



**Building the Capacity of ACP Countries in Trade Policy
Formulation, Negotiations and Implementation
(‘Hub and Spokes’) Project**

**Discussion Paper on ACP Trade Capacity:
A Consolidation of the Hub and Spokes Programme**

by Dr Stephen Woolcock



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1.0 Summary

This paper argues that there has been progress towards enhancing the trade capacity of the ACP states and regional secretariats, but that a continuation of a hubs and spokes type programme is needed to consolidate what has been achieved and ensure sustainability of capacity created. Any programme must continue to be demand-led and flexible to accommodate the varying needs of the ACP states and regions, but the report suggests that improved performance could be facilitated by a continuation of the support framework offered by TradeCom and the Hubs and Spokes programme. This framework would, for example, include specialised short courses for negotiators, support for implementation of trade agreements, facilitation of capacity to exploit the opportunities offered by trade agreements and the promotion of long term capacity through training in regional centres of excellence. Although another hubs and spokes programme should aim to contribute to all of these the priority would be the first two core activities. Both the Commonwealth Secretariat and OIF are also able more generally to contribute to the second two categories of capacity building, through links with the private sector, which can help promote a capacity to exploit trading opportunities, as well as considerable experience running training and education programmes.

In terms of the channel for providing support, the report argues that with one or perhaps two exceptions the ACP regional secretariats are not yet in a position to coordinate trade capacity support. Transferring the hubs and spokes programme to the regions at this stage therefore risks dissipating the gains achieved through inevitable delays in getting a second phase up and running. This suggests some form of partnership programme managed by the ComSec and OIF should be continued into a further phase, but be geared to handing over the coordination

function to the ACP regions by the time the second phase is completed. An additional advantage of a similar partnership programme is that the ComSec and OIF would also contribute financially to the programme and, as importantly, also make a contribution in terms of administrative and technical support that is not yet available in most ACP regional secretariats.

The following section sketches out the trend towards multiple level trade policy and negotiation today, which will pose capacity challenges to the ACP states for some time. Section three then suggests a typology for 'trade capacity' in order to facilitate a more concrete discussion and assessment of the types of capacity ACP states have and where further support would be beneficial. Section four summarises the existing capacity in a number of regions. In the time available it has not been possible to produce a comprehensive picture as this requires very detailed studies of each region and country's trade negotiating machinery, means of policy coordination, links with non-state actors and institutional capacity to implement agreements. Such studies would in effect constitute full need-assessments for each region and country. Section five argues that the Hubs and Spokes programme has made a real contribution and that it needs to be followed up with a second phase in order to ensure that what has been achieved is sustainable. Section six discusses the options in terms of how a second programme might be delivered and suggests that the existing arrangements should be used, but that responsibility for coordinating the programme should pass to the regional secretariats by the end of the second phase. Section seven revisits the issue of trends and considers what kind of capacity the ACP states are likely to need in the future, before section eight proposes, on the basis of soundings taken among a range of practitioners and experts in the ACP regions, three core activities for the second phase.

2.0 Multi-level trade negotiations

ACP states are engaged in trade negotiations on the regional (ACP integration), region-to-region (EU- ACP), bilateral and multilateral levels. At the regional level

all ACP states have a declared policy of promoting regional integration. Recent policy initiatives such as the aim of merging the regional integration efforts of COMESA, EAC and SADC could also be said to have strengthened the continental or plurilateral level. These regional initiatives raise immediate issues such as rules of origin and trade facilitation, and, depending on the region, non-tariff barriers, such as cooperation on TBT and trade-related issues such as investment, competition and public procurement. Regional integration is seen as a means of establishing more competitive industries in order to compete with the EU or in international markets, strengthen their international negotiating position in trade or promoting regional security. The reality of trade negotiations is likely to be rather different from conceptual plans of progression from free trade areas, to single markets and deeper integration.¹

At the region-to-region level or bilateral level there are the ongoing Economic Partnership Agreement (EPA) negotiations with the EU. These have to date focused on the tariff issues involved in the interim EPAs (IEPAs). In the IEPAs there is a need to clarify schedules, especially where these potentially clash with regional integration objectives in the ACP regions. There are also a number of controversial issues for the ACP as a whole, such as the MFN clause, safeguard measures and the definition of substantially all trade within the meaning of Art XXIV of the GATT.

Many ACP states have identified technical barriers (TBT) or sanitary and phytosanitary (SPS) measures in the EU as a real problem for their exports, but not all have developed the negotiating or institutional capacity to deal with TBT or SPS issues. For example, even the EU-CARIFORUM text, which in many respects is comprehensive, simply replicates the WTO SPS Agreement, which

¹ This is the classic economic case for regional integration that dates from the 1960s if not before. The form - if not always the practice - of most ACP regional initiatives also aims to follow the classic sequence of free trade area without tariffs, customs union, single market and economic and monetary union. In practice a growing number of developing countries, such as in central and Latin America, have opted for bilateral agreements with major markets as a means of attracting foreign investment and thus integrating more quickly into the international economy. Many of these bilateral agreements include elements of FTAs as well as the deeper integration associated with customs unions and single markets.

has been little help to ACP food and agricultural exporters thus far. In this case the ACP arguably needs a WTO-plus outcome that corresponds to the ACP interests. One pragmatic model for such a provision exists in the shape of the detailed interpretive annexes to the EU-Chile FTA on equivalence and regionalisation. There also remains considerable work to be done on rules of origin to ensure consistency across agreements. Difficulties cumulating origin will act against regional integration among ACP states.

So far only CARIFORUM has negotiated a comprehensive EPA with the EU. But a number of ACP regions have accepted rendezvous provisions in the IEPAs that envisage negotiation on a wider range of trade-related topics. The question of whether African ACP states or regions should negotiate comprehensive EPAs is also to be decided. A common African Union position opposes such agreements, but individual IEPAs include rendezvous clauses on trade-related topics. Whilst defensive stances on trade-related topics is a legitimate position to adopt, this should ideally be based on a cost-benefit assessment of the status quo, which as the SPS case suggests may not always be an optimal position for the ACP.

