Aid for Trade in Africa

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Abstract

This paper assesses the cost and current donor commitments on Aid for Trade in Africa and considers possible success stories.

It suggests the annual costs of implementing WTO agreements are between US$ 0.7 – 1.7 billion, while annual (trade-related) infrastructure needs in Africa are between US$ 10 – 20 billion. If a very broad definition of productive capacity building is included, annual skills development needs in Africa are US$ 1.9 billion.

Annual costs of aid for trade for Africa

Broad area	Cost estimate (bn US$)
Implementing WTO agreements	0.7 – 1.7
Infrastructure needs	10-20
Skills enhancements for trade related private sector development	1.9

Sources: see paper on Aid for Trade in Africa

Donors have increased their aid for trade spending to Africa from around US$ 2.5 billion to US$ 4 billion over 2001-2005. The EC is an important driver behind this increase, although it earmarked US$300 million exclusively for regional programmes between 2002 and2007. Without such spending, aid for trade was US$3.8 billion in 2005. Most aid for trade goes first to infrastructure, then trade development, and finally to trade policy and regulations. Excluding infrastructure, aid for trade in Africa increased from US$ 0.4 billion in 2001 to US$ 0.6 billion in 2005.

It is difficult to assess the effectiveness of trade-related assistance given poor use of indicators and poor measurements; nevertheless, there are instances where aid for trade has led to greater coordination on trade in African countries (e.g. Tanzania) and can be regarded a success. Generally, the provision of infrastructure provision is related positively to trade and growth, and more work needs to be done to determine whether aid for infrastructure has been helpful.

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Introduction

Aid for Trade has emerged as an important topic for those examining aid and trade in developing countries.[1] Aid for Trade was firmly established as a concept when the World Trade Organization's (WTO) Sixth Ministerial Conference in Hong Kong (December 2005) led to the set up 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 laid down the scope of aid for trade.

The Director General of the WTO, Pascal Lamy, followed up the Task Force recommendations in the DG's report on Aid for Trade to the General Council 14-15 December 2006[2]. He suggested the operationalisation should be evident from monitoring activities occurring at three levels: first monitoring to assess global aid for trade flows using the OECD-DAC CRS database and increase transparency on pledges and disbursements, second monitoring to evaluate reports by development agencies, and monitoring and evaluation of in-country aid for trade.

There are several gaps and concerns not properly addressed in post Hong Kong Aid for Trade discussions. First, there is no guarantee current pledges will actually lead to additional Aid for Trade not only because it is unclear how additionality will be measured, but also because the amounts differ and were re-announced several times. An additional concern involves the difficulty of obtaining a detailed assessment of aid for trade costs; only a handful of studies describe this information. Secondly, Aid for Trade is ultimately helping the private sector, and there have been few inputs from this group on what is effective aid for trade. Thirdly, despite several recent evaluations, we actually know very little about the effectiveness of Aid for Trade, in terms of overall effects (trade policy capacity, supply capacity, private sector development, trade volumes), and specifically in terms of what type of aid for trade programmes (regional vs national, trade policy capacity building vs infrastructure) and conditioning factors (a government willing to help vs a government determined to manage donors) contribute to a positive outcome of Aid for Trade.

These crucial issues will be key to upcoming discussions on Aid for Trade at the WTO, which needs to operationalise Aid for Trade this year, or in the coming G8 meeting. The G8 meetings in Gleneagles and St Petersburg addressed commitments on Aid for Trade. This briefing discusses Aid for Trade in the context of Africa (by which we mean sub-Saharan Africa). We focus on three questions:

1. What are the costs of Aid for Trade in Africa?
2. What are donors currently contributing to Aid for Trade in Africa?
3. What are possible success stories of Aid for Trade in Africa?

[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

The costs of an Aid for Trade package for Africa?

Possible components of Aid for Trade in Africa: definitions and costs

The Task Force on AfT (WTO 2006) argued that developing countries 'expect Aid-for-Trade to go well beyond the scope of the IF'. It identified six categories of AfT, building upon the definitions used in the WTO/OECD trade related and capacity building database (WTO database)[3], see box 1.

Box 1 Aid for Trade as defined by the WTO Task Force on Aid for Trade

a) Trade policy and regulations:
Training of trade officials, analysis of proposals and positions and their impact, support for national stakeholders to articulate commercial interest and identify trade-offs, dispute issues, institutional and technical support to facilitate implementation of trade agreements and to adapt to and comply with rules and standards.

b) Trade development:
Investment promotion, analysis and institutional support for trade in services, business support services and institutions, public-private sector networking, e-commerce, trade finance, trade promotion, market analysis and development.

c) Trade-related infrastructure:
Physical infrastructure and trade support institutions.

d) Building productive capacity:
Private sector development.

e) Trade-related adjustment, including:
Forward-looking support for adjustment associated with changes in international trade regimes.

f) Other trade-related needs

Source: WTO (2006)

A detailed cost list focusing on each of these categories is not available, let alone for Africa. However, Calì *et al.* (2006) use a similar classification of trade-related needs distinguishing between narrow costs (implementation costs of WTO agreements including TRIPs and TRIMs), costs for net food importing countries, costs of preference erosion, and broad needs (supply side, capacity building). We will use those estimates and focus specifically on Africa.

[3] WTO (2006, pp.: 1-2).

The narrow costs correspond mainly to categories a) through e), and for Africa we estimate these needs varying between US$0.8 and US$1.7 billion, depending on the assumptions.[4] Some categories involve annual costs because of higher import expenses (through more expensive food imports and preference erosion), while the rest are one-off costs of implementing agreements, see table 1.

Table 1 Estimated costs for Africa of implementing the Doha Round (US$ mn)

	Lower Bound	*Upper Bound*	*Estimate*	*Frequency*
Implementing existing WTO commitments	140	160	150	One-off
Implementation of TRIPS TRIMS etc.	160	180	170	One-off
Preference Erosion Costs	270	686	500	Annual
NFIDCs costs	171	644	450	Annual
Total	**741**	**1670**	**1270**	

Note: based on 2003 data – different sources (see Appendix A). Assumes full implementation of WTO trade commitments.

The other trade-related categories, b) – d) in particular, are contained in the broad Aid for Trade estimates. Because these are based on supposed needs rather than on expected costs, estimation of broad Aid for Trade costs is more complex. For instance, it is not clear how one should define the 'right' or minimum acceptable level of supply capacity for each country (e.g. in terms of training of trade officials or level of trade-related infrastructure).

Calì (2007) proposes one way of estimating these broad needs based on the assumption that every developing country should face the same level of unit cost for trade-related activities (after controlling for natural factors, including geography and resource endowments). This approach requires data which is not always readily available. Given the level of capital requirements involved, the infrastructure needs are likely to be the most sizeable among all AfT categories.[5]

What would be the actual size of (trade-related) infrastructure needs for Africa, category c) above? There are two methodological approaches to estimate such needs: demand driven and supply driven. The demand-driven approach assumes growth rates and levels correspond with a certain level of demand for infrastructure services. Estache and Yepes (2005) calculate the infrastructure needs for Africa to reach the MDGs target growth rate.[6] These estimates, which exclude the port, airport, irrigation sectors, and some important large regional projects, are reported in Table 2, expressed as a percent of GDP. According to these calculations, the average investment needs are about US$22-24 billion, while maintenance needs are around US$17-18 billion per year for the period 2005-2015.

[4] Such estimation is based on the calculations made by Calì et al. (2006) for developing countries as a whole, scaled down to include only SSA.
[5] This is also in line with the analysis of past AfT spending performed below.
[6] This is toughly equivalent to 7%/year over the period 2005-2015.

