ITC’s Role in Aid for Trade

ITC is 100% Aid for Trade

ITC’s Role in Aid for Trade

ITC’s three main strategic objectives correspond exactly to three of the five items on the Aid for Trade agenda.

ITC’s primary aim has always been to assist enterprises
- by helping to make the policy environments more friendly for export business
- by strengthening the institutions which provide services to exporters
- by helping small export enterprises to become more competitive

The International Trade Centre in Geneva is the largest multilateral team dedicated entirely to trade-related technical assistance

“We reaffirm the priorities established in paragraph 38 of the Doha Ministerial Declaration for the delivery of technical assistance and urge the Director-General to ensure that programmes focus accordingly on the needs of beneficiary countries and reflect the priorities and mandates adopted by members. ... In particular, we encourage all Members to cooperate with the International Trade Centre, which complements WTO work by providing a platform for business to interact with trade negotiators, and practical advice for small and medium-sized enterprises (SMEs) to benefit from the multilateral trading system.”

WTO Ministerial Declaration, Hong Kong, 2005

West & Central Africa
North Africa
Southern Africa
East Africa
ITC’s **Contribution** to Aid for Trade

**ITC’s Mission**

ITC enables small business export success in developing countries by providing, with partners, trade development solutions to the private sector, trade support institutions and policymakers.

**ITC’s Methodology**

<table>
<thead>
<tr>
<th>ITC Core Competencies</th>
<th>ITC Clients</th>
<th>ITC Beneficiaries</th>
<th>ITC Development Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export Strategy</td>
<td>Policymakers</td>
<td>Small and Medium-sized Exporters</td>
<td>Export Impact for Good</td>
</tr>
<tr>
<td>Export Policy for Business</td>
<td>Trade Support Institutions</td>
<td></td>
<td>Generating sustainable incomes and livelihoods especially for women, by connecting companies to global markets</td>
</tr>
<tr>
<td>Trade Support Institution Strengthening</td>
<td>Business</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade Intelligence</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exporter Competitiveness</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Export Strategy:**
Providing methodologies and tools for designing and implementing export strategies

**Export Policy for Business:**
Assisting decision-makers to establish institutional frameworks and mechanisms that improve the business and trade environment

**Trade Support Institution Strengthening:**
Developing the capacity of trade support institutions to support small and medium export business

**Trade Intelligence:**
Building capacities in trade information services; providing market analysis and intelligence

**Exporter Competitiveness:**
Assisting small enterprises and communities to reach global markets with products and services

**ITC’s Partners in Africa**

ITC’s vision for its future role in Africa includes engagement with political and financial partners on the continent. Of particular interest are the African Union Commission, the African Development Bank, the UN Economic Commission for Africa, NEPAD, and the Regional Economic Communities. In concert with ITC these key bodies can help multiply the impact of the Africa trade development effort.
West and Central African countries vary widely in size, population, resources and geography, including many land-locked countries. Most of them are LDCs. Nigeria and Congo are among the most populated countries in the world. Mali, Chad and Niger, encompassing a large portion of the Sahara, have some of the lowest population densities in the world. The region also includes very small countries, such as São Tomé and Príncipe and the Gambia. There are large oilfields around the Gulf of Guinea and extensive mineral reserves in the Saharan hinterlands. The areas along the coast and major rivers are fertile and host most of the region’s agricultural production.

Political instability has decreased in the past decade, but many countries are still recovering from civil wars. Post-conflict resolution, democratic consolidation and institutional rebuilding remain strong challenges.

The region is among the poorest in the world; recent rates of economic growth are the lowest in Africa, although some countries have benefited recently from high prices for oil and minerals. The top three economies account for almost 60% of the region’s GDP. Nigeria alone accounts for 42% of GDP and more than 50% of total exports. Overall, more than 75% of exports are oil-related.

Agriculture is concentrated on traditional staples. Cocoa and cotton are the main agricultural exports, though oil seeds and nuts have shown much potential in recent years. Cotton production, involving more than 10 million farmers, needs to be integrated further into international value chains. Natural resources are abundant, but have not been adequately exploited. Foreign investment has been directed towards capital-intensive extractive activities and has not brought about much private sector development given limited linkages to the local economies. Hence, growth has not improved social conditions. Under- and unemployment is high and human development indicators throughout the region are low.

The region’s dependence on commodity exports renders it vulnerable to external shocks and makes economic diversification a top priority. Opportunities lie in growing demand for commodities in emerging economies, which could help to diversify destination markets and invest in development of value-added export products.

ECOWAS, ECCAS and SADC are the main regional economic communities, incorporating all the countries in the region,1 many have also signed into one of two monetary unions, UEMOA and UDEAC, providing for common currencies and business law.2 All countries are currently negotiating an Economic Partnership Agreement (EPA) with the EU, most are also eligible under AGOA for preferential access to the US market. Yet, as opposed to other African regions that already had some commercial links to the US, the West and Central African trade has been more focused on the EU (notably France and the UK) and, thus, the region has been slower to take advantage of the opportunities provided by AGOA.

Inadequate physical infrastructure, burdensome bureaucracies, lack of intraregional coordination and weak private sectors pose serious constraints to economic growth and prevent countries from realizing their trade potential. International cooperation could play an important role in developing and strengthening a network of regional and national trade support institutions to foster entrepreneurship and help private sector exporters.

