

**AN  
INCLUSIVE  
AFRICAN  
CONTINENTAL  
FREE TRADE  
AREA**

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**AID FOR TRADE  
AND THE  
EMPOWERMENT  
OF WOMEN AND  
YOUNG PEOPLE**



United Nations  
Economic Commission for Africa



WORLD TRADE  
ORGANIZATION



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# ABBREVIATIONS AND ACRONYMS

AfDB	African Development Bank
ECA	Economic Commission for Africa
ECOWAS	Economic Community of West African States
ICT	information and communication technologies
ODA	official development assistance
OECD	Organization for Economic Cooperation and Development
SADC	Southern African Development Community
WTO	World Trade Organization

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hosted jointly by ECA and WTO, in cooperation with the African Development Bank (AfDB), on “An inclusive African Continental Free Trade Area: Aid for Trade and the empowerment of women and youth”, held in Abidjan, Cote d’Ivoire, on 17 April 2019. Additional inputs were also received from Anoush der Boghossian (WTO).

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# 1. INTRODUCTION

Regional integration in Africa reached a new milestone on 21 March 2018 when the Agreement Establishing the African Continental Free Trade Area<sup>1</sup> was opened for signature. Once in place, the continent-wide Agreement will span over a billion people and, in terms number of participating countries, be the largest trade pact to take effect since the establishment of the World Trade Organization (WTO). In addition to covering trade in goods, the Agreement deals with trade in services, investment, competition policy and intellectual property rights. To complement the Agreement, the African Union member States also introduced the Protocol on Free Movement of Persons.

In 2017, the share of intraregional trade in Africa was 16.7 per cent, lower than in most other regions of the world. Intraregional trade accounts for 68.1 per cent of trade in Europe, 59.4 per cent in Asia and 55.0 per cent in the Americas.<sup>2</sup> Increasing intra-African trade has been a policy priority since 2012 when African Union member States adopted the decision to fast track the establishment of the African Continental Free Trade Area and the Action Plan for Boosting Intra-African Trade. This decision was based on the more diversified nature of intra-African trade compared to its trade with trading partners outside the continent. Through the promotion of intraregional trade, African countries could diversify their economies and trade, and accelerate their structural transformation process. Industrialization in particular, is a key policy priority for the continent, given its potential to result in the creation of a large number of high quality jobs required by the continent's growing young population.

In this respect, the Agreement Establishing the African Continental Free Trade Area is expected to have a transformative effect. Estimates from research conducted by the Economic Commission for Africa

(ECA) indicate that it would potentially increase the value of intra-African trade by 15 to 25 per cent.<sup>3</sup> The share of intra-African trade would also rise, between 40 and 50 per cent, in comparison to the share at the start of implementation of the Agreement.<sup>4</sup> Most importantly, the free trade area would largely affect trade in industrial goods, increasing it by 25 to 30 per cent in value. Increases would also occur in agriculture and food products (by 20 to 30 per cent), and energy and mining (by 5 to 11 per cent) (ECA, 2018).

As of 11 June 2019, all but three African Union member States (Benin, Eritrea and Nigeria) had signed the Agreement Establishing the African Continental Free Trade Area. At the same time, 24 countries had deposited their instruments of ratification to the African Union, surpassing the 22 ratifications required for entry into force. This indicates a powerful and broad commitment to the initiative among African countries.

The remarkable progress achieved since the launch of the African Continental Free Trade Area negotiations in 2015 is very encouraging. Nevertheless, this effort still faces towering expectations, and the extent to which the transformational impact will truly occur largely depends on the implementation of the Agreement. The success of the African Continental Free Trade Area will not solely be assessed on its impact on trade, but also, on how it affects the development trajectory of Africa altogether. The trade benefits created by this new policy environment will need to reach those parts of the African population that did not necessarily have access to them before. In other words, gains will need to be inclusive and better distributed. For instance, it is well known that gender inequalities still plague economies and societies around the world; consequently, they hinder the ability of women to participate in trade.

1 See <https://au.int/en/treaties/agreement-establishing-african-continental-free-trade-area>.

2 Based on UNCTADstat (<https://unctadstat.unctad.org/EN/>).

3 By 2040, comparing to scenario where no African Continental Free Trade Area is in place.

4 Assumed in 2020.

Worldwide, only 15 per cent of the exporting firms are owned by women (Erogbogbo, 2017). In Africa, this reality is to be coupled with the fact that the continent's population is the youngest in the world. Every year, 10 to 12 million young people enter the work force, while only three million formal jobs are created (AfDB, 2016).

The key development strategy document of the African Union, Agenda 2063: The Africa We Want,<sup>5</sup> includes trade as a pathway to industrialization and job creation. The Agenda also highlights the empowerment of women, young people and other disadvantaged groups as a priority. A link between these goals exists in reality and is reflected in both Agenda 2063 and in the Agreement Establishing the African Continental Free Trade Area. In the preamble to the Agreement, the importance of gender equality for the development of international trade and economic cooperation is noted. Promoting gender equality also features as a general objective in Article 3(e) of the Agreement. In addition, Article 27 on technical assistance, capacity-building and cooperation calls for the improvement of the export capacity of formal and informal service suppliers, with particular attention to "micro, small and medium size; women; and youth service suppliers".

Although these clauses enshrine inclusiveness in the text of the Agreement, provisions alone do not always lead to expected outcomes. In this case, countries have agreed to develop national strategies to guide the implementation and operationalization of the Agreement. Incorporating measures to address the

concerns of women and young people into national strategies is crucial to ensure inclusiveness and that no one is left behind.

The present report discusses the ways in which Aid for Trade can be used to support efforts to lower barriers to trade for women and young people, and promote inclusive gains from trade following implementation of the Agreement Establishing the African Continental Free Trade Area. Section 2 contains a review of the Aid for Trade developments in Africa based on Organization for Economic Cooperation and Development (OECD) data and on priorities emerging from the 2019 joint OECD-WTO monitoring and evaluation exercise. Section 3 includes discussions on the opportunities and challenges presented by the African Continental Free Trade Area for young people and women, and ways in which Aid for Trade is currently addressing the barriers they face. Section 4 concludes with a proposal for a way forward in promoting trade inclusiveness in Africa.

## Key messages

- The patterns of Aid for Trade to Africa have remained largely unchanged. Africa continues to be one of the largest recipients, with US\$15.2 billion in Aid for Trade disbursed in 2017. The largest flows are to projects focused on building productive capacity and economic infrastructure, and in the transport and storage, energy generation and supply and agriculture subcategories. East and North Africa are the subregions attracting the most Aid for Trade in Africa.
- Economic diversification in Africa is persistently hindered by many obstacles. Aid for Trade continues to play a role in building trade capacity and in alleviating supply-side capacity constraints.
- The African Continental Free Trade Area is on the verge of being operationalized. The transformational impact of the Agreement largely depends on how well the benefits of the Agreement reach those who have not been able to benefit from trade before. The national implementation plans are crucial to ensure inclusive benefits, and to point to gaps where Aid for Trade could be used to support effective implementation.
- Women and young people face many barriers in accessing trade, and could be marginalized in terms of the benefits from the African Continental Free Trade Area. African respondents to the joint OECD-WTO Aid for Trade 2019 monitoring and evaluation exercise indicated that women and young people are among the groups targeted for economic empowerment, and that trade is strongly linked to economic empowerment.
- The current Aid for Trade projects, however, do not reflect these priorities. A majority of the projects reviewed in this study did not consider gender equality as an objective of the project. Variation exists between different sectors, with such areas as transport and trade policy appearing to be almost completely gender blind, whereas in priority areas such as agriculture, financial services and business support services, Aid for Trade appears to be contributing towards gender equality in trade.
- Action is required to increase the number of Aid for Trade projects that specifically target women and young people. Action is also required to more effectively mainstream their concerns into all categories of Aid for Trade projects. More focus on the distributional impacts of intra-African trade also is needed in the context of the emerging institutions and monitoring mechanisms for the African Continental Free Trade Area.

## 2. AID FOR TRADE DEVELOPMENTS IN AFRICA

### Africa maintains the position as one of the major recipients of Aid for Trade, while global flows increase

Data from OECD<sup>6</sup> indicate that in 2017 (the last year for which data are available), Aid for Trade commitments to all developing countries reached \$57.8 billion, up from \$51.6 billion in 2016 and \$56.3 billion in 2015. Commitments made to Africa reached a historic high of \$21.7 billion, marking a 16 per cent increase when compared to 2016. Africa's share, as a percentage of commitments to all developing countries, reached 37.6 per cent, the highest amount since 2012.

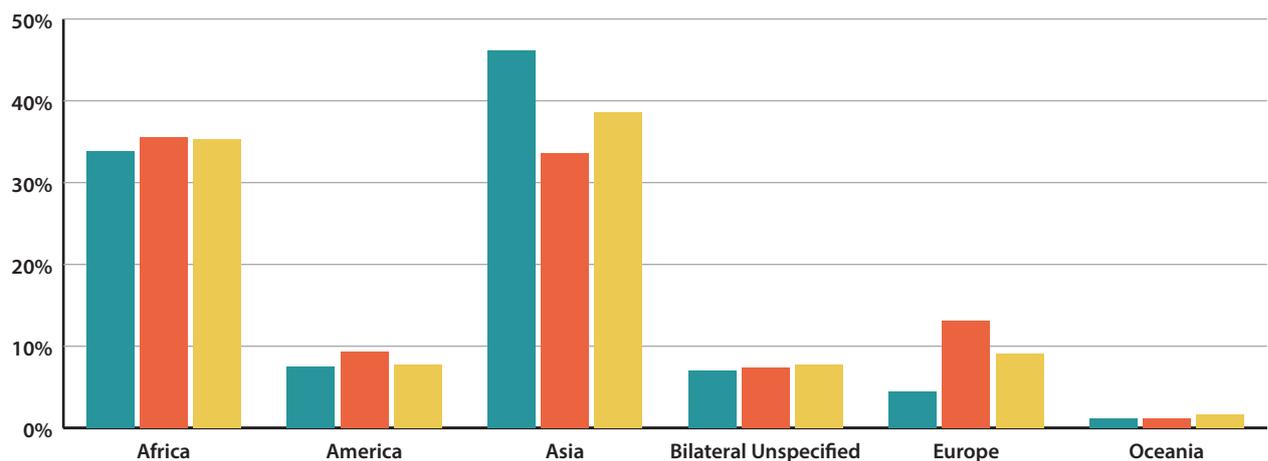
In terms of gross disbursements, Aid for Trade to all developing countries amounted to \$43.1 billion in

2017. Approximately 35.3 per cent of this amount, or \$15.2 billion, went to Africa, marking a 3.1 per cent increase from 2016. Although this was well below the global rate of 9.1 per cent, the five-year average growth rate for Africa (4.3 per cent) is comparable to the global growth rate (4.4 per cent).

The share of Aid for Trade for Africa has remained relatively unchanged over the years. Together, Africa and Asia received more than two thirds of global Aid for Trade. In 2017, the two continents received approximately 73.9 per cent of it (figure I). That year, the disbursement-to-commitment ratio for Africa was 69.9 per cent, compared to 74.6 per cent globally. Over the 2008-2017 decade, the average for Africa and for the world remained the same (74.0 per cent).

