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OECD Policy Dialogue on Aid for Trade: From Policy to Practice

DRAFT PROPOSAL

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This document is circulated for COMMENT at the Joint Meeting of the Development Assistance Committee and Working Party of the Trade Committee as a room document.

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DRAFT PROPOSAL

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

Introduction

At the October 2005 OECD/DAC *Special Meeting on Aid for Trade* and the subsequent June 2006 *Joint Meeting of DAC and TC/WP on Aid for Trade*, delegates representing the OECD aid and trade community underlined the need to continue to improve the effectiveness of Aid for Trade, and the mechanisms to deliver it effectively. In light of this, the proposed OECD Policy Dialogue on Aid for Trade aims to bring together representatives of the aid and trade community from developing and developed countries to exchange views and experiences on how to make 'Aid for Trade' an effective tool to help developing countries benefit from WTO agreements and more broadly expand their trade.

International trade, when coupled with domestic reform and sound macroeconomic policies, can be a powerful engine in promoting sustained economic growth, employment opportunities and poverty reduction. This has been demonstrated in a number of developing countries that achieved impressive economic growth rates and substantial reductions in poverty. However, some developing countries are facing serious difficulties in adjusting to trade liberalisation and capturing the benefits of more open trade. Governments, institutions and enterprises often lack these capacities, *e.g.* information, policies, procedures, institutions and/or infrastructure, to compete effectively in increasingly competitive global markets and take full advantage of the opportunities that are provided through international trade. This is particularly true for the Least Developed Countries (LDCs), whose share in world exports of goods and services reached only 0.63% in 2004.

Objectives

Against this backdrop, the proposed Policy Dialogue will place a particular emphasis on sharing experiences and information on what donors are doing to support local strategies to make trade an engine of economic growth and poverty reduction, and how the effectiveness of donor support can be improved.

The objectives of this Policy Dialogue are two-fold: (i) to discuss among participants about how to make sure that the Aid for Trade Framework emerging from the discussions in the WTO and IFIs delivers better development results; and (ii) to ensure that the lessons from developing countries' experiences in implementing trade and development policies are fed into the national policy process and shared more widely among policy makers and practitioners.

The WTO General Council is scheduled to discuss the recommendations of its Aid for Trade Task Force on 27-28 July. It is also expected that Aid for Trade will be discussed at the annual meeting of the joint IMF/World Bank Development Committee in Singapore on 19-20 September. Therefore, the OECD

Policy Dialogue will provide participants with an excellent opportunity to take stock of the progress to date and more importantly to explore ways to operationalise the Aid for Trade Framework effectively.

Background Documentation

The main challenges to the development of trade capacity in developing countries will be identified and evaluated by taking stock of ongoing analytical work being conducted by the OECD, *i.e.* the Development Co-operation Directorate (DCD), the Development Centre (DEV) and the Trade Directorate (ECH). In particular:

- DCD/ECH work has analysed the different elements of the debate on Aid for Trade, including the key factors determining its effectiveness. The work discussed the implications of different designs and developed a framework to identify action priorities amongst the scores of challenges that developing countries need to address in order to overcome supply-side constraints and fully benefit from trade liberalisation.
- DEV work examined effective national policy responses to strengthening productive and trade capacities on the basis of the country experience from the seven country case studies (Mali, Mozambique, Tanzania, Senegal, Uganda, Zambia, Viet Nam). The objectives were two-fold: (i) to determine which OECD policy combinations are mutually reinforcing and to point to the corresponding national policy responses that might enhance their poverty-reducing impact; and (ii) to take stock of the progress that has so far been made in trade-related technical assistance and capacity building programmes for export diversification.

Organisation of the Meeting

The morning session (Session I) of the first day of the Policy Dialogue will focus on the policy objectives for Aid for Trade. It will set the stage by providing an overview of the recent developments in the Aid for Trade agenda and key challenges in terms of the economic, political and implementation aspects.

The afternoon session of the first day and the morning session of the second day (Sessions II and III) will address the practical aspects of implementing Aid for Trade (“practice”). In these sessions, participants will discuss the inter-linkages with *structural adjustment, building supply-side capacities, facilitating trade* and *the role of donors to address these challenges*. This will take place in four breakout discussion groups. The discussions will build on the country experience from the OECD case studies.

At the end of the two-day meeting, participants could be invited to consider proposals for a mechanism to improve frameworks for exchanging ideas, information and lessons learned, or to put it differently, a virtual “knowledge hub” to enhance the free movement of best practices and recommendations amongst policy makers and practitioners. This type of approach might be conducive to creating an “on-going process” in which all stakeholders from developing and developed countries would discuss their experiences, and work jointly to develop appropriate tools for trade capacity building and monitor progress, free from the usual constraints present in more formalised fora dominated by donor-recipient relationships. This will also serve as a much needed platform for “peer-to-peer learning” to enable more developing countries to tap into one another’s knowledge pools.

Dates and Location

The week of 25 September 2006 (2-day event), in Doha, Qatar.

Participants

The Policy Dialogue will invite participants from both developing and developed countries. It is envisaged that this event be attended by aid and trade policy makers and Aid for Trade practitioners with the objective of sharing experiences and ensuring that the policy process on the ground is aligned with the aid effectiveness principles. [*See the attached list of possible participants.*]

Resource implications

The total cost of the OECD Policy Dialogue is to be funded through voluntary contributions (VCs).