Poverty alleviation, strengthening the role of women in the economy and providing jobs to the increasing population of employable young adults are other challenges for policymakers that could be partially addressed through further integration into the world economy.

### The West and Central Africa’s export performance

<table>
<thead>
<tr>
<th>Country</th>
<th>Exports (US$ million)</th>
<th>Exports to GDP (%)</th>
<th>Exports per capita (US$)</th>
<th>Growth of export value (% p.a.)</th>
<th>Share of exports to the region (%)</th>
<th>HDI ranking (out of 177)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nigeria *</td>
<td>46,058</td>
<td>64</td>
<td>350</td>
<td>23</td>
<td>5.4</td>
<td>159</td>
</tr>
<tr>
<td>Côte d’Ivoire</td>
<td>7,242</td>
<td>47</td>
<td>399</td>
<td>13</td>
<td>28.3</td>
<td>164</td>
</tr>
<tr>
<td>Equatorial Guinea *</td>
<td>6,610</td>
<td>204</td>
<td>13,128</td>
<td>38</td>
<td>0.9</td>
<td>120</td>
</tr>
<tr>
<td>Congo *</td>
<td>6,187</td>
<td>141</td>
<td>1,547</td>
<td>26</td>
<td>1.1</td>
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<tr>
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<td>4,757</td>
<td>66</td>
<td>3,438</td>
<td>2</td>
<td>0.7</td>
<td>124</td>
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<tr>
<td>Cameroon</td>
<td>2,443</td>
<td>17</td>
<td>156</td>
<td>11</td>
<td>13.2</td>
<td>144</td>
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<td>Chad *</td>
<td>2,162</td>
<td>50</td>
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<td>86</td>
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<td>136</td>
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<tr>
<td>Liberia *</td>
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<td>351</td>
<td>479</td>
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<tr>
<td>Senegal</td>
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<td>19</td>
<td>126</td>
<td>17</td>
<td>39.7</td>
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<tr>
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<tr>
<td>Guinea *</td>
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<td>36</td>
<td>133</td>
<td>9</td>
<td>1.0</td>
<td>160</td>
</tr>
<tr>
<td>Togo</td>
<td>359</td>
<td>17</td>
<td>58</td>
<td>13</td>
<td>68.7</td>
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<tr>
<td>Niger</td>
<td>347</td>
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<td>25</td>
<td>13</td>
<td>27.4</td>
<td>177</td>
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<tr>
<td>Burkina Faso *</td>
<td>298</td>
<td>6</td>
<td>23</td>
<td>23</td>
<td>4.7</td>
<td>176</td>
</tr>
<tr>
<td>Benin</td>
<td>287</td>
<td>7</td>
<td>34</td>
<td>12</td>
<td>24.2</td>
<td>163</td>
</tr>
<tr>
<td>Mali *</td>
<td>237</td>
<td>5</td>
<td>18</td>
<td>4</td>
<td>0.6</td>
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</tr>
<tr>
<td>Sierra Leone *</td>
<td>224</td>
<td>21</td>
<td>41</td>
<td>25</td>
<td>1.1</td>
<td>176</td>
</tr>
<tr>
<td>Central African Republic</td>
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<td>29</td>
<td>10</td>
<td>14.4</td>
<td>172</td>
</tr>
<tr>
<td>Guinea-Bissau *</td>
<td>105</td>
<td>38</td>
<td>66</td>
<td>8</td>
<td>0.9</td>
<td>173</td>
</tr>
<tr>
<td>Cape Verde</td>
<td>88</td>
<td>9</td>
<td>173</td>
<td>74</td>
<td>24.5</td>
<td>156</td>
</tr>
<tr>
<td>São Tomé and Príncipe *</td>
<td>11</td>
<td>18</td>
<td>72</td>
<td>-3</td>
<td>0.0</td>
<td>155</td>
</tr>
<tr>
<td>Gambia</td>
<td>5</td>
<td>1</td>
<td>3</td>
<td>-6</td>
<td>57.2</td>
<td>155</td>
</tr>
<tr>
<td>Total for the region</td>
<td>85,366,720</td>
<td>241</td>
<td>241</td>
<td>-21</td>
<td>7.3</td>
<td></td>
</tr>
</tbody>
</table>

* Based on mirror statistics.
Sources: ITC TradeMap, WB, UNDP Human Development Indicators. Data refer to 2005 and growth rates to 2001-2005. Export figures only include trade in goods.

1 - ECOWAS – Economic Community of West African States: Benin, Burkina Faso, Cape Verde, Côte d’Ivoire, the Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, Togo.
- SADC – Southern Africa Development Community: Angola, Congo DR.
- UDEAC: Cameroon, Central African Republic, Chad, Congo, Equatorial Guinea, Gabon
- UEMOA: Benin, Burkina Faso, Côte d’Ivoire, Guinea-Bissau, Mali, Niger, Senegal, Togo
- UDEAC: Cameroon, Central African Republic, Chad, Congo, Equatorial Guinea, Gabon
Trade Challenges

Trade Policy and Regulations

Low integration in global economy
Despite access to unilaterally granted open access schemes in the developed world, such as the EU/ACP Partnership Agreement and AGOA, most countries in the region have yet to formulate strategies to benefit from them. The level of awareness of WTO in the region is also limited. The challenge faced by West and Central Africa is how to become more involved in international bodies and to understand better the business implications of the existing WTO rules and regulations. Institutional arrangements that facilitate their translation into tangible business activities and incorporate private sector concerns are much needed.

