

Implementing Aid for Trade in Latin America and the Caribbean

The National and Regional
Review Meetings 2008-2009



WORLD TRADE
ORGANIZATION



IDB

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Integration and Trade Sector
Vice Presidency for Sectors and Knowledge

Implementing Aid for Trade in Latin America and the Caribbean

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The views and opinions expressed in this publication are those of the authors and do not necessarily reflect the official position of the Inter-American Development Bank and World Trade Organization.

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Introduction

Integration into the global economy is a central component of Latin American and Caribbean (LAC) countries development strategy. Trade is an engine for growth and, if accompanied with sound and wide-ranging complementary public and private sector policies and initiatives, has the potential to contribute to poverty reduction.

However, LAC governments and private sector firms still face obstacles which prevent them from benefiting from global integration. Some relate to lack of access to export markets, which international trade negotiations aim to open.¹ But internal constraints to international competitiveness—such as imperfect information on trade opportunities, excessive red tape undermining foreign direct investment, inadequate export financing for smaller firms, poor infrastructure inflating trade costs and inadequate mechanisms to promote a fair distribution of the gains from trade, can create larger hurdles than trade protection.

Latin America and the Caribbean's share of total Aid for Trade (AFT) rose from 7.5 percent to 8.7 percent in 2007; a small proportion of trade-related official development assistance (ODA). According to the Organization for Economic Development (OECD) estimates, Asia received 44 percent of total AFT, Africa 40 percent, LAC 8.7 percent, Europe 5.3 percent, and Oceania 1.2 percent. Through its on-going policy dialogue, programming processes and project design and execution, the Inter-American Development Bank (IDB) aims to bridge the significant gap between demand and supply of AFT² in LAC.

During the first *Aid for Trade Regional Review* held in Peru in September 2007 and the first *Aid for Trade Global Review* held in Geneva in November 2007, Latin American and Caribbean Finance and Trade Ministers and senior officials stated that there were not sufficient attention devoted to trade-related assistance to the region. Further, developing countries stressed the need to encourage greater ownership of the initiative, to strengthen monitoring and evaluation mechanisms, and to shift the focus from awareness-raising to implementation.

Accordingly, the Aid for Trade Roadmap for 2008–2009 places emphasis on monitoring implementation, with a focus on country, regional and sectoral priorities. In preparation for the Second Regional Review on AFT

¹ LAC countries are currently engaged in the Doha Round and in multiple bilateral and regional trade negotiations within the region, and bilaterally with key trading partners, including Canada, the United States, the European Union and some Asian countries.

² See "Aid for Trade in Latin America and The Caribbean: The Inter-American Development Bank's Experience", *IDB Contribution to the WTO Aid for Trade Task Force*, Inter-American Development Bank, May 2006.

for LAC held in Montego Bay, Jamaica, in May 2009 a series of national and sub-regional reviews were held across the region (namely Caribbean, Peru, and Honduras). These reviews have highlighted the technical and results-oriented focus.

The Second Regional Review built on OECD/WTO self-assessments submitted by countries of the region to develop actionable plans, monitor progress, and encourage mutual accountability. More specifically, the event encouraged “peer” review and incentives to advance the implementation of concrete national and regional strategies in LAC. It also contributed to enhance and to develop trade mainstreaming into national and regional development agendas; regional and private sector strategies as part of the implementation process of the AFT initiative; and promoted coordination among donors and relevant institutions in the implementation of AFT in the region.

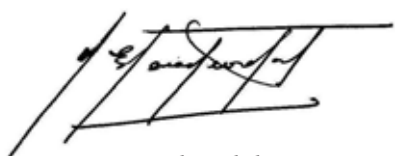
Looking forward Aid for Trade is even more critical to stimulate the supply-side response of developing countries, particularly low-income countries in the region. The impact of the financial crisis on the real economy and the failure to conclude the Doha Development Agenda risk jeopardizing the contribution of trade to economic growth and poverty reduction in developing countries. Shortfalls in financial flows to developing countries due to a contraction in world demand generally pose a greater risk to commodity-producing countries. Combined with a dependency on tariff revenues, these developments will render budgets vulnerable to potential reductions in trade flows.

Dialogue and discussions arising from the reviews stressed the importance on the following issues:

- The shift in focus to national and regional reviews yielded much interesting material, many policy recommendations, and clear evidence of country and regional ownership of the Aid for Trade process, which bodes well for the initiative’s future.
- There is an acute need for assistance towards both soft (knowledge, expertise, governmental and private sector services) and hard infrastructure (transportation, communications, and customs infrastructure needed to support efficient international trade). Aid for Trade can support the development of this institutional architecture and infrastructure requirements.

- ❖ There are valuable and successful experiences that need to be shared more broadly among countries in order to create incentives for other to follow concerning implementation of Aid for Trade.
- ❖ Firms are not satisfied with merely meeting the legal standards of trading partners in question when private sector buyers demand much higher standards.
- ❖ Value chain analysis can be used to shape Aid for Trade Strategies. This methodology identifies barriers that prevent people from connecting to markets, and reveals where internal reforms, improvements in physical infrastructure, and lower foreign trade barriers can improve market access. Measuring obstacles in terms of common measures (e.g., time to market; impact on cost) helps identify priorities, creates a basis for integrating trade and development goals, and identifies where Aid for Trade would have the greatest impact.
- ❖ South-South cooperation clearly galvanizes some middle-income developing countries and some of the donors. For this reason, another potentially fruitful line of deliberation would be the development of modalities to facilitate South-South cooperation and South-North-South triangular cooperation, perhaps with inducements from donors.

The IDB, in conjunction with its member states, is committed to continue supporting Latin American and Caribbean countries in implementing the WTO Aid for Trade initiative and its objectives.



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Aid for Trade in Latin America and the Caribbean³

Overview

This background paper provides an overview of the AFT initiative, the AFT Roadmap (work plan) for 2009, the monitoring framework, and a description of AFT flows to the LAC countries. It gives an overview of key messages emerging from the responses of LAC countries to the partner-country self-assessment based on the OECD/WTO questionnaire. It also covers South-South cooperation.

Background

A new AFT work program was agreed to at the Hong Kong Ministerial Conference in December 2005 and operationalized by the Task Force in July 2006.⁴ In 2007, the WTO cooperated with the regional development banks and the World Bank to hold three regional AFT reviews. These reviews took place in Lima, Peru, on September 13–14, 2007, for the Latin America and Caribbean region; in Manila, the Philippines, on September 19–20, 2007, for the Asia/Pacific region; and in Dar-es-Salaam, Tanzania, on October 1–2, 2007, for the Africa region. The First AFT Global Review, hosted by the WTO, was held from November 19–20, 2007.

On July 6–7, 2009, the Second Global Review of Aid for Trade will be held at WTO Headquarters in Geneva, Switzerland. This review will evaluate progress made since the First Review in 2007 and scrutinize how AFT is being operationalized in the field. Progress in securing additional financing will be discussed and views exchanged on how aid flows can be maintained against the backdrop of a worsening global economic outlook. The impact of the financial crisis on the real economy and the inability to conclude the Doha Development Agenda risk jeopardizing the contribution of trade to economic growth and poverty reduction in developing countries. Shortfalls in financial flows to developing countries due to a contraction in world demand generally pose a greater risk to commodity-producing countries. Combined with a dependency on tariff revenues, these developments will render budgets vulnerable to potential reductions in trade flows. In this less

³ Joint Background Paper elaborated by the Inter-American Development Bank, the Organization for Economic Cooperation and Development and the World Trade Organization. It has been circulated by the WTO under the symbol WT/COMTD/AFT/W/13

⁴ WT/AFT/1.

hospitable environment, AFT is even more critical to stimulate the supply-side response of low-income countries. Central to this process is the examination of the conclusions emanating from the framework that has been put in place to monitor AFT, which is a key objective of the AFT Roadmap for 2009.

Monitoring and Evaluation

The development community's main challenge is to improve the effectiveness of AFT. As highlighted by OECD studies, little robust research has been undertaken about the impact and effectiveness of AFT programs. In part, this is due to difficulties in assigning values to interventions and the absence of monitoring and evaluation frameworks. To enhance the credibility of AFT and to ensure that locally identified needs—whether financial or performance related—are properly addressed, the Aid for Trade Task Force recommended establishing two accountability mechanisms:

- At local levels, to foster genuine local ownership and to ensure that trade needs are adequately addressed and integrated into national development strategies.
- At the global level, to increase transparency about what is happening, what is not, and where improvements are required.

Against this backdrop, the OECD and the WTO have set up an AFT monitoring framework to promote dialogue and encourage key actors to honor commitments, meet local needs, improve effectiveness, and reinforce mutual accountability. The new monitoring system will create incentives, through enhanced transparency, scrutiny and dialogue (*i.e.* putting a spotlight on progress), to foster synergies between trade and other economic policy areas in developing countries. This, in turn, should improve the coherence of AFT with overall aid strategies and donor agencies, which is an essential component of an effective AFT partnership between donors and partner countries as contained in the Paris Declaration on Aid Effectiveness. This focus on local accountability provides incentives to strengthen local ownership and management for results. The periodic global AFT review, on the other hand, will ensure that efforts of donor and partner countries are focused on the needs identified through local accountability mechanism.

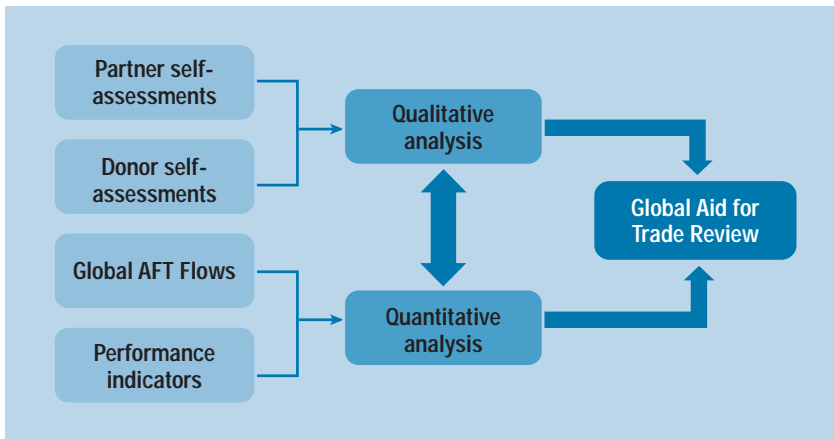


FIGURE 1/
Monitoring and
Evaluation Framework

As illustrated in Figure 1, above, the AFT monitoring and evaluation framework operates at four levels:

- Global analysis of AFT flows using data extracted from the OECD Creditor Reporting Database (CRS) to assess where resources are being delivered, identify gaps, highlight where improvements should be made, and increase transparency on pledges and disbursements.
- Evaluations of national, regional and multilateral donors' Aid for Trade activities based on donor self-assessments to ensure the dissemination of best practices across countries, identify areas for improvement, and increase transparency on pledges and commitments.
- Country-based monitoring and evaluation, based on partner-country (recipient) self-assessments, to provide a more focused, country-specific perspective on whether trade is being mainstreamed into national development policy, trade needs are being met, financial resources are being provided, and AFT is effective on the ground.
- The use of indicators to track the use and effectiveness of AFT, in particular for priority areas identified by recipients in their self-assessment questionnaires.

At the First Global Review in November 2007, the OECD and WTO published a joint report entitled "Aid for Trade At-a-Glance 2007: 1st Global Review," which surveyed trends and developments in aid flows in 2002–2005. The report provided a benchmark against which future assistance could be measured in categories most closely related to AFT. In preparation for the Second Global Review, the OECD and WTO will publish a 2009 AFT report.

TABLE 1/
Global AFT
Commitments
(in constant 2007
US\$ millions)

	2002–05 baseline	2006	2007	% Increase vis- à-vis baseline
Economic Infrastructure	11,901	13,281	14,499	21.8
Building Productive Capacity	9,823	10,735	11,824	20.4
Trade Policy and Regulations	705	1,129	741	5.2
Trade-related Adjustment	—	—	20	—
Aid-for-Trade total	22,430	25,144	27,084	20.7

Source: OECD Creditor Reporting System

Table 1 presents data reported to the OECD CRS on global AFT commitments in 2002–2007. AFT grew in real terms by more than 20 percent between the 2002–2005 baseline period and 2007. Table 2 shows that over the same period, AFT to Latin America and the Caribbean grew by 34 percent, from US\$ 1.6 billion in 2002–2005 to US\$2.2 billion in 2007. As a result, Latin America and the Caribbean's share of total AFT rose from 7.5 percent to 8.7 percent.