Some of the IEPAs have been concluded between the EU and a single ACP state. These may or may not be integrated into wider region-to-region agreements. The ACP states are also contemplating south-south bilateral negotiations with other developing countries, such as India and China, with which trade and investment has been growing. Impetus for such negotiations could increase in the future. This raises the question of how to structure such agreements in order to avoid a replication of the pattern of north-south trade in which the ACP states export raw materials and import higher value-added manufactures. So far African trade with Asia is, for example, heavily skewed towards such a pattern of trade.

With the slow pace of multilateral negotiations there has been a growth of bilateral trade agreements. These can affect ACP interests in various ways.

Preference dilution can occur if the ACP's major partners conclude preferential agreements with other parties. There can be trade diversion, as well as trade creation. Finally, *de facto* international norms on topics such as investment can be established through bilateral agreements that the ACP states and other developing countries will ultimately come under pressure to conform to, even though they will have had no say in shaping the content of the rules. In this sense the bilateralism of the WTO majors may be replacing the previous plurilateral norm setting of the OECD club. This has already happened in the case of investment in which bilateral FTAs negotiated, particularly by the USA, have established norms for comprehensive investment agreements that investors are likely to expect elsewhere.

At a multilateral level there remain important issues at stake in the Doha Development Agenda (DDA) negotiations. Despite the November 'G20' meeting in Washington at which leading developed and developing countries voiced support for concluding the DDA, talks collapsed again in Geneva. It now seems likely that multilateral negotiations on the DDA will not now recommence until well into 2009. ACP states can use this time to decide or reaffirm their offensive as well as defensive interests. There is the issue of tropical products where some DCs are pushing for liberalisation quicker than many African ACP states would like because of their existing preferences. Many ACP states also still have to decide on their commitments on services and how they can best press their interests in Mode 4 negotiations on movement of people. The aid for trade discussions within the WTO are also of direct relevance to ACP states. Finally there remain some issues of importance for ACP states that can only be resolved through multilateral negotiations, such as agricultural subsidies and market access.

In other words ACP states must be able to negotiate across this range of regional, bilateral and multilateral levels and seek to ensure compatibility between agreements on these various levels. This poses a continuing challenge

for ACP states. Developed WTO members are increasingly making strategic use of the choice of negotiating forum by, for example, seeking to use bilateral agreements to make progress on issues on which the multilateral level is blocked. ACP negotiators must be aware of such strategic use of negotiating forums and ideally pursue similar strategies.

3.0 Trade Capacity

The discussion of capacity generally encompasses negotiating and supply capacity, but the more expansive typology of trade capacity presented here may help when it comes to considering a needs driven programme for the ACP states and regions. TradeCom and the Hubs and Spokes programme has to date been concerned with negotiating capacity, but many ACP practitioners stress supply capacity constraints as the main problem for some ACP states. Supply capacity issues are however, far-reaching and touch on a range of policies central to trade, industrial and development policy in the ACP and how these are coordinated. There is also the question of whether there are different needs now that the negotiations will soon be turning to implementation. Finally, it has to be born in mind that ACP states and regions are at different levels of development and will therefore inevitably have differing needs. In assessing the capacity of the ACP states and regions it is helpful to differentiate between phases of negotiation.

Agenda setting

In order to shape agendas in a proactive, offensive fashion countries have to be capable of defining and articulating national policy objectives. Defensive positions should also be based on balanced cost – benefit analysis rather than risk aversion in the face of uncertainty. Agendas also need to be set with a view to the link between policy reform and trade. The latter concerns choices between the use of trade agreements to ‘lock-in’ domestic policy reforms and maintaining or creating ‘policy space’ for discretionary domestic policy instruments. These are central questions affecting country development strategies and national

politics. Defining national policy in a coherent, consistent fashion therefore requires trade policy to be included in a central policy coordination process. This is often best achieved through a trade negotiation committee or forum including representatives from all key ministries. Without a clearly defined set of national policy objectives it will not be possible to shape agendas. The inability to shape agendas then means negotiators will be reacting to other parties' agendas, which in turn tends to result in the adoption of defensive negotiating positions. While ACP states have acquired negotiating capacity, many still lack the capacity to engage in this kind of active agenda setting.

Framing negotiations

Equally important is the question of framing negotiations, defined here as influencing the expectations and defining the main objectives or problems to be addressed in any negotiation. For example, should trade negotiations be about market access or development, about economic 'fairness' or trading reciprocal concessions? Framing modern trade negotiations often requires 'public trade diplomacy' or the active promotion of one's views in order to influence public opinion at home and key policy makers in the country one is negotiating with. In seeking to shape policy in one's negotiating partner it may be useful to influence public opinion or specialist committees (European Parliament Committees for example in the case of the EPAs). Few ACP states have had the capacity to engage in such public diplomacy. For example, there is a general recognition that ACP states were not as effective as they could have been in the early phases of the debate on EPAs in shaping opinion in EU Member States or in the European Parliament. The vacuum left by this absence of efforts to frame negotiations has been partially filled by international NGOs.

Capacity to make informed decisions on ratification

Trade capacity includes the capacity of key decision-makers to provide effective scrutiny over the conduct of negotiations. Only in this way can informed decisions be made on the compatibility of negotiated outcomes with national

interest. Another way of putting this is that many ACP negotiators still lack formal structures for input from domestic interests on what negotiating aims should be. Formal structures for such 'stakeholder' interest representation, including those that must ultimately sign off on any agreement, represents a constraint on negotiators, but it is also a source of strength. Negotiators without any formal procedures for providing scrutiny of negotiations will be at a disadvantage and less able to resist pressure to compromise compared to those whose negotiating flexibility is tightly constrained by formal ratification procedures. For example, EU negotiators can say 'I cannot accept your proposal because it will not be ratified by the EU Council of Foreign and External Affairs', but ACP negotiators cannot always refer to such formal constraints on their negotiating flexibility.