Strengthening regional arrangements
Regional integration has been recognized to be of great importance but is still in the early stages. Progress in deepening this integration has been slow, albeit recently stepping up in some countries. Non-tariff constraints and insufficient physical infrastructures hamper intraregional trade. Linkages among the many regional institutions are weak; increased coherence among the many regional bodies would go a long way towards facilitating intra- and interregional trade.

Trade Development

Weak capacity of trade support institutions
The public sector has begun to develop trade support institutions (TSIs), but the private sector finds it difficult to raise its voice and is not always involved in trade development discussions. Overall technical resources are limited. The development of institutional capacity to foster private sector initiatives and promote enterprise competitiveness is the main challenge in the region. There are many issues for TSIs to address, including:
- high transaction costs of exporting due to cumbersome customs procedures and inadequate transport infrastructures,
- supply-side constraints that prevent industrial development and diversification of the export offer and target markets,
- channelling the energies of the large informal sector towards export-oriented activities,
- supporting the productive sectors with market intelligence on target markets, product design, branding, certifications and supply chain management.

Given current trends of economic integration, TSIs also need reinforcement at a regional level.

Building Productive Capacity

Large informal sector and few producers
A few foreign- or state-owned large corporations in the mining sectors, and several SMEs in the formal economy dominate the business landscape. The informal sector is large and focused on imports and distribution of low-cost consumer goods. High taxes and government requirements discourage formal entrepreneurship and export-oriented activities. The development of light industries, which could be a source of jobs and new export products, also suffers from Asian competition.

Products and services from the region are poorly recognized or undervalued in world markets. This is due to a variety of reasons, including low quality, non-existent standards, poor packaging, and limited marketing capacity. Management skills are insufficient and require significant strengthening to allow SMEs in the region to take advantage of global opportunities.
ITC Responses

Developing Capacity to take Advantage of Globalization

ITC will support regional and national programmes to create an enabling environment for business development and to increase intraregional trade on a sustainable basis. In this region ITC seeks to:

- provide capacity building to government officials and private sector leaders to design and implement effective national trade development strategies that take advantage of opportunities afforded by the EU/ACP Partnership Agreement and AGOA,
- support the creation of effective consultative mechanisms at regional and national levels to analyse trade data and policy options, promote a dialogue between government and key stakeholders, and lay down a path for implementing WTO rules and disciplines,
- promote intraregional discussion and coordination to improve institutional infrastructure and reduce bureaucratic constraints.

One to One to Many

ITC proposes to focus on strengthening TSIs, striving for more coherence among national and regional bodies, to deliver high-value services to export enterprises. Areas of ITC focus include:

- rationalizing activities of existing regional bodies to improve their assistance to national TSIs,
- building the capacity of TPOs to help SMEs develop realistic business plans, taking advantage of available skills and resources,
- supporting the development of trade intelligence, marketing and outreach skills,
- improving supply chain integration, through concerted efforts with the private sector at the regional and national levels,
- fostering the development of technical skills and resources to incorporate international standards in products and services,
- facilitating collaborative dialogue with the private sector for the development and implementation of sector strategies for promising products.

Fostering Private Sector Development

The development of a dynamic and competitive private sector in the region is the key to ITC’s response. Key features are:

- building managerial and analytical capacity at the SME level for the design and implementation of export-oriented business plans,
- strengthening the capacity of enterprises to analyse and anticipate demand,
- helping agri-businesses to increase processing capacity and pursue value-added exports,
- identifying new and niche markets, building on the potential for exports of organic and “ethical” products and services,
- helping emerging entrepreneurs to take advantage of region-wide sectoral strategies, promoting the development of region-wide networks of value-chain related enterprises to increase competitiveness vis-à-vis non-regional suppliers,
- developing export-led poverty reduction programmes for the benefit of marginalized communities.

Trade-related technical assistance can play a key role in helping West and Central African countries to tap niches in global markets and further develop their trade potential.
Strengthening Links
Trade Agreements in Force or under Negotiation

- Countries in the region have negotiated few FTAs by developing country standards.
- Most trade negotiation efforts have been either of a regional or plurilateral nature.
- Only Senegal has attempted the bilateral route, having signed an FTA with Morocco.

Doing Business
Representative Indicators

- Ghana, Nigeria and Gambia have the most favourable business environments, but there is wide dispersion across the region.

Concentrated or Diversified?
Product and Market Concentration

- Nigeria is by far the largest exporter in the region, dominated by oil products.
- Most countries in the region are highly concentrated in terms of target markets – mostly UK, USA and/or France; and also in terms of export products – basic commodities or natural resources.
- Senegal, Côte d’Ivoire and Togo are the most export-diversified countries in the region.
North Africa

Situation Analysis

The countries in North Africa may share many historical, cultural and geographic commonalities, but still show large disparities in terms of economic and human development. Mauritania and the Sudan are LDCs; Algeria and the Libyan Arab Jamahiriya are large exporters of oil and gas; the others are middle-income countries.

At around 4%, economic growth for the period 2000-2004 has been more robust than previously. Yet, the economic and social performance of the North African subregion is mixed. Although significant achievements have been made in poverty reduction, commodity dependency and weak employment creation have resulted in a low level of integration into the global economy. The economies continue to be constrained by their narrow export base despite an increasing effort to explore new opportunities. Egypt, Morocco and Tunisia, which do not benefit from extensive oil resources, have made the biggest strides in diversifying their export base and negotiating trade agreements outside the region.