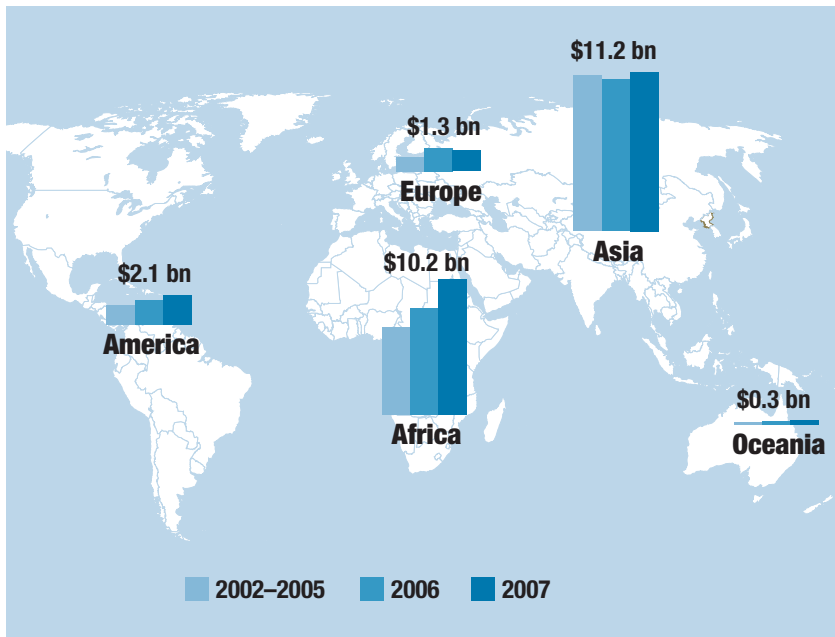
TABLE 2/
AFT Commitments
by Region *(in constant*
2007 US\$ millions)

	2002–05 baseline	2007	% Change
Africa	6,985	10,214	46.2
America	1,624	2,178	34.1
Asia	11,017	11,225	1.9
Europe	1,428	1,331	–6.8
Oceania	231	292	26.4

Source: OECD Creditor Reporting System

Due to the time needed for in-depth reporting on aid flows, the OECD CRS database does not currently capture any impact that the current financial crisis may have had on AFT flows in 2009. The impact of the current worsening global economic outlook on AFT commitments will be a central issue for discussion at the Second Global AFT Review July 6–7, 2009.

In December 2008, the WTO and OECD circulated self-assessment questionnaires to donors and partner countries. Significant changes were made to the questionnaire to make it more user-friendly. A total of 83 replies were received from partner countries (27 from the Latin America and Caribbean region) and 50 replies from donors (both bilateral and multilateral). In



Source: OECD Creditor Reporting System

FIGURE 2/
Global Distribution of
AFT 2002–2007

Commitments, US\$ billion (2007 constant)

addition, Brazil, Chile and Argentina completed the questionnaire on South-South co-operation.

A Symposium on Monitoring and Evaluation of Aid for Trade was held on September 15–16, 2008, to help identify and assess suitable AFT indicators. Responses to the AFT partner-country self-assessment questionnaires will be used to help focus indicators on partner countries' AFT priorities.

More recently, on April 2, 2009, a special meeting on AFT was held by the WTO's Committee on Trade and Development. The meeting included presentation of AFT factsheets containing four main sections⁵ that follow the logical AFT framework. Factsheets provide for easy cross-country comparisons and encourage a more comprehensive in-country dialogue between stakeholders. A draft of indicators for the Aid for Trade Global Review 2009 was also presented at this time. The indicators provide additional information concerning the priority areas chosen by partner countries in their responses to the AFT questionnaire.⁶ Work on indicators will be presented as part of the joint OECD/WTO Aid for Trade At-a-Glance publication. AFT factsheets for the 27 countries that completed the questionnaire will be circulated at the Latin America and Caribbean review in Montego Bay.

⁵ The first section provides a number of basic indicators such as population, GDP, share of productive sectors in GDP, government budget and aid dependency. Aggregate country specific data (based on the OECD CRS database) regarding global flows, the sector distribution, the share of Aid-for-Trade in sector allocable aid and the top donors are addressed in the second part. The third part highlights the extent to which trade is mainstreamed in national development strategies, providing also indicators for restrictiveness of imports and exports and other trade-related indicators. Finally, trade performance of the beneficiary country is analysed in the fourth section.

⁶ Those priorities are trade policy analysis, negotiation, and implementation; WTO accession; trade facilitation; network infrastructure; cross-border infrastructure; other transport; competitiveness; and value Chains.

Aid for Trade and Latin America and the Caribbean

Overview of Aid-for-Trade Assistance (2002–2007)

Tables 3 and 4 present data on AFT flows to LAC as reported to the OECD CRS database. The data is disaggregated into four sub-regional groups: Caribbean; Central America, Panama and Mexico; Andean region; and MERCOSUR countries + Chile. Table 3 provides data on aggregate AFT flows for each one of these sub-regions. With a total volume reaching US\$778 million, Central America (including Mexico and Panama) in 2007 received the largest share (37 percent) of AFT flows to Latin America, followed by Andean region (26 percent). The Caribbean and MERCOSUR + Chile sub-regions received roughly one half and one quarter of Central America's volume, respectively. Central America also benefited from the largest increase (41 percent) in AFT flows between 2002–2005 and 2007, while the other three regions saw increases ranging between 13 percent and 20 percent. Though modest in volume, the Andean, MERCOSUR, and Chile grouping also doubled its receipts. Finally, the Caribbean was the sub-region where AFT accounted for the largest share (35 percent) of total sector allocable ODA.

**TABLE 3/
AFT Flows to Latin
America and the
Caribbean by Sub-region**

	Commitments US\$ millions		Disbursements US\$ millions	Aft as % of total sector allocable aid
	2002–05	2007	2007	2007
Caribbean	298.5	344.7	268.3	35.4
Central America, Panama and Mexico	550.2	778.1	347.5	34.7
Andean Countries	498.9	599.4	481.1	27.5
MERCOSUR + Chile	153.7	173	261.1	24
South America Multi- Country (Andean + MERCOSUR + Chile)	39.4	68.6	67.7	11.9

Source: OECD Creditor Reporting System

Table 4 shows the top 25 AFT recipients on average for 2006–2007. El Salvador, ranked at 25th, was the only Latin American country on the list.

**TABLE 4/
Top 25 AFT Recipients**

Commitments, US\$ million 2006 constant	Income Group	2002–05 avg	2006–07 avg	Share of Total AFT	Share of AFT in Total Sector Allocable ODA	ODA/GNI (2007)
India	OLIC	1,352.3	1,743.2	7.1	35.9	0.11
Iraq	LMIC	1,979.2	1,586.4	6.5	37.8	—
Viet Nam	OLC	1,371.9	1,414.0	5.8	56.0	3.58
Afghanistan	LDC	665.0	1,254.7	5.1	40.4	33.86
Indonesia	LMIC	986.9	793.5	3.2	34.4	0.19
Ethiopia	LDC	485.1	734.5	3.0	32.1	12.48
Egypt	LMIC	518.5	585.6	2.4	49.2	0.84
Bangladesh	LDC	642.1	557.8	2.3	29.7	2.06
Kenya	OLIC	300.0	514.5	2.1	31.3	4.31
China	LMIC	695.4	438.2	1.8	17.7	0.04
Ghana	OLIC	235.6	437.1	1.8	40.2	7.59
Uganda	LDC	221.2	373.1	1.5	34.4	15.72
Mali	LDC	159.5	366.5	1.5	45.6	15.43
Pakistan	OLIC	345.8	365.3	1.5	24.6	1.51
Morocco	LMIC	280.6	349.2	1.4	30.0	1.51
Mozambique	LDC	284.2	341.1	1.4	29.1	26.33
Tanzania	LDC	324.2	305.6	1.2	23.4	17.43
Sri Lanka	LMIC	410.9	283.4	1.2	46.9	1.84
Serbia	LMIC	372.4	242.0	1.0	27.8	2.04
Turkey	UMIC	404.7	214.5	0.9	22.8	0.12
Zambia	LDC	178.8	206.4	0.8	27.3	10.20
Georgia	LMIC	82.3	206.2	0.8	52.9	3.68
Nepal	LDC	144.1	200.8	0.8	38.1	5.83
Cameroon	OLIC	88.0	198.4	0.8	36.4	9.40
El Salvador	LMIC	27.0	196.8	0.8	54.9	0.45
TOTAL			13712.0	56.0		

Source: OECD Creditor Reporting System

Sub-regional analysis

Bilateral donors and the EC report on their aid flows both in terms of commitments and disbursements.⁷ Analyzing the relation between commitments and disbursements provides useful insights on aid delivery. Commitments are firm obligations to provide development assistance. They measure the donors' intentions and allow monitoring of aid targeted for specific purposes. They reflect how donors' pledges and promises translate into action. In other

⁷ The IFIs do not report their disbursements to the CRS.

words, they provide a firm indication about future aid flows. Disbursements show actual financial payments and thus, the realization of donors' intentions and the implementation of their policies. Measures of disbursements permit the examination of how donors' actions lead to development results. Commitments are often multi-year, and subsequent disbursements are spread over several years, with infrastructure projects generally taking the longest time to implement. Consequently, an increase in aid allocations (commitments) is only visible in disbursement data after a time lag of several years.

A statistically correct analysis for comparing commitments that result in disbursements requires matching individual donor commitments at the project level with their corresponding disbursement schedule. This would be extremely time consuming and would go well beyond the scope of this report, which provides AFT data at a glance. A less precise, but still useful, approach is comparing 2006 and 2007 bilateral disbursements (including the EC) with commitments during the baseline period.

Andean Countries

Four representatives of Andean countries (Bolivia, Colombia, Ecuador and Peru) replied to the joint WTO/OECD partner-country self-assessment questionnaire. Tables 5 and 6 present data on AFT flows to Andean countries, as reported to the OECD CRS database. Table 5 provides data on aggregate AFT flows. Total AFT to the sub-region increased from US\$499 million during 2002–05 to US\$599 million in 2007, an increase of US\$100 million, or 20 percent. There were strong disparities in the AFT volumes received by the region's countries. Bolivia received US\$279 million, which was more than twice the amount received by Colombia, the second highest recipient, and approximately three times more than Peru and Ecuador, the other two main recipients.

**TABLE 5/
AFT Flows to
Andean Countries**

	Commitments US\$ millions		Disbursements US\$ millions	AFT as % of total sector allocable aid
	2002–2005	2007	2007	2007
Bolivia	233.1	279.1	113.7	36.9
Colombia	79.3	129.7	118.2	18.4
Ecuador	45.4	86.2	35.9	31.1
Peru	131.6	103.1	211.4	26.3
Venezuela	9.4	1.2	1.9	2.5

Source: OECD Creditor Reporting System

Table 6 shows that in 2007 the Andean countries, as a group, received twice as much aid for building productive capacity (US\$395 million) than they did for economic infrastructure (US\$186.5 million). This occurred despite an almost 70 percent increase in the volume of aid for economic infrastructure compared to a six percent increase in aid for productive capacity building. However, productive capacity building, as a share of total AFT, continued to represent around 70–90 percent in four of the countries. The distribution among the Andean countries is in line with the global distribution, *i.e.* the richer the partner country the more aid is allocated for building productive capacities. Conversely, poorer partner countries seem to place a higher priority on improving their infrastructure. Bolivia was the only country that received more support to address bottlenecks in its infrastructure than to build productive capacity.

	Trade Policy & Regulations		Economic Infrastructure		Building Productive Capacity		Trade- Related Adj.	Total	
	2002– 2005	2007	2002– 2005	2007	2002– 2005	2007	2007	2002– 2005	2007
Bolivia	4.8	3.1	73.9	143.6	154.4	132.4	0.0	233.1	279.1
Colombia	0.3	9.4	1.8	27.8	77.3	92.5	0.0	79.3	129.7
Ecuador	4.7	1.3	1.5	6.8	39.3	78.2	0.0	45.4	86.2
Peru	7.1	4.1	33.0	8.2	91.5	90.9	0.0	131.6	103.1
Venezuela	0.1	0.0	0.4	0.1	8.9	1.1	0.0	9.4	1.2
Sub-Total	17.0	17.9	110.6	186.5	371.3	395.0	0.0	498.9	599.4
<i>South America regional</i>	4.2	2.8	20.5	19.0	14.6	46.8	0.0	39.4	68.6

Source: OECD Creditor Reporting System

**TABLE 6/
AFT by Category to
Andean Countries**
(Commitments, US\$2007
constant)

All respondents indicated that trade is a key priority in their respective national development plans, and all have operational strategies in priority areas. Bolivia is formulating a sector development plan to enhance integration into trade and the international economy. Colombia has a specific competitive strategy and a plan to internationalize its economy and promote productive transformation.⁸ Ecuador's National Development Plan reflects trade-related priorities for specific action plans, timetables and budgets.

⁸ Colombia presented three attached documents to the questionnaire: "Mejorando la competitividad de Colombia" February 2007, "Ejecutando una estrategia para internacionalizar la economía," January 2009, and "Ejecutando una estrategia para alcanzar la transformación productiva," January 2009.

