

# Making trade inclusive

## Is there a role for aid for trade?

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Presented at  
Expert Group Meeting on Inclusive and Job-Enhancing Trade: Asia-Pacific Opportunities  
14 December 2012, Bangkok

# Structure of presentation

- ▶ Aid for trade
- ▶ Pathways towards making it inclusive
- ▶ Major problems
- ▶ What needs to be done?

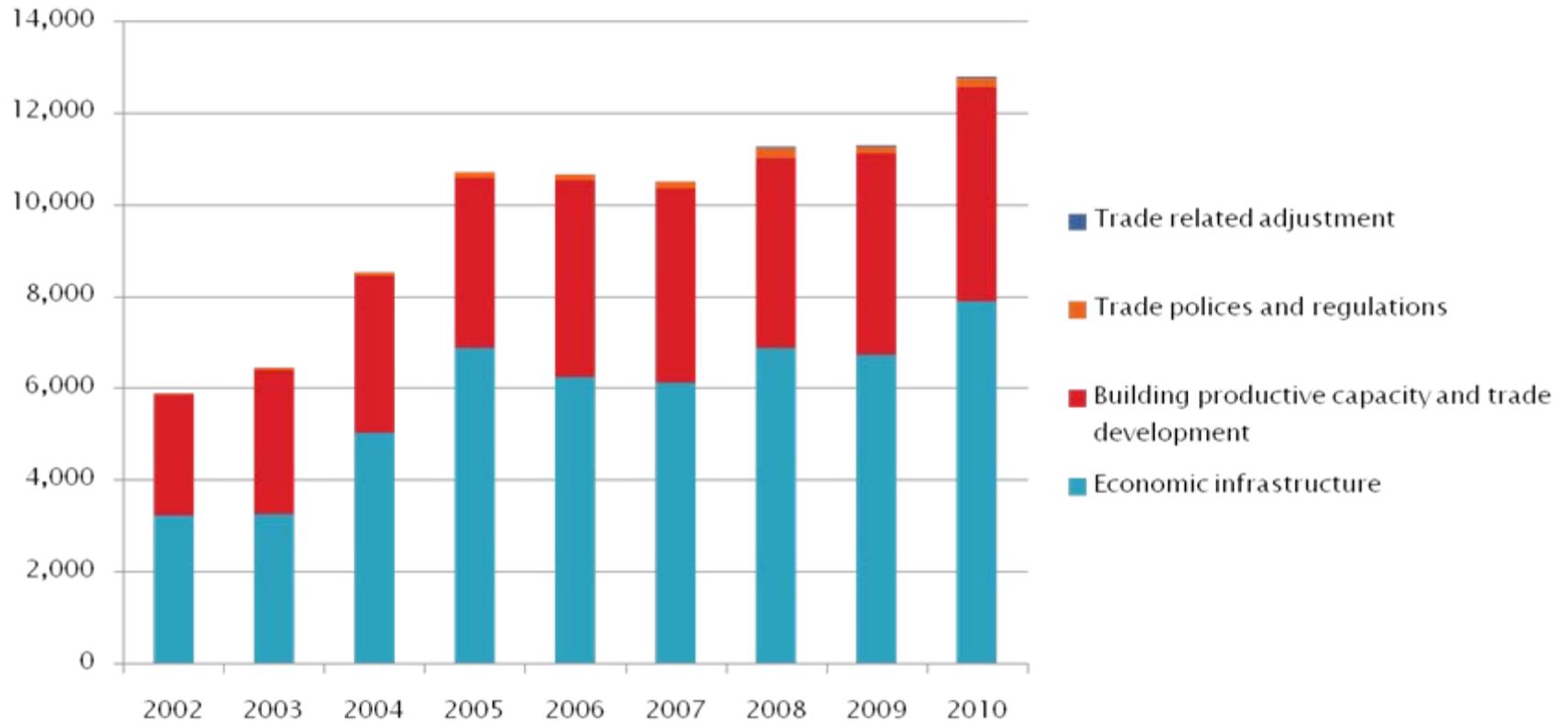
# Aid for trade – I

- ▶ Trade related technical assistance/capacity building initiatives (TRTA/CB) have been around since 1997
- ▶ Most of these initiatives focused on *market access* and/or *software* part
- ▶ They could not generate the *supply response* required to help LDCs to address their supply-side constraints; neither did they take care of *adjustment* issues
- ▶ Therefore, there was a call for well-funded targeted, predictable, sustainable and effective mechanism
- ▶ Aid for Trade (AfT) initiative aimed at promoting “inclusive trade” – improved trade capacity of LDCs in particular