Intraregional trade is limited and clearly below potential, accounting for only 2.5% of total exports. The structure of exports over the last decade shows diverging trends between countries. Some have focused on oil-related products, while the rest are focusing increasingly on diversified agriculture and manufactured goods, as well as services.

The limited importance of trade is also reflected in that only three (Mauritania, Morocco and Tunisia) of the six North African countries are members of the WTO.

The region has a history of state control over the economy, but governments are now more inclined to promote private sector-led growth. Sectoral associations and private enterprises are showing increasing signs of dynamism. There are encouraging signs, with new trade development initiatives undertaken by employer associations, women entrepreneurs and young business people. Still, a World Bank study reveals that private sector development suffers from constraints imposed by:

- regulatory environment,
- lack of access to finance,
- inadequate trade facilitation infrastructure,
- lack of access to land and heavy role of the state in the economy.

Trade support institutions throughout the region are often weak and/or state-driven. Morocco, Tunisia and — to some extent — Egypt lead the way with a few strong sectoral associations and chambers, and rather autonomous national trade promotion organizations. But in the other countries government ministries largely run trade support activities.

Poverty alleviation, strengthening the role of women in the economy, and the perennial danger of desertification remain among the issues confronting many countries in this region. Another challenge for policymakers and business leaders is providing jobs for the increasing population of employable young individuals.

<table>
<thead>
<tr>
<th>Country</th>
<th>Exports to GDP (%)</th>
<th>Exports per capita (US$)</th>
<th>Growth of export value (% p.a.)</th>
<th>Share of exports to the region (%)</th>
<th>HDI ranking (out of 177)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Algeria *</td>
<td>48</td>
<td>1,234</td>
<td>13.8</td>
<td>1.2</td>
<td>102</td>
</tr>
<tr>
<td>Libya *</td>
<td>104</td>
<td>5,158</td>
<td>26.3</td>
<td>2.0</td>
<td>64</td>
</tr>
<tr>
<td>Egypt *</td>
<td>17</td>
<td>176</td>
<td>26.2</td>
<td>4.8</td>
<td>111</td>
</tr>
<tr>
<td>Morocco</td>
<td>21</td>
<td>352</td>
<td>12.0</td>
<td>1.5</td>
<td>123</td>
</tr>
<tr>
<td>Tunisia</td>
<td>37</td>
<td>1,046</td>
<td>12.3</td>
<td>7.8</td>
<td>87</td>
</tr>
<tr>
<td>Sudan</td>
<td>22</td>
<td>120</td>
<td>24.5</td>
<td>1.3</td>
<td>141</td>
</tr>
<tr>
<td>Mauritania *</td>
<td>67</td>
<td>297</td>
<td>15.3</td>
<td>0.3</td>
<td>153</td>
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<tr>
<td>Total for the region</td>
<td>573</td>
<td>18.0</td>
<td>2.5</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Based on mirror statistics.
Sources: ITC TradeMap, WB, UNDP Human Development Indicators.
Data refer to 2005 and growth rates to 2001-2005. Export figures only include trade in goods.
Trade Challenges

Trade Policy and Regulations

Opening doors to the world
A major challenge for the region will be to increase participation in multilateral trade negotiations. The implementation of existing commitments, as well as further negotiations in the context of the Doha Development Agenda are challenging for many countries in the region, including those in the process of WTO accession (Algeria and Sudan). Their constraints include inadequate information and the weak national consultation mechanisms that prevent engaging in a constructive public-private dialogue. It will be critical to improve the understanding by the private sector of the implications of the multilateral trading system and bilateral/regional agreements. Learning from the experience of other countries could help in this process.

Setting new priorities on the trade agenda
The slow pace of regional integration, low intraregional trade, the efficiency of institutional and legal frameworks, and trade diversification deserve increased government attention. At a more macro level, economic development priorities for policymakers in the region also include improvement of the business environment, fostering entrepreneurship and employment creation.

Trade Development

Strengthening trade support services
Trade support institutions at national and regional level have ample room for improving the provision of trade services required by exporters. They could coordinate the development and implementation of sectoral and national export strategies. Business support services in fields like trade information and market intelligence, standards and quality management, packaging and labelling, are not yet fully meeting the needs of exporting enterprises. The institutional framework of trade promotion needs to be streamlined and act in an integrated and comprehensive approach for better impact.

A quest for diversification
Several countries still suffer from over-reliance on oil and gas, or other primary products for export earnings. They have limited capacity to supply and market value-added products. Trade support institutions could play a key role in bringing together producers of non-traditional goods and services to foster coherent approaches to export to new markets.

Building Productive Capacity

Making SMEs internationally competitive
The private sector, especially in the North African LDCs, will need stronger coordination structures and reinforced capacities. Managers of SMEs, which dominate the business landscape, need technical assistance in creating market linkages to countries outside the region, in market access and product development, and to improve their international competitiveness.

This process should help address gender inequalities, rural development and the integration of young people in the productive process. Ultimately, it should open trade-related opportunities for poor or marginalized communities.
ITC Responses

Multiplying Policy Initiatives

Integrating business into policy will continue to be one of the main focal points of ITC’s interventions in the region. More specifically, ITC proposes to:

- increase the capacity of local institutions to deal with MTS issues by providing tools, databases and training,
- facilitate private-public sector networking at the regional level in order to promote intraregional trade,
- help to develop national export strategies to expand the export offer and target markets,
- support the analysis of current trade policy options and their long-term implications on trade and development.