In 2017, Aid for Trade accounted for approximately 25.5 per cent of official development assistance (ODA)<sup>7</sup> to Africa. This share has been increasing over

**Figure I: Regional distribution of Aid for Trade disbursements**



Source: Based on OECD data.

<sup>6</sup> See Aid-for-trade statistical queries – OECD at <https://www.oecd.org/dac/aft/aid-for-tradestatisticalqueries.htm>.

<sup>7</sup> Official development assistance (ODA) are grants and loans provided by the official sector with the main objective to promote economic development and welfare of developing countries. ODA is concessional in character with a grant element of at least 25% (calculated at a discount rate of 10%). Aid-for-trade flows are a subset of ODA that fall under the four categories trade policy and regulations, economic infrastructure, building productive capacity and trade-related adjustment. Source: OECD, DAC-CRS Aid Activities Database.

the past 10 years as Aid for Trade has been growing at a more rapid rate than overall ODA (figure II). In 2008, the baseline year, Aid for Trade represented only 19.6 per cent of all ODA. The share then peaked in 2014, reaching 26.7 per cent of ODA. Since 2008, the average annual share of Aid for Trade in ODA has been 23.6 per cent. While growth of ODA in 2015 and 2017 exceeded growth of Aid for Trade, the latter remained positive for the past 10 years, with only one exception, in 2014. This may suggest that Aid for Trade support is encroaching on other types of aid. It may also reveal that a higher number of projects are being linked to trade.

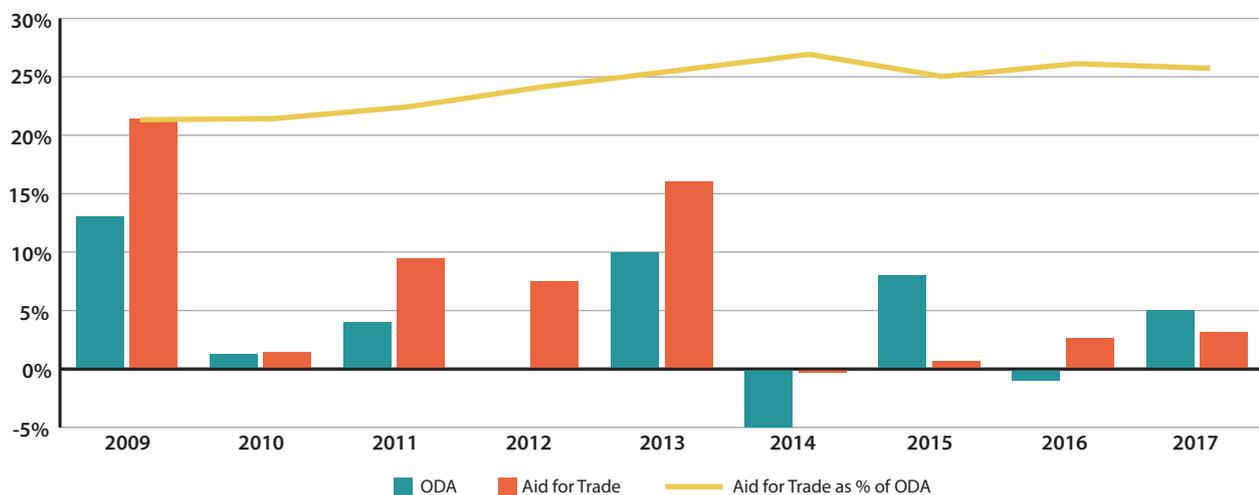
Globally, the share of Aid for Trade disbursements in total ODA has also increased and since 2013, the share for Africa has exceeded the global average. In 2017, the share of Aid for Trade as part of total global ODA reached 22.7 per cent.

Looking at the global picture, total ODA disbursements reached \$190.0 billion in 2017, after

having consistently increased in real terms since 2013.<sup>8</sup> Of the total going to developing countries, 31.4 per cent (or \$59.7 billion) was disbursed to Africa. At \$62.8 billion, this figure was only surpassed by the aid envelope to Asia. While increasing in real terms, the share of ODA to Africa has been decreasing overall since 2012; during that year, the share of ODA received by the continent represented 37.5 per cent of all disbursements. This relative decline is mainly a consequence of the rising share of ODA directed towards Asian countries.

The strong position of the Aid for Trade initiative in overall aid frameworks is reflected in the 2019 OECD-WTO monitoring and evaluation exercise (box 1). All of the 35 African country respondents indicated that their national development strategies included trade priorities, while export diversification was identified as the top priority by 12 respondents, industrialization by seven, connecting to value chains by four, and e-commerce by three of them.

**Figure II: Annual growth of overseas development assistance and Aid for Trade disbursement to Africa**



Source: Based on OECD data.

<sup>8</sup> Unless otherwise stated, all money values are in constant United States dollars (2017). Data relating to official development assistance and Aid for Trade throughout the report have been drawn from the OECD Creditor Reporting System Database, consulted in May 2019.

### **Box 1: African trade priorities – Comments made in the joint OECD-WTO 2019 monitoring and evaluation exercise**

Network infrastructure is severely lacking in the Central African Republic. For example, the access rate to electricity is only 3 per cent. This makes it very difficult to develop trade. The Central African Republic is a landlocked country. The only viable and nearest port is Douala, 1200 km away. Indeed, import-export operations are very expensive and less competitive. The main mode of transport is roads, but the road network is poorly maintained and expensive to use. The country has enormous potential, but because of its insufficient network and transport infrastructure, it is difficult to develop these assets. Access to finance is difficult for local economic operators because of the lack of medium and long-term sources of finance. – Central African Republic

The economy of the Democratic Republic of the Congo is not very diversified because of the lack of infrastructure to support production and marketing; the country's business climate is not very positive. The internal market is very fragmented and not integrated. Trade facilitation is challenging because of problems related to access to new information and communication technologies, and the lack of commitment of political authorities to the implementation of the Trade Facilitation Agreement. The country still lacks quality infrastructure and good border services, and suffers from a resistance to change from border officials and agents. Trade facilitation is also hindered by the predominance of informal trade. – Democratic Republic of the Congo

The development of exports, especially of non-mining products, is a priority of the Government of Guinea in its poverty reduction programme. This policy is supported by the consideration of Guinean processed products, which increases the role of the country's industrialization. Trade facilitation is a major objective to be achieved in the country's economic development process as a factor contributing to the promotion and enhancement of trade capacity. – Guinea

Liberia has a new political administration and a new development strategy. The Aid for Trade priorities remain relatively the same technically, but with more emphasis on road connectivity, youth empowerment and education. The ultimate goal is to diversify the economy and enhance structural transformation and value addition in order to increase exports. – Liberia

As per the revised 2013 Diagnostic Trade Integration Study and the Plan Economique du Sénégal, a flagship development project is being implemented in Senegal, which revolves around four strategic axes: (a) improving the trade and investment environment; (b) deepening regional integration and the multilateral trading system; (c) private sector development; and (d) development of enabling sectors and value chains. – Senegal

*Source:* OECD-WTO Aid for Trade monitoring and evaluation exercise, 2019 (for more information see <http://www.oecd.org/aidfortrade/>).

## **Within Africa, the East and North attract the most Aid for Trade, while the largest recipients and partners remain unchanged**

In terms of subregional distribution of Aid for Trade to Africa, the highest proportion in 2017 was directed to projects in East and North Africa (table 1). In 2017, 30 per cent of the disbursements went to East Africa, amounting to \$4.5 billion, an increase from \$4.3 billion in 2015. The amount to North Africa also increased, this time significantly, from \$2.7 billion in 2015 to \$3.5 billion in 2017, marking an increase of 32.2 per cent. Aid for Trade is now higher in the North than in the West of Africa, although figures

for the latter region also rose to approximately \$3.5 billion (23 per cent of total) (figure III).

In North Africa, the increase was mainly driven by rising Aid for Trade to Morocco (+ \$756.4 million) and to Tunisia (+ \$300.9 million). A decline in Aid for Trade to Sudan (- \$148.3 million) and Egypt (-\$75.9 million) was also registered. In West Africa, considerable increases were experienced by Niger (+ \$174.2 million) and Nigeria (+ \$105.3 million), whereas the largest decreases were to Senegal (- \$51.2 million) and Ghana (- \$47.8 million). In East Africa the largest gains were to Rwanda (+ \$186.6 million) and Ethiopia (+ \$146.3 million), whereas the largest decrease was experienced by the United Republic of Tanzania (- \$65.8 million).

**Table 1: Aid for Trade disbursements by region, Africa, 2015 and 2017**

Aid for Trade disbursements Region	2015		2017	
	US\$ (million)	Share of Aid for Trade in Africa (%)	US\$ (million)	Share of Aid for Trade in Africa (%)
Central	423	3	318	2
East	4 348	30	4 515	30
North	2 672	19	3 533	23
Southern	2 160	15	1 541	10
West	3 040	21	3 476	23
Other	1 721	12	1 821	12
<b>Total</b>	<b>14 364</b>	<b>100</b>	<b>15 203</b>	<b>100</b>

Source: Based on OECD data.

Aid for Trade disbursements decreased to Southern Africa and Central Africa, to \$1.5 billion and \$300 million, respectively, representing a decline of 28.7 per cent and 24.9 per cent. In Southern Africa, Aid for Trade disbursements to Malawi increased (+ \$198.2 million) between 2015 and 2017; this was offset by the decreases to South Africa (- \$404.8 million) and Angola (- \$215.2 million). In Central Africa, the Aid for Trade disbursements decreased to Chad (-\$54.4 million) and Gabon (-\$58.5 million), which contributed to the region-wide decrease in flows.