Peru's National Strategic Export Plan (PENX)⁹ aims to increase welfare, human development, and solidarity.

The WTO/OECD self-assessment questionnaire requested partner countries to identify priority areas where interventions would improve capacity to benefit from trade expansion and integration into the world economy. Partner countries were asked to identify three priority areas among 12 different options under the broad headings of trade policy and regulation, economic infrastructure, building productive capacity, and other priorities. Table 7 outlines the top three priority areas listed by the four respondents to the questionnaire. Priorities are listed but not numbered in the case of Bolivia, and Colombia placed priorities 2 and 3 under "other priorities." Finally, Ecuador selected priorities that took into account the objectives of its National Development Plan.

TABLE 7 /
AFT Priority Areas
for Bolivia, Colombia,
Ecuador, and Peru

	Priority 1	Priority 2	Priority 3
Bolivia	Trade Policy Analysis	Value Chains	Export Diversification
Colombia	Competitiveness	Internationalization of the Economy	Productive Transformation
Ecuador	Regional Integration	Other Transport	Competitiveness
Peru	Trade Policy Analysis	Export Diversification	Competitiveness

Source: WTO/OECD Self-Assessment Replies

The WTO/OECD partner-country self-assessment questionnaire examines how trade capacity constraints are addressed at the regional level through national trade strategies. All respondents stated that their trade strategies specifically address regional trade capacity challenges. Most also said that progress made in regional integration was due to joint projects in the framework of the CAN (Andean Community of Nations), UNASUR (Union of South American Nations), and ALADI (Latin-American Association of Integration). The South American Regional Infrastructure Integration Initiative (IIRSA)¹⁰, supported by CAF, IDB, and the River Plate Basin Financial Development Fund, was mentioned by Peru as a specific example of progress in the physical interconnection of the region. With the exception of Bolivia, country respondents stated that they participate in, or benefit from, AFT programs implemented at the regional level.

Examples of good practices in implementing AFT processes, programs, or projects were given by Colombia, Ecuador, and Peru. Colombia referred

⁹ For more information see <http://www.mincetur.gob.pe/comercio/otros/penx/index.htm>

¹⁰ For more information see <http://www.iirsa.org/index.asp?CodIdioma=ESP>

Using a Value Chain Approach to Aid for Trade – A Case Study of the Peru's Perishable Agricultural Products Sector

The rise of global supply chains presents a challenge of meeting buyer's standards and suggests the need to adopt tools of global business for analyzing competitive strengths and weaknesses. A basic tool involves mapping supply/value chains that link Peruvian producers to local, national and global markets. Using a value chain analysis involves identifying which steps add greatest value and highlights areas where Peru might attract investment in higher value-added activities by improving efficiency of supply chain. This analysis was conducted in the context of the Peruvian National Review on AFT organized jointly by IDB and WTO.

Value chain analysis can be used to shape aid-for-trade strategy by identifying barriers that prevent people from connecting to markets; highlighting where internal reforms, improvements in physical infrastructure, and lower trade barriers would improve market access; measuring obstacles in terms of common measure (e.g., time to market; impact on cost) helps identify priorities; and creating a basis for integrating trade and development goals/identifying where AFT would have the greatest impact.

Applying the value chain methodology to identify both internal and external barriers to trade offers some basis for evaluating which barriers impose the highest cost on Peruvian producers. The methodology involves mapping the value chain for Peru's perishable agricultural products and identifying the internal and external barriers to market access.

to its Program to Ensure Quality, which helps companies obtain international quality certifications, as an example of good practice. Colombia also stated that competitiveness, internationalization of its economy, and productive transformation have been effective in raising trade capacity.

The Peruvian respondent mentioned that one of the outcomes of its Program for the Development of International Trade Policies, financed by the IDB between 2003 and 2007, was the formulation of its National Strategic Exporting Plan, which was presented as an example of good practice. Peru also identified three areas in which AFT has been effective in raising trade capacity: export diversification, trade facilitation projects, and trade policy analysis.

Partner countries were also requested to identify priority areas in which the implementation and effectiveness of AFT could be improved. Table 8 gives an overview of the Andean countries' responses. Here, a major priority for the sub-region would be stronger donor focus on local capacity development and a greater say in the design of AFT. The Ecuadorian respondent also highlighted the need for trade-related training for civil servants, and the Peruvian respondent targeted the effective transfer of technology.

**TABLE 8/
Priority Areas
for Improving
Implementation and
Effectiveness of AFT –
Andean countries**

	Bolivia	Colombia	Ecuador	Peru
Greater say in design of AFT		X	X	
Stronger donor focus on local capacity development	X	X		X
Better predictability of AFT funding			X	
More extensive use of budget support	X			
More regular joint-donor implementation actions				
More harmonized reporting requirements				
More frequent joint donor-partner implementation efforts		X		X
More systematic use of joint donor-partner monitoring/ evaluation	X			
Other priorities			Public servant training	Technology transfer

Source: WTO/OECD Self-Assessment Replies

The WTO Trade Policy Review Mechanism (TPRM) is another instrument that can be used to evaluate AFT. In July 2006, the Aid for Trade Task Force concluded that an AFT assessment should be included in the TPRM. Reviews for Colombia and Peru were held in November 2006 and October 2007, respectively, and attached special importance to the WTO AFT initiative.¹¹

Caribbean Countries

Tables 9 and 10 present data on AFT flows to Caribbean countries, as reported to the OECD CRS database. Table 9 provides data on aggregate AFT flows, which increased from US\$289 million during 2002–05 to US\$317 million in 2007, a gain of 10 percent. Again, there were very considerable variations in the volumes received by countries. While Guyana, Haiti, and Jamaica received respectively US\$95 million, US\$55 million, and US\$51 million, five countries received US\$0.2 million or less.

In 2007, the Caribbean countries as a sub-region received more than 60 percent more productive capacity AFT than economic infrastructure AFT. Productive capacity AFT to the sub-region rose nine percent, increasing from US\$175 million to US\$191 million, while economic infrastructure AFT increased by six percent from US\$111 million to US\$117 million. Six

¹¹ More information on this matter, as well as TPR documents and press releases, are available at the WTO Trade Policy Review Gateway at http://www.wto.org/english/tratop_e/tpr_e/tp_rep_e.htm#bycountry

**TABLE 9/
AFT Flows to Caribbean
Countries**

	Commitments US\$ millions		Disbursements US\$ millions	AFT as % of total sector allocable aid
	2002–05	2007	2007	2007
Antigua and Barbuda	2.1	0.2	0.2	15.4
Aruba	0.0	0.0	0.0	0.0
Bahamas	0.0	0.0	0.0	0.0
Barbados	0.4	15.2	0.0	77.3
Belize	9.4	3.1	4.5	16.2
Cuba	8.8	8.3	4.5	11.7
Dominica	12.3	6.3	10.3	42.6
Dominican Republic	42.2	33.5	39.6	21.4
Grenada	6.4	0.2	0.6	7.4
Guyana	40.7	94.8	9.8	38.6
Haiti	81.6	54.5	48.5	12.2
Jamaica	33.8	50.8	40.5	50.7
St. Kitts and Nevis	1.4	0.0	0.6	0.0
St. Lucia	7.5	8.9	5.8	45.4
St. Vincent and Grenadines	4.4	7.8	9.1	26.5
Suriname	23.0	21.8	26.7	46.6
Trinidad and Tobago	15.4	11.5	3.6	71.4

Source: OECD Creditor Reporting System

countries (in declining order, Antigua and Barbuda, Barbados, Belize, Trinidad and Tobago, St. Vincent & Grenadines, and Cuba) received more than 80 percent of their aid in productive capacity building, which, apart from Belize and Cuba, are some of the sub-region's richest countries. St. Lucia, Guyana, Suriname, Dominican Republic, and Grenada received 50–70 percent. Lastly, three countries received more AFT for economic infrastructure than productive capacity building: Haiti, Jamaica, and Dominica.

Fourteen Caribbean country representatives replied to the joint WTO/OECD partner-country questionnaire. According to their responses, trade is fully mainstreamed in the national development plans of the Dominican Republic¹², Guyana, Barbados, and

Jamaica¹³; partly mainstreamed in the development plans of Dominica, St. Kitts and Nevis¹⁴, St. Lucia¹⁵, St. Vincent and Grenadines, Suriname¹⁶, and

¹² The Dominican Republic presented its National Action Plan and Systemic Competitiveness National Plan as operational strategies for mainstreaming trade.

¹³ Jamaica is formulating the Vision 2030: National Development Plan (Draft version). Available at [http://www.jis.gov.jm/pdf/Vision-2030-Jamaica-Draft-Integrated-National-Development-Plan\(January2009\).pdf](http://www.jis.gov.jm/pdf/Vision-2030-Jamaica-Draft-Integrated-National-Development-Plan(January2009).pdf)

¹⁴ St. Kitts and Nevis formulated the National Adaption Strategy (2006–2013) for a smooth adjustment from an economy based on sugar manufacturing to one based on services, tourism, financial services, and non-sugar agriculture.

¹⁵ St. Lucia formulated in 2004 a National Export Development Strategy.

¹⁶ In Suriname, there are currently three main policy documents concerned with trade: The Multi-Annual Development Program 2006–2011, the National Trade Strategy, and the Agricultural Sector Plan.

TABLE 10/
AFT by Category to
Caribbean Countries
Commitments
(US\$ million, 2007
constant prices)

	Trade Policy & Regulations		Economic Infrastructure		Building Productive Capacity		Trade-Related Adj.	Total	
	2002–05	2007	2002–05	2007	2002–05	2007		2002–05	2007
Antigua and Barbuda	0.0	0.0	0.0	0.0	2.1	0.2	0.0	2.1	0.2
Aruba	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bahamas	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Barbados	0.0	0.0	0.0	0.0	0.4	15.2	0.0	0.4	15.2
Belize	0.0	0.0	0.1	0.0	9.2	3.1	0.0	9.4	3.1
Cuba	0.1	0.0	1.4	0.7	7.4	7.6	0.0	8.8	8.3
Dominica	0.0	0.0	6.2	6.0	6.1	0.2	0.0	12.3	6.3
Dominican Republic	0.1	3.4	11.1	12.9	31.1	17.3	0.0	42.2	33.4
Grenada	0.0	0.0	1.9	0.1	4.5	0.1	0.0	6.4	0.2
Guyana	0.4	0.8	31.8	24.3	8.4	69.6	0.0	40.7	94.8
Haiti	0.0	1.4	32.8	36.6	48.7	23.7	0.0	81.6	54.5
Jamaica	1.5	0.4	9.3	28.7	23.0	21.6	0.0	33.8	50.8
St. Kitts-Nevis	0.0	0.0	0.0	0.0	1.4	0.0	0.0	1.4	0.0
St. Lucia	0.0	0.8	3.8	0.3	3.6	7.1	0.8	7.5	8.9
St. Vincent & Grenadines	0.0	0.2	0.0	0.0	4.4	7.5	0.2	4.4	7.8
Suriname	0.0	0.0	11.3	7.4	11.7	14.4	0.0	23.0	21.8
Trinidad and Tobago	0.3	0.0	0.7	0.0	14.3	11.5		15.4	11.5
Sub-Total	2.4	10.1	110.6	117.2	175.2	191.1	1.0	289.4	316.8
Caribbean regional	5.9	4.3	0.1	0.0	4.3	2.4	0.0	10.3	6.7
TOTAL	8.3	14.4	110.7	117.2	179.5	193.5	1.0	298.5	344.7

Source: OECD Creditor Reporting System

¹⁷ Trinidad and Tobago's National Development Plan titled Vision 2020 has five development pillars. The third pillar focuses on competitive business.

¹⁸ The National Poverty Elimination Strategy in Belize and the National Export Strategy in Grenada.

Trinidad and Tobago¹⁷; and not mainstreamed in the case of Antigua and Barbuda, Bahamas, Grenada and Belize, although trade may be addressed in the annual budget or various sectoral strategies.¹⁸

Table 11 outlines the top three priorities areas listed by the Caribbean country respondents to the questionnaire. From the table, it is clear that competitiveness is the main AFT priority area, followed by trade policy analysis, export diversification, and regional integration.