Negotiating capacity

Capacity to negotiate in trade requires knowledge and ideally a mastery of the detailed technical issues involved and an ability to promote the agreed national or regional negotiating aims with conviction and authority. For ACP negotiators a capacity to work within regional groups or coalitions is also important given the inherent asymmetry in trade negotiations with most of the ACP partners. The choice of negotiating tactics can also influence outcomes. For example, a defensive position is likely to be reciprocated by one's negotiating partner, whereas an offensive approach seeking mutual gains can be expected to provide more opportunities to open up scope for negotiation and mutual gain. ACP states have acquired technical knowledge relevant to current negotiations, although there remain important gaps, but there is a feeling among many ACP practitioners of a need to understand the process of negotiation better. In some cases senior political figures have the authority, but lack the mastery of the technical issue, whereas officials have the technical expertise, but do not have the authority needed to impose their views in negotiations.

Implementing capacity

Capacity to implement takes the form of the ability to carry through the legal drafting of the laws, regulations and guidelines required to implement agreements, as well as the administrative capacity to ensure the various branches of government apply these. Over and above this there is a need for institutional capacity within specialised technical agencies, such as customs authorities or bodies responsible for trade facilitation more generally (customs valuation, tariff classification etc), metrology and testing laboratories (for TBT and SPS provisions), competition authorities, intellectual property enforcement bodies, employment or interior ministries (Mode 4 services trade) or regulatory bodies responsible for regulating services sectors such as telecommunications, transport or energy sectors. Generally speaking the ACP states or regional secretariats have the capacity to draw up the laws and guidelines. Many also have capacity in customs and trade facilitation, although there remain capacity constraints in many areas of trade facilitation. Many ACP states have some - but not yet sufficient - institutional capacity to address TBT/SPS and services issues, but most are still some way off having the institutional capacity to implement many of the more challenging trade-related measures. For example, CARICOM has extensive customs capacity as well as metrology and certification bodies. It even has its own competition provisions and thus felt ready to accept provisions on competition in the comprehensive EPA negotiated with the EU. But it is struggling to recruit sufficient trained professionals to implement the regional competition rules. Most ACP states also lack sufficient professional purchasing officers to implement rules on transparency in government procurement.

Capacity to exploit trading opportunities

As the history of the non-use of preferential access to the EU market has shown, opportunities offered by trade agreements need capacity to exploit them. This of course concerns supply capacity, something that is of particular importance to ACP LDCs and to the desire to see trade serve development objectives. The issue here is not whether ACP states have the supply capacity *per se*, this is

something that would need to be addressed by national and regional indicative plans. But whether states have the capacity to identify links between provisions in trade agreements and export opportunities. This entails for example, a capacity to develop a strategic vision that links trade negotiation and export capacity. This sort of capacity would encompass inter-ministerial cooperation (agriculture, tourism, commerce and industry etc.) and links with the private sector. There are cases of ACP states achieving such a capacity, such as Mauritius in the case of textiles and clothing and somewhat less dramatically the efforts to shift to tourism in the Caribbean, but many ACP states are short on this the capacity.

4.0 Regional and national capacities

The multi-level nature of trade negotiations and the typology of 'trade capacity' discussed above is an indication of the challenge posed for all countries in trade negotiations. Countries will have strengths and weakness and few will possess full capacity across all the categories. The breakdown of what constitutes 'trade capacity' however, facilitates an assessment of ACP needs. A needs based assessment of capacity should therefore include an assessment of national and regional strengths in the various categories listed above.

In the time available it has not been possible to produce a comprehensive picture of the level of capacity at the regional and national levels. Given the definition of trade capacity used here this would require extensive research that goes far beyond the scope of a 20 page paper. This section includes some examples of what might be contained in such a survey and how the capacity of each ACP state and regional organisation might be assessed in a more comprehensive study. Such a study would in fact be a needs-assessment survey of considerable scope, which might well form an initial step in a second phase of hubs and spokes.

Broadly speaking there can be little doubt that most ACP states face a considerable and continuing challenge to attain and retain trade capacity. There is therefore a compelling case for further support for ACP states. Having said this, the position varies considerably across the ACP regions and countries, so that any continued support would have to be matched with specific needs. Some ACP regions are more cohesive and thus in a position to develop a regional strategy, while other regions are more diverse and less likely to have common regional aims, at least for the time being. There is also the question of whether the performance of existing ACP capacity in some instances could be improved.

CARICOM

The relatively well established regional cooperation and integration in the Caribbean has helped CARICOM members develop capacity in most of the elements discussed above. The small size of some members of CARICOM means that this has been difficult in all cases. It would in any case not be efficient to seek comprehensive capacity in each case. Hence the development of regional level bodies such as the Caribbean Regional Negotiating Machinery set up in 1997 to develop a strategic direction for CARICOM in negotiations at the bilateral, regional and multilateral levels and to facilitate the development of national trade policies.² Early initiatives such as the US inspired Caribbean Basin Initiative of 1983 provided an early incentive for the CARICOM states to develop such common regional positions.

There is strong institutional capacity in the CRNM, which with the member state input puts the CARICOM in a position to meet most of the capacity requirements for the Caribbean. For example, the CRNM facilitates the generation of national policy positions on trade, coordinates the formulation of cohesive regional strategies and conducts negotiations when this is appropriate. The CRNM also recognises the need to be able to operate on the various, regional, bilateral and

² *Caribbean Regional Negotiating Machinery: Phase II
Draft Five-Year (2003/04 – 2007/08) Strategic Plan*

multilateral levels of trade negotiations. The CRNM has technical capability with qualified staff at the regional level, but can also draw on a network of technical experts for more in-depth knowledge of specific fields.

