To provide regional knowledge public goods.* A regional approach facilitates learning and sharing of information related to trade development and trade policy. This could be relevant when national aid for trade programmes have common elements in them. For instance, a

⁵ Page (2007), *ibid.*

⁶ Te Velde, D.W., ed, (2006), *Regional Integration and Poverty*, Ashgate.

regional discussion on trade in services and appropriate regulatory frameworks and regulators might benefit all stakeholders.

- *To overcome other market and co-ordination failures, and the provision and co-ordination of activities with strong regional externalities.* Many competitiveness challenges are regional in nature; for instance, a landlocked country is dependent on appropriate infrastructure in other countries for trade in goods. Some externalities are not geographically limited to a region, but others relate to neighbouring states only. National programmes will not normally consider activities with strong international externalities, so that some aid for trade programmes which are regionally optimal may not take place because the benefits cannot be fully appropriated nationally.⁷

If one takes the narrow approach, that Aid for Trade emerged as an issue at the WTO, then earmarking aid for trade for specific purposes such as national programmes or regional programmes would be a constraint on aid for trade. However, as most aid for trade is currently programmed mostly at the national level, the binding constraint is the limiting national focus and therefore the earmarking of additional resources for cross-country and regional programmes would alleviate some of those constraints. In addition, in certain cases, it would be better to provide regional as opposed to multilateral aid for trade if its aim was to benefit only a handful of neighbouring states (e.g. providing physical cross-border infrastructure), as involvement of too many states would make decision-making inefficient.

The case for regional versus multilateral aid for trade has parallels to the discussion on regional versus multilateral trade liberalisation. Specifically, African regions are likely to see few benefits from regional tariff liberalisation, because it might lead to trade diversion and because intra regional trade is low⁸. As such, regional tariff liberalisation does not need disproportionate attention at the regional level as opposed to the multilateral level. However, deeper integration involving harmonisation of rules and mutual recognition and finding common standards in regions is politically easier and economically more meaningful as a stepping stone to multilateral trade liberalisation. Trade diversion is less of a problem for regional liberalisation in services. Services trade through temporary migration tends to be heavily restricted, and loosening up this one category is unlikely to lead to trade diversion away from other categories or other sources of supply; instead, temporary services providers might displace or complement host country labour rather than other foreign labour. There is also no serious loss in tariffs in the possible event of trade diversion. Hence, the problem of trade diversion is smaller when using regional trade in services preferences. Consequently, regional aid for trade could usefully support deeper regional trade liberalisation (e.g. in services) rather than goods liberalisation alone. The examples in Table 1 show regional, national and multilateral dimensions of the aid for trade categories identified by the task force.

⁷ See World Bank/IMF (2006) for a discussion of a power project benefiting Malawi, but with a need for finance in Mozambique.

⁸ Te Velde, D.W., ed, (2006), *ibid.*

Table 1 Three dimensions of Aid for Trade, some examples

Task category	Force	Regional projects (link to projects in appendix C)	Other	
			National projects	Multilateral projects
trade policy and regulations		Co-ordinating national services baselines (e.g. COMESA, see appendix C on RTFP), Regional trade facilitation (e.g. SADC RTFP) Regional trade policy and analytical capacity	Studies for capital-based trade officials	Training WTO negotiators in Geneva
trade development		Regional investment funds (e.g. suggested by COMESA)	Support for export / Investment promotion agencies	Multilateral programmes with a learning element (e.g. ITC, UNCTAD, WB)
trade-related infrastructure		Regional power or road projects (e.g. <i>Organisation pour la Mise en Valeur du Fleuve Sénégal</i> – OMVS, ECOWAS) Co-ordination on the East African Submarine System optic fiber cable	Local roads	
Building productive capacity		ASEAN Industrial Cooperation scheme (AICO Scheme) seeks to promote joint manufacturing industrial activities between ASEAN-based companies, EADB Lake Victoria Development Project (EAC) seeks to promote development and trade by sustainable management of lake, Regional innovation systems	National Science and Technology, human resource programmes	Multilateral programmes with a learning / knowledge sharing element (e.g. UNIDO)
trade-related adjustment		ESA adjustment fund, Sugar Action Plan,	Human resource programmes to diversify into non-traditional sectors.	The Trade Integration Mechanism at the IMF dealing with preference erosion.
other trade-related needs				

While the rationale is clear, there may be practical challenges for regional aid for trade. For instance, regional approaches may not be seen to benefit all countries the same and some form of sharing the costs and benefits will need to be agreed. For this, all countries need to have the capacity to engage in such negotiations. And regions need to have the analytical capabilities and tools to facilitate negotiations and joint decision-making.

3 Overview of current regional aid for trade

Multilateral and regional development banks, bilateral donors and the European Community (EC) have already provided regional aid for trade. This section will review regional aid for trade programmes/projects:

- Regional development banks (Asia, Latin America and Africa) and regional projects of World Bank,
- European Commission EDF existing programmes as in Regional Indicative Programmes (RIPs), all-ACP, EPA + proposals such as ESA fund,
- Examples of bilateral donors (DFID, USAID).

Regional development banks and regional projects of World Bank.

Provision of regional aid for trade by the regional development banks is already well underway, and there are already some existing instruments intended to provide aid for trade regionally (these are listed in appendix A). There is strong support from the Asian, African and Latin American Regional Development Banks (RDBs) for Aid for Trade.⁹ They are also committed to strengthening intra-institutional coordination on the topic, organising a task force on related technical issues. The experiences on aid for trade of the regional development banks and a summary of their submissions to the Task Force are reviewed in appendix A.