Table 2: Africa's expenditure needs to meet the MDGs (% of GDP - 2005-2015)

	Electricity	Telecoms	Roads	Rail	Water	Sanitation	Total
Investment	1.20%	0.70%	2.20%	0.00%	0.40%	0.60%	**5.10%**
Operation and Maintenance	0.70%	0.50%	1.70%	0.20%	0.30%	0.50%	**3.90%**
Total expenditure	1.90%	1.20%	3.90%	0.20%	0.70%	1.10%	**9.00%**

Source: Estache (2005)

Based on this work, the Commission for Africa (2005) claims Africa needs to spend an additional US$20 billion a year on infrastructure investments and maintenance until 2015 to sustain a growth rate of seven per cent. The Commission also states, "developed countries should provide an extra US$10 billion a year to improve Africa's infrastructure," bringing the total to US$ 20 billion a year.

The supply side approach would take into account the trade and growth effect of infrastructure development. After analysing a certain effect of infrastructure on trade and/or growth, it is possible to estimate the infrastructure gap to meet a specific level of growth/trade.[7] No estimates using such an approach are yet available for Africa, but a few studies have estimated the effects of infrastructure capacity on trade, see box 2.

Box 2 The effects of infrastructure provision on trade in Africa

A few studies have quantified the effects of infrastructure provision on trade and growth; all find a positive correlation. Francois and Manchin (2007) estimate a large panel of bilateral trade flows over the period 1988-2002 for many countries and focus on the effects of communications and transport infrastructure. They estimate an increase of one standard deviation (from the mean) in the communications infrastructure raises the volume of trade by roughly 11 percent, compared to a 7 percent effect on transport infrastructure and a 2 percent effect on trade for tariffs. They do not have specific results for Africa, but for least developed countries (LDCs), a category containing most SSA countries, transport is more important than communications. The effects of communications infrastructure on trade grows as a country reaches the middle income range.

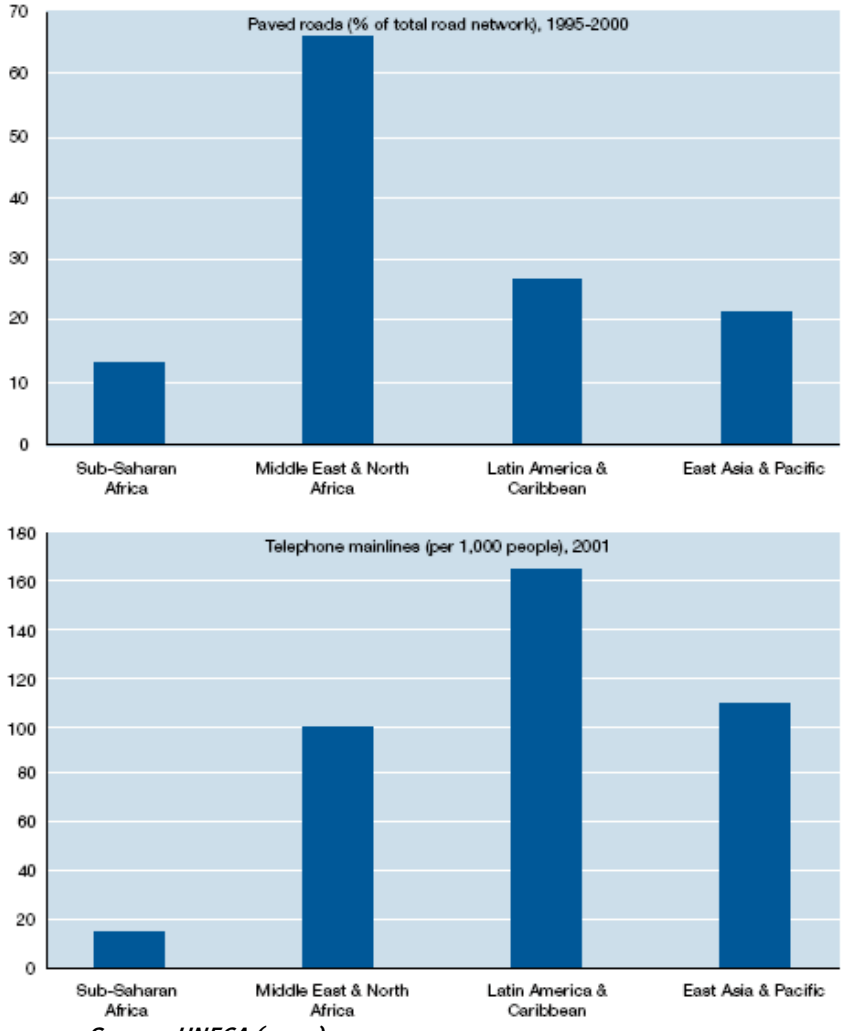
Buys et al. (2006) find that upgrading a primary road network connecting the major 83 urban areas in SSA would expand overland trade within SSA by around US$250 billion over 15 years.

Other studies have quantified the positive relation between infrastructure and growth, although they have been unable to properly address the problem of causality (e.g. Canning et al., 1994; Canning, 1998).

[7] This approach would be in line with the one proposed by Calì (2007), if for example we operationalise it in such way that SSA should have the same level of infrastructure as a certain group of countries at a higher level of income, controlling for factor endowments.

The estimates in box 2 quantify the actual gap between Africa's level of productive infrastructure relative to other developing regions. Chart 1 shows Africa lagging behind the other regions based on the number of paved roads and telephone mainlines that exist. A quantification of the underlying relationship between this infrastructure gap and missing growth/trade can convert this gap into physical infrastructure needs. Adding information about the cost of infrastructure provision would make it possible to estimate the financial cost of covering the identified infrastructure gap by country.[8] Individual country comparisons may be helpful in understanding the potential importance of infrastructure gaps on economic indicators and may provide an idea of calculations that could be extended (with more detail) to a large number of areas (see appendix B).

Chart 1: Infrastructure indicators across developing regions



Source: UNECA (2005)

[8] Buys et al. (2006) for example provide a detailed estimation of the costs of upgrading the primary road network connecting the major urban areas in SSA.

A recent report by the Infrastructure Consortium for Africa (ICA, 2007) highlighted infrastructure costs and needs. Total ODA to African infrastructure reached US$5.6bn in 2006, and total non-concessional capital flows reached US$2.1bn. Only 10% of total commitments in 2006 were for cross-border infrastructure.

The ICA report highlights work carried out in 2003-04 by Professor Sachs for the UN Millennium Project, work which attempted to meet MDG's in energy, roads, water, and sanitation. Work in three African countries, studied in depth, led to the conclusion additional annual expenditures (from 2005 to 2015) of between $32 and $40 per person were required, of which around $20 would need to come from donors. Applied to the whole of Sub-Saharan Africa, this equated to the need for additional donor support of $14 billion per year.

The categories *trade development* (b) and *building productive capacity* (d) are also difficult to estimate. Category (d) could include private sector development if appropriate rules and regulations are designed within the investment climate. However, it could also refer to skills development to withstand competition from imports and build up productive skills capacity to export. Milner (2006) provides some tentative estimates for skills development based on the crude assumption that secondary education enrolment rates are a proxy for human capital. The broad objective of the study is to examine adjustment EPA costs, and a skills/productivity enhancement is one element of this. As with infrastructure, not all of costs are strictly trade related. The annual costs of skills enhancement would be US$200mn for countries in CEMAC, US$700mn for ECOWAS, US$695 mn for ESA, and US$255 for SADC, a total of US$1,850.

The annual costs of aid for trade in Africa are summarised in Table 3.

Table 3 Annual costs of aid for trade for Africa

Broad area	Cost estimate (bn US$)
Implementing WTO agreements	0.7 – 1.7
Infrastructure needs	10-20
Skills enhancements for trade related private sector development	1.9

There is no detailed estimation on the actual needs for each country or good allocation criteria across countries and sectors. These issues are interlinked. Infrastructure provision is becoming the most financially relevant trade-related need for all SSA countries. This does not imply that other types of broad needs, such as soft infrastructure (e.g. economic governance), are not important in determining the relative effectiveness of a country's trade activities.[9] However, there is a case to be made that the allocation criteria will be driven by a countries' infrastructure needs. For example, an LDC with little physical infrastructure, such as Chad, is likely to have larger trade-related needs than a middle-income country with relatively well- developed infrastructure, such as Namibia.