# Aid for trade – II

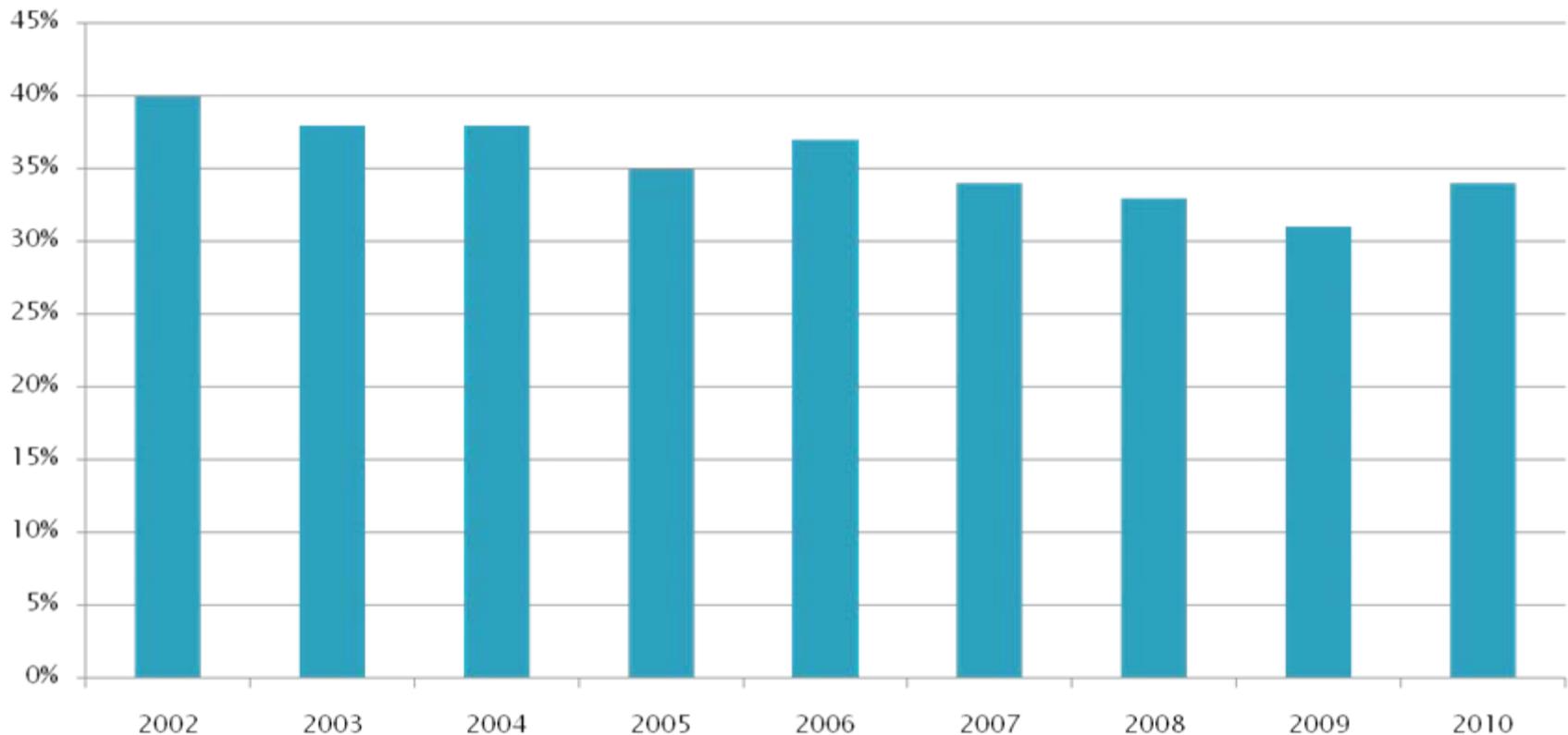
- ▶ Broadly increasing and has been instrumental in:
  - Creating “spotlight” effect
  - Helping countries mainstream trade in their development strategies, at least in formal sense
  - A few success stories are worth highlighting (e.g., North-South Corridor in Africa, Cambodia’s trade SWAp, etc.)
- ▶ In the context of Asia, AfT continue to increase (Figure 1), but as a percentage of sector allocable aid, it has reduced from a peak of 40% in 2002, to 31% in 2009, only to rise to 34% in 2010 (Figure 2)

Figure 1: AfT disbursement to Asia (constant 2010 US\$ million )



Source: OECD Creditor Reporting System (accessed 13.12.12)

Figure 2: AfT disbursement to Asia as a % of sector allocable aid (constant 2010 US\$ million )



Source: OECD Creditor Reporting System (accessed 13.12.12)

# Pathways towards making it inclusive

Aid for trade categories	Examples of trade-related processes	Examples of trade-related outcomes	Development outcomes
Economic infrastructure	Building infrastructure and trade logistics	Reduced trade costs	Poverty alleviation through the creation of employment opportunities for different skill categories  Building resilience and preventing people from sliding back to poverty
Building productive capacity	Developing various productive sectors	Trade (in particular exports) growth	
Trade development	Trade promotion	Creation of backwards and forward linkages	
Trade policy and regulations	Mainstreaming trade/ engagement of stakeholders	Better trade policies/ negotiating positions	
Trade-related adjustment	Training and retooling	Better adjustments in labour markets	

# Major problems

## Partner countries' side

- ▶ Lack of proper need assessment
- ▶ Limited absorptive capacity
- ▶ Limited coordination
- ▶ Limited involvement of the private sector
- ▶ Limited commitment of governments to enhance sustainability of AfT programmes/projects

## Donors' side

- ▶ Foreign policy and commercial objectives predominate funding decisions
- ▶ Limited adherence to AfT Task Force Report Paris Principles
- ▶ Duplication and limited efforts to enhance coordination
- ▶ Donors' commitments at headquarters not percolating down to field offices
- ▶ Limited focus on “adjustment”

# What needs to be done?

- ▶ Creation of a vertical fund and disbursement to be strictly based on needs assessment
- ▶ Strict adherence to Task Force Report and Paris Principles, including improved donor coordination
- ▶ Trade mainstreaming in *substantive* sense through
  - Alignment with sectoral policies/priorities
  - Enhanced engagement with private sector, NGOs, academia, farmers' groups, consumer groups, trade unions, etc.
- ▶ Enhanced funding for “adjustment”
- ▶ Robust mechanism to monitor results *on the ground*

Thank you