The IADB is the most active of all regional banks on Aid for Trade. They highlight their strong track record of supporting infrastructure and supply-side capacity in the region, as well as their more recent (past 10 years) track record in providing trade capacity building. The report states, “Aid for Trade is not new for the IDB: many of the Bank’s traditional lending instruments were designed to support the very elements of what is today perceived as the broader aid-for-trade agenda, including infrastructure development (transport, energy and communications) and strengthening countries’ productive capacities. The Bank also has a long track record of providing adjustment related lending, some of which has been directly related to trade.”¹⁰

The World Bank highlights the difficulties of securing regional loans for trade-related issues: “Lending for regional trade-related projects is limited owing to the difficulties in securing agreement between countries and the appropriate guarantees for multi-country loans... More fundamentally, a key issue is that regional projects are less likely to find their way into national development plans as a result of coordination problems.”¹¹ Several regional development banks have some funding available for regional issues, but multi-country programmes constitute only 2-6 percent of the portfolio of Regional Development Banks. Only \$1 billion out of \$34.4 billion of

⁹ ADB Press Release “Regional Development Banks and Aid for Trade: An Opportunity to Help Developing Countries Benefit from Trade Liberalization,” Joint meeting of President’s of Asian, African and Latin American Development Banks to discuss Aid for Trade: Montreal, 8 June 2006. Available on <http://www.adb.org/Media/Articles/2006/10040-aid-for-trade-an-opportunity-to-help-developing-countries-benefit-from-trade-liberalization/>

¹⁰ Rey de Marulanda, N et al. (2006), “Aid for Trade: The Inter-American Development Bank’s Experience in Latin America and the Caribbean,” Inter-American Development Bank, Integration and Regional Programmes Department, Washington DC, May: Page 13.

¹¹ IMF and World Bank (2006), “Doha Development Agenda and Aid for Trade,” Submitted to the Development Committee of the IMF and World Bank: 18 September: Page 22.

IDA-14 is earmarked for regional projects. There is a new multi-donor trust fund in the World Bank to address regional infrastructure gaps. But the trade-related parts of World Bank lending for regional projects in the past few years amount to around one percent of total lending.

The OECD-WTO TRTA database provides data on trade related assistance projects; the projects shown for the RDBs include one for the AfDB in 2004, 3 for the AsDB in 2003, 20 for the IADB over 2003-2005. While this might be an understatement of what is going on, it is indicative of the fact that total Aid for Trade spending by RDB (except infrastructure) is still low.

European Commission

The EC is a major donor of Trade Related Assistance (TRA), including at the regional level. Aid for trade is programmed in national and regional indicative programmes for ACP and other regions. The ACP received €1325.9mn of TRA over 2001-2004, and the EC disbursed a total of €343.8mn TRA world-wide. The Commission notes: “TRA in the aggregated data for the ACP are dominated by regional and all-ACP programmes in part designed to prepare for the Economic Partnership Agreements (EPAs). There are only relatively few ACP States that have a trade programme, even though this number is increasing reflecting increased attention for trade and development over the past few years. In contrast to the ACP countries, the share of TRA within country programmes is higher in Asia and in Latin America.”¹²

Regional ACP programmes are prepared and motivated in regional indicative programmes and account for around 20% of total TRA (Table 2), so that all-ACP programmes account for a large part of TRA. Appendix B shows all-ACP and regional programmes as part of EDF 9. The current EDF-10 discussions will be for the period 2008-2013.

Table 2 Trade content of ACP Regional Indicative Programmes, 2002-2007

	Trade and RI %	Transport %	Other %	Total Euro (mn)	Of which trade and RI Euro (mn)
Central Africa	25-30	15-25	25-40	55	14-17
West Africa	50	35	25	236	118
Eastern and Southern Africa and Indian Ocean	45-55	15-25	25-30	223	100-123
Southern Africa (SADC)	35-45	35-45	up to 20	101	35-45
Pacific	31		69	29	9
Caribbean	75-90		14-18	57	43-51
Total (approx)					340
<i>Memo items:</i>					
(a) Trade in ACP RIPs, 2002- 2007 annualised					68
(b) EC TRA to ACP (2001-2004), annualised					331.5
Ratio (a) / (b)					20.5%

Source: RIPs, Velde, D.W. te *et al.* (2006)

¹² EC (2005) ‘EC Trade-Related Assistance (TRA) – some key facts and figures’, draft note.

Bilateral donors.

Bilateral donors also provide regional aid for trade directly. Rather than a complete overview, we have selected the work of DFID and USAID in Southern Africa as an example.

DFID

DFID's Southern Africa Regional Plan¹³ suggests that regional approaches are necessary to create regional public goods (it includes¹⁴ under this: regionally integrated systems of infrastructure such as road and rail systems, ports and airfreight capacity, energy and communication). There is no sophisticated underlying needs assessment, but it states that "the state of Africa's infrastructure is so poor, with such detrimental impacts on productivity, that a recent meeting of African Finance ministers identified infrastructure as the top priority for promoting growth." It then says "the need for massive infrastructure development is a key continental priority that needs integrated-level planning". Finally, it mentions that "regional institutions can promote networking and lesson sharing across the region, provide a challenge function to country-based initiatives, deliver economies of scale through regional programmes and act as intermediary between country focused institutions and pan-African and global processes and policies".