One to One to Many

Many TSIs in the region do not yet have the human resources and management capacity to provide a full range of services to support the export activities of SMEs. ITC seeks to fill these gaps and provide assistance in areas such as trade information, export of services, quality standards and packaging.

- supporting business advisory services that address legal issues and the regulatory framework,
- strengthening institutions dealing with standards and quality management,
- taking advantage of opportunities provided by electronic commerce,
- strengthening private sector participation in the formulation of trade policies and export strategy formulation,
- undertaking sector strategy work in conjunction with improved trade intelligence for trade support institutions and enterprises.

Efforts will focus on capacity building, in partnership with national institutions and regional organizations, so that TSIs obtain the skills to undertake and coordinate export promotion initiatives at a sector level.

Integrating SMEs into the Global Arena

Strengthening the international competitiveness of enterprises is one of the pillars of ITC’s work. Although limited in scope at present, the objective will include:

- enabling SMEs to formulate more effective international business strategies, to address supply side constraints and strengthen their export marketing,
- increasing product and market diversification in the framework of sector development programmes; emphasis will be on developing new market niches not only in traditional markets but also in neighbouring African countries,
- exposing more enterprises to regional and world markets, by facilitating business contacts, matchmaking and trade fair participation,
- strengthening the role of the diasporas for trade development as a source of market information, as a sales channel and as a source of funds and know-how for home country SME development.

An overarching goal for ITC is to ensure the contribution of trade to socio-economic development and poverty reduction, and help marginalized groups to take advantage of the opportunities afforded by globalization.
**Strengthening Links**

**Trade Agreements in Force or under Negotiation**

- Morocco, Egypt and Tunisia have taken the lead in negotiating FTAs around the world.
- The other countries, mainly oil exporters, have been less active in developing new commercial links.

**Doing Business**

**Representative Indicators**

- Tunisia and Morocco have the most favourable indicators of business environment in the area, though low compared to other regions.
- Improving access to credit is a concern for the region as a whole.

**Concentrated or Diversified?**

**Product and Market Concentration**

- The exports of Morocco, Tunisia and Egypt are well diversified in terms of products. The other countries are focused mostly on oil exports.
- Most countries are highly concentrated on a few export markets.
The region groups members of either the Southern Africa Development Community (SADC) or the Common Market of Eastern and Southern Africa (COMESA), and in some cases of both. The countries are rather heterogeneous, including some with relatively strong economies and high incomes per capita, and poor LDCs. South Africa is the largest economy with more than 75% of the region’s GDP. As a whole the region accounts for more than half the aggregate GDP of Sub-Saharan Africa. Growth across the region has been uneven and fragile, with Angola and Mozambique growing most rapidly in recent times.

Some countries have well-diversified economies, with vigorous investment in several sectors, but most continue to be strongly dependent on minerals, oil and on subsistence agriculture. Commodities account for more than 50% of total exports in most countries. Recently, trade has increased between the region and the new exporting giants of China, India and Brazil.

In most countries of Southern Africa it is difficult to link global trade developments to national economic export strategies. Regional business fora to discuss means to access external markets better are still to be developed. Trade policy dialogues at regional level hardly filter to national industry level, or to sectors that are indeed directly affected by these policies.

Improvements in trade and economic performance need to address three national and regional competitiveness issues:

- better institutions and infrastructure,
- better market efficiency and technological readiness, and
- more business linkages across countries.

There is a strong desire among countries in the region to bring the NEPAD objectives and the Africa Union trade development agenda into national policy frameworks. Along similar lines COMESA and SADC are launching trade liberalization initiatives. Furthermore, various plurilateral trade agreements are under negotiation. These will entail significant reforms to the regulatory environment that should result in benefits to the business community.

The lack of favourable business conditions in most countries hampers exports of individual SMEs. Furthermore, the existence of a large unregistered informal sector presents a huge challenge for trade support institutions (TSIs) to enhance SME competitiveness to international levels. A policy framework that provides budgetary and human resources to support creation of business linkages is needed. Aid for Trade could provide an opportunity for building institutional capacity in these TSIs and also facilitate the subregion’s integration into the global economy.