The CARICOM appears to have a sustainable capacity in trade negotiations thanks to the institutional strengths noted above and an ability to retain institutional memory and detailed technical knowledge of trade topics and negotiations. A look at the CRNM programme for any month shows technical workshops on specific topics, coordination sessions with the private sector and universities as well as sessions on negotiating techniques. For example, in November 2008 there were 14 technical working groups or seminars in addition to policy coordination and negotiating sessions.³

The recent intense debate on ratification of the EU- CARIFORUM EPA is an indicator that the region has the capacity to engage in a more or less informed debate on the pros and cons of any trade agreement. The more advanced stage of regional integration within the Caribbean has also helped CARICOM develop regional institutions or cooperation between national bodies that can facilitate implementation, such as regional level capacity and support in customs, trade facilitation and TBT provisions. As noted above regional competition provisions also provide the basis for implementing such trade related topics and no doubt facilitated agreement on these Singapore issues in the EU – CARIFORUM EPA, but even the CARIFORUM members are hard pressed to find sufficient trained personnel needed to implement such agreements.

SADC

Within the SADC countries there is considerable trade capacity, which has been used to press forward with a regional integration/liberalisation agenda based on the classic progression from tariff liberalisation (85% of tariffs lines removed by 2008), a customs union (by 2010) and a single market (by 2015). A number of

³ These activities are in part supported by donor programmes of course.

SADC countries have considerable trade capacity, with South African leading the way, but followed by other members, such as Botswana, that have strengthened their trade capacity in recent years as part of an effort to diversify their pattern of trade.⁴

The regional secretariat has a well established institutional structure with Summit (of heads of state), a Troika (of outgoing, current and following presidencies), a Council of Ministers, an Integrated Commission of Ministers (with functional committees aims, such as on Trade, Industry, Finance and Investment) and a Tribunal. There is a Trade Negotiation Forum that deals mostly with work on removing barriers to trade *within* SADC. But SADC has also contributed to the development on national trade capacities, such as through the establishment in each member of SADC national committees that bring together the various national stakeholders to discuss SADC related issues and training and capacity building programmes. But inputs remain unbalanced, due to the differing levels of capacity of the SADC members.

As in other regions the focus of SADC's work has been on removing barriers to trade within the region. Beyond tariffs there has been work on quantitative restrictions to trade, trade facilitation (such as work on a single administrative document for goods moving between countries). The only areas in which SADC appears to have moved much into non-tariff barriers is in TBT and SPS and (less well advanced) services. Cooperation in this field has led to the creation of institutional capacity in the shape of SQAM (SADC Quality Assurance Accreditation and Metrology) and to a strengthening of national capacity in the field of standards and metrology.

⁴ Until recently Botswana tended to follow South African trade policy and had not developed much trade negotiating capacity. In the early 2000s however, initiatives by individual Ministers for trade in response to changes in the trading environment led to the creation of a High Level Negotiating Committee on trade. This appears to have contributed to a strengthening of capacity and improved inter ministerial coordination.

Apart from work on market integration, SADC and the SADC secretariat is, of course, engaged in important cooperation in a range of other fields, such as security and defence (Organ on Political, Defence and Security cooperation), food security, gender, HIV-Aids etc.

Compared to CARIFORUM the regional level cooperation has been focused more on regional integration initiatives and less on the other levels of negotiation, such as bilateral agreements with the EU, other countries, or the multilateral negotiations in the WTO. For example, it was not until 2005 that work on the compatibility of the Trade Development and Cooperation Agreement (between the EU and South Africa) and the EU – SADC EPA was begun. The Trade Negotiation Forum is geared to integration within the region, so there is less cooperation in relations with third countries than with the CRNM.

COMESA

COMESA, like the other regional integration initiatives, has a formal institutional structure consisting of meetings of heads of state and government, a Council of Ministers and Intergovernmental Committee and 12 Technical Committees. The Secretariat provides key functions in terms of regional integration, cooperation with other regional organizations within Africa and has services the Regional Negotiating Forum, which has been tasked to negotiate for the region as a whole. COMESA, like other regional organizations has undertaken technical work, often funded by donors, on a range of topics that has helped establish regional trade capacity. For example, through

- establishment of a COMESA Common Investment Area and Regional Investment Agency;
- the formulation of COMESA competition rules and regulations (and harmonizing air transport competition rules and regulations with EAC and SADC);
- a COMESA public procurement reform project;

- trade facilitation measures (customs bond guarantee system, yellow card, computerised customs management system, single customs document, carriers license, pilot programme on one-stop border posts, a regional payments and settlement system, etc);
- the development of a set of regional standards, based on international standards;
- a protocol on free movement of persons, labour and services;
- the preparation of the Regional Infrastructural Investment Programme; and the
- development of an ICT policy and model information and communications bill.

As part of the regional integration process each COMESA member has established a National Development and Trade Policy Forum, so that the regional process has been a spur to greater coordination at the national levels. But the establishment of such national Forums has not necessarily resolved coordination problems. For example, in Kenya, which can in many respects be seen as a model among African ACP states, coordination issues remained because different ministries have been responsible for different trade negotiating forums. For example, the Ministry of Trade has led on WTO and COMESA issues, the Ministry of Foreign Affairs on East African Community issues and the Ministry of Planning on relations with the ACP-EU.⁵

COMESA is a larger more diverse group including the East African Community, as well as ACP states and non-ACP states, so the scope for developing a strategic trade policy for COMESA as a whole is less than in smaller regional groupings. The recent initiative to merge the trade liberalisation measures of COMESA, EAC and SADC into an African Free Trade Zone however, illustrates a strategic vision at least at the level of tariffs. There are also recent developments pointing to focused, pragmatic, strategic cooperation in the field of

⁵ See Odhiambo., Kaman and McCormick (2005)

transport (the northern and southern link road proposals) and energy (networking suppliers throughout the region and pooling generating capacity) that will facilitate trade and promise to promote regional economic integration.