In part, based on this argumentation, it selects areas of engagement. There does not seem to have been a regional needs assessment akin to a DTIS at the national level. DFID's support for regional integration and trade issues in region includes implementation of regional and national projects but many have been set up using regional mechanisms. Current regional programmes includes (see appendix C for further details):

- Regional Trade Facilitation Programme (£11.4mn)
- Programme on regional standards (£4mn)
- ComMark¹⁵ Trust Programme stimulating high-growth commodity sectors in SACU (£10mn)
- A planned regional infrastructure for growth programme (£5)

USAID

USAID has financed the Southern Africa global competitiveness hub. Its aim is to:

- Enhance the competitiveness of Southern African products and services.
- Expand the role that trade can play in African poverty reduction strategies.
- Promote US/Southern African business linkages
- Improve the delivery of public services supporting trade.
- Strengthen Southern African capacity for trade policy formulation and implementation, and
- Strengthen the enabling environment for Southern African business.

The hub includes two important programmes. The trade competitiveness project¹⁶ is a six-year

¹³ <http://www.dfid.gov.uk/pubs/files/southern-africa-regional-plan.pdf>

¹⁴ See appendix D for a mapping of AFT activities onto public goods.

¹⁵ see www.commark.org

¹⁶ http://www.satradehub.org/CXA_html/trade_comp.html

project which seeks to improve the capacity of regional businesses and clusters to produce and market competitive goods and services. It furthermore aims to develop value-adding export relationships within the region and internationally by providing enhanced access to technical assistance.

The project on trade facilitation and capacity building¹⁷ assists the region to benefit from more effective integration with the global economy. It works with governments, the private sector and regional institutions, and the project will facilitate and support trade capacity building initiatives that reduce the transaction costs of trade and promote competitiveness. It supports Southern African countries to maximise the potential of these opportunities, resulting in increased investment and economic growth. The project team will support capacity building, trade facilitation, and dialogue activities in 10 countries in Southern Africa.

Conclusion

There are various regional approaches to supporting regional integration and trade, including by regional development banks, multilateral institutions, the EC's RIPs and bilateral donors. Regional approaches address cross-border issues not fully addressed in national approaches. There does not seem to be the same co-ordination of aid for trade at the regional level as there is at the national level, and there does not seem to be the same needs assessments equivalent to the DTISs at national level.

4 Possible ways forward for regional aid for trade

Regional approaches to aid for trade have a clear rationale and this is reflected in the presence of a variety of regional initiatives. However, there are limitations to the ways various stakeholders can engage at a regional level in regional projects, e.g. the World Bank and even the Regional Development Banks need to implement national projects (perhaps with regional co-ordination). Further, the process by which regional aid for trade is determined seems less systematic than national aid for trade (in LDCs informed by a Diagnostic Trade Integration Study). It is urgent to articulate approaches for regional aid for trade programmes and projects, including a (developing country owned) regional needs assessment that can link in with regional approaches and funding instruments .

Possible content of Regional Aid for Trade

Based on the rationale for regional aid for trade, three types of activities could be considered to add value to national aid for trade programmes.

- Support that helps a region to take a *co-ordinating* role on trade issues, particularly for those that make sense at a regional level (trade in services, harmonisation and/or mutual recognition, etc.) or where the regional processes reinforce and complement multilateral processes (e.g. trade in services regulatory baselines need to be done once but are helpful for both regional and multilateral negotiations).
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¹⁷ http://www.satradehub.org/CXA_html/tradeFac_overview.html

- Support that facilitates *knowledge* sharing and learning within a region, by trying to identify commonalities in and share lessons of national aid for trade programmes. This would require a regional list of country-based activities in the areas of
 - trade policy and regulations,
 - trade development,
 - trade-related infrastructure,
 - building productive capacity,
 - trade-related adjustment, and
 - other trade-related needs.

- Support for the development of regional approaches to providing regional public goods and activities with externalities: regional investment funds, cross-border infrastructure projects etc. Of course, the identification of appropriate support at regional level would lend itself for regional support.

Processes for Regional Aid for Trade

There has been a lot of attention directed at the lack of mainstreaming (aid for) trade in national development programmes¹⁸. This relates to various issues including the lack of capacity in ministries or the differential timing of concluding trade needs assessments and the conclusion of national development programmes. If there is little trade content in national development programmes, there will also be little aid available to support trade and instead will go to other causes. These issues will only be more severe at the regional level.

In fact, while national needs assessment are being done (perhaps not always followed up), it is not clear what is being done at the regional level. Without regional needs assessments, it is difficult to assess what aid for trade could in practice be best co-ordinated or delivered at the regional level. Such a regional needs assessment should go hand-in-hand with national needs assessments in order to assess the value added of each.

The DG's report to the General Council of December 2006 suggested that adequate monitoring of aid for trade flows should ensure more effective aid for trade. He suggested that national-aid-for-trade committee be set up. However, while the Task Force recommended to "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", the DG's report failed to elaborate on regional aid for trade committees.

We suggest that a Regional Aid-for-Trade Committee would be required to monitor regional aid for trade in order to facilitate:

- 1) Monitoring of regional trade policy integration,

¹⁸ Prowse, S. 2006. 'Mega-coherence: The Integrated Framework' in S.Page (ed), *Trade and Aid: Rivals or Partners in Development Policy*, London: Cameron and May.

- 2) Sharing of knowledge and learning across the region,
- 3) Providing needs assessments of cross-border aid for trade projects (including a regional DTIS),
- 4) Developing proposals for mechanisms to share costs and benefits of cross border projects across countries
- 5) Reviewing the adequacy of existing mechanisms to finance RAFT,
- 6) Training and developing regional analytical capacity and regional private sector representation.

In order to ensure adequate content and value added of regional aid for trade programmes, we suggest that the Regional Aid-for-Trade Committees comprise of regional organisations and development banks (as suggested above) but also incorporate representatives of National Aid-for-Trade Committees. For the African regions it might make sense to also have a pan-African Committee and probably some of the most effective regional groupings.

