

Aid for Trade and the Doha Agenda: Implications for Southern Africa

**23-24 August 2006
Burgers Park Hotel, Pretoria, South Africa**

Summary of Discussions

The following is a summary of the discussion by the organisers of the workshop. It is not a consensus or negotiated document that represents the views of the participants. It is intended as a record of the key points so as to assist participants in their reporting and follow-up of the meeting.

- Is aid for trade new? There were different opinions on this question but it was broadly agreed that the emphasis in the current debate is new. It is now widely acknowledged that trade liberalisation is not sufficient for economic development. It must be accompanied by measures to assist developing countries build their supply-side capacities, infrastructure and the necessary enabling environments.
- What is aid for trade? The definition of scope provided by the WTO Task Force on Aid for Trade was used by most people as the starting point for discussions. Some placed more emphasis on addressing adjustment costs while others stressed infrastructure and supply-side capacity building. Aid for trade is essentially what a developing country decides it is based on their own individual circumstances. The concept is demand-driven.
- What is the link between aid for trade and the suspension of the Doha Round? Aid for trade is clearly linked to the current round of WTO negotiations in the Hong Kong Declaration. There is however mention of previous rounds and it is widely believed that aid for trade is not part of the single undertaking. The suspension of the Doha Round may provide an opportunity to move forward on aid for trade and to take the steps

necessary to make it fully operational when the negotiations on other issues are completed. It will be important to keep up the momentum in the WTO and other organisations.

- Will there be additional funds for aid for trade? It is likely that there will be additional funds available for aid for trade as has been indicated by a number of donors. It is also predicted that total ODA flows will increase in years to come and therefore this will have an impact on aid for trade as well. It is difficult to calculate the value of additional funds as there are no real benchmarks existing in the area of aid for trade. The OECD will be discussing later in the year the possibility of adding a section on trade to the Paris Declaration on Aid Effectiveness that will include benchmarks, targets and performance indicators. At this stage the idea of a new institutional mechanism for aid for trade has been rejected by donors. It did not feature in the WTO Task Force recommendations. The focus is on improving existing means of delivering aid for trade, such as the European Development Fund (EDF).
- What is the role of the Bretton Woods agencies on aid for trade? Both the World Bank and the IMF undertake work that could be classified as aid for trade. This includes research, the provision of technical assistance, the IMF's Trade Integration Mechanism and capacity building. A new direction for both organisations is a greater focus on work at the regional level. A review of cross-country/regional projects is expected to be discussed at the September Annual Meetings. The World Bank is also keen to engage with others in finding ways to support the development, design and planning of infrastructure proposals.
- How can aid for trade be operationalised at the national and regional level? The WTO Task Force suggested that a National Aid for Trade Committee be established. The LDCs already have similar bodies under the Integrated Framework so there would be no need to create another one. At the regional level it was suggested that aid for trade could be put on the agenda of SADC and COMESA. Representatives of the national bodies could come together to form a regional aid for trade committee. Much work has already been done in identifying possible aid for trade projects therefore it will not be useful to duplicate this but to use it as the basis for developing costed proposals for donors.
- What is the link between aid for trade and the negotiation of Economic Partnership Agreements (EPAs) with the EU? Development is one of two pillars in the EPA negotiations. The EPAs will largely be funded under EDF10 which comes into place in 2008. More money is likely to be needed but this will probably come through bilateral ODA programmes. The regional allocations under EDF10 are made on the basis of EPA groups not existing regional economic communities. The result is that regional integration in Africa is being driven by the EPAs rather than the other way round. New mechanisms for distributing the EDF have been

developed, including the use of contribution support. It is hoped that this will ensure greater effectiveness of the EDF and provide opportunities to leverage EDF funding. EDF funding is not sufficient to finance large infrastructure projects therefore there will need to be links to other initiatives such as the African Infrastructure Consortium which is being set up under the African Development Bank.

- What is the role of the private sector? The private sector has a pivotal role in implementing aid for trade projects. Examples were provided of successful projects already underway in Africa, such as the cashew nut sector in Mozambique. It is therefore important to involve them in national and regional consultative committees as well as in the annual review of aid for trade to take place in the WTO. Private sector development organisations can be used to help in the design of aid for trade programmes for countries and regions.
- What next for aid for trade? Aid for trade will be discussed during a side event at the Annual Meetings of the World Bank and the IMF in Singapore in September. The WTO Task Force report will be discussed by the General Council at its meeting at the beginning of October. The OECD will be holding a dialogue on aid for trade in Doha on 6 and 7 November.