**TABLE 11/
AFT Priority Areas for
Caribbean Countries**

	Priority 1	Priority 2	Priority 3
Antigua and Barbuda	Trade Policy Analysis	Competitiveness	Network Infrastructure
Bahamas	Trade Policy Analysis	Value Chains	Export Diversification
Barbados	Competitiveness	Trade Policy Analysis	Regional Integration
Belize	Trade Facilitation	Export Diversification	Regional Integration
Dominica	Competitiveness	Regional Integration	Trade Policy Analysis
Dominican Republic	Trade Policy Analysis	Regional Integration	Competitiveness
Grenada	Export Diversification	Trade Policy Analysis	Competitiveness
Guyana	Network Infrastructure	Competitiveness	Export Diversification
Jamaica	Network Infrastructure	Competitiveness	Export Diversification
St. Kitts and Nevis	Competitiveness ¹⁹	—	—
St. Lucia	Adjustment Costs	Other transport	Competitiveness and Export Diversification
St. Vincent and Grenadines	Competitiveness	Network Infrastructure	Regional Integration
Suriname	Trade Policy Analysis	Regional Integration	Network Infrastructure
Trinidad and Tobago	Export Diversification	Competitiveness	Regional Integration

Source: WTO/OECD Self-Assessment Replies

Most Caribbean respondents noted that some trade capacity constraints were addressed at the regional level through national trade strategies, with the exception of representatives of the Bahamas, Jamaica, St. Lucia²⁰, Belize and St. Vincent and Grenadines²¹. Fourteen respondents noted that they participated in regional integration processes including several CARICOM initiatives, such as the Caribbean Single Market and Economy, the Caribbean Regional Negotiating Machinery, and CARIFORUM. Others participate actively in the Organization of Eastern Caribbean States (OECS)²². In addition, the Dominican Republic respondent highlighted DR-CAFTA with the United States as an important regional integration process.

Examples of AFT processes, programs, or projects that constitute good practice were given by respondents from the Dominican Republic, Grenada, Guyana, St. Kitts and Nevis, and St. Lucia. The Dominican Republic respondent referred to projects being implemented in the framework of the DR-CAFTA Trade Capacity Building Committee, the Institutional Program for Regional Integration financed by the European Union,²³ and two more

¹⁹ The only priority listed by the country to increase competitiveness in tourism development, agriculture (non-sugar) and information and communications technologies (ICT)

²⁰ These three declared that they were not sure if their trade capacity constraints were addressed at the regional level through national trade strategies.

²¹ These two declared that regional trade capacity challenges are not specifically addressed in their development plans.

²² The WTO Members of the (OECS) are Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines.

²³ The ISPRI aims to help the country transition into the signed EPA between CARIFORUM and the EU.

Creating a Tool for Assessing Aid for Trade in the Context of Services Exports: Approaching the Market from an Investor's Perspective – A Case Study of Investment in Medical Tourism in the Caribbean

Aid for Trade in a Caribbean context is not as simple as identifying the choke point in customs clearance and providing assistance to overcome that obstacle. What is needed is a similarly market-oriented framework for analysis that directly addresses the challenge the Caribbean faces in attracting new investment to diversify its services export base.

In a recent case study sponsored by the IDB, Aldonas and Trejos began by building a tool that Caribbean governments, aid donors, and lenders could use in developing Aid for Trade projects relevant to service-oriented economies in the Caribbean. At its core, the approach involves the application of standard tools of investment analysis to illuminate the challenges that Caribbean governments will face in attracting investment in industries engaged in services exports, as well as the way in which donors and international organizations can support that effort.

Once the analytical framework has been established, the authors apply it to a case study of developing medical tourism as a basis for assessing how best to spur investment in non-traditional activities and where Aid for Trade might contribute to that effort and create a stronger platform for Caribbean services exports,

The specific investment used to drive the analysis involves the development of a facility that combines aspects of a retirement community with a high-quality medical facility specializing in the care of the elderly. The facility would be designed to serve an aging population with relatively high disposable income in industrialized countries confronting rising health care costs.

The analysis suggests that medical tourism offers a significant opportunity for the Caribbean. Because of the heavy governmental involvement in the health care sector in the main markets the Caribbean might serve, there is also a significant role for Caribbean governments in shaping the market opportunity by the choices they make in building out a broader and deeper economic relationship with those markets, as the region is currently doing within the framework of the Economic Partnership Agreements with the European Union.

projects financed by the IDB²⁴ and USAID as examples of good practices. The development of the National Export Strategy which brought together the public sector, private sector, and NGOs in Grenada was singled out as an exercise that obtained good results. The St. Kitts and Nevis respondent referred to that country's Trade Facilitation Capacity Building Project as a good example of identifying bottlenecks and impediments existing in its supply chain.

The work of the St. Lucia Bureau of Standards in assisting local exporters in the agro-processing, manufacturing, and other sub-sectors in meeting international standards has contributed to the adoption and perpetuation of good

²⁴ They are IDB project 1511 to strengthen the management of foreign trade, and the project to support the transition to competitive food industry (PATCA).

practices across its productive sector. In Guyana, the establishment of the Guyana Revenue Authority and the National Procurement and Tender Administration Board has improved upon the previous legislation and has promoted trade.

In general, Caribbean country respondents to the WTO/OECD self-assessment questionnaire stated that technical cooperation relating to trade facilitation, trade policy analysis, regional integration, and competitiveness had all been effective in raising capacity in their countries.

Partner countries were also requested to identify priority areas in which the implementation and effectiveness of AFT could be improved. Table 12 below gives an overview of the responses. Better predictability of AFT funding, stronger donor focus on local capacity development, and greater say in design of interventions are the main priorities the Caribbean country respondents cited for improving effectiveness.

	Antigua and Barbuda	Bahamas	Barbados	Belize	Dominica	Dominican Republic	Grenada	Guyana	Jamaica	St. Kitts and Nevis	St. Lucia	St. Vincent and Grenadines	Suriname	Trinidad and Tobago ²⁵
Greater say in design of AFT		X	X	X	X	X	X				X			
Stronger donor focus on local capacity development	X			X		X	X	X	X	X		X		X
Better predictability of AFT funding		X	X	X	X	X	X	X	X		X			X
More extensive use of Budget Support	X							X	X		X	X		
More regular joint-donor implementation actions			X											
More harmonized reporting requirements		X								X				X
More frequent joint donor-partner implementation efforts	X				X									
More systematic use of joint donor-partner monitoring/ evaluation												X		
Other priorities ²⁶			X											

Source: WTO/OECD Self-Assessment Replies

TABLE 12/
Priority Areas
for Improving
Implementation and
Effectiveness of AFT for
Caribbean Countries

²⁵ Trinidad and Tobago did not answer.

²⁶ Barbados pointed out the need for greater dialogue in the planning stages, and simplification of AFT programs.

During the TPR of the OECS countries²⁷ in November 2007, AFT was addressed in both the member country and the secretariat report.²⁸ The report highlighted that OECS members had received some technical assistance and AFT from international partners during the review period, with wide variations between them. Trade policy reviews for the Dominican Republic and Barbados were held in November and September 2008, respectively. For Barbados, the review noted that AFT contributions during the period under review had been relatively low, reflecting in part its status as a middle-income country.²⁹

Central America, Panama, and Mexico

Tables 13 and 14 present data on AFT flows to Central America, Panama, and Mexico, as reported to the OECD CRS database. Table 13 provides data on AFT aggregate flows. Total AFT provided to the sub-region grew from US\$486 million during 2002–2005 to US\$617 million in 2007, an increase of US\$131 million, or 27 percent. As was the case with other regions, the volume of AFT received varied considerably between countries. While four of seven countries received between US\$30 million and US\$20 million, El Salvador received more than 10 times that amount. As a result, El Salvador captured practically two thirds of all AFT to Central America.

**TABLE 13/
AFT Flows to Central
America, Panama,
and Mexico**

	Commitments US\$ millions		Disbursements US\$ millions	AFT as % of total sector allocable aid
	2002–2005	2007	2007	2007
Costa Rica	53.3	25.5	48.1	46.4
El Salvador	29.6	379.9	39.5	65.9
Guatemala	23.2	28.1	25.3	11.7
Honduras	173.8	30.1	35.7	8.1
Mexico	25.0	58.4	24.6	26.0
Nicaragua	172.4	75.4	118.1	24.6
Panama	9.1	19.5	7.1	9.3

Source: OECD Creditor Reporting System

²⁷ The WTO members of the OECS are Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines.

²⁸ WT/TPR/S/190. 1 October 2007 and WT/TPR/G/190. 1 October 2007.

²⁹ WT/TPR/S/203

Central America was the only Latin American sub-region to receive more aid for economic infrastructure than for building productive capacity in 2007. This is not surprising since this sub-regional group contains some of the region's poorest countries (Honduras and Nicaragua). Honduras

and El Salvador, along with Panama, received roughly 70% of their AFT for building productive capacity, while Costa Rica received 89 percent. Interestingly, Table 14 shows that the volume of aid to productive sectors actually fell by 21 percent, from the baseline figure of US\$279 million to US\$219 million in 2007. This happened while aid for economic infrastructure nearly doubled from US\$195 million to US\$348 million, explaining the large increase in total AFT to the sub-region.

TABLE 14/
AFT by Category to
Central America,
Panama, and Mexico
Commitments (US\$
million, 2007 constant)

	Trade Policy & Regulations		Economic Infrastructure		Building Productive Capacity		Trade-Related Adj.	Total	
	2002–05	2007	2002–05	2007	2002–05	2007	2007	2002–05	2007
Costa Rica	0.5	0.6	24.4	2.0	28.4	22.8	0.0	53.3	25.5
El Salvador	0.3	4.9	10.4	277.4	18.9	96.7	0.0	29.6	379.9
Guatemala	0.3	2.4	1.1	3.9	21.8	17.0	0.0	23.2	28.1
Honduras	2.2	1.3	86.7	21.0	85.0	7.6	0.0	173.8	30.1
Mexico	4.0	0.8	2.3	8.3	18.6	19.0	0.0	25.0	58.4
Nicaragua	4.0	0.4	65.7	21.5	102.7	50.9	0.0	172.4	75.4
Panama	0.0	0.0	4.9	14.0	4.1	5.4	0.0	9.1	19.5
Sub-Total	11.3	10.3	195.5	348.2	279.5	219.5	0.0	486.3	616.7
North & Central America regional	3.7	7.5	8.3	85.4	51.9	68.5	0.0	63.9	161.4
TOTAL	14.0	17.8	203.8	433.6	331.4	316.7	0.0	550.2	778.1

Source: OECD Creditor Reporting System

Six of the seven Central American, Panama, and Mexico sub-region respondents to the OECD questionnaire indicated that trade is included in their respective national development plans. For Costa Rica, Honduras and Panama, trade is a key priority. Costa Rica has been implementing a National Development Plan with specific objectives related to international trade. Honduras has formulated a National Development Plan 2007–2030 that aims to ensure an inclusive social and economic system. Panama is implementing a Strategic Vision for Economic Development and Employment by 2009 and a National Trade Strategy 2004–2009. Trade issues are included in the national plans of Guatemala, Mexico, and Nicaragua, and are also

addressed in diverse sectoral strategies. Guatemala formulated an Integrated Policy Framework for Foreign Trade; Mexico addresses trade in its Sector Economic Program 2007–2012³⁰; and Nicaragua has a Human Development National Plan.

Using a Value Chain Approach to Aid for Trade – A Case Study of the Honduras' Textile Sector

Using the same value chain methodology used for Peru to analyze Honduran textile sector, this case study highlights barriers that hinder Honduran producers from taking full advantage of their participation in a variety of trade arrangements, from its membership in the World Trade Organization to its regional trade arrangements and free trade agreement with the United States. Applying the value chain methodology to identify both internal and external barriers to trade offers some basis for evaluating which barriers impose the highest cost on Honduran producers.

Honduras has already established a successful industry, which suggests that improving the efficiency of each step in the value chain could offer significant benefits, both to existing exports and exports of similar products. Time and distance to market have become an increasingly important factor in the textile and apparel industry, particularly the ability to tap markets that offer a higher rate of return due to their links to fashion or other seasonal changes in consumer preferences.

Companies based in Honduras enjoy a competitive cost advantage, and not a competitive advantage based in product differentiation. The linkages between different stages of the value chain in the Honduran textile and apparel industry are world class, and that is where most of its strengths seem to be coming from. The main weaknesses lie within the different links and in areas needed to improve readiness to take advantage of global market opportunities. These include the backlog of investments in electricity generation, scarcity of labor, heavy concentration in the U.S. market, and significant barriers to entry for small, local operators. The resulting picture helps clarify which actions by Honduran policymakers and the IDB have the greatest potential to improve prospects of Honduran producers accessing global markets

Table 15 outlines the top three priority areas listed by the sub-region's six respondents. Trade policy analysis is undoubtedly their main priority. Export diversification, competitiveness, and regional integration were also identified as priorities for Central America, Panama, and Mexico.