Financing

Because there is a rationale for regional aid for trade alongside other aid for trade, effective *financing* mechanisms are likely to differ substantially amongst key components of aid for trade and ought not to be national only. It is unwise to speak of one global aid for trade fund or national aid for trade programmes only. For example, how would regional infrastructure be implemented without regional co-ordination? How can knowledge on trade (development) policies be coordinated? How can a system of regional trade rules be developed and sustained? How can the profile of trade issues be raised? These are mostly international challenges, and many of them need a regional financing approach.

Regional projects often face higher transaction costs and donor funds are not suited for regional projects, while mandates and thinking tend to be on national lines (World Bank/IMF). Developing countries may not agree on an appropriate cost-benefit scheme e.g. in the presence of the free-rider effect for non-participants. It is argued that: “The national focus of development assistance makes it more difficult to realize the potential benefits of cross-country cooperation in trade-related areas.”

The IMF / World Bank 2006 paper suggested three financial options for regional aid for trade efforts

- To improve existing grant instruments and mechanisms complemented by greater monitoring of the extent to which identified needs and priorities have been addressed.
- A second is to establish a dedicated grant funding mechanism that would mobilize resources to both address coordination problems and support regional management and regulatory bodies.
- A third option is to mobilize dedicated grant funding to support a broader agenda, going beyond grants for upstream analysis and related “software” to cover as well all or part of the implementation costs associated with cross-border projects.

The Development Committee suggested using existing grant elements better, rather than expanding the range of instruments. However, a proper assessment of this could provide different conclusions, and it is feared that RAFT does not reach its potential fast enough now that the DG’s report has failed to mention it. A proper review of the mechanisms ought to be part of regional aid for trade itself, and could perhaps be the first task of a Regional-Aid-for Trade committee.

Parallel work is required on the side of the EC budget. There has been a push by the European

Parliament to set-up a budget line that can finance multilateral or regional aid for trade projects, and which is not determined by the EC's chosen regional set-up as part of EPA negotiations. Such a budget line could be flexible and *inter alia* could be used to finance regional aid for trade efforts.

5 Conclusions

As has been contended, whilst aid for trade is now commanding the spotlight, several issues are not yet addressed adequately in current discussions, such as additionality of aid for trade funds, the role of private sector, over-reliance on donor co-ordination at country level to safeguard effective aid for trade, and the lack of regional aid for trade (RAFT). While ideas on RAFT featured in post Hong-Kong Aid for Trade discussions, it is not apparent that these are currently being followed up as new mechanisms suggested by IMF/World Bank were rejected and the DG's report of 14-15 December 2006 fails to elaborate on the regional context of Aid for Trade.

There is a clear rationale for RAFT: to support the provision of regional governance public goods; to provide regional knowledge public goods; and, to overcome other market and co-ordination failures, and the provision and co-ordination of activities with strong regional externalities. Some regional aid for trade is also already occurring. Multilateral and regional (especially IADB) development banks, bilateral donors and the EC have provided regional aid for trade (i.e. aid for trade co-ordinated or implemented at a regional level). There are limitations to the ways donors can engage at a regional level in regional projects, e.g. projects of the World Bank and even the Regional Development Banks tend to be implemented nationally. The process by which regional aid for trade is determined seems less systematic than national aid for trade (in LDCs informed by a Diagnostic Trade Integration Study).

Three types of regional activities add value to national aid for trade programmes. (1) Support that helps a region to take a co-ordinating role on regional trade issues, particularly for integration efforts appropriate at the regional level; (2) support directed at knowledge sharing and learning within a region; and (3) support for activities with cross-border externalities such as regional infrastructure projects. Regional Aid-for-Trade Committees could be set-up to monitor regional aid for trade in order to facilitate the monitoring of regional trade policy integration, the sharing of knowledge and learning across the region, and needs assessments of cross-border aid for trade projects (e.g. a regional DTIS), the development of proposals for mechanisms to share costs and benefits of cross border projects across countries, and a review of the adequacy of existing mechanisms to finance RAFT.

In conclusion, we suggest, *inter alia*:

- it is important to provide regional aid for trade along side national aid for trade.
- to establish regional aid for trade committees (taking into account WTO and EPA negotiations), and
- to give this committee the tasks to monitor regional aid for trade by
 - Supervising a regional DTIS to assess the costs and benefits of cross-border projects most in need of aid for trade at the regional level,
 - Collecting and analysing information on national aid for trade programmes for the benefit of learning and knowledge sharing,
 - Supporting regional analytical capacity and private sector representation
 - Reviewing the adequacy of existing mechanisms to finance regional aid for trade.
- to make RAFT a topic at a planned WTO General Council annual debate on Aid for Trade.

- to take practical steps towards the creation of appropriate regional aid for trade programmes. This would entail undertaking, in selected regional groupings, work aiming at effectively creating such regional aid for trade programmes. Such work would, among others, do the following (see appendix F for more):
 - 1 Contextualize the rationale for regional aid for trade;
 - 2 Review the experience of member countries with previous stakeholders' trade capacity building priority setting committees, particularly in JITAP and IF. In particular, the review should consider the modalities for coordination and actual implementation at the different levels, as well as explore mechanisms for improving transparency, monitoring and control;
 - 3 Summarize relevant NEPAD programmes
 - 4 Summarize work in the EPA preparatory process on enhancing productive capacity having regard for EDF-related ongoing discussions and the EU position on aid for trade;
 - 5 Review donors' trade capacity building initiatives at individual countries as well as at the regional levels;
 - 6 Review and assess a trade capacity building funding instrument used in the region, informed where relevant by experience of other countries/regions;
 - 7 Organize consultations involving all relevant stakeholders, including relevant ministries, the private sector, donors and the civil society at large. Such a consultation should aim at identifying a regional and prioritized list of needs

