

aid for trade AS INVESTMENT IN TRADE

Engaging the private sector



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The Third Global Review of Aid for Trade was a successful exploration and examination of the successes and challenges of the six-year Aid for Trade initiative. Initiated to aid developing countries in expanding their supply-side and productive capacity and allow them to take better advantage of market access opportunities, Aid for Trade has emerged as an important platform to interweave trade and development issues. As the discourse has deepened and broadened, so has the private sector become more engaged in a variety of Aid for Trade partnerships with governments, international organizations, regional organizations and civil society organizations, both as a provider of expertise and knowledge transfer and as the first beneficiary of the institutional capacity built through Aid for Trade projects.

Private sector development lies at the heart of the Aid for Trade agenda. The importance of galvanizing private actors all along the value chain in least developed countries (LDCs) and lower income countries (LICs) is becoming ever clearer – broadening the network of suppliers by investing in the capacity and competitiveness of producers, traders and trade support institutions. Private sector engagement is essential to ensur-

ing that trade-related assistance delivered by development partners delivers sustainable outcomes, in effect, that enhanced capacity persists beyond the end of the project. Furthermore, it is becoming clear that foreign direct investment is being accompanied by important actions to upgrade the capacity of local suppliers to enter new value chains. This is Aid for Trade.

The growing role of the private sector was underlined at the Third Global Review. World Trade Organization (WTO) Director-General Pascal Lamy, in his closing remarks, made particular reference to the enhanced participation of the private sector. His comment about the need to transform Aid for Trade into 'Investment for Trade' was focused squarely on the increasing economic motivations and opportunities that greater involvement of the private sector in Aid for Trade would deliver.

In the plenary session on 'Accessing Global Private Sector Value Chains,' the partnerships between large corporations such as Walmart and Danone and developing country producers were showcased, as was ITC's innovative work on coffee supply chains. These forms of collaborative ventures and value chain investments are growing in number and impact and are charting an innovative way forward for business involvement in trade-related capacity building.

The WTO has sought to address this important role for business in a number of ways. In addition to private sector issues forming part of the Aid for Trade work programmes and inviting the business community to participate in the Global Reviews, the WTO continues to work closely with ITC, the World Bank and the private sector arms of regional development banks to ensure that the views, priorities and expertise of the business community are taken on board.

The private sector, however, is not a homogeneous group. Concurrent with discussions with large multinational corporations on how they can best partner with traditional and emerging donors to support infrastructure projects and value-chain insertion, the dialogue with small and micro-enterprises is very much focused on their trade capacity needs and constraints to trade. ITC has been a leader in this regard, specifically through its country surveys, which shed light on the gaps in assistance that exist. Addressing both ends of this spectrum – the private sector as partner and as recipient – is vital.

In 2009, Aid for Trade resources reached US\$ 40 billion, the highest figure reported by the Organisation for Economic Co-operation and Development (OECD) and WTO monitoring framework. Of this total, US\$ 18.2 billion was committed to building productive capacity, and for the first time since the global monitoring framework was established, disbursements of Aid for Trade to build productive capacity was the largest category. A vast majority of this assistance focuses on improving productivity in the agriculture, manufacturing and services sectors. This assistance facilitates the modernization of firms' procedures and production patterns and aids in the creation of competitive and export-ready goods and services. In essence, this is Aid for Trade for the private sector – enhancing the productivity and trading potential of businesses.

Another fundamental component of this monitoring framework was the call for case stories. These case stories were designed to serve as channels of information from the national and regional levels to the global level on how Aid for Trade was working (or was not working) and the lessons learned from the challenges and successes of various Aid for Trade interventions. The phenomenal response – 275 case stories – provided rich information on the role of the private sector in supporting Aid for Trade projects and programmes, and suggested some ideas for how business could play a greater part in ensuring project sustainability.

The case stories clearly illustrated the importance of private sector participation as providers of trade-related investment and as partners in implementing Aid for Trade projects and programmes. In some case stories there was a clear recognition that the success of an Aid for Trade project could be bolstered if it was of direct use to the private sector, such as the UNIDO support for the accreditation of testing laboratories in Sri Lanka and Pakistan, which led not only to an increase in testing services but also increased revenue for the laboratories

through the business community paying to use the services. In New Zealand's case story on women in business development in Samoa, developing relationships between families in Samoa and international private sector organizations facilitated links, through global private sector partnerships, to global markets for Samoan organic produce. In other submissions, such as that by Burundi on the development of its essential oils industry, the importance of encouraging private sector participation in prioritization of trade-related needs and export diversification strategies was affirmed.

A number of the case stories highlighted the importance of private sector participation as an essential element in effectively aligning the demand and supply of Aid for Trade. Creating an enabling environment for business interaction and galvanizing the voice of the private sector, at all levels, was a message permeating many of the case stories.