[9] Indeed, Francois and Manchin (2007) find that soft infrastructures (proxied by governance indicators) do affect the likelihood of bilateral trade to occur, although results are less robust for the LDCs sample.

Following Task Force recommendations, the only additional AfT being discussed officially is the Enhanced Integrated Framework (EIF), which would replace the original IF in delivering its primary objectives: mainstreaming trade into the national development plans of LDCs, and assisting in the delivery of trade-related technical assistance in response to needs identified by the LDC. WTO (2006) estimates the resources for the EIF at around US$ 400 million, of which US$320 million is allocated for the in-country activities. This would represent an average of US$8 million per LDC, which could match the support for soft infrastructure, leaving the issue of funding (much larger) required resources for infrastructure provision unaddressed (see Box 3 on Malawi).

Box 3 Malawi's estimated trade-related needs

The amounts pledged within the EIF are largely short of what Malawi would need on aid for trade in the short-term.

For example, the Ministry of Trade estimates the likely need for energy infrastructure alone would be at least US$60 million. This would represent the current cost of connecting Malawi to the Cahora Bassa Hydropower plant in Mozambique (and the Southern Africa power pool). Moreover, completing the upgraded rail link to the port of Nacala in Mozambique would cost around US$ 100 million, and similar amounts are required for road infrastructure.

Source: Malawi Ministry of Trade

What are donors giving to aid for trade in Africa?

The WTO database can be used to analyse the pattern of AfT activities to Africa, with the usual cautionary remarks that quality and coverage of the data depend on the quality of reporting by donors and the OECD (see appendix E for further analysis). We separate out support for Regional Trade Agreements (RTAs) because while it can be seen as complementary, it is also a rival to multilateral Aid for Trade. As most support for RTAs and EPAs is provided by the EC, we analyse these figures separately.

Total AfT to Africa has been volatile but rising from US$2.6 billion to US$3.8 billion over 2001-2005 (Table 4).[10] The increase has been driven by bilateral aid, which in 2005 accounted for 81% of the total (in 2001 it was 48% of the total).[11] In particular, the increase in the contribution by the European Communities, doubling AfT to US$1.4 bn in 2005, explains nearly all of the increase. At the same time multilateral aid dropped substantially between 2004 and 2005 due to the decrease of the World Bank, the largest multilateral donor. The drop might also be explained by incomplete data for 2005.

[10] We define SSA as the following geographic categories in the WTO database: Africa South of Sahara and Africa Regional.
[11] We regard the EC as a bilateral donor.

Other major bilateral donors have increased their contribution in 2005, except for Japan, Canada, and the Netherlands. Italy and the UK registered the largest increases, with the former becoming the largest single country provider of AfT to Africa in 2005. A closer examination reveals these increases are caused by big energy projects. Italy has financed (via a concessional loan) a hydro-electric power plant in Ethiopia (for US$ 273 million), and the UK has financed one in St. Helena (for US$ 115 million). When loans are not concessional, development finance is classified as "Other Official Flows" and not Official Development Assistance.[12]

If we compare the figures in Table 4 with the donors' contribution to AfT analysed by Calì et al. (2006), we find European donors devote a larger part of their AfT resources to Africa than other donors. In particular, Japan and the US channel only a marginal part of their AfT funds to Africa, as Japan has focused on assistance to Asia while the US has focused on Iraq and Afghanistan.

Table 5 summarises AfT to Africa according to the categories defined in the WTO database. It shows that infrastructure related activities constitute the most important category with an increasing contribution since 2002. The accuracy of the data is limited by the usual problems in classifying trade related projects with broad objectives. Transport infrastructure, representing the largest activity within infrastructure, is given a high share for road transport because it is capital intensive and involves large projects financed through concessional loans rather than grants. The growth of energy infrastructure activities in 2005 can in part be explained by the hydro-electric investment mentioned above.

[12] Dellacha and Te Velde (2007) find that a total of 13 Development Finance Institutions (IFC, EBRD, EIB, IADB, AsDB, AfDB. EIB, DEG, NIB, OPIC, PROPARCO, CDC, MIGA) committed USD 44.5 bn of development finance in 2005 alone, of which 16% is invested in sub Saharan Africa, and much of it goes to infrastructure.

Table 4: AfT to Africa by major donors, 2001-05 (current US$ million)

	2001	2002	2003	2004	2005*	Total
Total AfT to Africa	**2,583.1**	**1,622.9**	**3,125.5**	**3,403.8**	**3,803.4**	***14,538.8***
Total Bilateral	**1,235.7**	**1,090.3**	**1,946.4**	**1,531.1**	**3,090.9**	***8,894.4***
EC	576.4	458.8	883.3	691.2	1,410.4	***4,020.2***
United States	69.7	106.7	130.6	169.4	257.1	***733.4***
France	50.5	64.9	185.7	103.9	179.8	***584.8***
UK	43.9	54.8	238.9	39.9	193.2	***570.7***
Japan	130.3	73.3	78.8	152.8	115.4	***550.5***
Denmark	13.7	101.9	107.3	71.4	176.7	***470.9***
Germany	59.3	79.5	49.4	76.0	102.8	***367.0***
Italy	4.3	10.3	0.6	23.5	273.8	***312.5***
Norway	99.3	20.8	54.8	18.3	94.9	***288.1***
Sweden	49.7	26.2	56.4	38.0	67.2	***237.4***
Netherlands	66.4	10.6	20.1	28.0	23.1	***148.1***
Canada	29.3	12.0	43.4	29.0	15.2	***128.9***
Other bilateral	42.9	70.8	97.2	89.7	181.3	***481.8***
Total Multilateral	**1,347.4**	**532.6**	**1,179.1**	**1,872.8**	**712.5**	***5,644.4***
World Bank	1,080.9	431.3	838.6	1,588.6	475.9	***4,415.3***
AfDB	260.9	90.3	325.3	252.0	225.3	***1,153.8***
WTO	0.8	4.6	6.7	7.6	6.2	***25.7***
FAO	2.3	3.2	3.9	4.7	0.7	***14.8***
IFAD	0.0	0.0	0.0	14.8	0.1	***14.9***
Other Mult.	2.5	3.1	4.5	5.1	4.4	***19.6***

**provisional data Source: OECD/WTO database*

The other main categories of the WTO database (Trade Policy and Regulation – TP&R - and Trade Development - TD) are less important in terms of value, as they tend to be more 'labour-intensive'. TP&R shows a mildly increasing trend over 2001-2005. TD activities, on the other hand, decreased in 2005, mainly due to a drop in market analysis and development activities. These categories of past assistance clearly match those (*a, b* and *c*) defined in the section above. The dominance of trade-related infrastructure confirms the importance of estimating the broad needs of countries, and this allows the appropriateness of the AfT allocation to be assessed.

Appendix C provides information on the amounts of AfT tied to specific trade agreements, such as Economic Partnership Agreements (EPAs). We estimate that around US$300mn of TRA is provided to regions rather than to all-ACP or country level programmes. A further analysis of RTA related assistance reveals this type of support experienced a jump in 2005, mainly driven by the EU accounting for 93% of total RTA support. This finding is consistent with the European Council's claim that "a substantial share of increased Aid for Trade will be devoted to ACP countries in the context of the EPA negotiations" (EC, 2007, p. 3).