Appendix A Aid for Trade and the regional development banks; experiences and submissions to the Aid for Trade Task Force

Asian Development Bank (ADB)

In 2006, the Asian Development Bank articulated a regional cooperation and integration (RCI) strategy with four main pillars: trade and investment; cross-border infrastructure and software; money and finance and regional public goods.¹⁹ ADB provides financial resources, knowledge and capacity building for regional projects, programmes and technical assistance and also aims to be an “honest broker by serving as a catalyst and coordinator of RCI.”²⁰ The trade pillar is particularly focused on supporting regional and sub-regional policy dialogue, and in particular to provide support on how regional trade agreements can increase intra-regional trade and serve as a building block for global trade and investment integration. The strategy also addresses cooperation in trade facilitation. Thus the primary activities of this stream of work are: 1) supporting regional fora such as ASEAN and SAARC; 2) building capacity for areas related to FTAs and trade facilitation; 3) commissioning and disseminating research on regional trade issues and 4) building partnerships with organisations that support regional trade (e.g. the WTO, World Bank and other development banks).

In terms of specific instruments, the AsDB runs the Trade Finance Facilitation Programme (TFFP) which is designed to promote trade of AsDB members. The TFFP is composed of two facilities: the guarantee facility, which provides short-term credit to Asian banks to support international trade, and the revolving credit facility, which provides short-term loans to importers and exporters.

There are also efforts to build regional research capacity on trade outside of the AsDB. In 2004, UN ESCAP formed a network of national research issues working on trade issues (ARTNeT) to help address the fact that there are few links within the region between policymakers and researchers across borders, despite the increasingly complex trade policy and facilitation environment.²¹ The objective of the programme is to build national and regional trade research capacity, and to facilitate dissemination. Key partners are IDRC, WTO, UNDP and UNCTAD and there are currently 18 members in 15 countries.

¹⁹ Asian Development Bank (2006), “Regional Cooperation and Integration Strategy,” July. Available online at: <http://www.adb.org/documents/policies/RCI-strategy/final-RCI-strategy-paper.pdf>

²⁰ <http://www.adb.org/documents/policies/RCI-strategy/default.asp>

²¹ Duval, Y (2006), “Strengthening trade research for policy making: The case of ARTNeT,” Presentation to UNCTAD Ad Hoc Expert Meeting on Building Skills in Developing Countries: Training, Networking and ICTs: Geneva, 27-28 November.

Inter-American Development Bank (IADB)

The IADB is one of the most active of these regional banks on the trade topic, and on Aid for Trade. They published a “special report” on Aid for Trade in May 2006; they highlight their strong track record of supporting infrastructure and supply-side capacity in the region, as well as their more recent (past 10 years) track record in providing trade capacity building. As the report states, “Aid for Trade is not new for the IDB: many of the Bank’s traditional lending instruments were designed to support the very elements of what is today perceived as the broader aid-for-trade agenda, including infrastructure development (transport, energy and communications) and strengthening countries’ productive capacities. The Bank also has a long track record of providing adjustment related lending, some of which has been directly related to trade.”²²

Regional integration and trade have been priorities of the Bank since 1994, when a dedicated unit on trade and integration was created (Integration, Trade and Hemispheric Issues Division – ITD). ITD has three mandates: to deliver trade related technical assistance, to provide technical support to other units in the Bank, and to act as the contact point for the Bank with other organisations working on trade. The Bank has also made efforts to mainstream trade into policy discussions with governments.

They provide regional programming, which is dominated by trade, in four sub-regions: Andean Community, CARICOM, Central American Common Market and Mercosur. The primary mechanism for providing infrastructure and supply-side capacity has been loan based, while trade-related capacity building has been completed on a grant and non-financial basis. The Bank has a number of instruments which provide loans and grants for trade-related programmes in Latin America:

- **Multilateral Investment Fund (MIF):** Assistance on private sector development established in 1993, which increased its dedicated trade component in 2002 with the creation of the **Facilitation of International Trade and Investment** fund. This fund is intended to facilitate the participation of small enterprises in international trade and investment.
- **Regional Technical Cooperation (RTC) Programme:** Combined resources from the Bank’s Fund for Special Operations (FSO) and individual trust funds to fund aid for trade issues including supply side capacity and adjustment.
- **Regional Policy Dialogue:** Formed in 2000 as a trade forum and network for Latin American Countries. 6 meetings held to June 2006.
- **Trade Sector Facility:** Fast track approval for loans of up to \$5 million to strengthen capacity of trade ministries and other trade-related institutions – 10 countries accessed to June 2006 with funds totalling \$46.6 million.
- **Special Initiative on Trade and Integration:** To provide additional funding for the Trade Division to meet its objectives.

²² Rey de Marulanda, N et al. (2006), “Aid for Trade: The Inter-American Development Bank’s Experience in Latin America and the Caribbean,” Inter-American Development Bank, Integration and Regional Programmes Department, Washington DC, May: Page 13.

- **Lending Programme for Trade, Integration and Competitiveness:** Created in 2005 to streamline available products on trade so that countries had a full package of support for achieving a transition to freer trade.
- **International Trade Finance Reactivation Programme (TFRP):** Provides up to \$1 billion for projects and programmes supporting trade finance in Latin American countries.
- **IDB-Canada Trust Fund and UK Trade and Poverty Trust Fund:** Trust funds with trade focus
- **Initiative for Integration of Regional Infrastructure in South America:** To support the development and integration of energy, transport and telecommunications in South America.
- **Puebla-Panama Plan:** To improve the trade, growth and economic development of Southern Mexico and Central America
- **Infrastructure Project Preparation Fund:** Supports pre-investment studies for infrastructure projects.
- **Regional Public Goods Initiative:** Launched in 2004 to support the development of goods, services, rules systems or policy regimes that generate shared benefits for the region as a result of collective action and cooperation.