The WTO Secretariat undertook a comprehensive analysis of the 275 case stories submitted by WTO members, acceding members, regional and international organizations, academia, civil society and the business community. In assessing the success or failure of Aid for Trade projects and programmes, the inclusion or exclusion of the private sector was determined to be one of the factors affecting the outcome of an intervention. In 24 of the case stories, an absence of private-sector ownership and participation in Aid for Trade projects and programmes negatively impacted the outcome. In examining the factors for success, 97 case stories specifically noted that private-sector engagement and participation, both in defining needs and in partnering in the implementation of projects, was a fundamental element of a successful outcome.

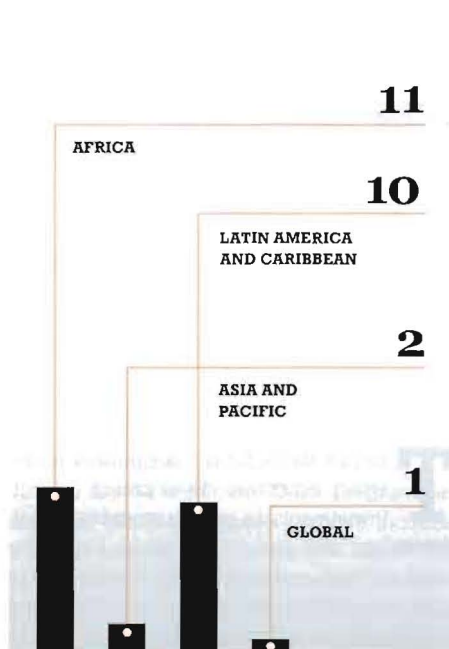
Although these case stories are only a small window into the vista of trade-related capacity building being offered to developing countries, it is clear that there is growing recognition that the private sector as a partner is an ingredient that raises the stakes for the success and sustainability of the benefits of an Aid for Trade project. Despite the well-documented challenges in attribution and measuring the exact impact of assistance on trade, poverty reduction and development, involving the private sector in the design and implementation of Aid for Trade can increase the chances of a successful impact and can have many positive effects.

Aid for Trade has become a truly global partnership. The 2011 Third Global Review showed that Aid for Trade is achieving results. The discourse has advanced from one based on bridging the supply and demand of Aid for

PRIVATE SECTOR PARTICIPATION AND PROJECT OUTCOMES (SOURCE: WTO)

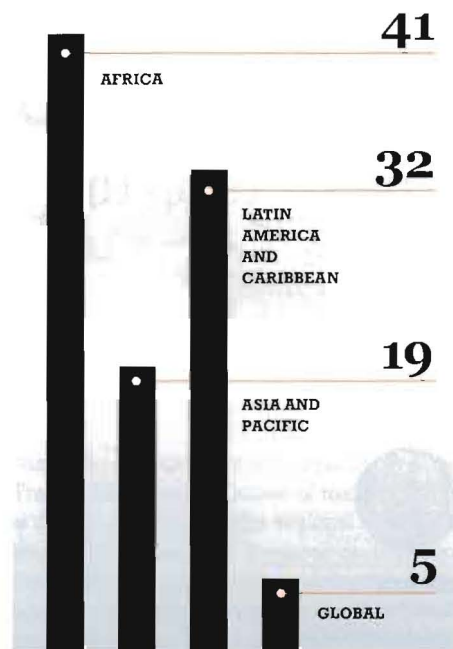
PROBLEMS

Case stories reporting that an absence of private-sector participation had a negative impact on the outcome



SUCCESSSES

Case stories reporting that private-sector participation was a key factor in project success



Trade to one that also includes an examination of the effectiveness of Aid for Trade. The WTO will maintain its advocacy role, using its convening power and monitoring function to mobilize Aid for Trade financing, highlighting the needs of its members and observers, and showcasing effective implementation through the meetings of the Committee on Trade and Development and the regular reviews.

In addition, the Global Review has provided important inputs into the way forward and identified a number of elements that will require further attention. Some of these will be addressed in the 2012–2013 work programme on Aid for Trade, including improving aid effectiveness and reporting systems, greater focus on the particular difficulties faced by some countries in mainstreaming processes, promoting greater regional integration, and continued efforts to engage the private sector in the initiative, both in terms of implementation and as a potential source of financing.

As the WTO maintains its spotlight on Aid for Trade and as the trade and development community works towards the finalization of this new biennium work programme, which will take us to the Fourth Global Review in 2013, the active engagement of the private sector will continue to be a priority. This is essential if development efforts are to be sustained and new sources of finance identified.

Expanding the conceptual framework and dialogue on Aid for Trade to recognize the investment angle is a natural step in the initiative's maturity. As the international trade and development community continues to pay greater attention to the role of global supply chains and trade in tasks, the expertise and financial contributions of the private sector will hold even greater value. ①

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