Table 5: Aid for Trade in Africa by category, 2001-05 (current US$ million)

	2001	2002	2003	2004	2005*	Total 2001-5
Trade policy and regulations	**55.9**	**61.6**	**110.2**	**113.5**	**125.5**	***466.7***
Trade mainstreaming in PRSPs/development plans	22.4	22.0	23.1	12.9	31.1	***111.5***
Technical barriers to trade (TBT)	3.1	1.1	4.9	7.1	28.2	***44.6***
Sanitary and phytosanitary measures (SPS)	1.5	8.3	9.0	3.0	2.5	***24.3***
Trade facilitation procedures	13.8	6.1	50.4	69.5	33.8	***173.6***
Customs valuation	0.2	2.8	2.7	2.4	0.1	***8.1***
Tariff reforms	0.1	0.0	0.1	0.0	3.5	***3.7***
Accession	0.1	0.4	1.2	1.6	0.8	***4.1***
Dispute settlement	0.0	0.2	1.0	0.2	0.2	***1.5***
Trade-related intellectual property rights (TRIPS)	0.2	1.4	1.2	0.6	0.5	***3.8***
Agriculture	1.1	0.5	0.9	1.5	1.3	***5.2***
Services	0.3	0.6	0.8	1.1	1.7	***4.5***
Tariff negotiations - non-agricultural market access	1.2	1.2	1.8	0.5	0.5	***5.3***
Rules	0.1	0.2	0.3	0.2	0.3	***1.0***
Training in trade negotiation techniques	2.7	0.1	1.3	0.1	0.4	***4.7***
Trade and environment	4.0	6.0	0.4	1.3	0.8	***12.6***
Trade and competition	2.1	1.5	2.0	2.6	2.1	***10.3***
Trade and investment	0.1	0.9	0.8	0.2	0.1	***2.2***
Transparency and government procurement	0.0	0.3	0.5	1.2	2.4	***4.5***
Trade education/training	2.8	7.8	7.8	7.5	15.1	***41.0***
Trade Development	**383.3**	**229.1**	**536.7**	**518.7**	**451.0**	***2,118.9***
Business support services and institutions	111.7	70.0	111.1	50.6	58.6	***402.0***
Public-private sector networking	1.8	3.4	12.3	7.4	3.8	***28.7***
E-commerce	0.04	2.3	3.8	31.2	7.1	***44.4***
Trade finance	149.5	38.9	77.9	100.6	132.9	***499.8***
Trade promotion strategy and implementation	56.5	75.7	196.6	178.6	170.2	***677.6***
Market analysis and development	63.8	38.9	135.0	150.4	78.4	***466.5***

Infrastructure	**2,143.9**	**1,332.2**	**2,478.6**	**2,771.6**	**3,226.9**	***11,953.2***
Transport & Storage	1,144.9	863.0	1,776.9	2,028.4	2,179.3	***7,992.5***
Communications	67.5	81.6	107.3	91.1	51.8	***399.2***
Energy	931.6	387.7	594.4	652.1	995.8	***3,561.4***
Regional trade agreements	5.4	26.8	31.8	48.0	170.0	***282.0***
of which EC	5.4	17.8	22.2	42.4	158.5	***246.2***

*Source: OECD/WTO database; *provisional data*

Other donors have begun to appear on stage and may be very important to infrastructure provision (ICA, 2007). Africa is now drawing substantial support, support which may increase in coming years, for infrastructure development from emerging donors. The China Development Bank, which disbursed some $66bn for infrastructure related projects in China in 2005, is currently looking towards Africa. China committed to lend African countries US$5 billion, mostly for infrastructure, over 2007-09, and they recently added more. Arab funds and banks have long been involved but are now more significant. Interest has also been rising from India.

The effectiveness of aid for trade

The effectiveness of trade-related assistance is often difficult to quantify partly because there is a choice of objectives and performance indicators used by donors. According to a recent report by the OECD on evaluations of trade-related assistance (OECD, 2006), objectives and performance indicators are not clear, are difficult to measure, and vary across projects and programmes. Also, the indicators selected (e.g. increases in trade volumes or trade as a share of GDP, "adoption and implementation of trade policies that positively impact the poor"[13]) often measure changes which are unlikely to be achieved within the project's life cycle. Furthermore, changes cannot be solely attributed to one trade-related assistance programme, given efforts by other donors and governments as well as producers to improve their trade performance irrespective of government and donor activities. In addition, when considering broader development outcomes (e.g. impact on poverty reduction), it becomes increasingly difficult to separate the impact of trade-related assistance.

Another problem involves the difficulty of measuring positive outcomes of trade-related assistance, outcomes which are often intangible. For instance, in countries where the commitment to trade issues has been historically low, the most important achievement of trade-related assistance may be changing the mindset of government and gaining commitment to trade issues by highlighting the importance of trade for growth and poverty reduction. Changing the approach to trade-related assistance, especially where new and more effective practices in managing aid are adopted, may also be a significant achievement.

13 An example of an OVI (Objectively Verifiable Indicator) from the Tanzania Trade and Poverty Programme (TTPP) (2002-2004) (TTPP, 2002).

Finally, it is worth considering whether the type of aid has been appropriate. While most Aid for Trade has continued to support trade negotiations, the estimates in box 2 show changes to infrastructure and supply capacity are required. One study examines the effects of aid for trade facilitation on bilateral trade values (not specific to Africa) and finds a positive correlation.

Success stories

According to the OECD report[14], 50 per cent of the assessed programmes contributed to a greater awareness and knowledge of trade policy issues (including WTO), improved understanding that trade is important for development and poverty reduction, and a strengthened national dialogue on trade. Also, some of the programmes assessed have facilitated integration into the multilateral trading system (e.g. the Integrated Framework (IF) and Cambodia's accession to the WTO). The report states the effectiveness of trade-related assistance depends, amongst other factors, on the country's commitment to trade issues (e.g. Cambodia) (OECD, 2006). However, as noted above, trade-related assistance *per se* has actually helped countries build commitment on trade issues.

Joint Integrated Technical Assistance Programme (JITAP)

The Joint Integrated Technical Assistance Programme (JITAP)[15], established to help African countries[16] benefit from the multilateral trading system, has improved capacity on WTO issues through seminars, workshops, and training. JITAP did this by establishing Reference Centres and National Enquiry Points and by strengthening national dialogue on trade through the establishment of Inter-Institutional Committees (government, private sector, and civil society). According to an in-depth evaluation of JITAP, the programme has contributed towards more effective participation in multilateral trade negotiations while increasing engagement across the government, private sector, and civil society on trade issues (Da Silva and Weston, 2002).

Africa Trade and Poverty Programme (ATPP)

The Africa Trade and Poverty Programme (ATPP) (2002-2004) attempted to strengthen the trade-poverty linkage by conducting research and advocacy work, thus improving the understanding that trade is important for development policy (e.g. Poverty Reduction Strategy Papers (PRSPs)). Despite very poor management of ATPP and its early termination, some outputs were used in the formulation of development policy (e.g. Tanzania – see appendix D).

14 Based on the results of 10 evaluations.

15 Established in 1998 by the WTO, UNCTAD and ITC. Countries are Benin, Botswana, Burkina Faso, Cameroon, Côte d'Ivoire, Ghana, Kenya, Malawi, Mali, Mauritania, Mozambique, Senegal, Tunisia, Uganda, Tanzania and Zambia (http://www.jitap.org). JITAP I ran from 1998 to 2002 and JITAP II was launched in 2003.

16 6 developing and 10 LDCs.

Integrated Framework (IF)

The Integrated Framework (IF) was established in 1997 by six multilateral institutions[17]. It aims to support LDCs in mainstreaming trade into national development strategies and to assist in the coordination and delivery of trade-related assistance by core agencies and other donors in response to identified needs. Poor performance in the first few years led to reform in 2000, since IF largely failed to achieve its stated objectives (WTO, 2000)[18]. The revamped IF is composed of three stages:

- *Preparation* This includes an official request from the LDC to join the IF process, the establishment of the national IF steering committee, and the identification of a lead donor.
- *Diagnostics* This entails drafting a Diagnostic Trade Integration Study (DTIS), a study which identifies key constraints to a country's ability to trade, and recommends a set of policy reform priorities at the sector level, focusing on reforms which are pro-poor.
- *Follow-up* Based on the DTIS, an action matrix of policy recommendations and priority technical assistance needs is drafted, to be discussed and validated by stakeholders during a national workshop. The priorities are then incorporated into the country's national development strategy (e.g. PRSP) and the priority technical assistance needs considered by donors.