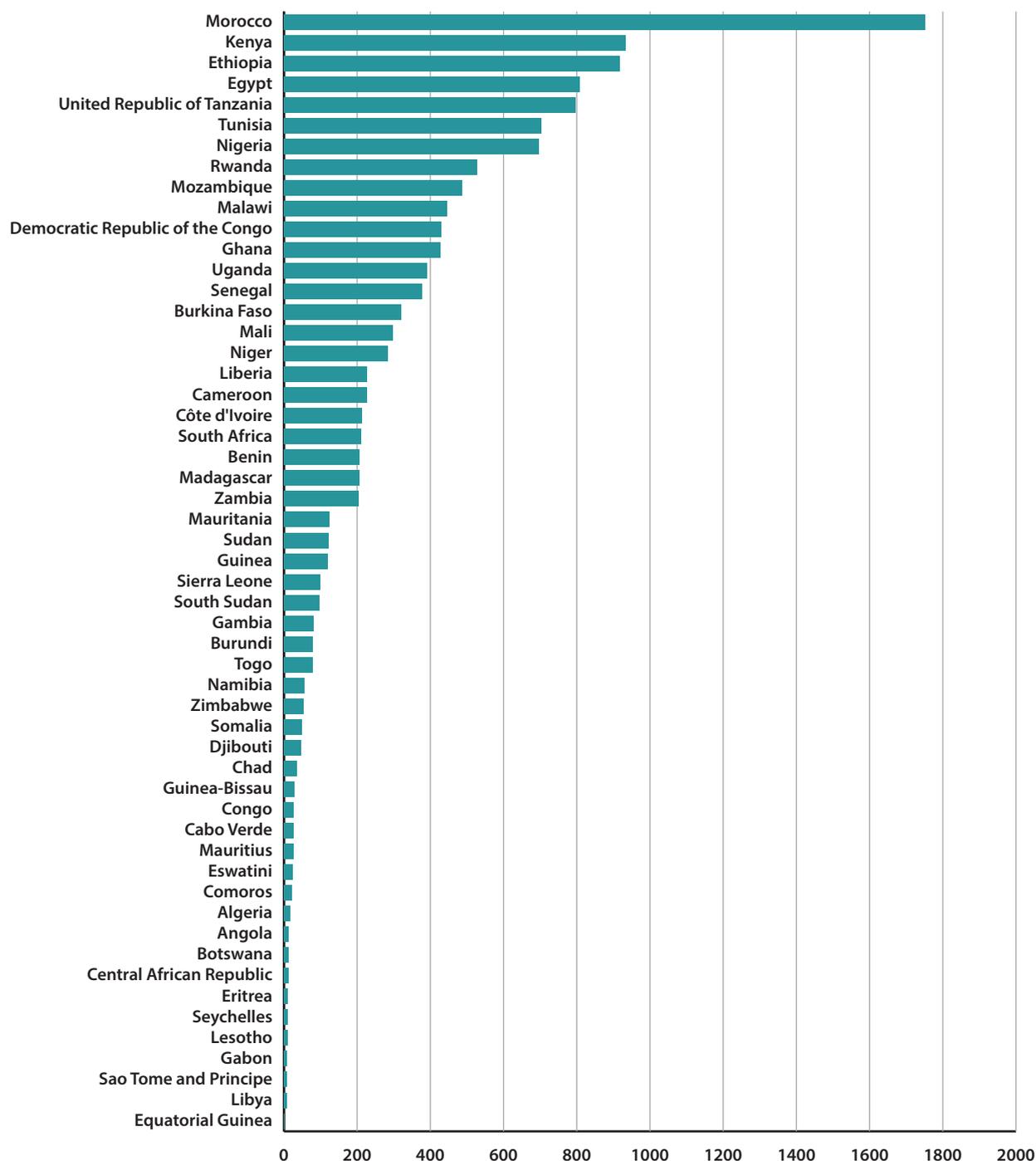
The largest recipients of Aid for Trade disbursements have remained the same since 2013: Morocco, Kenya, Ethiopia, Egypt and the United Republic of Tanzania (figure III). In 2017, Morocco accounted for 11.5 per cent of all Aid for Trade to Africa. Altogether, the top five countries represented 34.2 per cent of the envelope to the continent. These same countries also accounted for 24.0 per cent of ODA disbursements. From the perspective of the smallest recipients of flows, the situation also remained largely unchanged; these countries included Equatorial Guinea, Libya, Seychelles and Botswana.

Aid for Trade flows should be considered in relation to the size and population of the recipient country and as a percentage of the overall ODA it receives (figure IV). In Seychelles, for example, the 45 per cent proportion of Aid for Trade to ODA received was higher than the average for Africa (25.5 per cent).

The same applies to other small-sized countries, such as the Comoros (32 per cent), Mauritius (47 per cent) and Djibouti (29 per cent). In Benin and the Gambia, Aid for Trade represented about 28 per cent of ODA, in Mauritania 32 per cent and in Liberia 36 per cent. On the other hand, in larger countries, disbursements represent a smaller share of the ODA they received, as was the case in Ethiopia (21 per cent), Nigeria (20 per cent) and Mozambique (25 per cent respectively).

Africa is home to 33 of the 47 least developed countries in the world. In 2017, African least developed countries received \$7.1 billion in Aid for Trade disbursements. This represents 49.3 per cent of the total Aid for Trade to Africa and 58.7 per cent of Aid for Trade given to all least developed countries globally (figure V). It marks an increase from 2015, a year in which Aid for trade disbursements declined to \$6.9 billion (then representing 50.3 per cent of the continent's Aid for Trade). Similarly, Aid for Trade disbursements to landlocked developing countries increased, rising from \$3.2 billion (23.1 per cent of Aid for Trade disbursements to Africa) in 2015 to \$3.7 billion (25.6 per cent of Aid for Trade disbursements to Africa) in 2017. The six African countries classified by the United Nations as small island developing States received \$120 million in 2017 – a decrease from the \$167 million they received in 2015.

**Figure III: Aid for Trade disbursements by country, 2017, Africa (millions of United States dollars)**

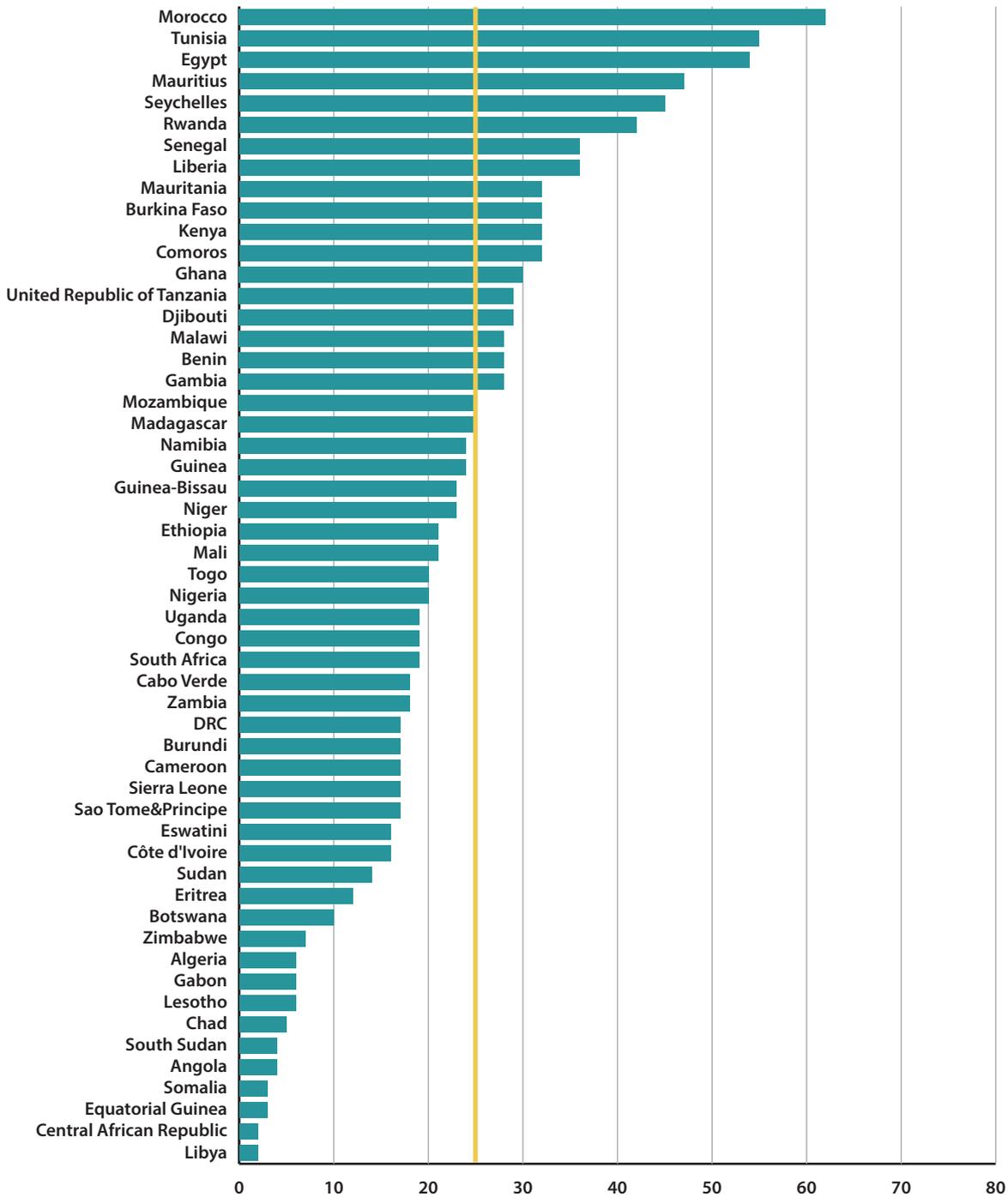


Source: Based on OECD data.

Since 2015, the main donors have remained unchanged, with the largest one being the World Bank Group through the International Development Association (table 2). In 2017, the World Bank contributed \$3.2 billion, or more than 21 per cent of the total Aid for Trade, to Africa. The following

two leading donors were the European Union institutions (\$2.5 billion) and Germany. At \$1.4 billion, the European country is the largest bilateral donor to the continent. While Aid for Trade disbursements by these important donors have declined (by 13.6 per cent for European Union institutions and

**Figure IV:** Aid for Trade as share of official development assistance by country, Africa

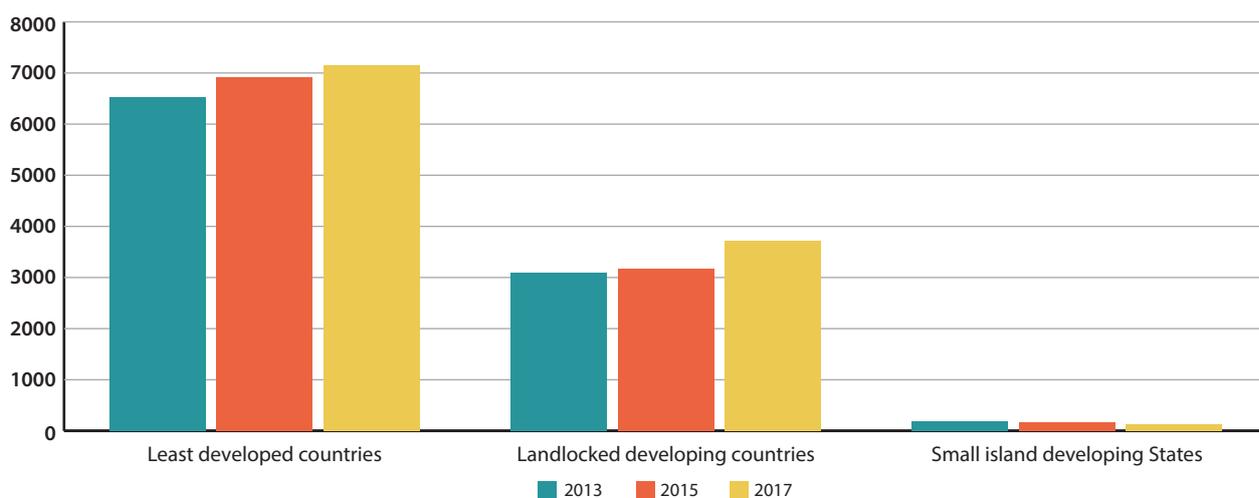


Source: Based on OECD data.

