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Bringing Down the Barriers –
Creating a Dynamic Export Development Agenda

Tuesday, October 9

Aid for Productive Capacities - What Works, What Does Not

Breakout Series 1: Building Supply-Side Capacities

Speakers:
Kiichiro Fukasaku, Economist, OECD Development Centre, France
Josephine Francis, Owner/Manager, Arjay Farm, Liberia
Antonio Ruales, Vice Minister of Trade and Integration, Ministry of Foreign Affairs, Ecuador
Ricardo Estrada, Executive President, CORPEI, Ecuador
Moderator: Evita Schmieg, Head, Division of Globalization, Trade and Investment, Federal Ministry for Economic Cooperation and Development (BMZ), Germany

Kiichiro Fukasaku of the OECD Development Centre set the scene for this debate with some statistics. Over the 2000-2005 period, global aid for productive capacity averaged US $nine billion a year. Around 40% went to Asia and around 25% to Africa. Most was spent on agriculture, forestry and fishing. After that came industry, mining and construction.

Ricardo Estrada, Executive President of Ecuador's export and investment promotion organisation CORPEI, looked at the conditions for productivity aid. Programmes should be negotiated and not imposed by donors, he said, while a key role of governments is in deciding which national agency will have the implementation role. The private sector in recipient countries should be an active partner, providing technical and even financial support, to ensure sustainability, he said. Thus, private-public partnerships have a key role.

"We all have one thing in common," declared Josephine Francis, owner/manager of a small farm in Liberia. "Whatever the aid, we need it now." However, countries in Africa need a total makeover of their trade practices. It is important to encourage the private sector and "keep the government out of business." Estrada expressed a similar view: "The government should understand that its role is that of a facilitator. If it does, we have a good chance of channelling aid-for-trade into productive sectors with good results," he observed.

For Fukasaku, it is up to donors and governments to set priorities through open and transparent dialogue. National workshops on aid-for-trade, involving all the players and stakeholders, can make decisions that will get support. Donors, said Estrada, are looking for impact. His organization works on pilot projects, and these can be replicated by the government in other areas of the productive economy. Should the focus be on specific sectors? In Ecuador, this is the main direction, but always keeping in mind the value chain and the supporting infrastructure, such as transport.

A participant from Botswana argued that donors often make the mistake of assuming that "one size fits all" in aid, leading them to try to shape programmes and projects in one country based on success in another. Conditions and factors affecting specific countries and regions vary widely – transport facilities available for export products is one example – and these demand very specific attention.

Are industrialized country donors sincere in their aid programmes? asked a representative of the United Nations' Economic Commission for Africa. He pointed to the flower export industry in Kenya. Developed with foreign assistance, it is now facing problems as questions are being raised in European countries about the environmental impact of such trade. Following up this thought, a

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participant from Bolivia noted that the US Congress had been told some years back that much of the country’s foreign aid came back home in one form or another.

Other issues raised during discussion included:

- how far donors from other developing countries, especially the richer ones, could be involved in aid-for-trade projects with other nations of the global South, and:
- how the activities of international agencies with different mandates can be coordinated to ensure the best results.

Summing up the discussion, moderator Evita Schmieg of Germany’s Ministry for Economic Cooperation and Development said there was a clear consensus that export business is a cross-cutting issue, that aid-for-trade initiatives cannot focus on a single sector, and that approaches to the issue have to be highly flexible and adaptive to local and regional conditions.

Other conclusions she drew included:

- Put more emphasis on South-South trade, both to exchange goods and create better conditions for this among developing countries, and in terms of identifying donors for aid-for-trade projects.
- There has to be more coherence among donors, especially international agencies, on what they are doing.
- In relation to doubts expressed about the sincerity of some donors, there should be a widespread recognition that it is in the interests of all to work to ensure that global markets grow.
- Export success depends on the functioning of the local economy, and therefore projects have to support infrastructure and value chains.
- Donors should address the specific needs of countries and regions and respond when these are articulated.
- Aid-for-trade projects should ensure that there is a sense of ownership on the part of the recipients, and this can be at least partly achieved by ensuring at least some financial participation on their part.
- Governments should prepare overall national strategies; and
- The private sector has to be clear in articulating its needs, and to make clear it accepts the principles of corporate social responsibility, so that aid-for-trade projects can create win-win situations for everybody.