### The Southern Africa’s export performance

<table>
<thead>
<tr>
<th>Country</th>
<th>Exports (US$ million)</th>
<th>Exports to GDP (%)</th>
<th>Exports per capita (US$)</th>
<th>Growth of export value (% p.a.)</th>
<th>Share of exports to the region (%)</th>
<th>HDI ranking (out of 177)</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Africa</td>
<td>46,922</td>
<td>22</td>
<td>1,038</td>
<td>14</td>
<td>9.0</td>
<td>121</td>
</tr>
<tr>
<td>Angola *</td>
<td>22,044</td>
<td>110</td>
<td>1,383</td>
<td>106</td>
<td>8.0</td>
<td>131</td>
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<tr>
<td>Botswana *</td>
<td>3,941</td>
<td>46</td>
<td>2,723</td>
<td>106</td>
<td>7.2</td>
<td>63</td>
</tr>
<tr>
<td>Mauritius</td>
<td>1,858</td>
<td>33</td>
<td>1,599</td>
<td>18</td>
<td>9.1</td>
<td>125</td>
</tr>
<tr>
<td>Zimbabwe *</td>
<td>1,848</td>
<td>34</td>
<td>158</td>
<td>17</td>
<td>29.2</td>
<td>165</td>
</tr>
<tr>
<td>Zambia</td>
<td>1,780</td>
<td>32</td>
<td>90</td>
<td>25</td>
<td>14.0</td>
<td>168</td>
</tr>
<tr>
<td>Mozambique</td>
<td>1,762</td>
<td>32</td>
<td>863</td>
<td>36</td>
<td>9.0</td>
<td>125</td>
</tr>
<tr>
<td>Namibia *</td>
<td>1,073</td>
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<td>-16</td>
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<td>Madagascar *</td>
<td>826</td>
<td>34</td>
<td>730</td>
<td>24</td>
<td>3.6</td>
<td>146</td>
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<tr>
<td>Lesotho *</td>
<td>672</td>
<td>37</td>
<td>280</td>
<td>19</td>
<td>3.2</td>
<td>149</td>
</tr>
<tr>
<td>Malawi</td>
<td>493</td>
<td>27</td>
<td>38</td>
<td>2</td>
<td>25.1</td>
<td>166</td>
</tr>
<tr>
<td>Total for the region</td>
<td>85,035</td>
<td>586</td>
<td>19</td>
<td>8.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Based on mirror statistics. Sources: ITC TradeMap, WB, UNDP Human Development Indicators. Data refer to 2005 and growth rates to 2001-2005. Export figures only include trade in goods.
Trade Policy and Regulations

Seizing opportunities
A key challenge for countries in Southern Africa countries is capacity to design and implement trade development policies that favour systemic competitiveness and foster more effective integration into international supply chains. Trade agreements are creating export opportunities in large emerging economies; yet lack of understanding by firms and TSIs of market requirements and conditions within such trade agreements limit their response.

Increasing private sector involvement...
The business community in all sectors remains on the periphery of national and regional trade policy planning. They find themselves as spectators on issues such as Poverty Reduction Strategy Papers and the Millennium Development Goals because they do not understand how their business networks and operations can be used to leverage implementation of these strategies. Neither are they able to advocate for a better environment in which to do business across political borders.

Trade Development

Fragmented approach to trade promotion
In most countries of Southern Africa there are multiple types of trade support institutions (TSIs) addressing different sets of stakeholders, but without adequate skills. Adequate ICT facilities and market analysis abilities are required to provide competitive support services for businesses and governments.

The need for stronger TSIs
Trade support institutions (TSIs) are not set up appropriately as conduits that articulate business opportunities to the relevant government ministries. Furthermore, TSIs are not equipped – in human and financial terms – to simplify government policy issues for the benefit of the trading community, and to assist businesses to gain market intelligence on export markets. TSIs are seeking access to new technology and to better links to the world. Although e-commerce has been one of the fastest-growing sectors in Southern Africa, most TSIs are only able to provide databases, limited trade-flow statistics and electronic directories of contacts, all which are insufficient to the needs of their business clients.

Building Productive Capacity

Efficiency and value addition in productive sectors
Productive capacity in the region is comparatively high in the Southern Africa Customs Union (South Africa, Botswana, Namibia, Lesotho and Swaziland), mainly because of South Africa’s dominant role. The major producers and exporters are multinational corporations. Linkages with downstream and upstream SMEs are not well developed. Clustering among geographically concentrated firms or producers has not been promoted. Productivity in these multinationals is higher than in local SMEs. Skills and technology spillover has been limited even when there has been large foreign investments.

Product diversification
In many countries drought has hampered agro-industry growth and no product diversification has been achieved in the past decades. Understanding of sector development strategies and skills enhancement to achieve product and market diversification remains very weak. Outside South Africa and Mauritius, training institutions are weak and their programmes are poorly endowed with necessary skills and tools.
ITC Responses

Southern Africa

Developing International Trade Strategies to Reap Benefits

ITC offers various programmes to enhance the capacity of policymakers to design and implement export strategies for promoting trade. ITC proposes to:

- create platforms for policy dialogue in the countries by bringing together representatives from governments, TSIs and enterprises,
- enable representatives from the region to participate in regional meetings designed to exchange ideas on business implications of the ongoing trade negotiations, and the development of adequate responses,
- coordinate policy-related meetings with regional and national business groups, e.g. SADC working groups, AU Private Sector Fora and the EU-Africa Business Partnerships, that deal with fostering a better trade environment.

Building Trade Promotion Institutions for the Future

ITC has been helping TSIs by enhancing their human resource skills through various regional and country programmes, some of which are implemented in conjunction with WTO and UNCTAD. In the region ITC’s response will be to:

- focus on enabling TSIs to address both trade policy issues and sectoral strategy development needs of the business community,
- set-up capacity-building programmes for trade promotion organizations (TPOs), to enable them to assume their role as facilitators of national trade promotion activities,
- collaborate with other development partners to help SADC and COMESA work more effectively with national and sectoral TSIs.

Building Competitiveness for Global Markets

Helping SMEs to achieve competitiveness in global markets and also foster sustainable supply chains is a cornerstone of ITC’s mission in Africa. At enterprise level ITC will provide solutions for:

- addressing supply chain issues, focusing more on value-addition and product diversification,
- developing sectoral competences and enhancing export marketing skills,
- improving participation of small-scale producers into value chains operated by big businesses,
- promoting “trade democracy”, by increasing targeted business coaching and training for women and minority entrepreneurs.
Strengthening Links
Trade Agreements in Force or under Negotiation

- The SACU countries and Mauritius are the leaders in negotiating agreements.
- Almost all FTAs negotiated in the region are regional or plurilateral.
- Only Mauritius has attempted the bilateral route, with India and Pakistan.