The COMESA Secretariat is generally considered to have effective, but limited capacity to assist member states in their trade policies.⁶ One difficulty, which is probably common to other regional organisations and national governments, is that of ensuring 'additionality' and consistency in staffing. In other words COMESA draws qualified staff from member countries and thus depletes the trade department of the country concerned. Rotation of staff between the COMESA Secretariat and member governments helps to improve cooperation and understanding between the regional and national levels, but is also disruptive with staff generally having to be trained on the job in COMESA before being able to function effectively. Put differently, qualified staff tend to get poached from one administration to go and work with another, but there are not many new staff coming through.⁷

Another issue is that the ministry responsible for COMESA in each of the national governments is not always the trade or commerce ministry, but sometimes the development or treasury ministries. As trade and development ministries tend to have rather different approaches to negotiations (i.e. the former more accustomed to reciprocal commitments with the latter more geared to development aid) this can have negative implications if there is not sufficient cooperation at the national level.

ECOWAS/UEMOA

ECOWAS rather like the other regional groupings has a well established institutional structure with The Authority (Heads of State and Government),

⁶ This is in line with the philosophy of the organisation which was to engage staff on relatively short term contracts to deal with specific topics. See Experiences of COMESA, 2004.

⁷ The fact that the Hubs and Spokes programme has also used some qualified officials as well as recent graduates as originally envisaged by the programme, may raise a question about the additionality of the Hubs and Spokes programme.

Council of Ministers, The Commission (recently revamped to replace the former Secretariat) and an ECOWAS Parliament.

The Commission has seven functional Commissioners covering a range of trade related topics and one Commissioner responsible for trade, customs and free movement. There are also sub-units covering trade, competition and negotiations. The organigramme of the Trade, Customs and Free Movement provides for at least 20 full posts, which would represent a reasonable level of provision at the regional level. It is not clear that all posts are however filled. The latest figures from 2007 show some posts not filled but the Commission has been actively recruiting recently with a view to among other things, enhancing capacity in trade negotiations. ECOWAS Ministers have also recently expressed recognition of the need for the Commission to provide more information to ECOWAS Members on WTO negotiations.

ECOWAS activities like those of other regions are wide ranging and address key regional priorities including regional security, illicit drugs trade, health etc. In terms of priorities on trade and investment related issues, The Authority at its recent meeting endorsed the aim of greater cooperation on energy and transport infrastructure. There have also been some pilot studies of joint customs posts with a view to introducing them throughout the region.

A recent ECOWAS delegation to China attracted some 450 participants and ECOWAS has signed a memorandum of understanding with China. These activities show some degree of strategic orientation at a regional level, but ECOWAS appears to have so far not reached the level of activity of CARICOM in the field of directly trade related topics and clearly does not have a regional trade policy or negotiating capacity.

The development of an ECOWAS Parliament may offer a capacity to provide regional scrutiny in time but this will no doubt take time to develop.

The general impression one gets of ECOWAS is that there are recent efforts to strengthen the trade capacity of the Commission, but that it still has some way to go before it can provide the kind of regional level coordination or input provided by regions such as CARICOM.

CEMAC

Capacity within CEMAC is probably more in need of support than any of the ACP regions. At the regional level there is a Ministerial level Comite Ministerial Commercial which is there to provide political level control. Below this is a Comite des Negociateurs chaired by the Executive Secretary of CEMAC, which is in turn served by functional bodies working on customs union and regional trade facilitation, TBT and SPS related issues, services and investment and trade related topics. But the capacity to serve this mechanism is in considerable need of support. Within the regional secretariat there is a need to improve the technical expertise of staff and there is a serious lack of trained staff in line ministries at the national level. A number of factors have contributed to this general lack of capacity but political instability, civil war and low salaries have made it very difficult to retain the few experts there were.

As in other regions the demands on trade capacity are increasing. Not only is there the need to implement the Economic Partnership Agreements, but there are also important measures that need to be undertaken at the regional level if the region is to become more viable and able to facilitate effective engagement in the international economy. In terms of the implementation of the EPAs there is an immediate need for more human resources at the regional and national level as well as a need for institutional capacity that can help ensure producers in the region can meet TBT and SPS requirements of the EU and other export destinations. Enhanced capacity is equally needed to realise projects within the

region such as the implementation of uniform customs and fiscal measures within CEMAC and the integration of Sao Tome and Principe into the regional system. As in other regions there is a need for capacity to cope with the region's engagement in multilateral negotiations such as the DDA and to support south-south negotiations that the region can be expected to seek in the near future.

The trade capacity to achieve these aims is in extremely short supply. At a regional level the development of institutions and thus capacity has been undermined by regional conflicts. There was no operational regional secretariat for much of the 1990s and CEMAC was re-established in 1998 is still undergoing a process of change. Although there are personnel in the regional secretariat they lack the technical expertise in trade. The region is probably the region most in need of the kind of support from a Hubs-and-Spokes programme, but the benefits of the first phase of Hubs-and-Spokes came only with a considerable delay. There is therefore very much a need for further immediate support in the shape of trained staff in the 'hub' and the 'spokes' to contribute to negotiating capacity. A second phase might then be able to begin to build longer term trade capacity.

The view from the region therefore is that there is very much a need for support along the lines of the hubs-and-spokes approach. Key to a second phase would be to ensure that capacity is established within the national line ministries (of commerce). If EU funding is to come through the 10th EDF it is vital that work begins at once on how to integrate the hubs-and-spoke programme into the work on the 10th EDF.

Pacific

The Pacific ACP states PACP are supported by the Pacific Island Forum (PIF) which has a less formal structure than the other ACP regions, but brings together a group of functional organisations in the Pacific that help to provide trade related capacity in sectors such as fish, the environment, energy, development and the

University of the South Pacific. The presence of developed countries (Australia and New Zealand) in the PIF also means access to expertise and resources.