So far, performance under the new IF suggests its main achievement is improving coordination of trade-related assistance among donors and international organisations, though further progress is needed. However, the experience in-country has been mixed because there is often a lack of donor coordination (OECD, 2006). An exception to this rule is the experience of Tanzania (appendix D), an experience which highlights the effect of strong leadership in managing aid. Here, the Ministry on Trade has been effective managing trade-related assistance.

'Mainstreaming trade' involves the process of identifying, prioritising, sequencing, and integrating trade issues into the overall national development strategy (WTO, 2001 and OECD, 2001). It includes trade policy reform (national, regional and multilateral), capacity building on trade, and market access issues. 'Mainstream trading' should also be accompanied by complementary policies, especially those addressing supply-side constraints (e.g. infrastructure) to increase the productive capacity of the economy (see figure 1) (OECD, 2001). Without the implementation of a broad set of mutually supportive policies, the benefits of trade reform will not be fully realised. Hence, it is not necessarily the best option to include a separate chapter on trade in national development strategies. Trade issues should be linked with sectoral and cross-cutting issues to ensure complete and consistent implementation of reforms with the objective of improving trade performance.

Since the launch of Poverty Reduction Strategy Papers (PRSPs) in 1999, their nature and scope has evolved from focusing on social sectors (e.g. health and education) in first generation PRSPs to focusing on growth and trade in second generation PRSPs. First generation PRSPs neglected both growth and trade, largely due to the prioritisation of social sectors and the desire for 'quick-wins' by both donors and government.

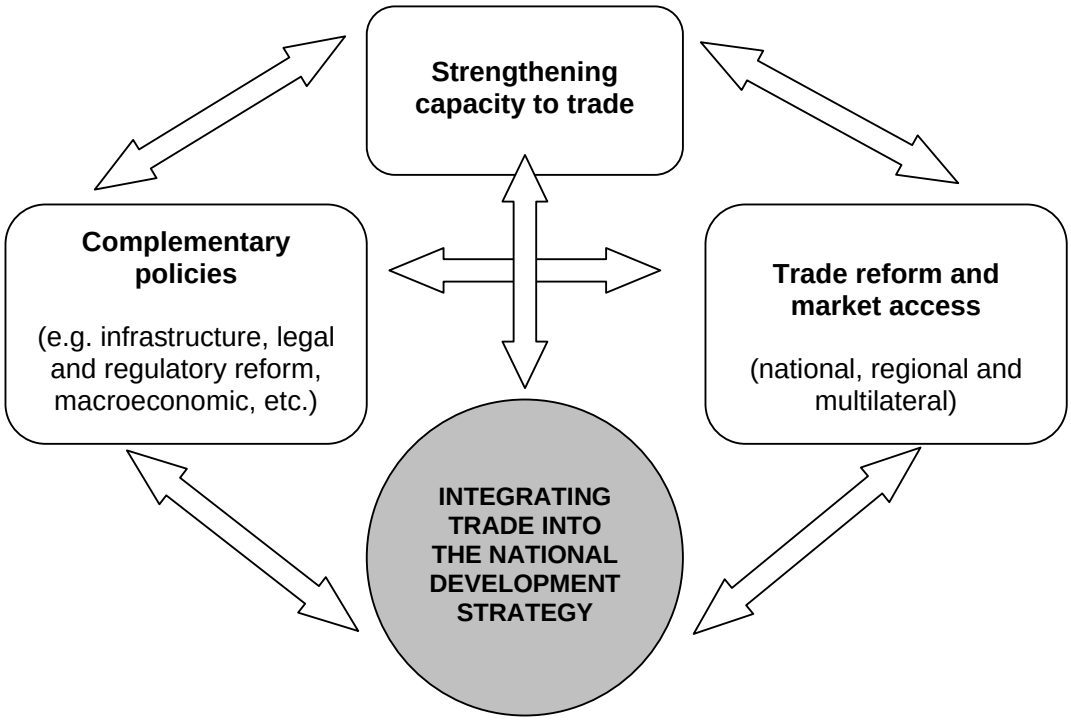
17 IMF, ITC, UNCTAD, World Bank, UNDP and WTO. The programme initially covered 12 LDCs and has now been extended to 43.

18 According to an independent review of the IF published in 2000 (WTO, 2000), the IF lacked country ownership, failed to prioritise TRA needs, had no link to the overall aid architecture, was not adequately demand-driven, was largely unfunded at the country-level and suffered from poor coordination at all levels (the latter was arguably the main cause of the failure of the first IF to achieve its other objectives).

Analysis by ODI has found that many second generation PRSPs include growth as the main objective (e.g. Ghana, Kenya and Uganda) or one of the most important objectives (e.g. Burkina Faso and Tanzania). Trade has a more prominent place in second generation PRSPs. Of the five African countries reviewed, four have a section or sub-section on trade. The trade sections typically discuss how trade policy can contribute to growth and highlight actions to increase export promotion and access to markets (with a heavy focus on the former). Trade is discussed to differing extents throughout the PRSPs, especially with respect to sector strategies.

However, the second generation PRSPs (along with the first generation PRSPs) fail to adequately address the analytical linkages between trade and poverty reduction. As with the first generation PRSPs, too much emphasis is placed on supply-side constraints to trade and export promotion, when demand-side constraints (i.e. market access and regional integration) should receive more attention. Regional integration is an important element of addressing demand-side constraints (E.g. Burkina Faso, Uganda and Kenya). Ghana's PRSP identifies non-tariff barriers as a major demand constraint. The second generation PRSPs may provide more in-depth analysis of supply-side constraints to productive capacity and export potential than the first generation PRSPs, but the links between trade policy, supply-side issues, and complementary policies remain weak.

Chart 2: The trade policy process and mainstreaming trade into the national development strategy[19]



Source: Adapted from OECD (2001)

[19] In addition to mainstreaming trade in national development strategies, relevant trade issues should be integrated into sector strategies (either directly or indirectly through the national development strategy).

Despite a greater focus on growth and trade in second generation PRSPs, fundamental obstacles remain. Improving prospects for growth and trade requires changing priorities for both government and donors and the implementation of a broad set of reforms. Realistically, this is likely to be a medium-term goal with actual improvements in trade performance being a long-term goal. Results are often expected immediately by donors and national governments. For instance, in donor countries, governments are accountable to tax-payers who increasingly expect quick and tangible results (e.g. building hospitals and schools). Donor agencies are often structured according to sectors or disciplines, a structure which discourages the kind of collaborative work (e.g. trade advisers working with agriculture advisers; infrastructure specialists working with trade advisers; etc.[20]) required to understand the broad set of actions needed to improve trade performance. National governments and donors, especially central ministries leading the drafting of national development strategies, often lack capacity on trade issues. They also share a lack of in-depth understanding with trade ministries on the reforms needed to improve trade potential.

Box 4: Mainstreaming trade in PRSPs: views of multilateral organisations[21]

World Bank The trade content is correlated with the growth content of PRSPs.

IMF "Countries with a well-articulated growth strategy in their PRSPs overwhelmingly included trade as part of that strategy". Despite the increase in PRSPs centred on growth strategies, growth and trade strategies continue to be absent in many cases. DTISs have had a positive impact on the quality of the trade discussion in PRSPs.

UNCTAD Trade mainstreaming is "barely being met" as reflected in the lack of specific focus on trade in most PRSPs. Perhaps this is due to institutional and human capacity constraints in many countries undertaking national trade policy formulation. "DTIS could link trade policy analysis and needs assessments to poverty reduction objectives in national development strategies or PRSPs".

UNDP Shortcomings with the analytical approach to mainstreaming are typically limited to projections of export and import growth. In order to mainstream trade, key trade policy objectives need to be identified and appropriately sequenced. Implementation needs to be coordinated with other complementary policies (e.g. macroeconomic, infrastructure, etc).

UNIDO PRSPs have typically focused on social sectors, neglecting productive sectors and trade. Donor policies still neglect giving assistance towards private sector development.

[20] However, DFID (since its reorganisation in the early oos) is promoting collaborative initiatives across sectors and disciplines.