The WTO/OECD questionnaire examines how trade capacity constraints are addressed at the regional level through national trade strategies. Respondents from Costa Rica, Guatemala, Honduras, and Nicaragua noted

³⁰ For more information, see <http://www.economia.gob.mx/img-sip/Derecha/Bannerssip/progsectorialeconomia.pdf>

	Priority 1	Priority 2	Priority 3
Costa Rica	Trade Policy Analysis	Competitiveness	Regional Integration
Guatemala	Trade Policy Analysis	Export Diversification	Regional Integration
Honduras	Trade Policy Analysis	Export Diversification	Competitiveness
Mexico	Trade Policy Analysis	Trade Facilitation	Competitiveness
Nicaragua	Trade Policy Analysis	Competitiveness	Export Diversification
Panama	Competitiveness	Export Diversification	Trade Policy Analysis

Source: WTO/OECD Self-Assessment Replies

**TABLE 15/
AFT Priority Areas
for Central America,
Panama, and Mexico**

The Regional Dimension of Aid-for-Trade

The Mesoamerica Integration and Development Project (MP), originally entitled the Plan Puebla-Panama, was launched in June 2001 to facilitate and advance the process of integration and development in Mexico, Guatemala, Belize, El Salvador, Honduras, Nicaragua, Costa Rica, and Panama. Colombia joined the project in 2006.

The Mesoamerica Project comprises nearly 100 projects and more than US\$9 billion in investments in the areas of human development, sustainable development, energy, telecommunications, trade facilitation, natural disaster prevention, and transportation. These investments aim at connecting markets, reducing transport and trade costs, enhancing trade competitiveness, developing foreign investment attraction potential, and efficiently delivering goods and services to the global marketplace.

The signature activity is the International Network of Mesoamerican Highways (RICAM), which is designed to achieve full physical integration and ensure the smooth flow of merchandise and passengers by shortening travel distances on north-south and coast-to-coast routes. In addition, the MP is creating the Central American electrical interconnection system by building a 230kW transmission line 2,000 kilometers long. This interconnection will prepare the way for a regional electricity market that will result in reductions in electricity prices by 15 percent to 20 percent, significantly boosting the competitiveness of the countries.

More than 95 percent of commercial goods in the Mesoamerican region—approximately US\$6 billion—are transported overland using the Pacific Corridor. This highway, which runs from Puebla, Mexico, to Panama, crosses six national borders, which means it is destined to become the backbone of commercial trade in Mesoamerica. Moreover, it will cut the distance from Panama to Mexico by approximately 300 kilometers. However, the right conditions must be created for this to happen, inasmuch as the infrastructure at the border crossings along the Pacific Corridor is unreliable and inefficient and the facilities are substandard. These conditions are amplified by limited logistical and operational planning at the borders, lack of information, and lack of regulatory harmonization. As part of the Mesoamerica Project, one of the main initiatives in 2009 will be to accelerate progress on the Pacific Corridor, by carrying out a comprehensive action plan that includes improvements and investments in the most needed sections and improvements to all the border crossings. These actions will improve the corridor's transit conditions.

**TABLE 16/
Priority Areas
for Improving
Implementation and
Effectiveness of AFT**

**CENTRAL AMERICA,
PANAMA, AND MEXICO**

	Costa Rica	Guatemala	Honduras	Mexico ³¹	Nicaragua	Panama
Greater say in design of AFT	X	X			X	
Stronger donor focus on local capacity development		X	X			X
Better predictability of AFT funding		X				X
More extensive use of Budget Support			X		X	
More regular joint-donor implementation actions					X	X
More harmonized reporting requirements						
More frequent joint donor-partner implementation efforts	X		X			
More systematic use of joint donor-partner monitoring/evaluation	X	X				
Other priorities						

Source: WTO/OECD Self-Assessment Replies

³¹ Mexico claims not to have received Aid for Trade, because it does not take into account technical assistance received from the WTO, APEC, or ALADI. In Mexico's view, assistance provided by those organizations is part of annual programs to their members and thus, cannot be considered as Aid for Trade.

³² For more information see http://www.sica.int/index_en.aspx?Idm=2&IdmStyle=2

³³ The ARCO Forum comprises of 11 countries: Mexico, Colombia, Costa Rica, Chile, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Panama and Peru. Countries committed to continue promoting greater regional integration with the other countries in the Asia Pacific. For more information see <http://www.arcodelpacifico.org/>

³⁴ IDB, AID, and the BCIE (Central American Bank for Economic Integration) projects.

that their trade strategies specifically address regional trade capacity challenges. Respondents from Mexico and Panama noted that their strategies do not explicitly tackle regional problems. All respondents stated that they participate in regional integration processes, citing the Central American Integration System³², the Latin-American Pacific Basin Initiative³³, and the Central America Customs Union, as examples of regional integration.

Most of the respondents provided examples of AFT processes, programs or projects which constitute good practice. Trade facilitation projects developed with donors were mentioned by respondents from Costa Rica, Guatemala, and Honduras as examples of good practice.³⁴ They noted that in general, regional integration, trade facilitation and competitiveness projects had been all effective in raising trade capacity in their countries. The Panama respondent added that export diversification projects have been effective in raising trade capacity, and cited the success of the country's National Program in enhancing competitiveness in different sectors (coffee, fruits and vegetables, and tourism).

Partner countries were also asked to identify priority areas in which the implementation and effectiveness of AFT could be improved. Table 16 shows that responses varied, covering all possible answers except the one related to more harmonized reporting requirements. In general, respondents

from this sub-region advocated having a greater say in design of AFT and to focus more on developing local capacity.

The WTO TPRM reviewed Costa Rica, Panama and Guatemala in May 2007, September 2007, and February 2009, respectively. In Guatemala's TPR, special mention was made of AFT and technical assistance to that country.³⁵ A TPR is planned for Honduras in 2010.

MERCOSUR and Chile

Tables 17 and 18 present data on AFT flows to MERCOSUR countries and Chile, as reported to the OECD CRS database. Table 17 provides data on aggregate flows of AFT. Total AFT to the sub-region increased from US\$154 million during 2002–05 to US\$173 million in 2007, an increase of US\$19 million, or 13 percent.

	Commitments US\$ millions		Disbursements US\$ millions	AFT as % of total sector allocable aid
	2002–2005	2007	2007	2007
Argentina	44.3	31.1	41.3	21.6
Brazil	49.9	103.9	117.6	33.5
Chile	39.8	17.8	71.9	13.2
Paraguay	13.8	15.9	21.4	20.8
Uruguay	5.9	4.4	9.0	7.8

Source: OECD Creditor Reporting System

**TABLE 17/
FT Flows to MERCOSUR
Countries and Chile**

In 2007, MERCOSUR countries received more than five times more productive capacity AFT than economic infrastructure AFT. Brazil, Argentina, Paraguay, and Uruguay received respectively 92 percent, 81 percent, 72 percent, and 59 percent of their AFT for building productive capacity.

Paraguay, Uruguay, and Chile representatives replied to the joint WTO/OECD partner-country self-assessment questionnaire. The Chile representative also replied to the South-South self-assessment questionnaire. Both Chile and Paraguay have national development plans or strategies. Chile's development plan "Growing with Equity", implemented since the 1990s, combines trade policy and poverty reduction programs as priorities. Paraguay is elaborating an Economic and Social Strategic Plan 2009–2013 in which trade plays an important role. Uruguay does not have a national

³⁵ WT/TPR/S/210

TABLE 18/
Aid for Trade by
Category among the
MERCOSUR Countries
and Chile

	Trade Policy & Regulations		Economic Infrastructure		Building Productive Capacity		Trade- Related Adj.	Total		
	2002–		2002–		2002–05		2007	2002–05		2007
	05	2007	05	2007	2002–05	2007		2002–05	2007	
Argentina	0.6	0.1	1.3	5.7	42.4	25.2	0.0	44.3	31.1	
Brazil	0.4	0.7	4.9	6.3	44.6	95.7	0.0	49.9	103.9	
Chile	1.9	0.1	4.8	12.6	33.1	5.0	0.0	39.8	17.8	
Paraguay	5.1	1.0	0.7	0.7	8.1	11.5	0.0	13.8	15.9	
Uruguay	0.4	0.0	0.5	1.7	5.0	2.6	0.0	5.9	4.4	
Sub-Total	8.4	1.9	12.1	27.1	133.2	139.5	0.0	153.7	173.0	
South America regional	4.2	2.8	20.5	19.0	14.6	46.8	0.0	39.4	68.6	

Source: OECD Creditor Reporting System

development plan, but trade is included in the annual government budget and in various sectoral strategies.

Table 19 outlines the top three priority areas of intervention to improve capacity to benefit from trade expansion and integration into the world economy. They are: export diversification, regional integration, and competitiveness.

TABLE 19/
AFT Priority Areas
for MERCOSUR
Countries and Chile

	Priority 1	Priority 2	Priority 3
Chile	Export Diversification	Regional Integration	Competitiveness
Paraguay	Network Infrastructure	Regional Integration	Competitiveness
Uruguay	Export Diversification and Competitiveness	Network Infrastructure	Trade Policy Analysis

Source: WTO/OECD Self-Assessment Replies

All three respondents noted that their countries participated in regional integration processes and that their trade strategies address trade capacity constraints at the regional level. MERCOSUR, ALADI, and UNASUR were mentioned as important regional integration processes.

Chile identified trade facilitation, competitiveness, and cross-border infrastructure as effective in raising capacity. For Paraguay, AFT has been effective in the areas of trade facilitation, regional integration and meeting

WTO accession costs. For Uruguay, AFT has been effective in promoting competitiveness, export diversification, and network infrastructure.

Examples of AFT processes, programs, or projects that constitute good practice were given by Uruguay, Chile and Paraguay. The Entrepreneurial Development Program of Industry Software (2001–2005), financed by the IDB, was presented as a successful AFT example in Uruguay that has contributed to increased exports and employment. One of several examples of good practice cited by Paraguay was the National Technical Unit for the implementation of the Structural Convergence Funds of MERCOSUR, which promotes structural convergence, competitiveness, and social cohesion of smaller economies and less developed regions. Chile provided three examples of good practices, but pointed out that those projects were not initially conceived as Aid for Trade. These projects included an agreement with the Small Business Administration of the United States (U.S.) and SERCOTEC, an agreement with the Kreditanstalt für Wiederaufbau Bank Group and the Multilateral Special Funds of the Inter-American Council for Integral Development of the OAS.

Partner countries were requested to identify priority areas where AFT implementation and effectiveness could be improved. Table 20 below gives an overview of the responses. Chile and Paraguay identified the same priority areas: greater say in AFT design, stronger donor focus on local capacity development, and more frequent joint donor-partner implementation efforts. Uruguay also urged more regular joint-donor implementation actions and more systematic use of joint donor-partner monitoring/evaluation.

	Chile	Paraguay	Uruguay
Greater say in design of AFT	X	X	X
Stronger donor focus on local capacity development	X	X	
Better predictability of AFT funding			
More extensive use of Budget Support			
More regular joint-donor implementation actions			X
More harmonized reporting requirements			
More frequent joint donor-partner implementation efforts	X	X	
More systematic use of joint donor-partner monitoring/evaluation			X
Other priorities			

**TABLE 20/
Priority Areas
for Improving
Implementation and
Effectiveness of AFT**

**MERCOSUR COUNTRIES
AND CHILE**

Source: WTO/OECD Self-Assessment Replies

As mentioned before, the WTO Trade Policy Review Mechanism is another instrument that can be used to review Aid for Trade. A Trade Policy Review for Chile will be held in October 2009.

South-South Cooperation Trends

Three countries in the Latin American and the Caribbean region responded to the WTO/OECD donor or South-South cooperation questionnaire: Argentina, Brazil, and Chile.³⁶ Argentina responded to the donor questionnaire, Chile both to the donor and the South-South cooperation questionnaire, and Brazil to the South-South cooperation questionnaire. Besides offering bilateral aid, all three countries favor schemes where triangular cooperation³⁷ is implemented with financial support from developed countries and multilateral donors.

Argentina is preparing an AFT strategy, but the country already offers South-South cooperation in the form of technical assistance to countries of equal or lower levels of economic and social development through the FO-AR (Argentine Fund for Horizontal Cooperation).³⁸ This fund aims to contribute to economic and social development of developing countries; strengthen and consolidate bilateral relations with countries benefiting from aid; and promote scientific and technological exchange between experts.

Chile stated that it does not have a specific AFT strategy, but trade-related technical assistance constitutes a relevant area in its cooperation efforts. Chile offers mainly trade policy analysis and projects aimed at building institutional capacities. According to Brazil, their international technical cooperation is a non-profit demand-driven process, based on solidarity between developing countries that aims to help its partners strengthen their institutions and human resources. The main goal of Brazilian South-South cooperation is capacity development through effective transfer of knowledge and exchange of experiences.

Measuring AFT proved problematic for all three countries. Argentina, through the FO-AR, does not categorize or quantify the cooperation offered, instead measuring assistance in the number of courses or technicians trained. Chile also has neither a specific strategy nor a system for assessment in this area. Brazil contends that attaching a monetary value to its cooperation may understate the real value of its technical cooperation, since num-

³⁶ Peru did not answer a donor questionnaire, but stated that it provides South-South Cooperation, in the form of human and non-financial resources. Peru provides assistance to Argentina, Brazil, Colombia, Chile, and Mexico. The country is also working with Israel, Egypt, India, Thailand, Singapore, and Malaysia.

