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MEETING ON FINANCING FOR DEVELOPMENT

New York, 19th - 20th May 2008

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The International Conference on Financing for Development (Monterrey Consensus) marked an important landmark in reinvigorating the international partnership on global development. Following the launch of the Doha Development Round, the Consensus explicitly recognised the role of international trade as an 'engine for development', and in conjunction with the Doha Ministerial Declaration created a powerful momentum to put development issues at the centre of the global agenda. The Financing for Development (FfD) agenda is comprehensive and includes domestic resource mobilization, FDI, private flows, trade, ODA, debt relief and systemic issues.

The Doha Round too is similarly larger and deeper as compared to the earlier rounds of multilateral negotiations. The Doha Ministerial Declaration, which launched the Round in 2001, provided a clear linkage between trade and development concerns by putting the needs and interests of developing countries at the heart of the negotiating agenda. The trade and development nexus of the Round is clearly manifested in the anticipated increase in market access for goods and services for developing and least developed countries, as well as in a fairer and more equitable trading system that the DDA is striving to achieve. A successful completion of the Doha Round negotiations through the effective participation of developing and least developed countries will ensure that these objectives are met and growth opportunities are provided to developing countries through trade.

However, to maximise the benefits accruing from a more open trading system adequate human and institutional capacity needs to be build in developing countries and the LDCs. Technical cooperation and capacity building remains an integral part of this effort and the WTO Secretariat continues to enhance its efforts, including in collaboration with other agencies, to assist Members in mainstreaming trade into national plans for economic development and strategies for poverty reduction. In this context and in order to further facilitate development through international trade and help developing countries better utilise the market access opportunities sought to be created for them, WTO Members launched the Aid for Trade work programme in the WTO at the Hong Kong Ministerial Conference in 2006.

Aid for Trade is about helping developing countries to build the trade capacity and infrastructure they need to benefit from trade opening. The WTO's A4T work programme aims to increase substantially (a) the number of trade-related projects being designed by recipient countries that are bankable financially and that are "locally owned" in the sense of being considered by each government to be central to its development and poverty reduction plans, and (b) the amount of additional funding (both through the public and private sector) to finance these A4T projects. Aid for Trade cannot be a substitute for trade liberalization. In particular, there can be no substitute to the contribution of an ambitious outcome to the Doha Round of trade negotiations. That being said, Aid for Trade is an important and necessary complement in helping developing countries benefit fully from their participation in international trade.

One of the main features of Aid for Trade is the realisation that harnessing trade for development begins with countries themselves. Trade can serve as an instrument for economic growth and poverty reduction and thus needs to be a central pillar of economic planning. This in turn requires setting out national goals, establishing priorities, and

ensuring that these priorities are shared across government. Political leadership and a long-term commitment to export-led growth, are essential aspects of trade-led development. Equally essential is the role of the private sector. It is firms and businesses which trade – not governments – so creating the right environment and incentives for entrepreneurs, investors and traders is critical to any trade-led growth strategy.

The WTO's role is to help mobilize and monitor, but not deliver, Aid for Trade. As WTO's comparative advantage does not lie in actual delivery of aid, it is focusing on getting the many existing aid mechanisms to work together more efficiently and effectively. The basic idea being that by improving transparency – shining a brighter "spotlight" on Aid for Trade, we can create incentives for the key actors to start talking, planning, cooperating and mobilizing, without trying to prescribe solutions from the top.

Last year was largely a political exercise in awareness-raising, aimed at obtaining high-level support for increased funding, trade reform and the inclusion of trade priorities in national and regional development plans. Regional reviews – organized jointly by the WTO and the relevant regional development banks – were held in Africa, Asia and Latin America. The regional reviews brought together trade, finance and development Ministers to discuss their shared challenges and priorities.

The discussions in each regional event were rich and varied, and highlighted the particular concerns and needs of each region. Some of the broad themes that emerged from each of the reviews agreed on: the need for countries to themselves lead their trade-induced development strategies; key priorities identified were trade financing, trade facilitation, trade logistics, and standards and testing; thinking regional to enhance regional trade and integration; increased and predictable financing and mobilising the private sector.

Another welcome development is the increase in South-South Aid for Trade, which would add to the momentum of the initiative. South-South cooperation is seen as being increasingly important, not only because of the developing world's growing financial resources, but also because of shared experiences and challenges.

If 2007 was about raising awareness, 2008 is about implementation – and better benchmarking the progress we are making. In February of this year, the DG, WTO, outlined his proposed Roadmap for 2008, a key part of which is the plan to hold a limited number of National and Sub-regional Aid-for-Trade Reviews around the world. These Reviews, unlike last year's events, would be more focused, technical, and results-oriented, with the aim of assisting in advancing – and then monitoring – the implementation of concrete national and especially sub-regional plans. Each Review would be structured in three parts: assessing or "road-testing" Aid-for-Trade plans, identifying priorities, and agreeing on how these plans and priorities should be implemented. The objective would be two-fold: to showcase how Aid-for-Trade strategies can progress and are progressing; and to create incentives for others to follow suit. The Reviews would be hosted by the participating national government or regional organization in cooperation with lead donors and key regional banks and international agencies. The results would be profiled in the next Global Aid-for-Trade Review – which the DG, WTO, intends to hold in the first half of 2009 in order to allow time to produce some real results.