As a result of this programme of previous work, the Bank states that “the combination of critical mass of technical expertise in trade-related issues, operational know-how to deliver development assistance, and a presence in each country of the region, along with wide representation of donors in its shareholding structure, put the Bank in good position to contribute to the delivery of trade-related assistance in Latin America and the Caribbean.”²³

The paper also sets out some IADB thoughts about the challenges and priorities for Aid for Trade including: undertaking comprehensive and broad based diagnostics of trade related needs in conditions of low local capacity and narrow / short action plans often provided by governments; engaging broader constituencies when undertaking policy dialogue; mainstreaming trade into the national development agenda; linking trade and aid practitioners; addressing the limited absorptive capacity of some countries; and to build local expertise in trade. Major gaps in current Aid for Trade include sufficient grant based funding for middle income countries on trade related issues, financing for large-scale regional interventions and flexible “rapid response” facility. The IADB also highlights the need for better Monitoring and Evaluation (M&E) of trade-related assistance and better donor coordination.

²³ Ibid: 22.

African Development Bank (AfDB)

Efforts in promoting regional Aid for Trade in Africa are less clearly confined to the African Development Bank than is the case with regional development banks in Latin America and Asia. There are a number of potential organisations which could facilitate regional aspects of Aid for Trade in Africa, created by the numerous regional trade blocks (SADC, SACU, COMESA, ECOWAS and EAC), all of which have “an ambitious program for stimulating intra regional trade and reinforcing regional integration.”²⁴ The West African Development Bank (BOAD), for example, which is the financial arm of the West African Economic and Monetary Union (WAEMU), provides financing for investment projects, including regional infrastructure.

The AfDB established a Task force on Aid for Trade in March 2006, which was designed to help the Bank arrive at a common position on the initiative, and already conducts a number of Aid for Trade activities including: providing lending for private sector development and job creation in Africa linked to trade; running capacity building workshops on trade negotiation; commissioning research on diversifying exports in Africa; participating in the African Trade Policy Centre (ATPC) of the UN ECA; and by financing multi-national projects.²⁵ The Bank also works with the NEPAD in establishing banking and financial standards for infrastructure development and has created a new department on regional integration and trade within NEPAD to strengthen its work on this area.

Yet the African Development Bank’s work on regional aspects on Aid for Trade remains more limited than in other regions. As the submission for the WTO states: “The AfDB intends to scale up its trade-related activities to help its RMCs overcome their supply-side constraints and behind-the-border issues. The newly created Department of NEPAD, Regional Integration and Trade aims to mainstream trade into the Bank's operations and to strengthen the Bank's trade-related activities.”²⁶ Its priority will be on the provision of regional infrastructure.

²⁴ Nijnkeu, D. and Powo Fosso, B. (2006), “Intra-African Trade and Regional Integration,” This Prepared for the ADB/AERC International Conference on Accelerating Africa’s Development Five Years into the Twenty-first Century: Tunis, 22-24 November: page 16.

²⁵ African Development Bank (2006), “Responses to WTO Task Force on Aid for Trade: Perspectives of the African Development Bank on the WTO Aid for Trade Initiative,” WT/AFT/W/7, 28 April.

²⁶ Ibid: Page 4.

**Table 3: Views on Aid for Trade by Regional Development Banks:
Submissions to A4T Task Force**

Question	IADB	ADB	AfDB
What is the current scope and content of your aid for trade programmes?	Trade is embedded in the four priority activity areas of the Bank. Regional integration is key to IADB mission and much related to trade. TRTA and trade capacity building are undertaken and trade is incorporated into other development discussions. Dedicated loans for trade.	\$730.2 million for trade projects between 1987 and 2005. Also \$14 million TRTA.	Direct support for private sector development, help for African trade negotiators, capacity building in other forms, regional efforts, funding of trade-related research.
Are there, in your view, important outstanding trade-related needs that are not met today?	Supply side capacity and adjustment to future liberalisation continue to be neglected.	Serious infrastructure gaps in the Asia and Pacific region, including linked to trade. Have also looked at beyond the borders barriers to trade.	Regional infrastructure constraints, behind the border issues, trade related institutional reforms, adjustment costs of implementation of WTO agreements.
Has trade been adequately addressed in countries' development plans and poverty reduction strategies? If not, what are the main reasons and how could this be corrected? What are the lessons learned?	Not sufficiently mainstreamed into governments' development programmes. This is partially because of lack of capacity and lack of dialogue.	Not in a position to judge.	
How, in your view, should trade related needs and priorities be identified?	Comprehensive and broad based technical analysis. Constraints are capacity to undertake such work.	Not answered.	Should be demand driven and country led. WTO can facilitate and advocate.
Is the existing system of delivery mechanisms for aid for trade adequate? If not, where are the gaps, and what options might exist to address these gaps?	There should be more predictable, long-term grant based money available given developing countries fiscal constraints. A multi-sector approach is critical. There should also be a flexible rapid response facility.	Not in position to judge, but looking for more flexible delivery mechanisms under their own initiatives.	Should be headed up and located within the ADB as most of beneficiaries of a scheme are African. Should be grant based
What should be the role of the private sector in identifying needs and implementing responses?	Should be one of several types of stakeholders involved in the process of identifying needs.	Private sector involvement and PPP are likely to be critical to success.	Critical, should be encouraged to participate more.
How should aid for trade reinforce the principles of aid effectiveness and coherence, as agreed in the Paris declaration and as embodied in individual poverty reduction strategies?	Coordination is a major challenge and needs to be enhanced to minimise duplication.	All efforts should be country led and donor behaviour has to conform to these principles.	Must have additionality involving substantial increases in resources. Also needs to be predictable, transparent, well coordinated and monitored.
Are there other important gaps in the delivery of aid for trade?	None.	Infrastructure.	Not Answered