Doing Business
Representative Indicators

- The business environment of Mauritius and South Africa are more favourable, followed by some of the other SACU countries. Their indicators are at the level of many developed countries.
- Difficulties in trading across borders remain an impediment to closer integration.

Concentrated or Diversified?
Product and Market Concentration

- South Africa and Angola are the largest exporters.
- South Africa, Zimbabwe and Swaziland are well diversified in terms of export products.
- Botswana, Lesotho and Mozambique are the most narrowly focused.
Situation Analysis

The countries of East Africa are heterogeneous in terms of size, resources and topography, comprising both island- and land-locked countries. All of them, except Kenya and the Seychelles, are LDCs. Political instability has decreased over the past few years, but conflict remains the strongest threat to democracy and human rights. In terms of economic growth, East Africa has been the best performing region in Africa in recent years, but experienced a slight decline in growth rate in 2006, partly as a result of higher oil prices. The countries around the Great Lakes benefited from higher commodity prices, especially of tea and coffee. Burundi and Rwanda achieved higher growth rates in 2006, as economic activity is benefiting from gradual recovery after their civil wars. In the Seychelles and the Comoros, however, growth is constrained by isolation and a more difficult political environment.

Agriculture accounts for about a third of GDP, and services for another half; tourism and financial services being the strongest drivers. Export performance of the countries in the region ranges from high (Burundi, Ethiopia, Kenya, Seychelles, Tanzania, Uganda) to moderate (Eritrea, Djibouti, Rwanda). Only the Comoros had negative export growth in the period 2001 to 2005.

The countries of East Africa are members of various different regional economic communities: COMESA, EAC, IGAD, IOC, the League of Arab States and SADC. All countries are currently negotiating the Economic Partnership Agreement (EPA) with the EU under the auspices of the regional economic communities. Burundi, Djibouti, Ethiopia, Kenya, Rwanda, the Seychelles, Tanzania and Uganda are eligible under the AGOA, which grants them preferential access to the US market.

In most countries there are multiple trade support institutions (TSIs) representing all types of stakeholders, but without adequate coordination, ICT facilities, nor market intelligence to provide competitive support services for business and governments.

Heavy dependence on commodities remains a common feature of production and exports. This renders the region vulnerable to external shocks and makes economic diversification a top priority for growth policies. Future opportunities lie in growing demand for commodities in large emerging economies, which could help East African countries to diversify products and destination markets. Yet, Chinese and Indian competitiveness in labour-intensive industries may reduce the opportunities for East African countries to diversify away from traditional export products.

The roles of international cooperation will be to foster regional integration, strengthen the business environment, support product and market diversification, and provide assistance in moving up the value chain.

<table>
<thead>
<tr>
<th>Country</th>
<th>Exports (US$ million)</th>
<th>Exports to GDP (%)</th>
<th>Exports per capita (US$)</th>
<th>Growth of export value (% p.a.)</th>
<th>Share of exports to the region (%)</th>
<th>HDI ranking (out of 177)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenya *</td>
<td>2,016</td>
<td>10</td>
<td>85</td>
<td>16.3</td>
<td>24.4</td>
<td>162</td>
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<tr>
<td>Tanzania</td>
<td>1,411</td>
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<td>37</td>
<td>17.7</td>
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<td>162</td>
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<tr>
<td>Uganda</td>
<td>809</td>
<td>12</td>
<td>28</td>
<td>15.9</td>
<td>17.8</td>
<td>145</td>
</tr>
<tr>
<td>Ethiopia *</td>
<td>781</td>
<td>10</td>
<td>11</td>
<td>23.4</td>
<td>9.2</td>
<td>170</td>
</tr>
<tr>
<td>Seychelles</td>
<td>339</td>
<td>48</td>
<td>4,014</td>
<td>14.6</td>
<td>0.0</td>
<td>47</td>
</tr>
<tr>
<td>Burundi</td>
<td>117</td>
<td>18</td>
<td>15</td>
<td>25.3</td>
<td>12.3</td>
<td>169</td>
</tr>
<tr>
<td>Somalia *</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Rwanda *</td>
<td>94</td>
<td>5</td>
<td>10</td>
<td>8.0</td>
<td>1.3</td>
<td>158</td>
</tr>
<tr>
<td>Comoros *</td>
<td>29</td>
<td>3</td>
<td>5</td>
<td>-9.1</td>
<td>0.1</td>
<td>132</td>
</tr>
<tr>
<td>Djibouti</td>
<td>27</td>
<td>4</td>
<td>33</td>
<td>9.0</td>
<td>4.5</td>
<td>148</td>
</tr>
<tr>
<td>Eritrea *</td>
<td>14</td>
<td>2</td>
<td>3</td>
<td>3.9</td>
<td>1.1</td>
<td>157</td>
</tr>
<tr>
<td>Total for the region</td>
<td>6,650</td>
<td>33</td>
<td>16.1</td>
<td>14.9</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Based on mirror statistics. Sources: ITC TradeMap, WB, UNDP Human Development Indicators. Data refer to 2005 and growth rates to 2001-2005. Export figures only include trade in goods.
Trade Challenges

Trade Policy and Regulations

Low involvement in the Multilateral Trading System (MTS)…
Burundi, Djibouti, Kenya, Rwanda, Tanzania und Uganda are members of WTO; Ethiopia and the Seychelles are negotiating access. Due to resource constraints, these countries do not participate in WTO as actively as they should. The level of awareness of WTO in the region is very limited. The challenge faced by East Africa is how to become more involved in the decision-making of WTO and to understand better the business implications of the existing WTO rules and regulations.