Draft Agenda

DAY 1

10:00-10:30 *Introduction*

Welcome and opening remarks

- *Key note speaker* : From the Host Government (tbc)
- *Key note speaker* : Mr Angel Gurría, Secretary-General, OECD (tbc)

SESSION I: AID FOR TRADE – ANYTHING NEW?

This session will set the stage by providing an overview of the recent developments in (including its scope) the Aid for Trade agenda and key challenges ahead in terms of the economic, political and implementation aspects. Both donors and partner countries will have the opportunity to present their views on the debate on Aid for Trade. The background documentation will be based on the joint DCD/TD Aid for Trade notes presented to the DAC and the TCWP.

10:30-11:00 **Achieving the Development Dimension of the WTO Doha Round**

- *Lead speaker* : HE Valentine Rugwabiza, Deputy Director General (tbc)

11:00-11:30 **Where is WTO heading?: Implications from the WTO Task Force on Aid for Trade**

- *Lead speaker* : HE Mia Horn af Rantzien, Task Force Chair (tbc)

11:30-12:00 **Partner Country Perspectives on Aid for Trade**

- *Lead speaker* : Co-ordinator of the LDC Group (tbc)

12:00-12:30 **Donors' Perspectives on Aid for Trade: Current Allocation, Processes and Programmes**

- *Lead speaker* : Mr Richard Manning, DAC Chair

12:30-13:00 **What are the strategic directions for the IFIs?: Implications from the outcomes of the September Meeting and the Scaling-up Approach**

- *Lead speakers* : Mr John Panzer, World Bank (tbc)
Mr. Hans Peter Lankes, IMF (tbc)

13:00-15:00

Lunch Break

Draft Agenda

DAY 1

**SESSION II : CAPTURING THE BENEFITS OF TRADE –
HOW CAN AID HELP? (PART 1)**

*This session and the following session (of the second day) will address the inter-linkages with the wider economic development agenda, i.e. the four cross-cutting themes: **structural adjustment, building supply-side capacities, facilitating trade and the role of donors to address these challenges**, on the basis of the country experience from the seven case studies (Mali, Mozambique, Tanzania, Senegal, Uganda, Zambia, Viet Nam) conducted by the OECD Development Centre and other new/existing work in the OECD. Participants will be asked to break out into four discussion groups with the objective of presenting per thematic area how donors and recipient countries have worked together in specific country context to maximise the benefits from trade liberalisation and WTO agreements for development. The background documentation will be based on OECD work on TASAP (DCD/DEV/TD), Private Sector Support (DCD/DEV) and Trade Facilitation (DCD/TD).*

15:00-18:00 Breakout Discussions on Cross-Cutting Thematic Areas**Discussion Group 1****The Right Policy Environment**

- **Moderator** : Delegate from a developing country (tbc)
- **Speaker I** : Lessons from the Trade and Structural Adjustment Project (tbc)
- **Speaker II** : The Interaction of Trade and Aid Policies: Country Experiences (tbc)

Discussion Group 2**Eliminating Bottlenecks to Private Sector Development**

- **Moderator** : Professor Louka Katseli, Director, DEV (tbc)
- **Speaker I** : Supply-side Capacity (tbc)
- **Speaker II** : Agribusiness in Mali and Senegal: What works, What doesn't (tbc)

18:00-20:00***Evening Reception***

Draft Agenda

DAY 2

**SESSION III : CAPTURING THE BENEFITS OF TRADE –
HOW CAN AID HELP? (PART 2)****10:00-13:00 Breakout Discussions on Cross-Cutting Thematic Areas****Discussion Group 3****Aid for Trade Facilitation and Export
Capacity Building**

- **Moderator** : OECD Trade Directorate (tbc)
- **Speaker I** : Reducing Trade Costs: Trade Facilitation (tbc)
- **Speaker II** : Increasing Agricultural Exports: Lessons from Tanzania and Zambia (tbc)

Discussion Group 4**Designing Effective Aid for Trade
Programme**

- **Moderator** : Mr Richard Carey, Deputy Director, DCD (tbc)
- **Speaker I** : Identifying where Financial Support will be more Effective (tbc)
- **Speaker II** : Challenges in Managing for Results (tbc)

13:00-15:00***Lunch Break*****15:00-15:30 Moderators to report back from the breakout sessions with recommendations****SESSION IV : MOVING FROM PRINCIPLES TO PRACTICE**

This session will address how to put the aid effectiveness principles into practice and focus on how to assess and monitor in practice the progress made in Aid for Trade. At this juncture, the OECD Secretariat will introduce a proposal for the development of an informal mechanism of country-based partnership. The background documents will include the Paris Declaration on Aid Effectiveness.

15:30-17:00 New Partnership Framework to Promote and Monitor Aid for Trade

- **Presentation** : How to Make Aid for Trade Effective
- **Discussion** : All participants

17:00-17:45 Chairs' Wrap-up

Chairs : Ambassador Rugwabiza (WTO), Mr Manning (DAC) and a representative from a developing country (tbc)

17:45-18:00 Closing remarks : Mr Manning (DAC) and the Host Government (tbc)

LIST OF POSSIBLE PARTICIPANTS

- WTO Secretariat
- WTO Aid for Trade Task Force Members
- WTO Integrated Framework Task Force Members
- WTO Trade and Development Committee Members
- Co-ordinators of the ACP Group, the African Group and the LDC Group
- World Bank
- International Monetary Fund
- UNCTAD
- International Trade Centre (ITC)
- UNDP
- Integrated Framework Working Group (IFWG) Members
- OECD Member States
- Private Sector
- Civil Society
- OECD Secretariat