[21] Covers countries beyond sub-Saharan Africa

ITC Trade has received inadequate attention since the linkages between trade, development, and poverty reduction have not been properly demonstrated to national policy-makers; those involved in development programmes lack capacity on trade, including an insufficient awareness among development agencies of trade opportunities for SMEs.

Source: WTO, 2006 and ODI, 2006

The Aid for Trade Task Force (WTO, 2006) has highlighted the importance of a commitment to mainstream trade into national development strategies as key to the effectiveness of the Aid for Trade initiative. There have been attempts to strengthen the capacity of countries to mainstream trade, especially under the Integrated Framework (IF) and Diagnostic Trade Integration Study (DTIS). However, the DTIS, despite being a key input for mainstreaming trade, has frequently been executed when the timing has suited the donor and/or consultant, instead of being planned around the drafting of national development strategies and/or budget cycles. This reinforces the need for capacity building on trade issues and integrating trade into national development strategies for donors and national governments.

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Appendix A Detailed calculations

Table A1: Breakdown of narrow costs for Sub-Saharan Africa

All figures in $ US million	B) NFIDCs	C) Pref Erosion NAMA – WTO est.	C) Pref Erosion Agriculture – WTO est.	C) Total Pref. Erosion – lower bound	Banana & sugar Pref. Erosion - high lib.	Pref Erosion (IMF estimates)	C) Total Pref. erosion – upper bound
		Low et al. (2005)	Low et al.(2006)	Low et al (2005); Low et al. (2006)	Gillson et al. (2004)	IMF (2003) & Alexandraki et al. (2004)	All sources
LDC	All						
Angola	x	0.3	0	0.3		21.1	21.1
Benin	x			0		0.3	0.3
Burkina Faso	x		1.6	1.6		0.3	1.6
Burundi	x			0		1	1
Cape Verde	x			0		0.9	0.9
Central African Republic	x			0		0.7	0.7
Chad	x			0		0.1	0.1
Comoros	x			0		0.3	0.3
DRC	x		0.1	0.1	0.7	0.8	0.8
Djibouti	x						
Equatorial Guinea	x			0		1.3	1.3
Eritrea	x						
Ethiopia	x			0		15.4	15.4
Gambia, The	x			0		0.3	0.3
Guinea	x	0.2		0.2		1.6	1.6
Guinea Bissau	x			0		0.2	0.2
Lesotho	x	30.1		30.1			30.1
Liberia	x			0		3.4	3.4
Madagascar	x	19.1		19.1	5.6	8.6	19.1
Malawi	x	2	0.8	2.8	13.9	48.6	48.6
Mali	x			0		0.1	0.1
Mauritania	x	1.7		1.7		40.4	40.4
Mozambique	x	5.5		5.5		5.7	5.7
Niger	x						
Rwanda	x						
Senegal	x	3.6	0.5	4.1		23.6	23.6
Sierra Leone	x	0.2		0.2		2.5	2.5
Somalia	x						
Sudan	x			0		6.9	6.9
Tanzania	x	1.2	1.4	2.6	5	28.9	28.9
Togo	x	0.2	0.1	0.3		1.3	1.3
Uganda	x	0.7	0.5	1.2		9.1	9.1
Zambia	x	0		0	5.5		5.5

Total LDCs		**64.8**	**5**	**69.8**	**30.7**	**223.4**	**270.8**
Other							
Botswana,	x	0.8	5.8	6.6			6.6
Cameroon		1	29.8	30.8			30.8
All figures in $ US million	B) NFIDCs	C) Pref Erosion NAMA – WTO est.	C) Pref Erosion Agriculture – WTO est.	C) Total Pref. Erosion – lower bound	Banana & sugar Pref. Erosion - high lib.	Pref Erosion (IMF estimates)	C) Total Pref. erosion – upper bound
C d'Ivoire	x	25.3	22.1	47.4	3.7	69	69
Ghana			0.6	0.6			0.6
Kenya	x	14	5.8	19.8	1.3		19.8
Mauritius	x	31	23.4	54.4	205.6	201	205.6
Namibia	x	10.7	6.5	17.2			17.2
Nigeria		1.3	0.1	1.4			1.4
Swaziland		11.9	5.6	17.5	41.1	21	41.1
Zimbabwe		1.9	3	4.9	22.7		22.7
Total Others		**97.9**	**102.7**	**200.6**	**274.4**	**291**	**414.8**
Total Costs	**171<X<644**	**162.7**	**107.7**	**270.4**	**305.1**	**514.4**	**685.6**

Category	Estimation methodology	Amount in US$ mn
Total Pref Erosion lower bound	Cumulative value of countries' estimates from Low et al. (2005) and Low et al. (2006)	**270**
Total Pref Erosion upper estimate	Cumulative value of countries' estimates from Low et al. (2005) and Low et al. (2006) + estimates for some major losers not included in those studies but included in IMF (2003) and IMF (2004)	**686**
Total of implementing WTO - upper bound	Average between method using fixed cost of implementation (7 mn) times 35 countries and method using percentage (10% - calculated on Jamaica) of total pref erosion cost -upper bound	**140**
Total of implementing WTO - lower bound	Average between method using fixed cost of implementation (7 mn) times 35 countries and method using percentage (10% - calculated on Jamaica) of total pref erosion cost -lower bound	**160**
Total for NFIDCs - upper bound	Lower bound of Mitchell and Hoppe adjusted for the share of African NFIDCs (52%)	**171**
Total for NFIDCs - lower bound	Upper bound of Mitchell and Hoppe adjusted for the share of African NFIDCs (52%)	**644**

How data in Table 1 in the text have been calculated

Implementing WTO agreements– The only estimates come from a calculation for Jamaica made by Hoekman et al. (2002), quoted in Kleen and Page (2004), p. 35. They calculate the cost of implementing SPS measures and new rules on customs would amount to about US$7 million in Jamaica. Starting from this figure, we adopt a combined method in order to get a rough estimate of the cost for SSA. Firstly, we consider the total cost for developing countries by multiplying the 7 million by the number of main SSA countries (i.e.: 35). Given this type of cost is not completely fixed (there may be a variable part related to the size of a country's general adjustment following the implementation of DDA), we also calculate the ratio of this cost (7 million) to the estimated preference erosion costs for Jamaica (about 10%) and apply it to all SSA countries (using the upper and lower bounds of the preference erosion estimation – see below). We then take the average between these two calculations and get the upper and lower bound.

Cost for NFIDCs – For this, we have used the upper and lower bounds from a recent World Bank study (Mitchell, Hoppe, 2006), which considers costs for all NFIDCs, and have adjusted these figures to Africa. Clearly, these numbers are sensitive to the size and exact composition of the Doha settlement on agriculture (if reforms are very limited, as proved to be the case in the Uruguay Round, the negative consequences will be equally limited). We take the upper and lower bound from Mitchell and Hoppe (2006), report the results from studies using different assumptions, and then multiply the figure by the share of SSA countries in total NFIDCs (52.1%).[22]

Cost of preference erosion– The lower bound is obtained by adding two sets of estimates from WTO studies: the Low et al. (2005) estimation of costs for non-agricultural products due to preference erosion and the Low et al. (2006) estimation of costs for agriculture products due to preference erosion. The upper bound is obtained from additional estimates by IMF (2003) and Alexandraki and Lankes (2004) of the costs incurred by some major losers, costs which are not included or have a lower estimate in the other studies by Low et al. (e.g. Ethiopia, Malawi, Mauritania, Senegal).

Our estimates are based on WTO studies, as they employ the most up-to-date methodology for calculating adjustment costs from preference erosion. An important part of that methodology is related to the adjustment of preference margin for competition and for utilisation rates (where available). The first type of adjustment accounts for the competition effect from other exporters who benefit from the same preferential scheme or other forms of preferences. This implies estimates will be lower than those that do not take such competition into account. The latter type of adjustment considers the actual rate of preference utilisation by exporters from developing countries (which can be low). This adjustment is computed only for non-agricultural products' access to the US market. The IMF estimates are not comparable to the WTO estimates because they use different methodologies, so caution is required when comparing estimates.