20.9 per cent for Germany), the top three donors contributed nearly a half of all Aid for Trade financing to Africa (46.9 per cent). At \$1.4 billion, the largest regional donor was the African Development Bank (AfDB) through the African Development Fund. The largest increase in disbursements was from the United Arab Emirates, as the country increased its contribution by 102.2 per cent from 2015 to 2017.

In 2017, \$6.0 billion of the Aid for Trade to Africa was disbursed in the form of grants. These grants, which represented 39.8 per cent of total Aid for Trade to Africa, have decreased over the years; in 2006, they represented 58.2 per cent of total Aid for Trade disbursements to Africa. Aid for Trade disbursements in the form of loans to Africa totaled \$9.2 billion (60.2 per cent), up from \$2.4 billion in 2006. The share of

**Figure V: Aid for Trade by economic grouping, Africa, 2013, 2015 and 2017 (millions of United States dollars)**



Source: Based on OECD data.

**Table 2 : Main Aid for Trade donors, Africa, 2017, disbursements**

Rank	Donor	United States dollars (million)	Share of Aid to Trade disbursement to Africa (%)	Rank 2015	Change from 2015
1	International Development Association	3 213.6	21.1	1	22.0
2	European Union Institutions	2 484.4	16.3	2	-13.6
3	Germany	1 430.0	9.4	3	-20.9
4	African Development Fund	1 425.4	9.4	4	43.2
5	Japan	1 245.4	8.2	5	28.8
6	France	1 170.4	7.7	7	24.9
7	United States	901.3	5.9	6	-12.1
8	United Kingdom	534.4	3.5	8	-13.3
9	Arab Fund for Economic and Social Development	456.8	3.0	9	17.1
10	United Arab Emirates	370.9	2.4	10	102.2
11	Kuwait	284.9	1.9	11	-46.5
12	Netherlands	197.9	1.3	15	0.6
13	Canada	175.9	1.2	13	-8.5
14	Sweden	158.9	1.0	16	49.2
15	OPEC Fund for International Development	152.1	1.0	17	8.2
16	Korea	139.1	0.9	18	-22.1
17	Norway	125.5	0.8	14	-1.7
18	Belgium	122.4	0.8	20	2.9
19	Denmark	92.5	0.6	19	-27.2
20	Italy	85.6	0.6	24	63.9

Source: Based on OECD data.

grants of total Aid for trade remained higher than in other regions, except for Oceania, where grants amounted to 58.7 per cent of Aid for Trade. In the Americas<sup>9</sup>, this share was 37.7 per cent, and in Asia 24.9 per cent. Other official flow<sup>10</sup> disbursement have also been increasing since 2014. In 2017, they reached \$8.3 billion, of which \$1.2 million were provided in grants and the rest in loans.

## **Aid for Trade guided towards building productive capacity and economic infrastructure to support economic diversification**

Historically, the predominate amount of Aid for Trade in Africa has been directed to the building productive capacity and economic infrastructure categories, reflecting the pressing needs that exist in these sectors. This configuration was starkly visible in 2017, with the two categories representing 97.9 per cent of Aid for Trade disbursements to the continent (figure VI). Approximately \$8.0 billion of Aid for Trade disbursements to Africa was directed towards economic infrastructure, representing 52.5 per cent of Aid for Trade financing. The equivalent share for productive capacity was 45.4 per cent, or \$6.9 billion. The amount directed for trade policy and regulations amounted to \$320 million, and for trade-related adjustment, it was \$0.6 million.

Since 2015, Aid for Trade disbursements have increased for all categories, with the exception of trade policy and regulations. The disbursements directed to trade-related adjustment doubled between 2015 and 2017, from \$0.3 million to \$0.6 million. The disbursements to the building productive capacity category increased by 1.8 per cent from 2015 to 2016, then by 11.8 per cent from 2016 to 2017. Meanwhile, Aid for Trade disbursements to economic infrastructure was 0.8 per cent higher than in 2015.

The decline of Aid for Trade disbursements to trade policy and regulations, 15.2 per cent between 2015 and 2017, was led by a sharp decrease in Aid for Trade disbursements for trade facilitation (from \$228.9 million to \$132.9 million). Aid for Trade disbursements directed to multilateral trade negotiations also decreased, from 1.5 million to \$0.7 million. Despite the decline in Aid for Trade disbursements for trade facilitation, they still represented 41.5 per cent of all trade policy and regulations-related Aid for Trade, at \$132.9 million in 2017. Aid for Trade disbursements to trade policy and administrative management totaled \$119.6 million, or 37 per cent of the trade policy and regulations related disbursements. Reaching \$58.0 million, Aid for Trade disbursements to regional trade agreements increased by 48 per cent from 2015. In 2017, trade education and training and multilateral trade negotiations received \$8.7 million and \$0.7 million, respectively, in Aid for Trade disbursements, compared to \$6.9 million and \$1.5 million in 2015.

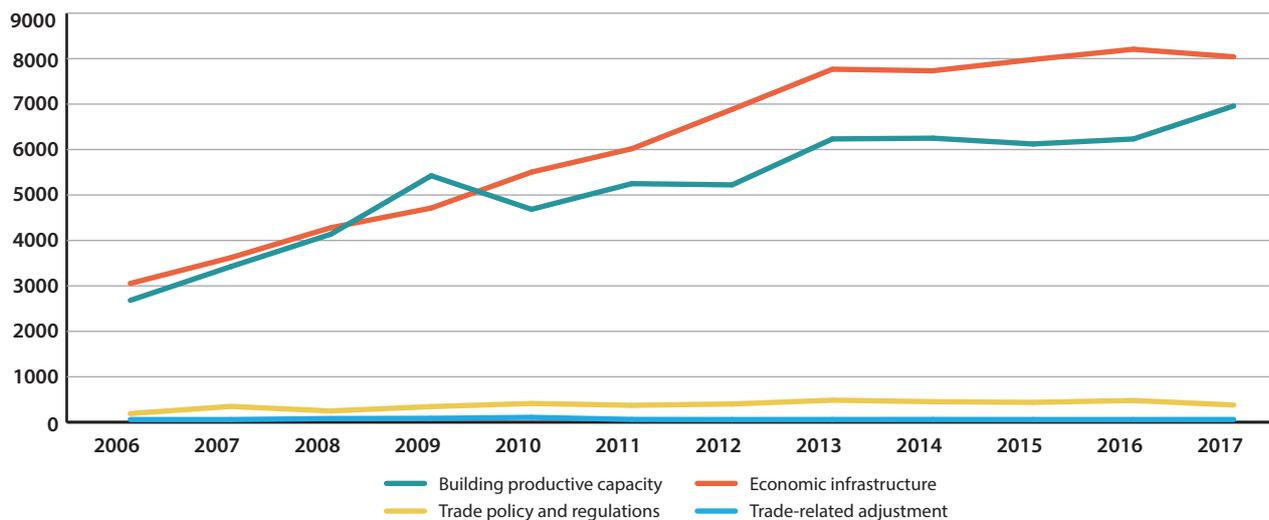
Building productive capacity and economic infrastructure are linked to efforts to diversify production and exports. In the 2019 monitoring and evaluation exercise, 34 out of the 35 African country respondents, indicated that economic diversification is a priority in their national or in regional development strategies. Box 2 present highlights of some of the comments made by the respondents to the joint 2019 monitoring and evaluation exercise.

In the 2019 monitoring and evaluation exercise, African country respondents identified many constraints to economic diversification. At the top of their list was limited industrial or manufacturing capacity; limited access to trade finance; limited agricultural production capacity; and inadequate infrastructure. Figure VII shows a graphic representation of responses, highlighting constraints to economic diversification.

9 Including North, Central and South.

10 Other official flows (OOF): Transactions by the official sector with countries on the List of Aid Recipients which do not meet the conditions for eligibility as official development assistance or official aid, either because they are not primarily aimed at development, or because they have a Grant Element of less than 25 per cent. Source: OECD Glossary of Statistical Terms available at <https://stats.oecd.org/glossary/>.

**Figure VI: Aid for Trade by category, Africa, 2006-2017 (millions of United States dollars)**



Source: Based on OECD data.

### Box 2: How economic diversification is reflected in national or regional policy documents

The Angolan Executive established a programme to support production and diversification of exports and import substitution. This programme is intended to accelerate the diversification of national production in a targeted and effective manner. - Angola

The Central African Republic is rich in important natural resources, but the basis of the economy is on only a few cash crops, such as coffee, cotton, diamonds and wood. Economic diversification is defined as the expansion or development of new sources of income for the country. - Central African Republic

Economic diversification will be based on the comparative advantages held by Chad, and in particular, the development of sectors in agriculture, livestock, fisheries and mining. - Chad

The country has decided to develop its promising agricultural and industrial sectors for growth, such as coffee, palm oil and cocoa. - Democratic Republic of the Congo

The strategy of Guinea to diversify the country's economy is based on the four fundamental objectives contained in the National Programme for Economic and Social Development for the period 2016–2020. This programme should eventually enable the diversification of the economy to begin through, for example, electrification, transport links and trade financing through projects to improve and develop the production of goods for the local market and for exports. - Guinea

Under the current National Strategic Development Plan II, economic diversification is prioritized as one of key national development strategies. In the National Strategic Development Plan II framework, the need for Lesotho to tap onto its existing comparative advantage is stressed to broaden sources of growth by supporting economic diversification and export competitiveness through developing industrial clusters under productive sectors. - Lesotho

The "Accelerated Growth and Shared Prosperity" programme is aimed at fully exploiting the economy's growth potential and reducing its vulnerability to exogenous shocks related to commodity price volatility and climate change. From this perspective, interventions will be intended to create more wealth through sustained growth from a greater number of sectors and benefit as many actors as possible. To achieve this objective, the engines of growth must operate at full capacity and all economic opportunities and potential economic opportunities must be exploited efficiently and optimally. The main priority growth sectors targeted are livestock, agriculture, fisheries and the extractive industries. The strategy to be followed is aimed at promoting transformation and industrialization. This diversification, to be based on several strategic sectors, will focus on strengthening the country's economic partnership with the Economic Community of West African States (ECOWAS). The creation of the Nouadhibou Free Zone is an example of efforts to diversify the economy. - Mauritania

The Emerging Senegal Plan is the country's economic and social policy reference framework. Under the Priority Action Plan, economic diversification is a national priority. - Senegal

In the Seventh National Development Plan, economic diversification is identified as a mechanism that will create opportunities to realize additional jobs, benefits from natural and human resources, a strong manufacturing base and value addition through forward linkages to manufacturing and agro-processing, thereby increasing production and the exportation of non-traditional exports to domestic and international markets. - Zambia