The PACP states are maintaining a joint negotiating position in the EPAs with the EU and have the benefit of trade capacity building measures in the Pacific that, while covering other issues such as security and good governance, seem to have more of a trade focus than in some of the activities of the African ACP regional secretariats. Interesting the PACP states approach to negotiations with the EU includes presentations of the PACP position at the Joint EU-ACP Parliamentary Assembly (in Port Moresby) and consideration of a joint mission to selected EU Member States to press the PACP position. This suggests a capacity not only to define a common position but also to develop a joint approach to proactive framing /advocacy.

The Pacific ACP states because of their size clearly lack trade capacity, but the regional level coordination appears to have been very effective in using limited resources.

Table 1 below provides an illustration of how one might provide a qualitative assessment of capacity at the regional and national levels.

Table 1: Possible capacity matrix for regional secretariats and some ACP states (illustrative only)

	Agenda setting	Framing	Negotiation	Ratification	Implementation	Exploitation
CARIFORUM						
SADC						
COMESA						
ECOWAS/UEMOA						
CEMAC						
PIF						

5 = sustainable capacity; 4 = reasonable capacity; 3 = some capacity but in need of greater coordination; 2 = lacking capacity in many fields; 1 = reliant on external support and funding.

5.0 The relevance of the Hubs and Spokes Programme

The Hubs-and-Spokes programme is generally considered to have been a success. It has made a real contribution to the negotiating capacity of the regions and countries where hubs and spokes have been located. Inevitably, the role of the staff assuming positions as hubs and spokes has varied between country and region, which is as it should be in a demand driven programme. In most cases they have contributed to trade capacity in terms of the actual negotiations taking place, rather than any phases before this. Given the timing they have also not contributed much to the subsequent phases, although some appear to have helped develop links to the private sector, which could be seen as a contribution to the 'capacity to exploit' the results of negotiations, as well as strengthen inputs into setting policy objectives.

The fact that the vast majority of personnel have been drawn from the ACP countries (rather than using European consultants) has contributed considerably to the credibility of the programme in the eyes of the ACP governments and officials. In many cases it took a while for the spokes to be accepted by the national trade officials, and in some cases there was concern that they would leak sensitive information to the EU negotiators. But in all cases the hubs and spokes were soon able to overcome these suspicions. Indeed, in some cases the hubs and spokes have assumed a leading role in negotiations for the country or region concerned. They have also been involved in short term capacity building such as organising or helping to organise one-off short-term training

sessions on a specific topic,⁸ but there are very few instances of the hubs or spokes having time to devote to long term capacity building.⁹

In the short to medium term there remain many outstanding negotiating issues. Some ACP states still have a good way to go to establish clear negotiating positions in multilateral negotiations, such as the GATS, or in bilateral/region-to-region agreements such as the comprehensive EPAs with the EU. There are also capacity needs in ongoing ACP regional integration, especially within Africa, and the potential of south – south bilateral initiatives. In short there remains a continued need for ‘negotiating’ capacity, so it is quite possible that there will be a tendency for hubs or spokes in some regions or countries to again be drawn into direct negotiating roles in any follow-up programme. In other regions where the immediate negotiating capacity is in place, there could be scope for the second phase of hubs and spokes to contribute to implementation, exploitation and ideally to medium/long term capacity building.

The fact that personnel engaged as hubs and spokes were placed in countries other than their native country also meant that the programme has promoted an exchange of experiences between ACP countries and regions. Through the exchange of experts between regions the programme also appears to have helped establishment a putative ACP trade policy community. This is a potentially very valuable output from the hubs and spokes programme. A second phase would help ensure the critical mass needed for such a policy community to be sustainable.

Available assessments of the first phase of hubs and spokes programme therefore show an almost unanimous support for the programme, for its

⁸ See The Hubs and Spokes Progress Reports for the various ACP regions, which list the number of workshops/seminars organized and the number of stakeholders involved in such outreach or awareness programmes.

⁹ See Hubs and Spokes Mid-Term Review.

continuation and for its expansion to include ACP countries that have not so far benefited.¹⁰

Given the immediate needs of the ACP governments to negotiate EPAs as well as the DDA within a tight timetable, the contribution of the Hub-and-Spokes programme has, as noted above, been predominantly one towards filling the short term needs of the ACP. This has meant that neither the hubs nor the spokes have had much of an opportunity to engage in medium or long term capacity building. In a second phase the focus should clearly shift to contributing to medium to long term capacity building, but with the recognition that some ACP regions will be ready to move onto such longer term aims more than others. The needs assessment from some regions, especially those that have not yet benefited from the hubs and spokes programme, is likely to call for help with negotiations.

6.0 Where should a second phase be administered and coordinated?

The existing Hubs and Spokes Programme forms part of the TradeCom Facility. TradeCom is effectively a subcontractor for the ACP Secretariat which has been funded by the EU to provide trade capacity building support for the ACP. Hubs and Spokes is administered by Commonwealth Secretariat and by the Organisation Internationale de la Francophonie (OIF), with a Policy Coordination Committee (PCC) consisting of these two organisations, TradeCom, the ACP Secretariat, representatives from the ACP regions and the European Commission providing overall coordination. Both the Commonwealth Secretariat and the OIF are contractual contributors, meaning that these two organisations contribute their own funds to the programme. Coordination between the ComSec and the OIF is effective.

The benefit of having the ComSec and OIF administer the programme has been that these two organisations are seen to be competent and independent (from

¹⁰ See Mid Term Review of the hubs and Spokes Programme.

the EU institutions that might be seen as pushing EU interests). Both organisations have experience administering trade capacity, both in terms of organising short term demand-led programmes as well as long term capacity building through training programme and other forms of technical assistance. Both organisations also have well qualified, experienced staff in place so that a long run-in period setting up the administrative structures was avoided with the first hubs-and-spokes programme. The ComSec also had direct experience with a similar programme it had run in the Pacific, which served as a model for the Hubs and Spokes programme.