…and a need for a strategic vision on export development
At the national level, trade has not yet received the priority it merits in national planning frameworks and in some countries of the region the policy environment does not adequately favour the small exporters. East African countries are lacking a strategic vision to increase their national competitiveness and to improve their export performance.

Trade Development

Weak capacity of TSIs
The trade support environment in East Africa is varied, with the most difficult conditions prevailing in the land-locked countries. Trade support institutions (TSIs) could play a key role in providing services and improving business performance. TSIs, however, continue to display institutional weaknesses and private-sector associations are often under-developed. In some countries, TSIs have developed the capacity to provide trade information and market analysis services to the private sector, but in other countries TSIs are insufficiently developed and provide limited services. Overall technical resources are limited, particularly to support efforts in areas such as product design, branding, certification, and supply chain management. Given current trends of regional economic integration, TSIs need to be reinforced at a regional level.

Building Productive Capacity

High prevalence of SMEs
Small economies face the problems of narrow domestic markets, non-diversified production bases, underdeveloped infrastructure, and inadequate human capital. The private sector is dominated by SMEs and the informal sector. African products and services are often poorly recognized or undervalued on world markets for reasons of quality, standards, packaging, and marketing, which undermine consumer confidence and interest. Traditional products of the region require more value addition. This would help to increase export earnings and accrue benefits to small-scale producers. There would be large opportunities in developing value chains on a regional basis.

ITC’s Strategic Objectives

Support policymakers in integrating the business sector into the global economy

Develop the capacity of trade service providers to support businesses

Strengthen the international competitiveness of enterprises
Integrate into the MTS to Benefit from Globalization . . .

In the case of East Africa, ITC has been working with Kenya, Uganda and Tanzania – in collaboration with UNCTAD and WTO – to build and strengthen their capacity to integrate better into the multilateral trading system. Assistance is provided to prepare countries for the EU Partnership Agreements negotiations. ITC also works to amplify the voice of the private sector in multilateral negotiations by putting emphasis on establishing a dialogue with the public sector to analyse the commercial implications of ongoing trade negotiations. Kenya, Rwanda, Tanzania and Uganda are already associated with World Trade Net, ITC’s network of public-private partnership in the MTS.

…and develop national export strategies

In this line, ITC can offer extensive expertise in development of national export strategies. This methodology helps countries draw up comprehensive frameworks for the promotion of exports. The consultative approach between the private and public sector identifies critical challenges to successful export promotion and proposes mechanisms to address them.

Strengthening TSIs: Nationally and Regionally

One of ITC’s pillars is to strengthen and build capacity of trade support institutions (TSIs), especially the trade promotion organizations (TPOs) and sectoral associations. ITC’s expertise in improving the capacity of TSIs to provide services to SMEs includes, inter alia:

- accessing relevant trade information, statistics, trends and analysis,
- assisting to improve quality standards, packaging, product design,
- developing and implementing sector strategies and integration in international supply chains,
- developing export programmes for poor communities,
- strengthening capacity of national agencies to help SMEs identify new opportunities, liaise with regional partners, and improve international networking.

ITC’s future efforts on trade development will focus on helping individual TSIs, but also fostering regional TSI networks to engage in policy dialogue and coordinated service delivery for competitiveness enhancement and trade promotion.

Connecting SMEs to the Global Market and Moving up the Value Chain

Private sector development remains a high priority in Africa, ITC aims to improve the competitiveness of SMEs and supports efforts to add value to products and services for export. In East Africa, special focus will be given to:

- helping agri-business, the principal domestic economic activity, to increase processing capacity and pursue value-added exports,
- identifying new and niche markets, building on the potential for exports of organic and “ethical” products and services,
- building export-oriented managerial and marketing skills,
- organizing producers in marginalized communities and building their skills to tap foreign markets for their products.

There is huge potential for trade-related technical assistance to have a tangible impact in helping East African countries to carve a niche in the global arena.
Strengthening Links
Trade Agreements in Force or under Negotiation

- Countries in the region have negotiated few FTAs by developing country standards.
- Most trade negotiation efforts have been of a regional or plurilateral nature.

Doing Business
Representative Indicators

- The Seychelles, Kenya, Ethiopia and Uganda have the “easiest” business environment. The overall indicators for the other countries are among the lowest in the world.
- There is wide dispersion among individual indicators of the business environment.
- There continue to be serious impediments to cross-border trade, especially for the landlocked countries.

Concentrated or Diversified?
Product and Market Concentration

- Kenya and Tanzania are the largest exporters in the region.
- Kenya, Uganda, Tanzania and Eritrea are the most diversified in terms of export products and target markets.
- Ethiopia and Rwanda are well diversified in target markets but concentrated in export products.
- The smaller exporting countries are generally more concentrated.
International Trade Centre
Aid for Trade Information Resources

ITC Speaks on Aid for Trade

Aid for Trade: A Wider Scope

Advocacy for Aid for Trade

Aid for Trade: We Can Do Better

Getting the Framework Right

Africa: The FDI Opportunities are Local

Countries Bring Trade into Development Projects

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