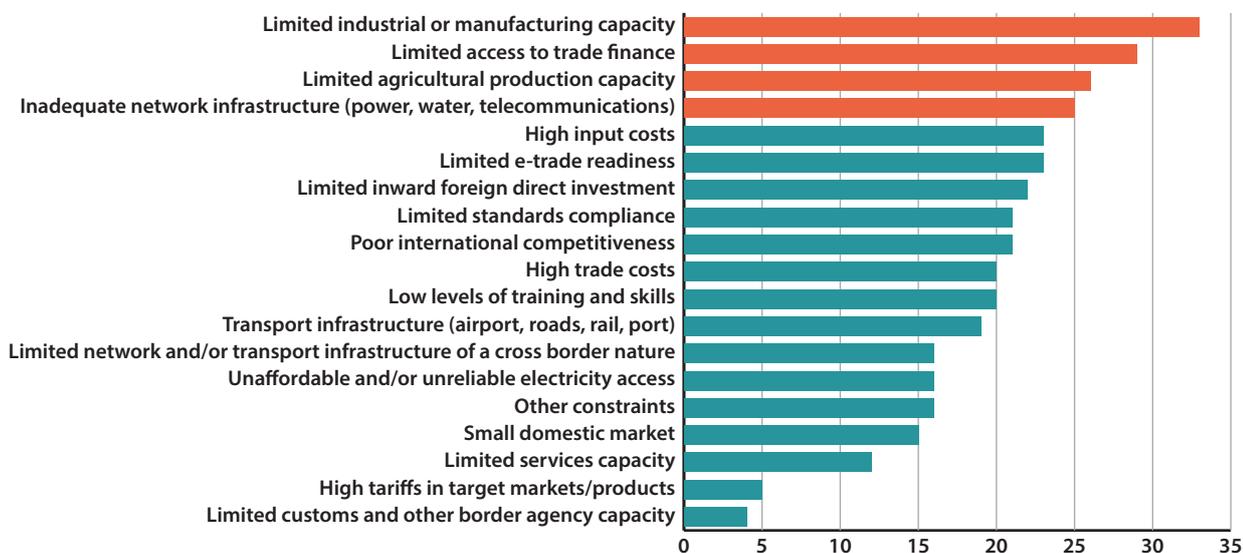
Under the Zimbabwe 2019-2021 trade policy, exports are concentrated on agricultural and mineral commodities, making the need to value add and participate in regional value chains. Export diversification is at the heart of the Government's effort to broaden the export base and industrialization and value addition is embraced to drive the economic growth and sustainable development. - Zimbabwe

Source: OECD-WTO Aid for Trade monitoring and evaluation exercise, 2019 (for more information see <http://www.oecd.org/aidfortrade/>).

Twenty-seven of the respondents (77 per cent) to the monitoring and evaluation exercise also indicated that Aid for Trade received for economic diversification was aligned with priorities established in their national development strategy or trade strategy, five (14 per cent) of the respondents said it did not and three of them (9 per cent) were unsure.

Many respondents highlighted the alignment of Aid for Trade with their development strategy or trade strategy. Some, such as Niger, expressed a need to increase it. Box 3 gives examples presented by the respondents.

**Figure VII: Constraints to economic diversification**



Source: OECD-WTO Aid for Trade monitoring and evaluation exercise, 2019 (for more information see <http://www.oecd.org/aidfortrade/>).

### **Box 3: Examples of African partners' views on the alignment of Aid for Trade with their development (or trade) strategies**

In its response, Senegal highlighted that the support received under Aid for Trade for economic diversification is well aligned with the priorities established in the country. In fact, agriculture, industry, services and human capital are priority sectors for which projects have been identified and implemented in the first phase of the Plan Economique du Sénégal. – Senegal

The financing of the category II project falls exactly within the framework of economic diversification, in particular with the development of green value chains and the improvement of the added value of the product through industrialization. – Madagascar

Support is commensurate with needs, but it is largely insufficient in view of the multitude of the challenges facing the country, including, among others, security and free movement. – Central African Republic

Limited aid, or aid not geared to the country's priorities, difficulties in disbursement procedures and lack of donor coordination [are challenges]. – Burkina Faso

The aid provided supports the priorities in the national or regional trade and development strategy, however, in some cases other emerging issues are addressed. – Kenya

Some of the priorities in national development strategies, such as transport and storage, industry, energy supply and communications have not benefited from Aid for Trade. – Zimbabwe.

*Source:* OECD-WTO Aid for Trade monitoring and evaluation exercise, 2019 (for more information see <http://www.oecd.org/aidfortrade/>).

## **Transport, energy and agriculture continue to attract the most Aid for Trade**

The constraints identified are also reflected in a more detailed sectoral breakdown of Aid for Trade disbursements in 2017, as shown in figure VIII. Aid for Trade disbursements related to economic infrastructure was divided almost evenly between transport and storage (\$3.7 billion, or 24.6 per cent of total disbursements) and energy generation and supply (\$3.9 billion, or 25.8 per cent). The remaining disbursements in this category were directed to communications (\$315 million, or 2.1 per cent). When compared to 2015, disbursements to transport and storage (- 1.3 per cent) and energy generation and supply (+0.1 per cent) have remained relatively stable, but disbursements directed to the communications subcategory have increased by 52.1 per cent, from \$207.2 million in 2015.

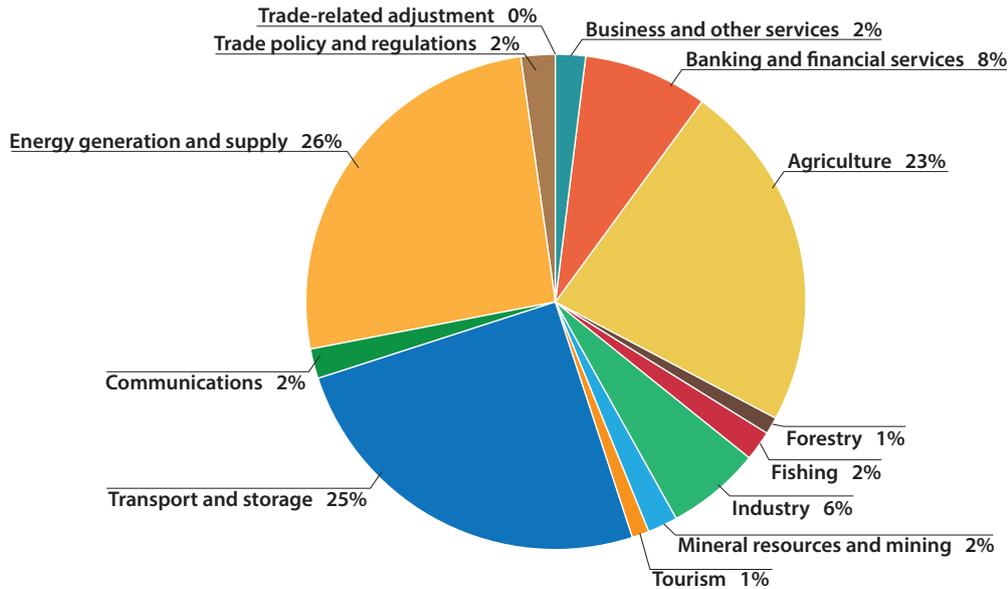
At \$3.5 billion, or 23.3 per cent of total Aid for Trade, agriculture was the third largest sector to receive Aid for Trade disbursements. This is not surprising given the importance of the sector as a source of

livelihoods and exports on the continent. Agriculture alone receives more than half (51.4 per cent) of the Aid for Trade for productive capacity.

A significant share of the productive capacity Aid for Trade (16.8 per cent) was directed towards banking and financial services, which amounted to \$1.2 billion, in 2017, or 7.6 per cent of total Aid for Trade disbursements to Africa. Industry accounted for \$981.6 million, or 6.5 per cent of the total disbursements, and 14.2 per cent of the total Aid for Trade disbursement was directed towards building productive capacity in Africa. Mineral resources and mining, business and other services, and fishing attracted \$384.2 million (2.5 per cent), \$320.4 million (2.1 per cent) and \$257.4 million (1.7 per cent) of Aid for Trade disbursements, respectively. Forestry and tourism attracted less than 1 per cent of Aid for Trade disbursements, at \$149.8 million and \$98.8 million, respectively.

In terms of possible impact, 25, or 70 per cent, of the 35 respondents noted progress in economic diversification, which was primarily recorded in export diversification, industrialization and structural transformation. Of those who agreed, 24 specified

**Figure VIII: Aid for Trade by subcategory, Africa, 2017**



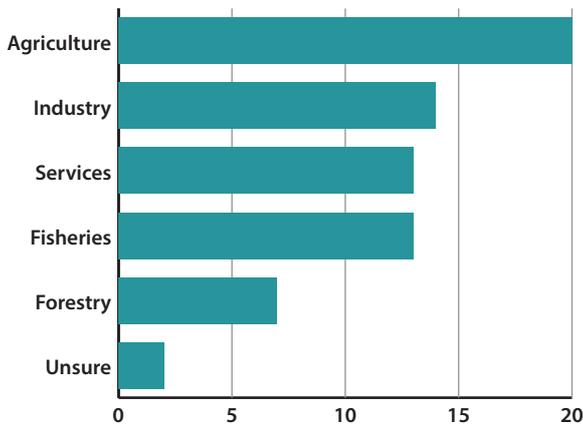
Source: Based on OECD data.

in which sectors of the economy (figure IX) this occurred. Box 4 provides additional information gathered in the monitoring and evaluation exercise on progress in economic diversification.

One of the monitoring and evaluation questions requested African respondents to look ahead and identify sectors of their economy in which they

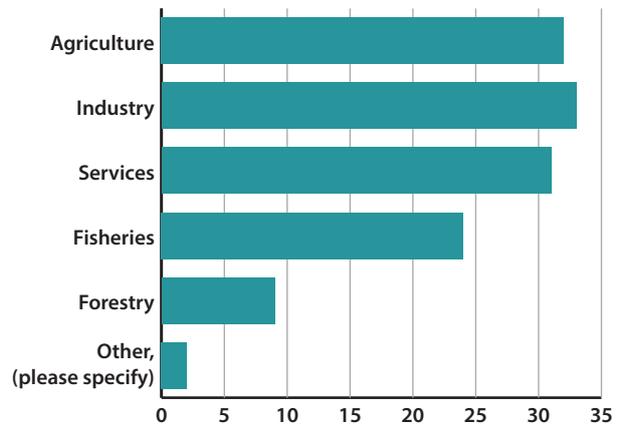
believed future support for economic diversification would be required. Based on the responses, such support would be necessary in all of the sectors proposed by the survey. Chief among these sectors were industry, followed by agriculture and services (figure X).

**Figure IX: Sectors in which progress in economic diversification was recorded**



Source: OECD-WTO Aid for Trade monitoring and evaluation exercise, 2019 (for more information see <http://www.oecd.org/aidfortrade/>).

**Figure X: Sectors in which future support for economic diversification will be most required, according to African respondents**



Source: OECD-WTO Aid for Trade monitoring and evaluation exercise, 2019 (for more information see <http://www.oecd.org/aidfortrade/>).