[22] This share comes from the following calculation: 33 out of 50 LDCs are SSA countries, plus 5 out of the other 23. This means that 38 out of the total 73 NFIDCs are SSA countries.

Note that all estimates are based on partial information and static calculation, thus they are subject to various biases. One such bias occurs because we do not know the share of benefits or preferences going to the exporter (this share is likely to be less than the 100% assumed by the studies – see e.g. the sugar cases). Another problem relates to the actual utilisation rates of preferences; information is available only for non-agricultural products' access to the US market. Other issues are caused by a lack of consideration of substitution elasticities and dynamic interaction. These estimates include preference erosion in banana and sugar markets as well. We include in Table 1 (although they are not part of the calculation) explicit figures on potential losses in banana and sugar markets from Gillson et al. (2004), in order to see the potential loss in these two relevant markets for some ACP countries.

Implementing TRIPs– The only estimations of these costs are provided by Hoekman et al. (2002), which calculate US$ 6 million for TRIPS related implementation in Jamaica, and by Mattoo (2005) on the cost of an OECS telecommunications regulatory authority. The total cost of US$8 million is then compared to the 7 million of point A and proportionately scaled up.

Appendix B Individual country comparisons on infrastructure needs

Individual country comparisons may be helpful in understanding the potential importance of infrastructure gaps on economic indicators and may provide an idea of calculations that could be extended (with more detail) to a large number of areas. Table B1 presents data for Mozambique and Peru (coastal economies of similar size and population) on some infrastructure capacity in terms of factors' endowment. The comparison shows that Peru is endowed with a better level of infrastructure for the three types considered: energy, communications and transport infrastructure. Such structural advantage is associated with a much higher level of trade (both exports and imports) and GDP per capita in Peru. There is no presumption of identifying causality between this limited infrastructure data and economic indicators (infrastructure stimulates trade and GDP growth and vice-versa), but the results are suggestive of a crucial relation in line with other findings. Unfortunately, not much data are available to measure the quality of infrastructure, which could be even more crucial than the quantity of infrastructure for trade development. According to the scant data we have on communications quality (telephone faults per 100 mainlines), Peru fares better than Mozambique.

Table B1: Mozambique vs. Peru: infrastructure capacity

	Mozambique	Peru	Year
Energy			
Electricity production (kWh per '000 population)	556	844	2003
Electric power transmission and distribution losses (% of output)	9.91	10.11	2003
Communications			
Telephone mainlines (per 1,000 people)	4.1	67.7	2003
Telephone faults (per 100 mainlines)	80	17	1999
International Internet bandwidth (bits per person)	1.0	67.7	2003
Secure Internet servers (per 1 million people)	0.05	4.68	2004
Transport			
Rail lines (total route-km) x 1000/total area (sq. Km)	2.64	1.66	2002
Roads, total network (km) x 1000/total area (sq. Km)	38.77	61.04	1999
Economic Indicators			
Exports of goods and services (constant 2000 US$) per capita	95	433	2004
Imports of goods and services (constant 2000 US$) per capita	106	418	2004
GDP per capita (constant 2000 US$)	276	2,206	2004
GDP per capita, PPP (constant 2000 international $)	1,143	5,219	2004
Population (000)	19,424	27,562	2004
Land Area (sq. Km 000)	784	1,280	

Source: World Development Indicators

An even more telling comparison is the one between two landlocked economies (Chad and Bolivia) where efficient infrastructure should be critical for industrial competitiveness (as transport costs are likely to represent a higher than average share of total costs). Table B2 shows that Bolivia has a clear advantage in terms of communications and transport infrastructure, which is again associated to higher levels of trade and GDP per capita. It is worth noting that in spite of the greater differences in infrastructure, there are smaller differences in outcome between Bolivia and Chad than between Mozambique and Peru.

Table B2: Chad vs. Bolivia: infrastructure capacity

	Chad	Bolivia	year
Communications			
Telephone mainlines (per 1,000 people)	1.4	69.4	2004
Population covered by mobile telephony (%)	8.0	60.0	2004
International Internet bandwidth (bits per person)	0.4	44.2	2004
Transport			
Roads, paved (% of total roads)	0.8	6.4	1999
Roads, total network (km) x 1000/total area (sq. Km)	26.5	49.5	1999
Economic Indicators			
Exports of goods and services (constant 2000 US$) per capita	138	251	2004
Imports of goods and services (constant 2000 US$) per capita	123	289	2004
GDP per capita (constant 2000 US$)	261	1,039	2004
GDP per capita, PPP (constant 2000 international $)	1,531	2,513	2004
Population (000)	9,448	9,009	2004
Land area (sq. km 000)	1,259	1,084	

Source: World Development Indicators and World Bank – ICT at a Glance

Appendix C EC Trade related assistance

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 levels, 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: € 150 mn.

2. The bulk of the TRA support is provided under regional indicative programmes, falling 'in line with' the ACP EU priority attached to regional integration. The total amount is around € 350mn, with approximately €290mn for Africa (with a crude estimate of around US$300mn).

Table C1 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
Total (approx)					290

Source: Velde, D.W. te (2007)

3. At the national level, several ACP countries have earmarked additional funding for projects complementing those funded under the ACP and regional programmes. These projects mainly focus on technical assistance and capacity building related to trade (Burundi, Ethiopia, Kenya, Madagascar, Mali: Namibia, Nigeria, Rwanda, Senegal, Tanzania, Uganda, and Zimbabwe: Trade Capacity Building for private sector).

Appendix D Aid for Trade in Tanzania

Tanzania has had several trade-related assistance projects and programmes, many beginning in the late 90s/early 00s. Some of the earlier established projects and programmes (e.g. JITAP) focus on conventional trade-related capacity building activities, including improved participation and integration in the multilateral trading system. Other programs (e.g. IF and Tanzania Trade and Poverty Programme, TTPP[23]) cover more broadly defined trade policy activities (e.g. mainstreaming trade).

Under JITAP, the Inter-Institutional Technical Committee and five sub-committees based on WTO agreements[24] have been established. These provide a platform to improve national dialogue and strengthen capacity on WTO agreements across the government, private sector, and civil society. Also, JITAP has organised several workshops to improve understanding on WTO agreements and the multilateral trading system. In addition, Reference Centres[25] have been established and include a large supply of WTO documents. Combined with 3-6 month WTO training courses, knowledge and awareness on WTO agreements amongst several key officials dealing with trade issues has significantly improved as a result of the programme. Despite a significant improvement in awareness on trade issues and WTO agreements across key stakeholders, JITAP's potential has been under-exploited (Lanser et al, 2000). The reference centres have been under utilised by staff (documents are often not unpacked and sorted) and the committees have failed to meet regularly (only 2 of the 5 sub-committees have met).

Tanzania began the IF process with the preparation of a needs assessment (United Republic of Tanzania, 2000) that led to the creation of the on-going Business Environment Strengthening for Tanzania (BEST) programme implemented in December 2003.[26] The programme aims to improve the enabling environment for the private sector through legal and regulatory reforms, therefore reducing some of the supply-side constraints to productive capacity and trade. Despite the narrow focus of trade-related assistance projects and programmes typical in many IF countries (before the revamped IF), the first IF in Tanzania was relatively advanced because it was a broader approach to trade-related assistance that addressed supply-side constraints. This was largely due to an emphasis within the IF focal point (i.e. the Ministry of Industry and Trade) on the importance of supply-side capacity and a relatively high degree of leadership from within the Ministry.

23 Part of ATPP and funded by DFID

24 Agreements on Agriculture and SPS; Agreements on PSI, Customs Valuation, Rules of Origin and Import Licensing; Agreements on TRIPS, TRIMS, and New Issues; Agreement on Trade in Services; Agreements on Textile and Clothing, TBTs; Subsidies/Countervailing duties, Anti-dumping and Safeguard Measures.