³⁷ Triangular cooperation involves funding by developed countries and multilateral donors to developing countries who then provide assistance to other developing countries.

³⁸ For more information see <http://www.mrecic.gov.ar/portal/serece/dgcin/fo-ar.html>

bers reflect the cost of the project without considering the economic value of the expertise transferred. Brazil estimates that in 2007, it disbursed US\$33.7 million in AFT initiatives and US\$38.5 million in 2008.³⁹

All three countries offer technical assistance in sanitary and phytosanitary measures and certification and trade policy analysis to other developing countries. In addition, Argentina offers expertise in rural development and intellectual property and supplies know-how and experiences through FO-AR by providing Argentine experts, receiving foreign experts in Argentine institutions, and organizing regional or local seminars on issues of interest to recipient countries.⁴⁰ Chile's assistance to other countries focuses on the exchange of information, trade cooperation included in its FTAs, and infrastructure projects. Brazil provides capacity building in trade-related areas such as trade barriers, legal framework, business support services, banking, and market regulation, and is also engaged in promoting trade and finance through the implementation of a debt relief program.

Mutual accountability refers to donors and developing countries providing timely, transparent, and comprehensive information in order to jointly assess development results. In Brazil, the Brazilian Agency of Cooperation is responsible for following-up the implementation of technical cooperation projects through analysis of their annual reports and visits or meetings with the entities in charge of the projects. Argentina uses impact indicators for each specific technical cooperation project. Chile does not have an impact assessment but may consider developing an assessment system for trade-related projects.

South-South cooperation "Intra -Region"

Argentina, Brazil, and Chile consider the regional dimension a key priority in their cooperation strategies. All agreed that support to regional economic integration processes, specific requests for assistance from partners or a regional body, and providing cooperation only where the country possesses institutional capacity, are the most important factors for determining their trade-related cooperation activities at the regional level.

Argentina provides trade policy analysis by transmitting know-how on laws and trade regulations, trade facilitation focused on empowering small- and medium-size enterprises and small producers, and building productive capacity projects mainly in dairy and agricultural machinery. FO-AR statistics show an increasing demand for Argentine experts. Since its creation, the fund has developed more than 2,600 cooperation projects, and has sent nearly

³⁹ Brazil's WTO/OECD south-south questionnaire.

⁴⁰ Countries wishing to receive Argentine aid through O-AR have to fill in the FO-AR Technical Assistance Application Form to establish needs and priorities.

4,000 experts to various countries.⁴¹ The main recipients of Argentine aid in the region have been Bolivia, Ecuador, Haiti, Peru, and Cuba.

Chile has provided cooperation in the region for trade policy and regulations through its National Institute of Standardization, which promotes market access and integration through standardization. Beneficiary institutions include the Uruguayan Institute of Technical Standards, the Brazilian Association of Technical Standards, and the Argentine Institute of Standardization and Certification. Chile also has customs cooperation agreements with Peru, Bolivia, and Ecuador, among others.

Chile also provides trade development assistance for the improvement of health standards through enhancing the ability to access external markets, sharing expertise of their Office of Agrarian Studies and Planning in conducting international negotiations aimed at liberalizing trade and penetrating markets, and by focusing on the exchange of information (export promotion activities in Ecuador and El Salvador) and the exchange of professionals and interns with Bolivia and Costa Rica. Since 2005, there has been an increased demand for assistance on the work of ProChile, primarily in Ecuador, Bolivia, Peru, and Central American countries.

In its geographic neighborhood, Brazil provides cooperation in trade policy analysis, competitiveness, trade facilitation, and economic infrastructure. For the latter, Brazil finances infrastructure projects to help reduce transport costs for landlocked countries as a means to facilitate the circulation of goods, people and services, resulting in a more solid socioeconomic integration. In 2004, MERCOSUR established the Fund for Structural Convergence, whose main objective is the reduction of asymmetries among MERCOSUR countries.⁴² Brazil is also an active participant in the Initiative for the Integration of Regional Infrastructure in South America (IIRSA). The country is committed to diminishing the imbalance in trade with Latin American countries and stimulating trade relations with neighboring countries. For that reason, it launched the Program of Competitive Substitution of Imports, in which Brazilian experts are sent on missions to Latin American countries to provide technical training on how to export to Brazil. Recently, seminars were organized in Ecuador, Bolivia, and Peru.

Triangular cooperation is also a key element in South-South cooperation for Chile, Argentina, and Brazil. In Haiti, a project to drill wells and cultivate vegetables⁴³ was carried out by Brazil in association with Argentina. Also in Haiti, Brazil is working with the Inter-American Institute for Cooperation on Agriculture (IICA). In El Salvador and the Dominican Republic, a joint effort with the United States will be made to increase ethanol production.

⁴¹ Argentina's response to the WTO/OECD donor questionnaire.

⁴² Since 2006, the Brazilian Government has made annual contributions of US\$70 millions, which represent 70 percent the funds received by FOCEM. President Lula announced in December 2008 that Brazil is committed to doubling its contributions.

⁴³ This project is an adapted version of an Argentinean project called "Pro-Huerta."

Chilean examples of triangular cooperation include cooperation between the National Consumer Service, the “Consumer Advocate” of El Salvador, and the GTZ; the AGCI / GTZ Regional Cooperation Fund to improve metrological services in the Andean countries, Paraguay and Uruguay; and other projects carried in partnership with multilateral agencies such as FAO, IFAD and IICA. Since 2001, the FO-AR has been providing joint technical assistance with the Japanese International Cooperation Agency to third countries in the region through the Partnership Program for Joint Cooperation. Similar agreements were signed with other international cooperation agencies, such as the Spanish and Italian agencies for international cooperation, and other agreements with European countries are in preparation.

South-South Cooperation with Other Regions

Besides providing technical assistance to Latin American and Caribbean countries, Argentina and Brazil have also been engaged in cooperation projects with many countries outside the Americas. Argentina has been extending its activities to Eastern and Central Europe, Northern Africa and the Middle East, Sub-Saharan Africa, and Southeast Asia. Figure 3 shows the regional distribution of the FO-AR between December 1992 and December 2005.

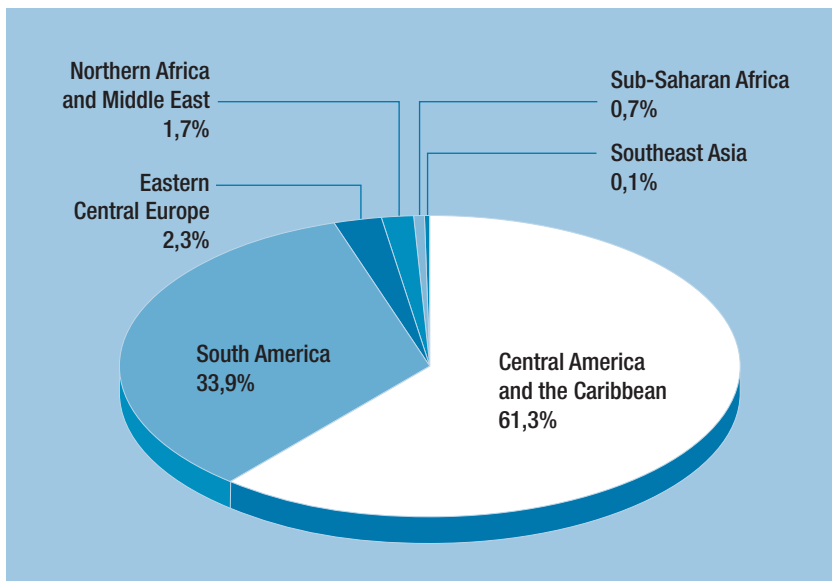


FIGURE 3/
FO-AR's activities,
1992–2005

Source: Argentina South-South questionnaire

In the case of Brazil, cooperation is mainly provided in Africa, Asia, and the Middle East. In Africa, Brazil is particularly active in promoting biofuels production. Through triangular cooperation, Brazil has negotiated a project, co-funded by Norway, to train nationals of Angola and Guinea-Bissau on public administration in programs in Brazil. Further, within the context of the India-Brazil-South Africa Forum, there is an agricultural project with Guinea-Bissau.

Concluding Remarks

Total AFT grew in real terms by more than 20 percent between the 2002–2005 baseline period and 2007. Over the same period, AFT flows to Latin America and the Caribbean have followed an upward path, growing by 34 percent from US\$1.6 billion in 2002–2005 to US\$2.2 billion in 2007. As a result, Latin America and the Caribbean's share of total Aid for Trade increased from 7 percent to 8 percent.

The current financial and economic crisis is having a strong impact on developing countries. Foreign direct investment, tourism, and remittances are expected to drop significantly in 2009, and commodity prices are unlikely to recover in the short run. Preliminary signs show, however, that the financial crisis and the accompanying economic downturn may not impact the steady upward trend of Aid for Trade, which is consistent with the counter-cyclical nature of aid.

OECD/WTO self-assessment questionnaires were circulated to donors and partner countries in December 2008. A total of 88 replies were received from partner countries (27 from the Latin American and Caribbean region) and 52 replies from donors (both bilateral and multilateral). Several conclusions can be drawn from the OECD/WTO partner-country questionnaire regarding ways in which AFT relationships with development partners could be improved, including the following: a stronger focus on local capacity development in project implementation, a greater say for partners in the design of AFT interventions, and more predictable funding cycles. One interesting trend in the region is the emergence of South-South cooperation and triangular cooperation.

**:: Proceedings from the Regional,
Sub-Regional and National
Reviews on Aid for Trade
2008–2009 ::**

Sub-Regional Meeting/ Caribbean (Barbados⁴⁴) December 11–12, 2008

Participants in the Caribbean sub-regional meeting on Aid for Trade held December 11–12, 2008, in Barbados, engaged in an in-depth review and discussion of issues that affect the region's trade relationships with major commercial partners and the potential role the Aid for Trade initiative could play in overcoming supply-side restraints.

In particular, representatives of member states voiced concern over the ability of their governments to carry out provisions of the newly signed Economic Partnership Agreement (EPA) with Europe. In this regard, member states advocated the creation of an EPA implementation unit through the CARICOM Secretariat and technical assistance in formulating a roadmap for implementation of the provisions of this agreement.

Highlights from the Sessions

1/ There are significant economic challenges facing the Caribbean, exacerbated by the global financial crisis and the natural vulnerability of these small states. Regional economic integration through the implementation of the Caribbean Single Market and Economy is critical to stimulating productive efficiency, trade, investment, and employment. In addition, the region must increase functional cooperation to ensure sustainability and systematic competitiveness, social justice, environmental sustainability, and democratic governance.

The signing of the EPA between the EU and the CARIFORUM will spur the regional integration process and market liberalization, creating more secure and predictable market access and reduce input costs. These policy changes will further enhance the predictability and credibility of reform, thereby increasing the confidence of the private sector and other economic actors.

However, the region must overcome specific supply-side constraints including, *inter alia*, transport inefficiencies, high energy and telecommunications service rates, scarce land and labor, little access to capital, and insufficient investment in education and innovation. The Caribbean can increase the competitiveness of export sectors through diversification,

⁴⁴ Rapporteur for this review was Pamela Coke-Hamilton, Integration and Trade Sector, IDB.

participation in global supply chains, and compliance with international norms and standards.

In light of these supply side constraints, the region needs development assistance to develop a strategy that focuses on the EPA. Support for this process must include technical assistance to build human, legal, and institutional capacity in the CARIFORUM states, and promote private sector and enterprise development to enhance international competitiveness, investment, and export diversification. Additional support is needed to promote increased innovation, research, and technology development, and for the development of trade-related infrastructure. Finally countries need assistance for capacity and institution building for fiscal reform and for adjustment costs associated with liberalization.

The EU has introduced a new AFT strategy that increases EU trade-related assistance to 2 billion euros by 2010 in addition to the overall proportion of AFT in the overseas development assistance envelope. The EU has also committed to measures for increasing aid effectiveness, including more frequent coordination among donor partners, joint analysis, response, and delivery, as well as adopting a more regional approach to resolving the issues facing the CARIFORUM states.

Additionally, several individual EU member states, such as the UK, Finland, Germany, and France, among others, are preparing their own AFT strategies, and the European Council has confirmed their engagement in the process of preparing and implementing regional AFT packages.

A series of measures are needed to move the regional AFT dialogue forward. First, CARIFORUM needs to prepare a regional integration roadmap and an action plan for legislative and policy actions required at a national and regional level. Second, this action plan should be accompanied by a specific timetable for the accomplishment of each of the actions (matching time-bound EPA commitments) as well as estimates of the volume of resources required by actions identified. Third, CARIFORUM countries should identify the responsible implementation agency for the EPA Agreement at a national and regional level and begin identifying possible sources of funding to support this process. This approach would provide an opportunity to increase aid effectiveness while strengthening ownership, donor alignment, and coordination.