Appendix B EC TRA by region

Trade related assistance (TRA) for the ACP under the 9th European Development Fund (EDF – implemented from 2003 to 2007) is provided at three levels (see EC website):

1. At All ACP level, facilities cover mostly short term needs or needs in specific trade related areas (e.g. sanitary and phytosanitary requirements). These facilities are accessible to all ACP countries and regional institutions upon submission of requests. Total amount: € 150M.
 - Facility to support EPA negotiations (€20 Million). An additional amount of €4 M has been approved.
 - Facility to support ACP countries in WTO negotiations (€ 10 M) Additional funding of €2 M has been approved.
 - Trade.Com (€50 million). It includes three components:
 - Pesticides Initiative (€29 million)
 - Fisheries programme (€42 million)
2. The bulk of the TRA support is provided under regional indicative programmes in line with the ACP EU priority attached to regional integration. Total amount around €350M.

The overall envelope available to *SADC Regional Indicative Programme* is €171 Million. The main programmes are the following:

- SADC EPA Negotiations Support Facility. (€7,5 M).
- Support to SADC Regional Integration and Multilateral Trading System (1,09M).
- Development of SQAM Infrastructures in SADC Region (€14,2M). Standards, Quality Assurance, Accreditation & Metrology.
- ESIPP Programme (18,3M) To encourage Private investments in the Region.
- Technical Cooperation Facility (1.9M€) It provides some flexibility to take on board some Trade activities.

The overall envelope available to *ESA & Indian Ocean Regional Indicative Programme* is €302.6 Million. The main programmes are the following:

- Regional Integration Support Programme (RISP). (€30 M).
- Regional Information & Communication Technologies Support (€1M)
- Infrastructure projects (€63.3 M).
- Trade Integration Budget Support Facility (€50M). Under Preparation.

At a regional level the focus in *CEMAC* of the € 16 M PAIRAC (Programme d'Appui à l' intégration Régionale) is regional integration and trade support for related programmes. This includes building a customs union, common market and supporting regional institutions [€ 1.9M]. The regional Technical Co-operation Facility has also financed export and trade related studies [€ 1.3M] with more planned. There are related regional activities such as transport infrastructure [€ 20M].

At a regional level the focus in *West Africa* of the € 235 M regional indicative programme is regional integration and trade with €18 million to support related

programmes including building an ECOWAS customs union and common market and €2 M for transport facilitation. The € 65M PARI (Programme d'Appui Régionale à la Intégration) support for UEMOA customs union is ongoing. Other relevant regional programmes include € 15M support to accreditation, standardisation and promotion of quality under the PARI private sector programmes.

The overall envelope available to the *Pacific Regional Indicative Programme* is €9 Million. The main programmes are:

- Pacific Regional Economic Integration Programme (€9,2M) aimed at supporting regional economic integration, EPA and WTO negotiations mainly through technical assistance.
 - DEVFISH (€3M) aimed at promoting the development of domestic tuna fishery.
 - PROCFISH (€12,5M) programme aimed to contribute to long term sustainable management of fisheries resources of the Western & Central Pacific Ocean and coastal fisheries development.
3. Finally at the national level, several ACP countries have earmarked additional funding for projects complementing those funded under the all ACP and regional programmes mainly focussing on technical assistance and capacity building related to trade.
- Burundi: SPS project under STABEX
 - Ethiopia: Trade Capacity Building.
 - Kenya: TRA funded out of STABEX KEPLOTRADE Programme.
 - Madagascar: Funding for technical assistance.
 - Mali: €3.7 million to support EPA negotiations.
 - Namibia: Trade Integration Programme (€3M).
 - Nigeria: €2 million for EPA preparation and €15M private sector support
 - PNG: Support to Trade and Capacity Building
 - Rwanda: Funding for technical assistance.
 - Senegal: €3 million to support for capacity building in trade policy and regulation.
 - Solomon Islands: Allocation for Institutional Support
 - Tanzania: Project to support NAO covers a trade advisor to the Ministry of Finance.
 - Uganda: TRA funded out of STABEX
 - Vanuatu: Funding for private sector support.
 - Zimbabwe: Trade Capacity Building for private sector.

Appendix C DFID's regional support (summary from www.rtfp.org)

Regional Trade Facilitation Programme (£11.4mn)

The RTFP is one of several programmes funded by DFID in Southern Africa, all aimed at supporting different aspects of Southern African development.

1. Contributions to the Strengthening of Regional Trade Arrangements

These activities are designed to contribute to the closer harmonisation and effectiveness of trade facilitation measures taken by the integration organisations of the region (SADC and COMESA). The following activities are currently being implemented

- SADC and COMESA Trade Advisers
- Customs Bond Guarantee
- National Consultations on Rules of Origin
- Assistance to SACU
- Secretariat Support for the SADC/COMESA/ESA Task Force

2. Trade Facilitation Measures Designed to Directly Benefit the Poor

- Monitoring of Cross-Border Trade
- One Stop Border Posts

3. Market Development of Commodities and Natural Products Produced by the Poor

Several small-scale producers' associations have approached RTFP to provide assistance in trading their products – most particularly in marketing them within the region (and especially into South Africa). Three commodities tea, coffee and nuts (macadamia, cashew and groundnuts) have already been identified for assistance and a study has just been completed which identifies how assistance can be provided in the natural products sector.

