

**OECD Policy Dialogue on Aid for Trade  
Doha, Qatar November 6 - 7**

**Session on Donor Perspectives:  
What impact will Aid for Trade have on Donor Strategies**

**Suggested Talking Points for Walter North**

**I. Introduction**

Thank you .....

In response to the question: is there anything "New" from the donor perspective? I would answer both Yes, and No.

- NO-- because there is a lot that Aid-for-Trade seeks to accomplish that is not new.
- The underlying development rationale for providing Aid for Trade (and widely-accepted conventional wisdom) that: trade, investment, and global integration are crucial to generate economic opportunity is no longer considered "new" among government officials and donors.
- Mainstreaming trade and investment as a means to spur economic growth and reduce poverty are clearly not "new" ideas. This was the premise of the Integrated Framework when it was established in 1996.

Yet, there are some "new" elements in today's Aid-for-Trade discussions.

- On the technical side, for example, there is growing recognition of the importance of removing supply-side constraints -- including key constraints in the business and trade policy environment -- that hinder economic growth and development.  
  
-- furthermore there is the increasing understanding of the importance of collaboration among Trade and Finance Ministries and the need to develop performance-based criteria to measure and monitor program results.
- On the resource side, donors have promised additional resources to address this priority. In Hong Kong, the United States pledged to double funding for Aid for Trade by the year 2010.
- On the institutional side, the United States has created the Millennium Challenge Account to provide a new model for collaborative partnerships. The MCC aims to focus resources on partners with a proven track record of investing in people, ruling justly, and encouraging economic freedom.

**II. U.S. "Aid for Trade" Strategies**

- Working with our developing country partners, U.S. development agencies are developing new strategies and tools to make Aid-for-Trade more effective in reducing poverty.

- I'd like to focus on four specific ways in which we are doing this:
  - 1) Geographically, our regional and bilateral programs support collaboration across borders to maximize both local and global trade opportunities.
  - 2) Functionally, we are pulling together expertise from many different supply-side disciplines to fully exploit their mutually reinforcing aspects.
  - 3) Operationally, we are engaging the international and local private sector to take full advantage of their expertise and motivation.
  - 4) Finally, Collaboratively, we are responding to a country's priorities articulated through an open and transparent process that puts partner-country officials and their civil societies at the center of program development and planning.

### **1) Promoting regional collaboration**

- While most capacity building must take place at the national level, there are many situations in which trade constraints must be addressed at a regional level.
- Successful regional integration has enormous development potential. As regional blocks in North America and Europe demonstrate, economies of scale in production and market size are important factors in driving trade and investment.
- The United States is collaborating with national governments, regional organizations, and multilateral organizations to open corridors and integrate regional markets.
- There are a number of challenges for donors working regionally. Working with a larger number of national governments, business associations, donors, and stakeholders can mean more effort to reach agreement.
- In our experience, regional organizations can be under staffed. These organizations must be capable of working closely with national authorities since they have limited authority on their own.
- Despite limitations, building regional markets has great potential. Let me provide a couple practical examples of this form of Aid-for-Trade in Africa.

#### **East Africa**

- Our U.S. East Africa Mission is working with the Northern Corridor Authority (part of COMESA) and national authorities to facilitate trade from the port of Mombassa through Kigali and into the Democratic Republic of Congo.
- Our East African Trade Hub has worked with the governments of Uganda and Kenya to build an integrated one-stop border post at Malaba. This project brought in other partners—the World Bank and African Development Bank --providing infrastructure financing.

- New procedures have been adopted. USAID assistance has helped rehabilitate a building at Malaba to serve as a one-stop clearance point for rail cargo. On the Kenyan side, design and construction of a customs inspection shed is underway.
- The new single stop border post and streamlined procedures have cut time at the border significantly; stops of several days for some products have been reduced to a matter of hours, resulting in a significant cost savings, as much as \$600 per container.
- Furthermore, work to speed trade along the Northern corridor continues. U.S. Aid for Trade is helping establish communication and data links between the border and capitals in Nairobi and Kampala.
- U.S. Aid for Trade is assisting COMESA, the Northern Corridor Authority, and the East African Community to form a regional customs bond guarantee scheme. Adopting such a regional guarantee scheme could free up nearly \$300 million dollars of liquidity that is now tied down in the bond clearance process.

### **Southern Africa**

- In Southern Africa, U.S. cooperation with the Trans-Kalahari Corridor (TKC) management committee on a range of activities has reduced the transaction costs of trade in the region.
- U.S. cooperation with the Trans-Kalahari Corridor management committee has focused on the simplification and rationalization of customs documentation through the introduction of a Single Administrative Document (known as the SAD 500) and other technical support to Corridor Management Committees.
- The number of trucks using the TKC has increased by 400 per cent since the Corridor management committee's establishment and approximately 200 customs officials have completed training on risk management techniques
- Mozambique is now in the process of implementing the SAD 500, which will greatly speed up clearance of goods and transit movement along the Maputo Corridor. South African Revenue Service is rolling out the SAD 500 to Lesotho and Swaziland.