The ComSec and OIF have provided a number of important contributions to the hubs-and-spokes programme. First, they have provided some of their own funding to the programme, second they have provided inputs in terms of general institutional support and overheads that would otherwise have had to be funded by the EU and third, they have provided extensive in-house, expertise and know-how that is directly related to capacity building. The resources devoted by the ComSec and OIF to the Hubs and Spokes Programme as well as the considerable funding these two organisations have provided for capacity building in the past reflects their commitment to the policy aims.

This past performance of the programme speaks in favour of a continuation of the existing administrative and coordination functions. The case for having the OIF and ComSec administer the programme remains the same as when the first phase was initiated. Of immediate practical importance is the fact that the ComSec and OIF have the administrative capacity already in place. Changing to another administrator is likely to lead to delay. Indeed, if experience in EU trade capacity building is anything to go by, switching the administrator could mean a considerable delay. Any such delay would damage the continuity of the programme and thus its ability to make a lasting/sustainable contribution to ACP trade capacity.

The alternative proposal for administration of a second phase of hubs and spokes has been for the ACP regions, (the regional secretariats) to take over the coordination and administration of the programme. It has been further suggested by the European Commission that funding for a second phase should come from the existing funding from regional programmes under the EDF or perhaps from the - still to be finalised - Aid-for-Trade provision the EU has promised. There are a number of advantages with such an approach. First, it would represent a simplified structure compared to the present rather complex arrangements including the ACP Secretariat and TradeCom. Second, administration and coordination of the programme would take place within the ACP regions themselves, which should help ensure it is responsive to regional needs. Third, devolving the programme to the regions would tend to strengthen the regional secretariats and thus build capacity itself.

The main case against placing the responsibility for the second phase of the programme in the regional secretariats is that most do not at present have the capacity to administer them effectively. Those regions with well established secretariats and trade expertise would be able to cope with running such a programme, but even the stronger regional secretariats do not have the depth of administrative capability and back-up technical knowledge of the ComSec and IOF.

A shift to the ACP regions also involves risks in terms of the continuity of funding. Regional funding under the EDF has already been allocated by the ACP regions and Aid-for-Trade funding remains uncertain, especially during the current financial crisis. The slow progress in the aid-for-trade debate to date suggests it will be some time before the priorities and modalities for this funding are decided. Indeed, one could view investment in a second phase of hubs and spokes as a means of helping to ensure that aid-for-trade funding and future EU regional funding is used effectively.

One approach that would fit with the aim of handing over the running of trade capacity to the ACP regions, but that would avoid the risk of such a change leading to the dissipation of progress towards sustainable capacity building with the hubs and spokes programme, would be for the ComSec/OIF to administer a second phase that included management of the hand-over to the ACP regions. This handover could start with those regions that have the capacity to do so. In this way experience with the transition in stronger regions can inform the handover to other ACP regions, ensure buy-in by the ACP regions and thus continuity for the programme.

7.0 Assumptions on likely future needs

For a second phase of hubs and spokes to be successful it will be important to provide a focus for the programme that can ensure it can produce measurable results. Before discussing such key activities it is necessary to try and anticipate the likely needs of the ACP in a period from 2010 onwards, based on the discussion of trends in the first section of this paper.

For most ACP states and regions one would expect that the EPA negotiations, the focus of the first phase of hubs and spokes, to be complete (or near completion) by 2010 and in the implementation/exploitation phase. This suggests a need to look at capacity to implement and how to exploit the agreements. As the first phase of hubs and spokes was focused on the immediate needs of negotiating EPAs, it could be argued that the focus of a second phase should shift to implementation.

Seen from the point of view of the ACP states however, it is regional integration (in the ACP regions) that is the priority. The period from 2010 will probably be crucial to the success of some regional initiatives in Africa, where there will be a need to both implement current plans and consider further moves to deepen integration. Africa in particular has plans for merging the various existing regional initiatives into an Africa wide process of economic integration. This

suggests continued need for capacity in the all phases of the negotiation process, but in particular the technical issues relating to how to ensure compatibility between the various regional initiatives and their respective commitments vis-à-vis third countries.

There are also good reasons to assume that over the next 5-7 years ACP states will be engaged in bilateral negotiations with trading partners other than the EU. The trend towards the proliferation of bilateral agreements is likely to continue and ACP states can be expected to want to be part of it. There are signs of interest in new south-south trade initiatives between the ACP and countries such as China, India and other emerging markets as trade and investment with these partners grow. Although these may, like all possible trade initiatives, depend on developments in the international economy. In such bilateral negotiations there will be a need for agenda setting capacity and an ability to define national and regional interests and policy objectives. Too often in the past the agendas in bilateral or region-to-region negotiations have been shaped by the major WTO members, with the ACP states simply reacting to what has been proposed. In future bilateral negotiations it will be important for the ACP states to have more capacity in order to shape agendas in good time.

At the multilateral level predictions are more difficult. One scenario would be negotiations being restarted during 2009 on the DDA and running into 2010, so that the ACP states would need negotiating capacity in 2010/11 on the DDA and thereafter the capacity to implement any agreements. If this were the case some issues facing the ACP states, such as offensive and defensive interests on services, aid-for-trade, trade facilitation and the application of WTO rules on preferential agreements to regional and bilateral agreements involving developing countries, would need to be negotiated.

In addition to these capacity needs in agenda setting and negotiation, there is a strongly felt view in the ACP states that supply capacity is their real weakness.

Some means of boosting the ability of the ACP states and regions to exploit the opportunities offered by trade and investment agreements should therefore be part of a demand-driven programme.

Seen from the ACP perspective therefore there may well be priorities other than implementation of the EPAs. A demand driven hubs and spokes programme would therefore have to be flexible enough to accommodate ACP needs for trade capacity in areas in addition to implementation.

