

OECD POLICY DIALOGUE ON AID FOR TRADE: FROM POLICY TO PRACTICE

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RAPPORTEUR'S REPORT

The Opening Ceremony: An overview of the principal observations made

This OECD Policy Dialogue was inaugurated with a Keynote Opening Address by His Excellency Sheikh Hamad Bin Jassim Al-Thani, First Deputy Prime Minister and Minister of Foreign Affairs, State of Qatar, and under whose patronage this Policy Dialogue took place. After welcoming the participants, His Excellency began by emphasising the importance of sustainable development to developing countries and the urgent need to reduce poverty. Domestic resources are, he noted, directed towards these ultimate objectives of development policy. So, too, is aid and the challenge is how to make the most effective use of it. Building public institutions and private sector capabilities are two important uses of such aid.

With respect to the case for trade reforms, His Excellency argued that developing and industrialised countries both need to reduce barriers to international commerce. Trade between developing countries has considerable promise. To that end, the Gulf Cooperation Council (GCC) members have taken steps to encourage private sector development and to nurture the capacity to take advantage of trading opportunities.

His Excellency, who had chaired in 2001 the fourth WTO Ministerial that launched the Doha Development Agenda, also commented on recent developments in multilateral trade negotiations. He argued that the current impasse must be overcome and that South-South trade liberalisation should be part of any eventual agreement. It was understood, however, that Aid for Trade would not be an alternative to improved market access opportunities for developing countries; the Aid for Trade initiative was there to further integrate developing countries into the multilateral trading system. His Excellency also stressed that Aid for Trade should not displace existing funds earmarked for improving infrastructure in developing countries, irrespective of whether the funds were externally-provided or domestically generated. In his view the so-called additionality of resources would be an important determinant of the long-run impact of the Aid for Trade initiative.

Welcoming Remarks were then offered by His Excellency Dr. Ahmad Al-Mutawa, Secretary-General, GOIC, and by Mr. Kiyo Akasaka, Deputy Secretary-General of the OECD. His Excellency Dr. Ahmad Al-Mutawa welcomed participants to Doha and observed that Qatar had achieved much in recent years. Qatar, like other developing countries, needed to forge partnerships with the OECD and with other international organisations. By doing so, Qatar could integrate more fully into the world economy, stimulate job creation, and reduce poverty. The latter was a particular challenge in a world where approximately two billion people currently live in poverty.

The main goal of the Aid for Trade initiative is to help developing countries to capitalise on the commercial opportunities created by trade reforms. His Excellency noted that the Least Developed Countries (LDCs) share in world trade had fallen from 1.5 percent to 1.1 percent during the last five years

partly because of severe supply constraints. In addition to tackling the latter, he said it was important to create yet more market opportunities and this provided another good reason to complete the Doha Round.

Implementing the Aid for Trade initiative properly would require a number of steps to be taken, argued Dr. Ahmad Al-Mutawa. A partnership between recipients and donors was needed. The Paris Declaration on Aid Effectiveness should be adhered to as well. For their part, developing countries should incorporate trade policy-related considerations into the heart of their development agenda (the so-called mainstreaming of trade). Mechanisms to promote accountability need to be strengthened at the national level and developed at the global level to make sure that local needs are met. Much needs to be done and he was heartened by the WTO General Council's adoption of the recommendations of the Aid for Trade Task Force. Successful implementation will raise the living standards of the poorest and could potentially rekindle support for the Doha Development Agenda (DDA), an outcome he described as win-win. This was all ahead, he argued, and international community would have to find the political will to make it happen.

Mr. Akasaka started his Welcome Remarks by thanking the Qatari hosts. He spent a few moments describing the role of the OECD. Next, he stated that implementing the Aid for Trade Framework will not be easy and will require action at several levels and by many actors. The attention given to this Framework over the past year has risen, he said, not least because of the less-than-satisfactory impact to date on developing country exports of the European Union's Everything But Arms (EBA) and the United States' African Growth Opportunity Act (AGOA) initiatives. He said that this showed that market access opportunities alone are not enough and that fundamental supply side concerns must be addressed.

Mr. Akasaka identified several steps that should be taken individually and collectively. The first is that a stable macroeconomic environment, functioning markets, and transparency are needed to make trade an engine of growth. Second, care must be taken to ensure that aid does not crowd out private investments. Learning from unsuccessful as well as successful initiatives is important too, he said. Much could be learnt, for example, from Kenyan exporters' successful attempts to ship cut-flowers and fresh vegetables. Careful investments, taking steps to upgrade their products, and building a reputation for quality have generated cascading positive effects, Mr. Akasaka said. As a result, some Kenyan suppliers of these products are no longer regarded as merely 'trading companies' by their customers based in OECD countries.

The OECD estimates that approximately USD 200 billion has been spent since the end of the Uruguay Round on improving trade capacity, including aid for infrastructure projects and productive sectors. This represents a quarter of all Official Development Assistance (ODA), excluding debt relief. With the Gleneagles Summit commitments to raise aid levels, there does not appear to be a shortage of funds available for Aid for Trade initiatives. Instead the challenge will be to obtain value for money from this assistance. Mr. Akasaka drew attention to the fact that last year in Paris donors, the multilateral development institutions, and partner countries arrived at a consensus on how best to deliver aid. Several Principles of Aid Effectiveness were articulated, including country ownership and so-called managing for results. It was noteworthy, he said, that the WTO Task Force on Aid for Trade had highlighted those Principles in their recommendations. The OECD, he said, was ready to work with the WTO to monitor the implementation of the Aid for Trade initiative, to provide advice on how to improve aid outcomes, and to agree on comparable indicators and benchmarks. Facilitating the sharing of experiences was one way the OECD can enhance the ongoing debate on Aid for Trade and he urged participants to take this opportunity to contribute to the dialogue.