



Promoting connectivity in Africa

The role of Aid for Trade in boosting intra-African trade

Executive summary

Introduction

Intra-African trade is recognized as a key instrument for achieving the structural transformation of the continent. Intra-regional trade that is more diversified and industrial in nature creates opportunities for value addition and the development of regional value chains, leading to the creation of decent jobs and improved livelihoods. For this reason, intra-African trade has been placed at the centre of continental developmental frameworks, such as Agenda 2063.

The Continental Free Trade Area (CFTA), which is currently under negotiation, is expected to be an important milestone in enhancing trade on the continent. For the agreement to deliver on its developmental potential, it will need to address connectivity challenges on the continent in a comprehensive way. Aid for Trade can act as a powerful tool to boost intra-African trade and subsequently, meet the CFTA objectives. The Action Plan for Boosting Intra-African Trade could be used to ensure alignment with Africa's trade agenda.

Developments in Africa's Aid for Trade

In 2015, Aid for Trade disbursements to African countries reached a record high of \$14.1 billion. That figure represented some 34 per cent of global disbursements. Within Africa, the largest share of Aid for Trade goes to East Africa, in particular

Kenya and the United Republic of Tanzania. The top five countries account for some 31 per cent of disbursements to Africa and are among the top 12 Aid for Trade recipients globally. Approximately 48 per cent of Aid for Trade to Africa is targeted at least developed countries.

At the sectoral level, the share of Aid for Trade to Africa by category has remained relatively stable. Economic infrastructure, primarily energy and transport and storage, continued to receive the largest disbursements, at approximately 55 per cent in 2015, followed by productive capacity, at 42 per cent. Agriculture accounted for more than half of disbursements to productive capacity and 23 per cent of total Aid for Trade to Africa. Trade policy and regulations represent some 3 per cent of total disbursements, the bulk of which, estimated at 60 per cent, was accounted for by trade facilitation.

Trade facilitation remains a priority in Aid for Trade

The monitoring and evaluation exercise carried out as a part of the 2017 Global Review of Aid for Trade confirmed that trade facilitation remains a top priority for Aid for Trade among both African countries and their development partners, but one that is also linked closely to infrastructure. Implementation of the Trade Facilitation Agreement, including through Aid for Trade projects, provides an opportunity for countries to reduce trade costs

in intra-African trade and integrate themselves into regional and global value chains. African respondents to the monitoring and evaluation exercise also noted the need for future assistance to implement the Agreement. Outside trade facilitation, priority areas in Aid for Trade for African recipients include export diversification, transport infrastructure and industrialization. There are therefore clear linkages with the Action Plan for Boosting Intra-African Trade, which includes trade facilitation, infrastructure and productive capacity among its seven priority clusters.

E-commerce was also seen by the African respondents as an emerging opportunity. However, significant challenges remain for African countries to connect. Going forward, Aid for Trade is likely to play a larger role in addressing the physical and regulatory constraints to digital connectivity. Digital connectivity intertwines with physical connectivity, and there are clear links between closing the digital gap and the priority clusters of the Action Plan for Boosting Intra-African Trade.

Aid for Trade and Africa: the way forward

Aid for Trade is an important means of achieving Africa's trade policy priorities. Most Aid for Trade is delivered at the national level, making the contribution of Aid for Trade funding towards regional priorities unclear. To ensure that Aid for Trade supports the efforts to enhance intra-African trade, Aid for Trade projects should be aligned closely with regional frameworks and initiatives, including the CFTA and the Action Plan for Boosting Intra-African Trade.

Trade policy, which includes trade policy and administrative management, trade facilitation, regional and multilateral trade negotiations, is currently a minor area of Aid for Trade funding. Given the ongoing CFTA negotiations, there is scope to extend support to trade policy. The proportion of regional and subregional projects in trade policy is approximately 34 per cent, which is higher than for many other areas of Aid for Trade. Support for this area in general and in regional initiatives, how-

ever, has been falling in the recent years. Going forward, it is important that adequate support be guided towards Africa's regional integration and global agendas, both at the regional and national levels. In the context of the CFTA, technical assistance is required for addressing limited capacities in negotiating and implementing commitments on services trade, investment frameworks, competition and intellectual property rights. Aid for Trade could also play a role in addressing the short-term adjustment costs that are likely to be experienced by some countries in the CFTA process.

Beyond the CFTA, the framework for the Action Plan for Boosting Intra-African Trade could be used to guide the development of regional and continental Aid for Trade projects promoting intra-African trade. Aligning with the comprehensive Action Plan would ensure that progress is made to overcome barriers to intra-African trade on all relevant policy areas. Issues such as digital connectivity could be accommodated in the context of the priority clusters of the Action Plan, focusing on projects that target intra-African trade. Overall, there is scope to increase the share of regional and subregional Aid for Trade initiatives, which is currently particularly low in infrastructure, a key area for regional integration.

Trade will deliver on its developmental potential only if the benefits of trade are available to all. Aid for Trade should therefore be actively used to promote inclusive gains from trade, both between and within countries. Least developed countries and landlocked developing countries, in particular, face higher barriers to participation in trade and could be further targeted through Aid for Trade mechanisms. Aid for Trade could also be used to address the specific challenges faced by small and medium-sized enterprises and women traders. Enhancement of intra-African agricultural trade could promote food security, thereby assisting smallholder farmers and those on low income.