#### **Box 4 : Additional information on progress in economic diversification per sector of the economy**

We are increasingly witnessing the financing of projects for the rehabilitation of certain agricultural sectors, such as coffee, palm oil and cocoa. In the field of forestry, the Democratic Republic of the Congo is making efforts to ensure the traceability of Congolese timber for export. – Democratic Republic of the Congo

Agriculture has made significant progress in terms of the quantity and quality of agricultural goods produced. Several projects benefiting from the financial support of trade finance programs have made it possible to achieve these results. This is also true for the industrial sector in which several small and medium enterprises and small- and medium- scale industries have been set up and for fishing, which has attracted several foreign investors. – Guinea

There has been an emergence of investment in the industrial sector since 2006. Two flour mills have been established, and there is ongoing investment to establish a cement production factory, which is expected to commence operations in 2019. Furthermore, there are also a number of investments in agro-processing, and poultry. – Gambia

In the field of agriculture, thanks to a proactive policy, notably through the PRACAS, Senegal achieved satisfactory levels of agricultural production in 2017, in particular with the following crops: rice (1,011,269 tons); onion (400,000 tons); groundnut (1,405,223 tons); and fruits and vegetables (100,445,762 tons). In addition, other trade-specific projects have been implemented. – Senegal

*Source:* OECD-WTO Aid for Trade monitoring and evaluation exercise, 2019 (for more information see <http://www.oecd.org/aidfortrade/>).

### 3. BUILDING AN INCLUSIVE AFRICAN CONTINENTAL FREE TRADE AREA: WOMEN AND YOUNG PEOPLE IN INTRA-AFRICAN TRADE

#### Women and young people face similar challenges in trade

The Agreement Establishing African Continental Free Trade Area is a milestone in African trade policy, and will contribute towards increasing economic and productive integration across the continent. Once in place, the Agreement will undoubtedly spur significant changes in production and trade on the continent. While this presents many opportunities, trade liberalization will not automatically translate into developmental outcomes. It will be crucial to ensure that the implementation of the Agreement is done in a way that translates the changes in trade into inclusive gains that can be felt on the ground. In this endeavour, two groups of particular interest are women and young people.

The ability to benefit from the African Continental Free Trade Area depends on several factors. The dynamic changes will result, at the national level, in the expansion of a number of sectors, while some sectors, faced with external competition, will shrink. So as not to be left behind, an individual operating in a shrinking industry, or entering the workforce, will need to have the necessary skills to gain employment in a growing industry, and have the flexibility to choose a sector based on the availability of opportunities. As a producer, the individual (or company) will need to have access to adequate productive assets in order to be able to meet the demand for their product, and move up in the value chain, as and when new opportunities arise. Accordingly, the distribution of benefits will

be driven by the structures and inequalities of the economy and society.

Many disadvantages are commonly shared by women and young people. Industrialization and structural transformation result in job creation, which require skills beyond the basic numeracy and literacy acquired in primary school. While African countries have made good progress in terms of increasing primary school enrolment, completion rates remain low, which translates into lower transition rates to secondary school (ECA, 2015). Gender and income inequalities in education persist: in sub-Saharan Africa, for instance, poor rural girls are seven times less likely to complete school than non-poor urban boys. The learning outcomes can be weak, with students not attaining a minimum level of competency in writing and mathematics (World Bank, 2018).

The limited skills acquired, especially by girls, makes it difficult to attain formal employment. Accordingly, young people in Africa may not be able to access the full range of opportunities created by the African Continental Free Trade Area and, will more likely resort to finding employment in the informal sector or remain either under- or unemployed. Vulnerable employment, underemployment and unemployment are higher for young people when compared to the general adult population, and the average young worker in Africa who lives in a rural area and works in family farming (AfDB and others, 2012). Meanwhile, a majority of women are in vulnerable self-employment, almost exclusively in the informal sector. This is true for rural and urban areas. Outside North Africa, women are twice as likely as men to be contributing family workers (ECA, forthcoming a).

In terms of access to opportunities as producers and entrepreneurs, women and young people similarly face disadvantages. Approximately 13 per cent of young people identify themselves as business owners, compared to 17 per cent of adults (AfDB and others, 2012). While for women, self-employment is the main form of employment, it is driven by necessity and not opportunity, and focused on sectors with low barriers to entry and also low profits and productivity (ECA, forthcoming a). Businesses operated by women, also in the formal sector, tend to focus on local and national markets, with a minority of them engaged in export. In a study conducted by the International Trade Centre, it was found that only 15 per cent of exporting firms worldwide are owned by women (Erogbogbo, 2017). In the surveyed African countries, the share of women-owned or managed exporting firms ranged from 6 per cent in Cote d'Ivoire to 46 per cent in Kenya (International Trade Centre, 2015).

The generally small size of businesses owned by women and young people presents challenges commonly faced by micro, small and medium enterprises. This includes high transaction and information cost, lack of economies of scale, low productivity, difficulties conforming to regulations and difficulties accessing credit. African countries also face the challenge of high levels of informality in business and trade. For example, it has been estimated that informal cross-border trade contributes 30 to 40 per cent of intra-Southern African Development Community (SADC) trade; notably, 70 per cent of informal cross-border traders are women. If the barriers to trade by small businesses in general, and young people and women in particular, are not addressed, business owners will continue to struggle to trade internationally, regardless of the widened opportunities in the African market. The Agreement Establishing the African Continental Free Trade Area will only bring benefits in terms of reducing barriers to formal trade, meaning that operators continuing to trade in the informal space may not experience gains.

Some challenges to business and trade are gender specific. Women experience higher rates of time poverty. Because of roles traditionally assigned to their gender, many women and girls are burdened with unpaid domestic work, which limits the amount of time they have available for productive activities. Limited legal rights, including over land ownership, mean women do not have the same access to productive assets as men. Women engaged in trade are subject to sexual harassment and abuse at the border, and the facilities at the border do not necessarily cater for the needs of women. The gender inequalities of the society, especially relating to education and higher levels of illiteracy, mean that women have less access to information on their rights and on the formal trade procedures. This makes them vulnerable to requests for illicit payments.

The inclusiveness of the benefits of the African Continental Free Trade Area also needs to be considered from a spatial perspective. In some African countries, the urban youth unemployment rate was estimated to be more than six times higher than the youth unemployment rate in rural areas (AfDB and others, 2012). This is explained by the employment of rural young people in family farming absorbing the young labour force. In the urban areas, employment creation lags behind the needs of the growing population. The expected expansion of formal employment in industry could cater to this part of the labour force, but this depends on the location of the production. In the rural areas, the increase in intra-African agricultural trade could benefit the estimated 70 per cent of Africans employed in the sector. Specific attention, however, should be paid to existing inequalities, which force women to be concentrated in subsistence farming and goods intended for local markets, while men dominate the production of export cash crops (ECA, forthcoming b).

## Gender, youth and Aid for Trade

Through the Aid for Trade initiative, WTO has opened a window to focus on women with the aim of building their capacity to trade and use trade as a tool for their economic development. Gender equality is an inherent part of Aid for Trade. This is also reflected in the Buenos Aires Declaration on Trade and Women's Economic Empowerment, under which Aid for Trade is identified as a key instrument to assist members in "analysing, designing and implementing more gender-responsive trade policies". Donors and partner countries have been devoting increasing attention to gender dimensions in Aid for Trade. Since 2007, for donors, and 2009, for partner countries, both groups have gradually and increasingly integrated gender into their Aid for Trade objectives. They are now at par. The 2019 monitoring and evaluation exercise reveals that women's economic empowerment is now high on donors' and partner countries' agendas. Currently, 84 per cent of donors' Aid for Trade strategies and 85 per cent of partner countries' national or regional development strategies are aimed at promoting women's economic empowerment (der Boghossian, 2019).

In 2019, the issue of women and youth empowerment was expanded into one of the focus areas of the monitoring exercise. Thirty-three (of the 35) African respondents to the 2019 monitoring and evaluation exercise indicated that economic empowerment was enshrined as a priority in their national development strategy or trade strategy. These policy documents are aimed at empowering micro, small or medium sized enterprises (for 97 per cent of respondents), women (for 91 per cent), young people (86 per cent) and other unspecified groups (2 per cent). In most cases (70 per cent), the strategies also included indicators to track progress in empowerment of the groups cited. Furthermore, 80 per cent of the respondents linked economic empowerment to participation in international trade.

The commitment towards the empowerment of women and young people presented by the monitoring and evaluation exercise is not necessarily well reflected in current Aid for Trade projects. The OECD Creditor Reporting System project-level database on aid includes a gender indicator, which was introduced to allow an approximate quantification of the resources contributed towards the achievement of gender equality. This marker takes a value of 2, 1 or 0. A score of 2 signifies that gender equality is a priority objective for the project, namely the activity would not have been undertaken without this objective. A score of 1 indicates that the project contributes to gender equality, but it is a secondary objective for the project. A zero score means that gender equality is not targeted in the project. No similar indicator is available for young people.

Project-level data are available for 13,051 projects in Africa in 2017.<sup>11</sup> As noted on the OECD statistics website: "Activities assigned a principal objective score should not be considered better than activities assigned a significant objective score, as donors that mainstream gender equality – and accordingly integrate it into their projects across a range of sectors are more likely to allocate the marker score 'significant' to their aid activities." It is, therefore, of interest to observe the share of projects which have a non-zero gender indicator as an indication of incorporation of gender dimension in the project. For 2017, out of the available projects, 4,145 projects (representing 32 per cent of the projects) had a non-zero gender marker. Only 455 projects, or 3.5 per cent, had gender equality as a principal objective (figure XIII). Given the commitment assigned to women's economic empowerment, the low level of gender mainstreaming indicates room for improvement in the design of Aid for Trade projects.

Some variations are apparent between categories of Aid for Trade. In productive capacity, a relatively higher share of projects are assigned a gender marker of 1 or 2, with 35.3 and 4.4 per cent, respectively. Projects with gender equality as a principal objective are more prevalent in banking and financial services

<sup>11</sup> Database accessed 14 May 2019.

**Table 3: Distribution of gender consideration in Aid for Trade projects, Africa, 2017**

Category	Number of projects	Gender marker		
		Principal (2)	Significant (1)	Not targeted or missing
Building productive capacity	9 002	397 4.4%	3 180 35.3%	5 425 60.3%
Economic infrastructure	3 407	52 1.5%	423 12.4%	2 932 86.1%
Trade policy and regulations	636	6 0.9%	87 13.7%	543 85.4%
Trade-related adjustment	6	0 0.0%	0 0.0%	6 100.0%
<b>Total</b>	<b>13 051</b>	<b>455 3.5%</b>	<b>3 690 28.3%</b>	<b>8 906 68.2%</b>

Source: Authors based on OECD data.

(7.3 per cent). The largest number of projects are included in agriculture (241 or 4.3 per cent for principal and 2,049 or 36.4 per cent for significant objective). The highest share of non-zero gender markers falls in business and other services (47.1 per cent).

Economic infrastructure projects include a large share of projects with a zero gender marker. In particular, transport and storage is clearly considered a gender-neutral area, as only 7.8 per cent have a non-zero marker. In 2017, two out of a total of 1,322 projects were assigned a gender marker of 2. In energy generation and supply, only 16 per cent of the projects included gender equality as an objective, and in communication, the figure was 25 per cent.