### **2) Boosting trade impacts by drawing from multiple disciplines**

- Providing Aid-For-Trade using complementary technical disciplines can increase impact. Areas as diverse as public outreach and lender collateral laws can increase trade and investment. Building trade often hinges on removing technical, social, and legal barriers that can arise in any number ways.
- Cooperation across technical specialties can be a challenge. Trade and development potential is not always immediately evident or understood. For example, the lack of collateral for borrowing can be a huge barrier to financing investments need for trade to grow. Often assistance is required in areas beyond moving goods across borders.

A couple practical examples:

- Training journalists in Central America was helpful in encouraging private and civil society participation in reforms that came from the US Free Trade Agreement in Central America.
- Building the legal and service infrastructure for operative warehouse receipts is an excellent example of U.S. Aid for Trade that combines complementary technical areas of agricultural and finance to impact trade. In Africa there are a number of efforts underway in Zambia, Kenya and Uganda.
- The challenge for many African farmers wishing to export is be able to offer a cost-effective quantity to attract a contract. This does not happen at the level of small farmers, so the ability to store and commodities beyond harvest and aggregate smaller volumes improves the price for farmers.
- Working on legal changes that facilitate farmers' ability to receive financing through warehouse receipts makes consolidation of grain shipments possible and boosts regional trade and food security.
- Ghana's MCC program aims to increase exports of high-value agricultural products through support for activities in a range of sectors. The program integrates irrigation, land tenure, training for farmer-based organizations, post-harvest handling and value chain services, strengthening public sector procurement capacity, feeder and main roads and ferry service, rural finance, and community services.

### **3) Improving the business environment for trade by engaging the private sector**

- The World Bank report on Doing Business has highlighted the development potential of improving local business environments.
- Efforts have been made by the United States and other donors to engage private sector associations as stakeholder and drivers of sustainable and locally-owned reform. In our experience, a process run by local, private sector participants is far superior to donors handing out advice to government officials.
- There are challenges to adopting this strategy. The policy process in all countries requires patience and persistence. Private sector participants have discovered it is not always easy to develop constructive public-private dialogue. It is common to hear complains. But to advance a reform process stakeholder must provide constructive criticism that is actionable.
- U.S. Aid for Trade has formed partnerships with private sector associations in a number of regions and countries throughout the world such as Central America, Jordan, Nepal, and in Africa.
- For example, the U.S. mission in partnership with the Confederation of Mozambican Business Associations (CTA) and the government of Mozambique worked to reduce the number of days required to register a business from 153 to 139 days. Such

advocacy will always be an ongoing process. The Confederation of Mozambique Business Association is now pursuing additional reforms in property titling and labor laws.

- The U.S. mission in Southern African has formed a partnership with the Botswana cattlemen's association, who are lobbying to open Botswana cattle exports to lucrative markets in South Africa.
- Collaboration between Botswana's cattlemen association and the Botswana Meat Commission (or BMC) is ongoing. The BMC agreed to increase prices paid to cattlemen by 40 percent as an interim measure on the path to offering export parity prices.

**4) Responding to country priorities through collaborative process that emphasizes country ownership and creates incentives form partnerships with countries that have established a proven track record.**

- The Millennium Challenge Corporation gives qualifying countries the ability to design their own programs. As we look at the first 10 country programs, or MCC Compacts, worth about \$2.5 billion, it is clear that countries are putting Aid for Trade high on their own agenda. Over 60% of all elements requested by countries in their Compacts have been for Aid for Trade-related activities. This indicates the high priority that countries place on Aid for Trade when given the opportunity to choose their priorities for assistance.
- U.S. Aid for Trade has helped improve the climate to conduct international trade by creating incentives for countries to improve their business environments. Our MCC program uses several of the World Bank's Doing Business indicators as part of its selection criteria for choosing which countries will be eligible for MCC assistance.
- This incentive-based approach has already contributed to significant improvements in the cost and number of days to start a business in multiple countries.

**III. Conclusion**

- In summary, Aid-for-Trade continues to play an important role in the United State's economic development strategy. U.S. Aid-for-Trade is made more effective through regional collaboration, drawing from multiple technical disciplines, and engaging the private sector to improve the trading environment.
- We are committed to this agenda.
- At the same time, Aid-for-Trade is not a substitute for the trade side of the Doha Agenda. The long term development benefits of an ambitious outcome – and the amount of benefits are directly related to the level of ambition – are tremendous, and much greater than can be measured by existing mathematic models.
- We at USAID very much hope that the full agenda can be put back on the tracks.