- Tea
- Coffee
- Capturing Value for Smallholder Nut Producers in southern Africa
- Trade Component of the Programme on Natural Products The Engine for African Trade Growth (NATPRO)

4. Support for Trade in Services Negotiations

- COMESA Trade in Services Programme
- Migration and Mode IV Towards a Trade and Development Approach

5. Support to WTO and EPA Negotiations

- Assistance to Zambia in its Capacity as Coordinator of the LDCs
- Support for the EPA Negotiations

6. Regional Tax Policy and Administration

- SADC Tax Adviser

7. Contributions to the Harmonisation of the Region's Standards and SPS Regimes

8. Research on Trade-Related Policy Work in the Region

The Southern African Trust

DFID South Africa, the South African Grant Makers Association (SAGA) and the Swedish International Development Agency (SIDA) have established a Joint Steering Committee to facilitate the development of a Southern African Trust, to promote regional dialogue, learning and joint action between Role-Players involved in the reduction of poverty and inequality in the Southern African Region.

The Southern African Regional Poverty Network

SARPN provides platforms that widen participation by bringing people together across the SADC region to exchange ideas. It disseminates and increases access to information through its website and other activities to deepen understanding of poverty issues and improve policy and practice in the region.

The FinMark Trust

FinMark Trust's goal is to 'Make Financial Markets Work for the Poor.' Its purpose is 'to support a sustainable expansion in the provision of financial services to small, medium and micro-enterprises (SMMEs), the poor and vulnerable, and especially women in Southern Africa.' Finmark operates across the SACU countries.

The ComMark Trust

The ComMark Trust's purpose is to 'Make Commodity and Service Markets Work for the Poor'. The Project Memorandum describes the project as follows 'Its chief output will be to facilitate the more effective operation of commodity and service markets in selected sub-sectors with high pro-poor benefits. The project's purpose is to enhance the development of these sub-sectors in relation to growth, jobs and equity, and thereby contribute to the overall goal of reducing poverty and inequality in the region.'

The Business Challenge Fund

The Business Linkages Challenge Fund covers all countries in Southern Africa, and is open to enterprises, associations, chambers and NGO's involved in business. It provides funding for business linkages that

- Improve the livelihoods of the poor
- Develop new skills, information and market opportunities
- Improve the business environment
- Increase competitiveness

Appendix D

Mapping Aid for Trade and IPG classifications

Task Force classification of Aid for Trade	GPG classification
Trade policy and regulations	Governance IPGs in the area of establishing global trade rules.
Trade development	Knowledge IPGs (e.g. trade policy analyses would benefit from international expertise and coordination).
Trade-related infrastructure	Knowledge NPG when related to knowledge activities to support trade development.
Building productive capacity	These activities do not provide pure public goods, and are often rival and excludable (e.g. mobile phone communications or toll roads).
Trade-related adjustment	Features externalities and the provision of knowledge public goods (IPGs and NPGs) , e.g. by raising the level of knowledge on technological development.
Other trade-related needs.	Not specified
	Not specified

Source: Te Velde (2006), "Financing International Public Goods, *A Framework to Address Aid for Trade*, draft chapter for book edited by D. Njinkeu and H. Cameron

Appendix E Aid for Trade Task Force Recommendations endorsed by the General Council, passage relevant for *regional aid for trade*.

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, subregional and cross-border needs will be discussed.

Recommendations:

- Strengthen the following functions in relation to regional, sub-regional and crossborder 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.

Appendix F Towards appropriate regional aid for trade programme

Based on section 4, the following items might help to establish appropriate regional aid for trade programmes.

Monitoring of regional trade policy integration,

- How far have countries liberalised tariffs according to the RTA
- What common standards and regulatory framework are in place, and are there any commonalities across countries
- Conduct a regional Trade Policy Review

Sharing of knowledge and learning across the region,

- Collect and share experiences on capacity building for trade (what aid for trade projects work and why)
- Collect and share experiences of service sector regulators (utilities, central banks, etc.) in dealing with liberalised trade in services regimes
- Collect and share experiences on trade facilitation reforms such as customs reforms
- Build regional knowledge and trade policy networks by promoting regionally oriented trade policy think-tanks and research institutes as well as linkages amongst country researchers
- Train and develop regional analytical capacity and regional private sector representation.

Providing needs assessments of cross-border aid for trade projects

- Collect and analyse data by scanning national DTIS and other national needs assessment to assess the regional content of available trade needs assessments. The guiding principles are that regional aid for trade projects will be complementary to national aid for trade projects, and
 - Provide governance public goods, or
 - Provide knowledge public goods, or
 - Deal with cross-border challenges with large cross-border externalities.
- Engage (in Africa) with AfDB and NEPAD, and relevant countries, to provide a list of cross-border infrastructure projects with expected costs and benefits
- Scope in a set of common trade challenges facing the region for further research.

Developing proposals for mechanisms to share costs and benefits of cross border projects across countries

- Calculate costs and benefits of cross-border projects and suggest how costs and benefits can be shared
- Build up organisational, negotiating and analytical capacity to deal with cross-border projects that have varying costs and benefits across countries in a region.

Reviewing the adequacy of existing mechanisms to finance RAFT

- Provide road maps for the financing of regional aid for trade projects
- Discuss solutions to constraints, such as lack of appropriate guarantees for loans for regional projects.

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