There are only six projects categorized as trade-related adjustment, with none of them incorporating gender equality. Similarly, in trade policy and regulations, only six projects have gender as a principle objective. This represents less than one per cent of all projects. Even when projects that have gender as a significant objective are considered, non-zero projects represent less than 15 per cent of trade policy projects. When considering subcategories, some differences emerge. Trade education projects are relatively speaking more gender mainstreamed, with nearly 44 per cent including gender as a principal or significant objective. Trade facilitation, a subcategory in which projects potentially offer many benefits for women, included 17.2 per cent of non-zero projects. Trade policy and administrative

management, the largest subcategory, included 90.9 per cent of non-gender projects (the projects with a gender marker of zero).

The indicator is a useful tool for tracking the mainstreaming of women's concerns into trade-related projects. Observing the link between Aid for Trade and youth empowerment is more difficult because of the lack of consistent indicators. It is, however, important to acknowledge that the marker only indicates the stated objective of the project and is not a comprehensive evaluation on the quality of the project from an empowerment perspective. Targeted programmes for women can enforce stereotypes and indirectly strengthen inequalities. For example, many empowerment programmes involve training women in arts and crafts, tailoring, and other traditionally female trades, which are less lucrative and may have limited opportunities for significant scale of production. Similarly, young people is not a homogenous group, which must be taken into account when designing programmes. The other side of the coin is the danger of resorting into a tick box exercise, in which projects related to a sector with women is indicated as a project targeting women – for example when dealing with informal trade – without explicit consideration of gender equality in the design of the project.

## How can gender and youth concerns be incorporated into Aid for Trade?

Despite the above, all types of Aid for Trade can be adjusted to take into account inclusiveness objectives and to consider how they can contribute to the empowerment of women and young people (table 4). In addition to measures directly aimed at supporting women and young people, many programmes can indirectly have a positive impact on them by bringing down barriers to trade (that affect them disproportionately) or by focusing on sectors or areas with a large concentration of women or young people or both.

Economic infrastructure projects –easily considered as “neutral” and non-discriminatory – can benefit various sectors of the economy and value chains differently. For example, a project to upgrade port infrastructure improves the efficiency of value chains and enhances the competitiveness of products. However, the benefit gained from increased efficiency is concentrated at the top of the value chain. Without improvement in the infrastructure

connecting to the port and to the locations of production from the source of inputs, productivity gains would not be experienced at the bottom of the value chain (Silvander, 2013). The small producers, such as smallholder farmers, therefore, do not benefit from the investment. The allocation of Aid for Trade support towards improving access to markets and value chains for small producers, and infrastructure supporting productivity, such as in electricity access of ICT coverage in more rural areas, supports the participation in trade by less advantaged actors, including women and young people.

Regarding productive capacity, literature suggests that addressing gaps in financial services and financial inclusion could provide new opportunities for women and young people. In addition, both groups can be assisted through the provision of training and services related to business and entrepreneurship, which could help to overcome the traditional gaps in skills and information networks. Projects that support the modernization and increasing productivity of small producers could be designed to target young people and women in particular. This could include support for the formalization of businesses.

**Table 4: Direct and indirect areas of impact for women and young people in trade**

Category	Direct impact	Indirect impact
Economic infrastructure	Support for the development of storage facilities for women’s/young people’s cooperatives ICT training for young people and women	Improvement of rural infrastructure, and access to electricity and ICT networks in rural areas
Productive capacity	Support for modernization and increasing productivity, investment funds for women and young people, business and entrepreneurship training for women and young people	Improvement of access to finance, support for formalization
Trade policy and regulation	Trade facilitation: Improving border facilities for women, targeted information on border crossing procedures for women and young people	Improved e-processes, trade information portals, streamlined border processes, facilitation of informal and small-scale trade (including simplified trading regimes)
	Institutions: supporting women’s and young peoples’ trade and business networks and institutionalizing their consultation in trade policy development	Improving data on traders and trade, building capacity of policymakers to mainstream inclusiveness into policy
Trade-related adjustment	Training: targeted training for women and young people on use of preferential market access, sanitary and phytosanitary measures and standards training	Gender and inclusiveness training for border officials
	Retraining, social programmes	Support to civil society advocacy
Other	Support to women’s rights, economic empowerment of young people	Supporting equality in policies in education, land rights, social protection, childcare, ICT

Source: Authors.

Trade facilitation projects tend to benefit disproportionately small-scale traders, many of which are women and young people, as the non-tariff barriers to trade represent a higher share of their cost of business given their small size. As previously mentioned, improving border facilities in a way that is more inclusive and takes into account the needs of women can make border trade more accessible to women traders. Improvement of online processes can reduce some of the discrimination against women and young people by removing the need for face-to-face interaction. Introducing a simplified trading regime can contribute towards bringing down the barriers to formalization and support women, who form a significant share of the small-scale cross-border traders.

Aid for Trade to support trade policy could also be aimed at increasing the consideration of inclusiveness by supporting projects that build the capacity of policymakers to mainstream women's and young people's concerns into policy. Support to the development of the capacity of women and youth business networks could support the capacity-building of their members to trade and also strengthen the ability of these groups to advocate their concerns and influence trade policy. Other support could be guided towards improvement of trade data to allow for better analysis (and thus policymaking) on the impact of trade policy on women and young people.

The inclusiveness of trade policy cannot be solved entirely with trade policy adjustments. As detailed above, inequalities in society also affect the ability of women and young people to participate in trade in a productive way. While Aid for Trade is directed towards trade specifically, there is an argument for using it to review key policies, such as ICT, land rights, education or social policies, to ensure that they support participation in trade and do not pose unnecessary barriers to trade for any group. Similarly, negative impacts from trade policy changes can be alleviated through targeted programmes for retraining and social programmes to support those less flexible in the work market. Civil society can also play a role in highlighting where the negative

impacts are felt and particular vulnerabilities of women and young people.

In the end, the structures and specific features of the economy determine which sectors and trades will be the most affected by trade policy changes. Disaggregated analysis of the likely outcomes is required to fully understand the extent of the impact the trade policy will have on women and young people, and consequently, measures that can be introduced to strengthen their empowerment. The disaggregated analysis should look into employment, production and value chains.

### **What are the priority actions for the empowerment of women and young people?**

In the 2019 Aid for Trade monitoring and evaluation exercise, respondents to the survey were requested to indicate priority policy measures for the empowerment of micro, small and medium enterprises, women and young people. The overlapping concerns of the three population groups are well captured in table 5, which includes a list of the five most often named measures for all groups. For the three groups, providing access to finance is a measure named as a top priority. Similarly, improving access to information was cited as one of the three most important priorities for all groups. Improving access to global value chains also ranks highly. Access to foreign markets and upgrading business skills feature for two of the groups. Improvement of digital connectivity was cited as a priority for young people (at 59 per cent), but it was not considered as important for micro, small and medium enterprises and women. This is to an extent surprising, given e-commerce has been hailed as an opportunity for women and micro, small and medium enterprises because of its impact in terms of lowering cost of trade and information, and increasing the reach of entrepreneurs at a low cost compared to traditional trade. It may be, that the relatively higher priority placed on digital connectivity for young people is driven by the perceived advantage younger people have in the digital arena.

**Table 5: Most often named policy measures for empowerment of micro, small and medium enterprises, women and young people, Africa**

Policy measure	Micro, small and medium enterprises	Women	Young people
Providing access to finance	82%	82%	91%
Improving access to information	79%	73%	82%
Improving access to foreign markets	71%	67%	50%
Improving access to global value chains	65%	64%	59%
Improving the flow of goods at borders	53%	61%	24%
Supporting the growth and economic development of women	41%	76%	26%
Upgrading business skills	50%	64%	71%
Improving digital connectivity	44%	36%	59%

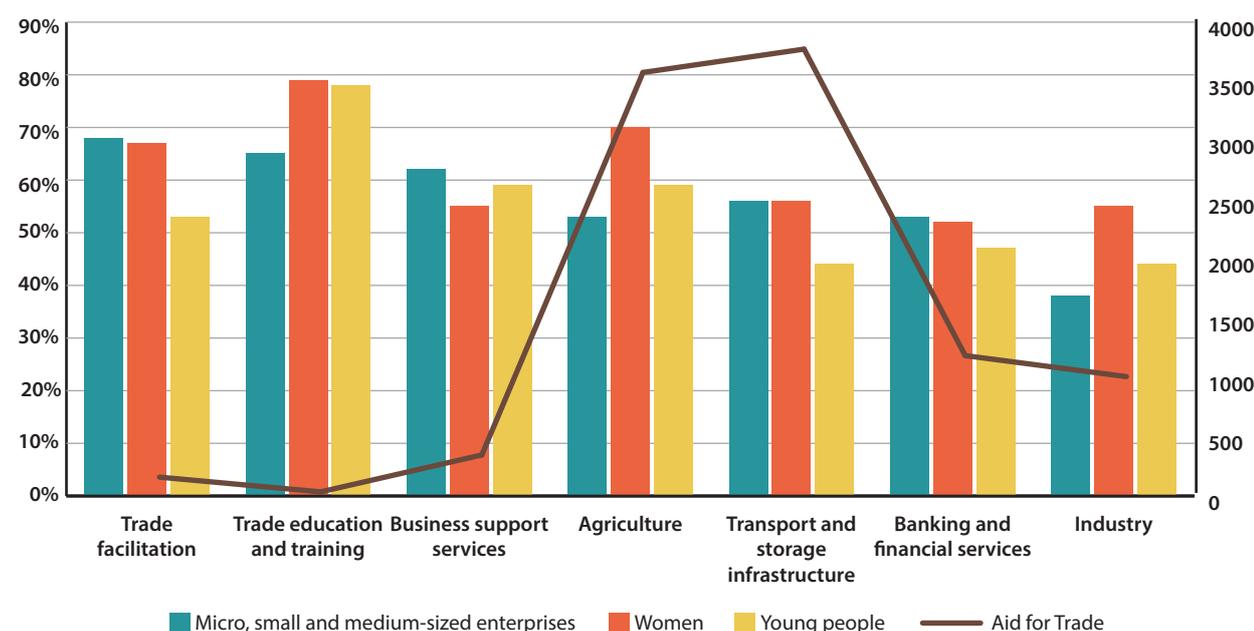
Source: OECD-WTO Aid for Trade monitoring and evaluation exercise, 2019 (for more information see <http://www.oecd.org/aidfortrade/>).

When asked what form of Aid for Trade would most contribute to the empowerment of them, the answers were similarly overlapping (figure XI). For all three groups, the respondents included trade facilitation, trade education and training, business support services and projects focused on agriculture. For micro, small and medium enterprises and women, respondents also mentioned transport and storage infrastructure. In addition, for micro, small and medium enterprises, the development of banking and financial services was included among the top priorities. For women and young people,

industry and building productive capacity were identified as a priority form of support.