The aim now is to build on the process and dialogue from last year, and to further increase the momentum on Aid-for-Trade. We believe that the "spotlight" approach that the WTO has been following is working. There are unmistakable signs of increased focus, planning, and more resource mobilization around Aid for Trade in the countries, regions, and agencies that are already part of this initiative.

It is important to highlight that the WTO's Aid for Trade work programme is built on the same architecture as the Monterrey FfD process and impacts four out of the six main subject areas covered in the Monterrey Consensus.

- i. With respect to the decision on *Mobilizing International Resources for Development; foreign direct investment and other private flows*, it may be noted that the Aid-for-Trade work programme lays great emphasis on involving the private sector, both international companies and local business, in identifying priority projects in conjunction with the government and, where it makes commercial sense, financing or co-financing these projects. Input from the private sector is essential to the long-term ownership and viability of the projects. Highlighting the advantages of private sector participation as important stakeholders is one of the most important aspects of the Aid for Trade initiative.
- ii. Another outcome of the Consensus that concerns the WTO directly is *International Trade as an Engine for Development*. This theme is also the *raison d'être* of the Aid-for-Trade work programme. To keep the engine well powered in every respect, not only is more market access needed out of the DDA, but also more financing, and especially ODA, is needed to build supply and export capacity, especially in LDCs. In addition to Aid for Trade, the Enhanced Integrated Framework for LDCs is the concrete mechanism available to respond to address LDCs' development imperatives. It is designed to assist LDCs in (i) making their trade policy a part of their national development strategies, (ii) mapping out their trade and productive capacity building needs and (iii) matching those needs with donors' supply of aid and assistance.
- iii. In the context of the fourth subject of the Consensus, Increasing International Financial and Technical Cooperation for Development, it needs to be noted that a large part of the Aid for Trade initiative in the WTO has revolved around the need to mobilize additional Aid for Trade. The effort is directed at attracting more money for trade and not to take ODA away from other areas such as health or education. The DG, WTO, is playing a key role here. Over \$2 billion in additional ODA for trade was pledged by the EU and member states and the US at the WTO's Hong Kong Ministerial Conference. Since then, and after two years of work in the WTO on Aid for Trade, we were able to project at the General Council meeting on Aid for Trade, last November, that additional Aid for Trade is now projected to be around \$8 billion a year so as to bring annual Aid for Trade flows up to \$30 billion by 2010.

- iv. And finally, the Aid for Trade work programme is fully attuned to *Addressing Systemic Issues: enhancing the coherence of the monetary, financial and trading systems*, as incorporated in the sixth outcome of the Consensus. Aid for Trade in effect encourages increased coherence and cooperation among the trade, finance and development communities. The WTO has no aspirations to become a development or finance agency. Our tactic has been to use advocacy, along with monitoring and evaluation of Aid for Trade, to work *inter alia*, with the World Bank, UNCTAD, ITC, UNIDO, the Regional Development Banks (RDBs), individual donors and recipient countries to mobilize more A4T and to improve project preparation and presentation.

In the first year of its implementation, the Aid for Trade initiative had witnessed an impressive and unprecedented level of involvement, support and goodwill of all development partners. In this regard, the initiative was in a fair way to realising the objective of the Monterrey Consensus of initiating collaboration and exploiting synergies of the global partnership on development. The challenge now is to build on this momentum so that more results could be shown in the next steps.

It is by now universally accepted that Aid for Trade provides developing countries with a huge opportunity to grasp the potential of globalization. We, at the WTO, are looking forward to implementing our work on Aid for Trade with a view to allowing developing countries to be truly able to use trade as an engine of growth and poverty reduction. Hence, we are mindful of the vital importance of increasing financing for development. In the WTO's own area of expertise (trade and the multilateral trading system), we see a clear link between progress that is being made through the DDA on increasing market access for the benefit of developing countries, and especially the LDCs, on the one hand, and on the other hand the need to increase aid flows and private investment flows to help these countries build the capacity they need to increase their supply-side strength and to expand their trade.

It is therefore vital that the DDA negotiations are concluded expeditiously. A favourable and ambitious conclusion will also help the process underway towards achieving the FfD goals. Generous additional commitments of Aid for Trade are needed to complement the market access results of the DDA. This, in our view, would be an appropriate way to exploit the synergies in the outcomes of the Monterrey Consensus, the Doha Development Agenda and the Aid for Trade initiative so as to foster development through trade and achieve a more equitable and development-friendly global economic order.