8.0 Possible core activities of hubs and spokes in a second phase

The soundings that have been possible to date with the ComSec, OIF, TradeCom, practitioners in the ACP regions (primarily in the regional secretariats) , existing and former hubs and spokes as well as those involved in other capacity building programmes have identified four main suggestions for future core activities; (a) reality near, specialised preparation for specific negotiations; (b) implementation capacity; (c) capacity to facilitate exploitation of the opportunities arising from trade agreements; and (d) medium to long term capacity building in the shape of training future staff and research. These conclusions appear to be broadly consistent with earlier views on the best way forward in trade capacity building.¹¹

(a) specialised preparation for specific negotiations

As a core activity this would contribute to short term needs in actual negotiations. As noted above the need for this kind of capacity building is likely to continue. These would take the classic form of a short programme of perhaps five days and would cover topics, such as services commitments, rules of origin, aid-for-trade, trade facilitation etc. They would however, be focused on the actual upcoming negotiations with sessions on issues, positions of the ACP states and regions, the positions

¹¹ See for example Experiences of COMESA op cit 2004 which lists short courses on specific topics, training in negotiating techniques, technical support (i.e. reports) and training of more staff through for example, MSc programmes in trade policy.

of major negotiating partners and their strengths and weaknesses, etc. and would include an analysis of the negotiating process and simulation of the future negotiation to build the confidence of negotiators and identify any gaps in knowledge. Ideally such specialised preparation would be run by an institution within an ACP region and would be led by a recognised ACP expert in the field. The expert could then be available to provide advice during the actual negotiations that follow the specialised programme. The assumption would be that such programmes would be run in advance of key phases in negotiations and would involve those actually involved in the negotiations or at least those providing the detailed negotiating briefs for senior negotiators.

The capacity to run such courses exists but may not always exist within an ACP institution. One of the aims for longer term capacity building would be to ensure the knowledge transfer takes place so that centres of excellence within the ACP can run such in-service-specialised programmes. (See below) In the mean time the hubs and spokes in the regions could be assisted by the regional secretariat(s) or OIF and ComSec identifying independent institutions that can run such programmes.

(b) support with implementation

As the EPAs are negotiated there will be a need to ensure they are implemented. There is also an ongoing need to implement other trade agreements, such as the results of any Doha Development Agenda negotiations. Implementation will require *legal drafting skills* for legislation, regulations and guidelines needed to implement agreements in national law and procedures. Here individual ACP governments could be assisted by hubs in the regional level secretariats coordinating the provision of model implementing laws as already happens in some regions. To limit the costs of compliance and capacity needed to implement bilateral as well as regional and multilateral agreements, it will

be important to maximise the use of common implementing provisions for the various trade agreements. This main require some consideration of implementation requirements *before* negotiations are completed.

Effective implementation also requires *coordination* at the national level to ensure that all the various ministries and agencies are aware of and carry out the implementation. At the national level spokes would therefore ideally be placed in the department coordinating implementation. Implementation will require a knowledge of the existing national administrative arrangements, procedures and legal provisions, so it would be important for the spokes to work closely with national officials.

For (a) and (b) above it will be important to ensure that any capacity building programmes contribute to regional level capacity in a some ACP regions. As noted in section 4 some regions are at or near the point of having sustainable capacity but some, especially in West Africa still need to be strengthened. If the aim of transferring coordination to the regions for future capacity building is to be achieved, these regions will require substantial support under a second phase of hubs-and-spokes.

(c) capacity to exploit the opportunities arising from trade agreements

A second phase of hubs and spokes cannot realistically contribute to 'supply capacity,' but there may be scope for contributing to a country's capacity to develop a strategic view of trade agreements that includes exploiting the opportunities they offer. How this might be done will vary depending on the political and institutional factors in each country, but it would include establishing links between trade negotiations and other 'stake holders'. In concrete terms this would mean facilitating interdepartmental coordination between various ministries and departments of government that are concerned with the outcome of trade negotiations, i.e. commerce and industry for goods trade, agriculture,

development, tourism, finance and perhaps culture (for services trade). Equally importantly it would entail involvement of the private sector. This does not necessarily imply a strategic 'plan' but may take the form of information exchange between the trade policy process and the private sector. By helping to build such institutional capacity the hubs and spokes programme could make a contribution to the repeatedly expressed desire of the ACP for trade to contribute to economic growth and development. It would be important to consider how such capacity building might be organised. Many ACP states already have involved the private sector and civil society in discussions on trade policy. These links might then be extended to develop 'exploitation capacity.' One way may be through promoting 'best practice' or examples of how successful exploitation of export markets has been achieved. Alternatively, trade associations might cooperate at the regional level, or there could even be cooperation and dialogue between sector associations in the ACP and those in the EU.

(d) medium to long term capacity building

There is now a broad recognition that much capacity building activity in the ACP has to date been rather short term and too much based on the employment of consultants from the EU. For capacity to be sustainable the activities have to be run by experts and institutions within the ACP regions themselves. Long term capacity building also requires an increase in the supply of trained recruits/graduates with both a general knowledge of economics, law or public administration *and* an understanding of trade policy.

A number of possible approaches have been proposed. Regional centres of excellence could be identified that can offer short term, in-service training programmes or longer term academic programmes, such as a masters in international trade. In the case of the former it will be important to ensure that the centres are at a level equivalent to any training

institutions in developed economies. This may require some knowledge transfer still. A number of such centres already exist or are being developed in the ACP regions.

Such centres of excellence, whether in universities or in specialist organisations, should also ideally be engaged in research in trade-related and policy-related topics. This could then provide analytical capacity to support trade negotiations and trade-related policy making.

As noted above, there appears to be an emerging ACP trade policy community that includes a number of independent/academic experts and practitioners. The hubs and spokes programme has contributed to this. The second phase of the programme should therefore promote the further development and consolidation of a mutually supportive policy community of ACP trade experts (in universities, research institutions, consultancy roles, public and private sector). These experts could then provide input into in-service short courses, support during negotiations and provide in-depth research.