When the responses are compared to the actual flows of Aid for Trade disbursements, some gaps and opportunities in empowering women and young people emerge (table 6). Aid for Trade disbursements directed to the priority areas of agriculture and transport and storage infrastructure, as previously presented, are abundant. When gender mainstreaming is considered as well, agriculture emerges as an area in

**Figure XI: The most common forms of Aid for Trade for empowerment of micro, small and medium enterprises, women and young people**



Source: OECD data and OECD-WTO Aid for Trade monitoring and evaluation exercise, 2019 (for more information see <http://www.oecd.org/aidfortrade/>).

**Table 6: Share of Aid for Trade disbursements and gender marker, Africa, 2017**

Category	Share of Aid for Trade	Gender marker non-zero
Trade facilitation	0.9%	17.2%
Trade education and training	0.1%	43.8%
Business support services	2.1%	47.1%
Agriculture	23.3%	40.7%
Transport and storage infrastructure	24.6%	7.8%
Banking and financial services	7.6%	42.7%
Industry	6.5%	40.6%

*Source:* Authors based on OECD data.

which it is likely that Aid for Trade is contributing to the gains from trade for women and young people.

Banking and financial services is referred to as a priority for more than 50 per cent of the respondents when asked about micro, small and medium enterprises and women. For young people, it is indicated by 47 per cent of the respondents. In line with this, it is one of the largest subcategories of Aid for Trade for Africa, and is an area in which gender mainstreaming appears to be a relatively common practice. In the case of transport and storage infrastructure, the gains from the high share of disbursements may be hindered by the low prevalence of gender mainstreaming into these projects.

Building productive capacity in the area of industry has been identified as a top priority for empowerment of women. For micro, small and medium enterprises and young people, industry was referred to by 38 and 44 per cent of the respondents, respectively. This area, however, lags in terms of Aid for Trade disbursements, and does not perform relatively well in terms of the consideration of gender equality concerns.

The most significant gaps seem to be in the area of trade facilitation. This subcategory is a priority area

for the empowerment of micro, small and medium enterprises, women and young people, with the share of respondents identifying trade facilitation as a priority being 67 per cent, 68 per cent and 53 per cent, respectively. When compared to other areas, however, the disbursements are much lower, and as previously presented, have declined in the recent years. The incorporation of gender considerations in the objectives of the projects is also low. Similarly, the share of trade education and training, a priority area for all three groups (mentioned by 65, 79 and 78 per cent, respectively), receives only 2.7 per cent of the trade policy and regulations and a negligible share of total Aid for Trade disbursements.

Business support services receive an allocation below its potential significance for empowerment. While these services are ranked higher than banking and financial services for all three groups, the subcategory received 27.7 per cent of the disbursements received by financial services in 2017. While building capacity in financial services is very important, more support could be directed to business support services, enabling disadvantaged groups, such as women and young people, to take better advantage of the other opportunities available.

## 4. CONCLUSIONS

African Union member States have committed to further trade integration in the continent through the implementation of the Agreement Establishing the African Continental Free Trade Area. The milestone Agreement is expected to produce dynamic changes in the trade environment. While many stakeholders are likely to benefit from it, in the short run, the Agreement may also have detrimental effects on some. For the African Continental Free Trade Area to deliver on the high expectations placed upon it, for it to contribute towards the industrialization of the continent and help to accelerate its process of structural transformation, the implementation of the Agreement must be carried out in a way that promotes inclusiveness and that guarantees that one is left behind. This entails, for instance, adjusting the partnerships between African countries and their global development partners, including their Aid for Trade donors, to provide better responses to challenges faced.

Data from OECD and the 2019 Aid for Trade monitoring exercise show that Africa continues to be a key recipient of Aid for Trade, with a large majority of disbursements going towards economic infrastructure and building productive capacity. While Aid for Trade disbursements directed to those two categories have increased, disbursements flowing for trade policy and regulations have declined, which can be attributed to a reduction in the funding for trade facilitation projects. In terms of subcategories, the greatest amount of disbursements are given to transport and storage, energy and agriculture. Among the subregions, East Africa continues to attract the largest share of Aid for Trade disbursements to the continent, followed by North Africa, and West Africa. With the exception of Southern and Central Africa, disbursements received in 2017 compared to 2015 increased. At a country level, the largest recipients have remained unchanged, namely Morocco, Kenya, Ethiopia, Egypt and the United Republic of Tanzania.

Responses to the Aid for Trade monitoring and evaluation exercise indicate that economic diversification is reflected in national development, or trade, strategies. As economic diversification is persistently hampered by a large number of obstacles, Aid for Trade continues to play a role in building trade capacity and in alleviating supply-side capacity constraints, which, in turn, can then lead to increased diversification. Chief among the sectors in which Aid for Trade can deliver the most impact to Africa is agriculture.

In addition, African respondents added that their trade priorities were generally the subject of dialogue with donors, although some of them called for better alignment between Aid for Trade and national trade priorities, and increased financing. Because of the extensive challenges faced, the latter will continue to be a necessity, in particular for least developed countries and even more so for landlocked developing countries.

Another priority, according to respondents to the monitoring and evaluation exercise, is the economic empowerment of micro, small and medium enterprises, women and of young people, which, in almost 90 per cent of cases, features as a priority in national development, or trade, strategies.

In the Joint Declaration on Trade and Women's Economic Empowerment, adopted by the World Trade Organization Ministerial Conference, held in Buenos Aires in December 2017, the Ministers agreed to collaborate to make trade and development more gender-responsive by "ensuring that Aid for Trade supports tools and know-how for analysing, designing and implementing more gender-responsive trade policies". The analysis conducted for this report highlights the gap between priorities, including those reported in the 2019 Aid for Trade monitoring and evaluation exercise, and the actualized Aid for Trade projects with regard to the empowerment of women and young people. A

majority of the projects reviewed failed to consider gender equality as an objective of the project, with areas such as transport and trade policy appearing almost completely gender blind. It should, however, be highlighted that priority areas, such as agriculture, financial services and business support services, are sectors in which Aid for Trade could be making a contribution to gender equality through their currently more inclusive project designs.

The available data do not allow for comprehensive analysis on how well the concerns of young people and their priorities are being taken into account in the Aid for Trade projects. Consequently, young people are being overlooked in the Aid for Trade data, with potential implications for outcomes in trade policy. In the African context, it is essential to produce data to monitor the implementation of the Agreement Establishing the African Continental Free Trade Area and its impact from the point of view of youth employment and economic empowerment, to ensure that the Agreement also benefits the growing population of young people, both males and females.

As a way forward, the development of national strategies for the African Continental Free Trade Area will create an opportunity to review trade policy and evaluate, among other things, the extent to which access to trade is hindered for traditionally disadvantaged groups, such as women and young people, and to identify the specific barriers they face in benefiting from the Agreement. This will provide a clear picture on the policy measures required, and also point to those areas in which Aid for Trade could be used to overcome barriers.

The actions considered should be twofold. First, there is a need to acknowledge that women and young people face barriers that are higher relative to other groups, and that to address these barriers, projects should specifically be targeted at the economic empowerment of the groups identified. Action extending beyond the scope of trade policy is needed in a wide range of areas to address structural barriers. For example, a review of complementary

policies that hinder access to trade indirectly may be considered.

Second, more efficient mainstreaming of gender and young people's concerns into the Aid for Trade projects (and trade policy in general) is required. As previously presented, all forms of Aid for Trade, if planned well, can contribute to the economic empowerment of women and young people. Highlighted in this report are the categories that could be prioritized in order to place an inclusiveness emphasis on Aid for Trade projects, and thus more effectively support the distribution of benefits and opportunities that will be reaped from the African Continental Free Trade Area to the previously cited disadvantaged groups. For example, it is clear that by increasing support to trade facilitation, Aid for Trade would support the empowerment of smaller actors, while remaining completely aligned with the overall Aid for Trade priorities. Additional funds aimed towards trade education and training, and business support, would further contribute towards building the skills and capacity of these groups. Targeting the lower end of value chains will improve the reach of Aid for Trade and be more beneficial for the most vulnerable producers at the grass-roots.

Finally, the measures taken to include women and young people in trade should not be isolated exercises; they should be institutionalized into the architecture of the Agreement Establishing the African Continental Free Trade Area. The economic empowerment of women and young people, and the contribution it is expected to make towards them is incorporated into its text. To ensure that it delivers on this objective, it will be necessary to develop mechanisms to monitor the implementation of the Agreement from the perspective of inclusiveness, namely the measures taken to ensure that women and young people are able to reap the benefits stemming from the Agreement. It will also be necessary that the monitoring entails evaluating the impacts on those that were previously excluded from prosperity, and who have yet to enjoy the full benefits of trade.

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# ANNEX

## Respondents to the OECD-WTO 2019 Aid for Trade monitoring and evaluation exercise – Africa focus

	Countries/Organization
African countries (35)	Angola; Benin; Burkina Faso; Burundi; Cabo Verde; Central African Republic; Chad; Comoros; Côte d'Ivoire; Democratic Republic of the Congo; Ethiopia; Equatorial Guinea; Gabon; Gambia; Guinea; Guinea-Bissau; Kenya; Lesotho; Liberia; Madagascar; Malawi; Mali; Mauritania; Mauritius; Niger; Nigeria; Sao Tomé and Príncipe; Senegal; Seychelles; Sudan; United Republic of Tanzania; Togo; Uganda; Zambia; Zimbabwe
African least developed countries (26 out of the 35 respondents)	Angola; Benin; Burkina Faso; Burundi; Central African Republic; Chad; Comoros; Democratic Republic of the Congo; Ethiopia; Gambia; Guinea; Guinea Bissau; Lesotho; Liberia; Madagascar; Malawi; Mali; Mauritania; Niger; Sao Tomé and Príncipe; Senegal; Sudan; Togo; Uganda; United Republic of Tanzania; Zambia
African landlocked developing countries (12 out of the 35 respondents)	Burkina Faso; Burundi; Central African Republic; Chad; Ethiopia; Lesotho; Malawi; Mali; Niger; Uganda; Zambia; Zimbabwe
African Regional Economic Community and Transport Corridor (5)	Common Market for Eastern and Southern Africa; Economic Community of West African States; TransNamib; TradeMark East Africa; West African Economic and Monetary Union
Bilateral donors (30)	Australia; Austria; Canada; Czech Republic; Denmark; Estonia; Finland; France; Germany; Hungary; Iceland; Ireland; Japan; Latvia; Lithuania; Luxembourg; Netherlands; New Zealand; Norway; Portugal; Republic of Korea; Russian Federation; Slovak Republic; Spain; Sweden; Switzerland; United Kingdom of Great Britain and Northern Ireland; United States of America
	Also: European Union
Multilateral donors (4)	African Development Bank; United Nations Development Programme; United Nations Industrial Development Organization; World Bank Group
South-South partners (4)	China; Indonesia; Singapore; Turkey

More information on the OECD-WTO monitoring evaluation exercise can be found at [www.wto.org/aidfortrade](http://www.wto.org/aidfortrade) and [www.aid4trade.org](http://www.aid4trade.org).

*Source:* Adapted from WT/COMTD/AFT/W/79/Rev.1