2/ The CARICOM countries have enjoyed unparalleled access to the markets of the EU, the U.S., and Canada through preferential trading arrangements spanning more than three decades. Despite this access, however, the Carib-

bean countries have thus far been unable to translate this access into tangible export opportunities in many cases.

The utilization rate for Caribbean Basin Initiative and CARIBCAN has averaged between 10 and 12 percent. Some countries had much higher rates, such as Trinidad and Tobago (33 percent), achieved through the export of petroleum-based products. Other countries, such as Antigua and Barbuda, have been unable to achieve even minimal market penetration for their products.

This low rate of implementation is linked to several factors, including but not limited to, limited capacity to implement at the human, technical, and financial levels, and a lack of adequate funding to support the mechanisms required for implementation. Further, the region's private sector is not prepared or equipped to translate market access opportunities into tangible market penetration. It is critical that the reasons for CARICOM countries' difficulties to fully utilize these preferences are understood to ensure a different outcome in the future.

3/ In order for the Caribbean to benefit from the EPA, it needs to match opportunities with development goals and comparative advantage, and identify the related institutional and infrastructural challenges. One of the big questions is “How do Caribbean producers add value?”

One approach would be for the Caribbean to adopt the perspective and tools of the private sector beginning with:

- ❑ **Supply chain analysis.** Create a supply chain map—a step-by-step process of connecting people to markets in key sectors of the economies. This would include identifying institutional and infrastructural barriers from the perspective of both the supply- and demand-side, and measuring the obstacles in terms of time to market for the particular product.
- ❑ **Competition benchmarking.** Identify best-in-class performers by a measure of time-to-market for a given product or service. Examine the methodologies used for reducing the time to market: fewer barriers or better infrastructure?
- ❑ **Business planning.** Identify specific market opportunities and the means by which the Caribbean can serve these markets. This includes an examination of regional strengths, weaknesses, opportunities and threats, as well as a calculation of investment needs and potential return on investments.

These methodologies can be applied to different sectors including health tourism, finance, transportation, and logistics.

4/ Improvements are needed to increase aid effectiveness to the Caribbean in particular to the implementation of the newly signed EPA. First, national and regional institutions need to be strengthened in order to manage the process of effectively implementing its provisions. Second, the capacity of the private sector to take advantage of the agreements and to translate greater market opening into increased growth through increased export opportunities and foreign exchange earnings needs to be enhanced. Third, increased coordination among donors and simpler and faster disbursement procedures are essential to ensure timely delivery of assistance to the recipients.

National Dialogue/ Peru⁴⁵ March 3, 2009

The National Dialogue on Aid for Trade, which took place in Lima on March 3, 2009, examined the country's strategy on Aid for Trade and how this strategy relates to Peru's objective of global economic integration. The aim was to identify specific issues that the country must address to overcome obstacles that prevent it from taking full advantage of increased market access opportunities.

Highlights from the Sessions

1/ The country's vision aims at making Peru an exporter of diverse and high quality goods and services, well-positioned and competitive at the global level. In order to achieve this objective, the country has developed an ambitious and consistent strategy aimed at opening markets for its exports through the negotiation of free trade agreements.

Negotiating these trade agreements, undertaken as a comprehensive, horizontal, and coordinated effort, has focused on supporting the four main pillars of the Peruvian trade policy: trade development, including the development of diversified and high quality products from the supply side; a trade facilitation action plan and the creation of an export culture across the country; implementation and administration of trade agreements; and export promotion, which includes trade promotion, trade intelligence and capacity building, and entrepreneurial services.

Peru's strategy has deepened the country's trade liberalization, reducing domestic barriers and also creating new and important market access opportunities for Peruvian exports. At the same time, it has presented the country with reform challenges.

Peru needs to develop an enhanced logistic and customs chain, including the implementation of a new customs law. The customs law would provide new mechanisms for simplifying customs procedures and eliminating unnecessary ones, thus reducing time and costs. Clearance of goods would take only two days, making Peru one of the most cost and labor efficient countries in the region. Further, despite the establishment of a Single Window for Foreign Trade, its full implementation by all public entities is pending.

⁴⁵ Rapporteur for this review was Carolyn Robert Integration and Trade Sector, IDB.

A second area requiring further reforms is technical standards and export promotion. Peru must increase the number of countries with whom it has negotiated health and food safety protocols in order to guarantee market access for its agricultural exports. Better knowledge of importing countries' technical standards and requirements is also essential. However, this requires a budgetary increase to the government agency in charge of export promotion and a more integrated strategy for attracting investment to the country's trade agenda.

Finally, crucial improvements are needed to trade-related infrastructure. In particular, there is a need to accelerate the granting of public works concessions and modernization of key ports and ports terminals, including the Callao Port, airports (mainly on the south of the country), and key roads.

2/ Value chain analysis can be used to shape Peru's Aid for Trade Strategy, as it identifies barriers that prevent people from connecting to markets, and reveals where internal reforms, improvements in physical infrastructure, and lower foreign trade barriers can improve market access. Measuring obstacles in terms of common measures (e.g., time to market; impact on cost) helps identify priorities, creates a basis for integrating trade and development goals, and identifies where Aid for Trade would have the greatest impact.

Preliminary results in applying the value chain methodology in the context of Peru's perishables, a well-developed sector, demonstrated that success in products like asparagus can offer important lessons and best practices. In particular, the experience of asparagus exports highlights the importance of trade delays for perishable products. In this fiercely competitive sector of the global market, where there are significant barriers and government subsidies in Peru's target markets, Peruvian producers must satisfy exacting commercial standards while overcoming physical and institutional hurdles.

Possible interventions included eliminating barriers to exports (trade negotiations and cooperation on trade facilitation); upgrading producers' skills and adopting business models that allow producers to take advantage of scale; institutional improvements (i.e. reducing number of documents or steps in process); and improving physical infrastructure at ports for handling perishables.

3/ A strategic proposal and a plan of action to fully implement the free trade agreement were recently signed between Peru and the United States. The proposed strategy contains four main objectives: enhance existing regula-

tory framework, transparency, and legal certainty; enhance efficiency of the enforcement systems; strengthen institutional mechanisms and their coherence; and promote innovation and national creativity and create a culture around respect for intellectual property values. The plan includes 60 specific tasks needed to achieve the objectives mentioned above, including their prioritization.

4/ In order to enhance access to markets, Peru needs to overcome a number of challenges in the areas of food safety and animal and plant health. The most important sanitary and phytosanitary standards issues for Peruvian exporters are the following: meeting organizational challenges, including systematized prioritization, which currently occurs on an *ad hoc* basis, and focusing resources on markets that will generate the largest returns to the country; making further investments in facilities, training and operating expenditures; clarifying the organizational structure of the government to improve efficiency; and increasing institutional capacity to support exports, including enhancing the government's ability to reduce the threat of pest and disease and to address requirements of importing countries (issues of quarantine, eradication, surveillance, diagnostics and risk analysis were highlighted). Specific national and regional actions could also improve access for specific products, including livestock, dairy, fish, and horticulture.

National Dialogue/ Honduras⁴⁶ May 5, 2009

Honduras' national dialogue on Aid for Trade consisted of general and sector-specific presentations and discussions on the importance of international trade to the country's development policy; identification of inputs for elaborating Honduras' international insertion strategy; alternatives for addressing limitations that impact the country's export potential; and analyses of the role of international cooperation in strengthening the country's trading capabilities.

Highlights from the Sessions

1/ Honduras must continue to grow if the country is to further reduce poverty. To achieve this growth, they must pursue an open trade regime complemented by stronger productive sector capabilities, better transportation infrastructure, and continued emphasis on training human resources. Aid for Trade can build and strengthen Honduras' ability to better take advantage of the trade agreements it has entered into and address the negative impact that the global economic downturn may have on the country.

Success stories in non-traditional exports, particularly in the *maquila* sector, highlight the role trade and investment have played in the growth of the Honduran economy during the past five years as well as progress made in negotiating preferential trade agreements. Moves to foster opening were very important in these success stories, as well as domestic and foreign investments and actions at the micro level to strengthen the productive sector. Notwithstanding Honduras' growth over the past few years, the country still faces significant challenges in reducing poverty and inequality. The global economic downturn is negatively impacting this expansion cycle by reducing trade flows, tourism and remittances. Urgent action is required to revise and strengthen a strategy for successfully integrating into the world markets.

One means of attracting foreign direct investment and enhancing domestic investments is through prioritization and public-private partnerships. Others include deepening integration among Central American productive sectors through the modernization of existing infrastructure, consolidating new economic sectors and laying down conditions for new

⁴⁶ Rapporteur for this review was Anabel Gonzalez, Integration and Trade Sector, IDB.

activities; strengthening the competitive advantage of traditional export sectors; consolidating Honduras' international trade policy; and improving the business climate.

Honduras' international insertion strategy should promote investments in niches not yet fully exploited and that benefit from market access opportunities, consolidate the *maquila* regime and design a new set of incentives to increase value-added over time and backward linkages through the integration of local suppliers, establish a plan for developing outsourcing services, strengthen trade-related infrastructure and develop a trade facilitation plan, establish training programs designed to direct human resources to priority activities, and strengthen the participation of small- and medium-size businesses engaged in exporting.

Honduras needs to take measures to deal with the global economic downturn, particularly to protect jobs and promote new investments based on the country's strategic location, existing supply chains, and highly efficient and flexible workforce. The United States – Central American – Dominican Republic Free Trade Agreement (DR-CAFTA) could further strengthen the country's role in attracting investment if options for the computation of origin were broadened and specific rules of origin revised to take account the current reality of the productive sectors in countries party to the agreement. However, there is concern about the lack of financing mechanisms for innovative projects, particularly in the present crisis, as well as the impact of current exchange rate policies on the competitiveness of Honduras' exports.

2/ Production networks and supply chains now play a very important role in world trade, as exemplified by Honduras' textile and apparel industry. Value chains can act as an instrument for designing Aid for Trade, in this case with a particular application to the *maquila* sector. Through an examination of the different stages of this supply and value chain and an exploration of the links between producers and suppliers, Honduras' main challenges are to improve the business climate, strengthen the country's institutions, and continue to build human capacity.

An analysis of the value chain in the meat sector urged further action in a number of areas, including taking a microeconomic approach that identifies organizational strengthening and horizontal integration between relevant actors, quality improvement, incorporation of technology, development of infrastructure, improvement in access to markets, and information.

3/ Trade facilitation is a means of promoting Honduras' international insertion. Progress has been made in modernizing the logistical interoceanic system but there is still a need to improve customs performance, taking into consideration international best practices.

Second Regional Review/ Jamaica⁴⁷ May 7–8 2009

The second Regional Review of Aid for Trade moved beyond the general matters of policy and financial support that were the subject of the first Review to examine specific issues countries need to address as they move toward implementation. The second Review highlighted country-specific, intra-regional, and sector-specific assessments that shed light on potential contributions Aid for Trade can make in helping developing countries integrate into the world trading system, enter into important regional trade agreements, and cope with macroeconomic developments, such as the current global economic downturn.

This shift in focus yielded much interesting material, many policy recommendations, and clear evidence of country and regional ownership of the Aid for Trade process, which bodes well for the initiative's future. Thirty-four countries from within and outside the Latin American and Caribbean region participated, as well as officials from 16 intergovernmental and regional organizations and dozens of representatives of private sector organizations and firms, most of whom took part in the discussions.

The Caribbean reiterated the initiative's importance as a means of cushioning the adjustment to trade liberalization through unilateral, regional, or multilateral reforms. With regards to the recently signed EC-CARIFORUM agreement, the Secretariat estimates that the region will need 400 million to implement the provisions of this accord.⁴⁸ Implementation costs were not the only concern, however. Response to trade liberalization will also require outlays to cover tariff revenue losses, labor market dislocations and retaining costs, and support for private sector modernization. In addition to long-standing concerns over these implementation costs, the benefits of trade agreements depend on numerous factors other than the contents of binding obligations and accords. For opportunities created by trade agreements to increase commerce, national and regional institutions must be developed and strengthened. These include, *inter alia*, customs houses, standard-setting bodies, and agreement implementation units.

The Review highlighted the need for assistance towards both soft (knowledge, expertise, governmental and private sector services) and hard infrastructure (transportation, communications, and customs infrastructure

⁴⁷ Rapporteur for this review was Simon J. Evenett, Professor of International Trade and Economic Development, University of St. Gallen, Switzerland.

⁴⁸ Sectoral studies indicate that the total cost alone of complying with obligations in the areas of competition law, sanitary and phyto-sanitary, and technical barriers to trade amounts to 120 million.

needed to support efficient importation and exportation). Aid for Trade can support the development of this infrastructure and group of institutions.