25 In the Board of External Trade (BET), Ministry of Industry and Trade (MIT) and College for Business Education (CBE).

26 The following donors agreed to fund the programme: Royal Netherlands Embassy, Department for International Development (DFID), Danida and Sida.

A national IF steering committee was established under the first IF and continues under the new IF. It includes members from government, in-country donors, private sector, and civil society to discuss all issues relating to the IF and trade-related assistance. The aim of the committee is coordinating trade-related assistance and providing a platform for decision-making, especially where wide consultation is required in order to approve a project, programme, or activity. It also provides a useful vehicle for gaining additional funds for projects and programmes. The committee has been relatively successful in improving coordination of trade-related assistance at the country level, reducing the transaction costs associated with managing numerous projects and programmes, and aligning donors' priorities on trade with government priorities. The committee has also helped increase awareness and knowledge of trade issues. During the first IF, there was very little communication between the committee and the core agencies, and no in-country donor represented the interests of – or fed back any information to – the core agencies. However, this did not appear to inhibit the IF process in-country.

Until 2004/2005, the commitment to trade issues across government remained low, partly due to priorities identified by the first PRSP (2000-2004) and by donors (i.e. predominantly health and education). These priorities undermined any attempts at promoting a broad set of economy-wide reforms necessary to improve the country's capacity to produce and trade. In preparation for the second PRSP (2005-2010), TTPP prepared a report highlighting priorities for the second PRSP. TTPP also supported consultations among government, donors, private sector, and civil society to increase awareness and understanding on the importance of trade for economic growth and poverty reduction. These initiatives helped inform the PRS drafting committee on the role of productive sectors, initiatives which culminated in a greater role for the productive sectors in the second PRSP[27] (United Republic of Tanzania, 2005), and a three-fold budget increase for the Ministry of Industry and Trade, who were expected to lead the implementation of several PRS actions.

Under the new IF process, for which Tanzania's membership was approved in 2004, a DTIS was carried out (between November 2004 and November 2005) in accordance with the priorities agreed to by the Government of Tanzania. The report was approved at a national workshop in November 2005[28]. The report states that "it is the 'behind-the-border' agenda, or supply-side constraints, that constitute the major obstacle to export performance" and that "practically all aspects of the development agenda that are important for growth are also important for private investment and exports"[29]. The DTIS process, especially the workshop, has helped improve the commitment to the IF process by government, private sector and civil society. One of the main objectives of the IF is mainstreaming trade in the PRSP using the findings of the DTIS, but the drafting of the DTIS began at a time when the draft of the second PRSP was nearly complete. Nevertheless, the PRSP is a 'living document' and revised every year. Assuming support for the IF and DTIS remains strong, the findings should feed into subsequent revisions of the PRSP and increase the extent to which trade is mainstreamed in the PRSP.

27 Known as the MKUKUTA or National Strategy for Growth and Reduction of Poverty (NSGRP)

28 The National Validation Workshop was attended by around 150 representatives from government, private sector and civil society organisations. The DTIS National Validation Workshops are charged with adopting the action matrix recommendations.

29 Some of the key issues highlighted are poor infrastructure and high transport costs, prevalence of high and nuisance taxes, lack of skills in several sub-sectors and lack of capacity on SPS.

In order to achieve greater commitment for the DTIS and increase the chances of implementation for activities under other sectors policies and strategies, the DTIS has been submitted to cabinet and is currently awaiting approval. Also, the Ministry, along with the donors, are investigating the possibility of setting up pooled/basket funding for trade, which will support the implementation of the DTIS recommendations and increase the extent to which trade is mainstreamed. The idea of pooled funds was envisaged before the AfT initiative came along. Conceptually, the idea has been well-received. However, in practice, it requires a strong inter-governmental consultation and coordination mechanism, given the cross-cutting nature of trade and effective financial systems. If the support for pooled funding is sufficiently strong, this may be a catalyst for needed institutional reforms.

The strong commitment to trade issues and leadership of trade-related assistance projects and programmes by the Ministry of Industry and Trade has facilitated the delivery of effective trade-related assistance and sequence actions according to government priorities. Current efforts suggest Tanzania may be one of the forerunners amongst IF African countries in taking a broader approach to trade-related assistance. The impact of such activities on trade volumes is likely to be positive; however, such tangible impacts will not occur immediately and may be difficult to attribute to specific actions.

Appendix E How reliable is the OECD/WTO database on Aid for Trade?

A quick examination of the joint OECD/WTO Aid for Trade (AfT) database reveals several issues. We used a complete list of current or planned trade related projects in Malawi (obtained from the Malawi Ministry of Trade) to test the 'robustness' of the data in the WTO database. Because the Ministry of Trade is the institution playing a pivotal role in trade-related projects, this 'Ministry' list constitutes a benchmark and the database should closely resemble it (of course this is more difficult for infrastructure).

The first comparison includes the list of all Malawi projects falling in both macro-categories of the WTO database, Trade Development and Trade Policy and Regulation. This query returns a list of 184 projects between 2001 and 2005, for a total of US$36.8million (Table 1, first row). The comparison between this list and that of the Ministry yields only two projects in common: one is the largest in the WTO database list (but not in the Ministry list) and the other is the fourth largest. The projects include a regional trade facilitation programme financed by the World Bank worth US$ 15 million (2001-11) and a support project to the EPA negotiations finance by the EC worth € 2 million. This result is a bad sign, considering the ministry has 25 projects listed. Moreover, according to the Ministry's list, the EC appears to be the second largest bilateral donor, and the donor with the largest number of projects. According to the WTO database list, the EC has financed only 1 out of 185 projects in Malawi (the one mentioned above). Of course, this is partly explained because the country allocation of all-ACP or regional programmes is not provided in the WTO database.

The projects in the WTO database are much smaller than those in the Ministry list. The WTO projects have an average size of US$ 200,000 while the Ministry's projects start at € 200,000.

There are various possible reasons for this huge discrepancy:

1) *different time coverage*: All closed projects are excluded from the Ministry list but possibly included in the WTO list, while the more recent projects having just started or about to start are not included in the WTO list.
2) *different category coverage*: e.g. private sector development related categories are likely to be excluded from the WTO database
3) *different estimation* of the trade component of a larger project
4) *mis-reporting by the donors*
5) *mis-reporting by the Ministry*

Using the statistical analysis (SA) tool available in the database, the data retrieved are substantially different from those of the project list. For example, Table 1 provides a direct comparison of the yearly value of total trade-related assistance to Malawi according to the two WTO database's lists. The 'projects' data seem to be more complete between 2001 and 2004 (with a huge difference in 2002), while the SA data is much larger in 2005. Obviously, any analysis carried out using only one of the two WTO data lists would lead to erroneous conclusions. The difference between the project data and the SA data mirrors the different projects covered (in the same database). For example, SA data for 2005 includes the largest EC project in the Ministry list

(institutional development across the agricultural food sector - € 7.8 million), a project which is not included in the projects list. Incidentally, this EC project runs until 2005 on the SA list, even though it runs between 2004 and 2007 on the Ministry list. On the other hand, the SA data do not include the € 2 million EC project that is included in the project data (as mentioned above).

Table E1: Value of TD and TP&R projects in Malawi, 2001-05 (US$ '000)

	2001	2002	2003	2004	2005	Total
Projects	16,727	10,630	7,553	10,258	4,216	**36,839**
Stat. analysis	16,344	1,336	7,351	7,751	14,436	**47,218**

Source: WTO database

Leaving aside the inconsistencies within the same WTO database, this brief analysis suggests the need for a closer collaboration between the OECD/WTO database and the recipient countries (and Ministries of Trade in particular) in order to increase the reliability of the database. Given the pivotal role of the Trade Ministries in coordinating (or at least acting as a focal point for) all trade-related activities in the recipient countries, their data should be the focal point of the database. Data from donors may eventually provide a 'robustness' check on the Ministry data. This analysis also highlights the need for a better definition and a harmonisation of the categories used to record AfT, along with clear criteria on how to calculate the trade component in multi-purpose projects.