The collapse in exports experienced by many nations in the region, whether due to falling demand abroad and reduced trade volume, or falling commodity prices should concentrate minds on how to promote exports. Thus, the payoff from successful Aid for Trade initiatives would be to enhance the contribution of exports to national recovery. But conversely, any failure in the export sector might reinforce any tendency towards “globalization fatigue” and export pessimism. The effect of the global economic downturn in reducing the availability of trade finance, estimated by some to almost \$100 billion annually, implied another role for the Aid for Trade initiative. Different rationales for the Aid for Trade initiative may shift in relative importance in response to the global economic downturn, and the downturn could also influence how governments and others evaluate the Aid for Trade initiative.

Highlights from the Sessions

1/ Peru has “mainstreamed” its trade policy into its economic development strategy. The institutional structures and collaboration with third parties involved in implementing the regional trade agreements appears to be the most prominent manifestation of that country’s trade policy. Peru has the potential to develop and sell more sophisticated products abroad and raise living standards at home. Measures to promote exports would include investing in infrastructure—both hard and soft—that Peruvian firms need for integration into global supply chains. Trade policy reforms in Peru have gone through a number of phases. Between 1990 and 1994 reforms were undertaken unilaterally. From 1995 to 2000, reciprocal reforms not only promoted trade but also increased foreign direct investment. After 2001, this strategy intensified. The newly created Ministry of Trade and Tourism sought regional trade agreements with Peru’s largest trading partners, including the United States and the European Union. Since then, over a dozen regional trading agreements have been signed, including a recent one with China.

Peru’s approach to implementing regional trade agreements recognizes that the implementation of certain trade accords is demanding and requires a significant number of legal changes. Rather than implement the bare minimum, Peru has used the process to determine what legal, institutional, and

other changes are needed to get the most value out of the trade accord. This approach has led to the realization that Peruvian firms are not satisfied with merely meeting the legal standards of trading partners in question when private sector buyers demand much higher standards. The latter must be the target of implementation initiatives, not the former.

Collaboration with other ministries, the private sector, and the regional trade agreement partners was essential both during and after the implementation phase. Structures were then developed to facilitate such cooperation. As a consequence, successful implementation of a regional trade agreement, potentially facilitated by Aid for Trade, should raise the status of the Trade Ministry within national government.

2/ The Initiative for the Integration of Regional Infrastructure in South America (IIRSA)⁴⁹, launched in 2000, seeks to promote political, social, and economic integration among its 12 South American signatories through projects to streamline regional infrastructure and integrate previously isolated sub-regions.

Consensus among technical experts is essential before a project can proceed; this emphasis on technical solutions can, in turn, insulate the initiative somewhat from political pressure. The aim of IIRSA is not to create formal agreements between parties, but rather carry out long-term projects such as building bridges, highways, linking principal transportation corridors, etc. Over four-fifths of IIRSA projects involve transportation. Thus, the IIRSA initiative has progressed from establishing a common agenda on physical infrastructure to implementation, often supported by funds from the IDB.

3/ The Mesoamerica initiative, which involves nine countries in and adjacent to Central America, could result in substantial increases in trade. The Mesoamerica initiative is founded on the realization that improvements are needed in both customs and associated formalities, and in the availability and variety of physical infrastructure within the sub-region. As a result of this initiative, 85 percent of the major roads in the Mesoamerica region have been modernized and linked together, and transportation between the Atlantic to the Pacific coasts has been improved. The average time spent at highway customs houses has fallen from 61 minutes to eight minutes, reducing time-to-market. Initiatives to improve the sub-regions' international airports, ports, and train network are underway. The principal difficulty

⁴⁹ For details see http://www.iirsa.org/index_ENG.asp?CodIdioma=ENG.

facing implementation of this initiative is limited financing, exacerbated by the current economic downturn. State spending on infrastructure could have the dual effect of stimulating domestic demand now (when it is needed) as well as promoting long-term increases in exports.

4/ As a general proposition, economic development requires productivity growth, and not just the accumulation of capital and the expansion of national labor forces. Productivity growth, in turn, is driven by specialization, which itself requires individuals to be able to buy and sell into a wide range of markets that meet their needs and aspirations. The freedom of exchange, as manifested in access to new markets, also facilitates the acquisition of new technologies, the learning of new business and management processes, and ultimately, the upgrading of skills and products. Most productivity and innovation gains for firms are incremental and quick solutions are less likely to be a source of long-term growth than gains that result from creating the institutions necessary for broad-based market exchange.

There have been profound changes in the organization of business activity across borders in recent years. Effectively-vertically integrated firms no longer sell final products to buyers. In contrast, 2003 was the first year when more than half of world trade was accounted for by intermediate products, reflecting the growth of production networks and supply chains. Moreover, most buyers are now horizontal organizations, specializing in a subset of the activities in the supply chain.

Success in world trade is more closely linked to the ability of firms to operate in such supply chains, which are determined in part by national transportation and communication infrastructures as well as by national policy regimes, than to tariff issues. Access to markets is now a function of a multitude of informational barriers that have little relationship with issues traditionally negotiated in trade agreements, and of the ability of a seller to offer scale to potential buyers, often through securing preferential access to industrial country market. This new view on market access, plus the need to both meet buyer standards which exceed those of national laws and trade agreements, and reduce the time taken to conceive, design, introduce, market, and ship a product, forms the present basis upon which firms compete and are compared with one another. The need to strengthen the quality of the many national institutions that underpin the ability of firms to compete is one important potential contribution of the Aid for Trade initiative.

Mapping each stage of supply and value chains and examining in detail the links between producers and suppliers is an important contribution to the dialogue. Both inbound and outbound commerce must be mapped because goods tend to flow in one direction, financial payments in the other, and delays in either direction are costly. Time to market is the best measure for comparing supply chains across countries and over time. Examining each step in value chains helps to identify the factors that increase time to market and therefore reveals where Aid for Trade initiatives might do the most good.

For example, in the case of the established and successful asparagus sector in Peru, the travel time needed to import such products into the U.S. is 25 days and the cost per container is \$800, both of which are high. Each additional day of shipping time reduces the total value of perishable exports such as asparagus by three to six percent. Aid for Trade initiatives aimed at reducing transport times and strengthening institutions, would prove useful.

Another example of how this type of analysis can be useful is the growth prospects of gerontology-related services in the Caribbean. Based on the expected increase of 100 million people over the age of 65 in industrialized countries in the next 10–12 years, the Caribbean’s competitive strengths in this market include its high quality medical schools and medical technology firms, plus the region’s tourism experience. But infrastructure weaknesses, both within nations, between islands in the region, and with the industrialized countries, need to be addressed, perhaps with the support of Aid for Trade funds. High costs of labor are a concern too, as well as the sizeable clout of buyers of health services, primarily public health services in Europe and private health insurance companies in the United States. The trade-related measures that Caribbean governments could take in this regard would include allowing visa-free travel for medical professionals within the region and negotiating agreements with large buyers abroad, perhaps as a sectoral accord or part of a larger trade negotiation. This example highlights how a region can identify its strengths and weaknesses in a potentially high value-added sector and the roles that commercial policy and Aid for Trade could play in supporting the sector’s development.

5/ No doubt many factors will shape future priorities for the Aid for Trade initiative. The value of country and regional ownership of initiatives was clearly demonstrated and considerable interest in the identification of potentially common challenges faced by exporters and governments was revealed by the

value chain analysis. The development of tools in this regard and their application to different settings has a potentially bright future, and discussions on this subject benefit substantially from private sector perspectives.

Discussions of processes and mechanisms used to promote implementation of trade accords or other initiatives, including non-binding informal intra-regional accords, suggest that implementation of such accords can enhance the profile of trade ministries within national governments, which would result in further payoffs in promoting other areas of national, regional, and multilateral trade initiatives. By implication, Aid for Trade can support such profile-raising.

6/ South-South cooperation clearly galvanizes some middle-income developing countries and some of the donors. For this reason, another potentially fruitful line of deliberation would be the development of modalities to facilitate South-South cooperation, perhaps with inducements from donors.

7/ More discussion is needed on the prioritization of Aid for Trade-related projects. Government representatives are, for the most part, reluctant to or unable to rank projects with the greatest payoff. In contrast, private sector actors have clear ideas of what projects have the greatest priority. An open discussion of this matter, supported perhaps by evidence and analysis, would be useful.

The Way Forward

The impact of the financial crisis on the real economy and failure to conclude the Doha Development Agenda risk jeopardizing the contribution of trade to economic growth and poverty reduction in developing countries. Shortfalls in financial flows to developing countries due to a contraction in world demand generally pose a greater risk to commodity-producing countries. Combined with a dependency on tariff revenues, these developments will render budgets vulnerable to potential reductions in trade flows. Aid for Trade is even more critical in this environment.

Several themes emerged from the dialogue and discussions held at the National, Sub-Regional and Regional Reviews—some which contribute to the overall success of the initiative and others which create a clear agenda for assistance to support reforms. *First*, there is clear evidence of country and regional ownership of the Aid for Trade process, which bodes well for the initiative's future; *second*, firms are not satisfied with merely meeting the legal standards of trading partners in question when private sector buyers demand much higher standards—the latter must be the target of implementation initiatives, not the former; *third*, there is an acute need for assistance towards both soft (knowledge, expertise, governmental and private sector services) and hard infrastructure (transportation, communications, and customs infrastructure needed to support efficient international trade); *fourth*, sharing experiences creates incentives for countries to implement reforms; *fifth*, value chain analysis can be used to shape an Aid for Trade Strategy and *sixth*, more discussion is needed on the prioritization of Aid for Trade related projects. Finally, fruitful line of deliberation would be the development of modalities to facilitate South-South cooperation, perhaps with inducements from donors.



⌘ Appendices ⌘

Appendix 1/ Background Papers (Abstracts)

The IDB is committed to continue supporting Latin American and Caribbean countries with the Aid for Trade initiative and its objectives. As a part of the National, Sub-regional and Regional Reviews, the IDB supported and contributed to the elaboration of several analytical and operational studies, which served as a basis and input to the discussions held in those meetings. Below are the abstracts of some of those studies. Full reports are available at www.iadb.org/int/aid_for_trade.

Connecting People to Markets: A Private Sector Perspective on Aid for Trade

Connecting people to markets represents a critical step in the development process. Economic growth, development, and a rising standard of living depend on raising productivity which requires the opportunity to specialize and the freedom to engage in exchange. This freedom demands a connection to markets—locally, nationally and globally.

Wider market access creates opportunities to take advantage of economies of scale not previously open to local producers, as well as offering them the opportunity to climb the value chain and increase their returns.

Beyond that, access to new markets offers local producers opportunities to learn from their competition, acquiring new methods of production and business processes. The same holds true for the workforce of enterprises engaged in trade—the connection to markets encourages the upgrading of skills, which translates into the incremental changes in the fields or on the shop floor that ultimately drive most productivity gains at a firm level.

According to this paper, the imperative of connecting individuals to markets in a more globalized, knowledge-driven economy, however, raises a new challenge. Conventionally defined, “market access” involves the reduction or elimination of traditional trade barriers (e.g., tariffs, quotas, subsidies, etc.) in a developing country’s principal export markets. While still relevant, those barriers no longer represent the most significant challenges that developing countries face in their efforts to engage in trade.

The accelerating integration of global markets has fundamentally altered the structure of international trade and the nature of competition in global markets. This process has dramatically cut the cost of growing, processing and manufacturing the goods that flow through world markets. It also permits firms to organize production on a global basis.

The ‘freedom’ to organize production on a global basis, however, has quickly become the ‘imperative’ of organizing production on a globally-efficient basis. Operating a global supply chain has become a competitive necessity and global value chains account for a rising percentage of trade as a result.

Redefining market access in that way illuminates the challenge that the changing structure of world trade presents to developing country producers and policymakers.

The real challenge, however, lies beyond the grasp of conventional trade policy tools. It lies in meeting the challenge of producing goods and services of the quality that global buyers demand, in the quantities they need to be cost competitive, and with the consistency they need to operate their own value chain on a globally competitive basis.

In this paper, the methodology draws from the recent work of Ricardo Hausmann and Dani Rodrik, both of Harvard University.

Recognizing that a developing country’s existing comparative advantage flows largely from geography, historical accidents, and “serendipitous choices by entrepreneurs,” Hausmann and Rodrik raise the question of what set of policies might create an economic environment attractive to entrepreneurial activity.

The body of the paper is divided into three cases:

❖ **Case 1: Applying the Value Chain Methodology to Peru’s Perishables.**

The analysis of the Peruvian case suggests a number of potentially high impact interventions for Peruvian policy makers and the aid community, including the IDB. The first involves eliminating barriers to exports through further negotiations, participation in regional initiatives designed to expand the scale of the western littoral of South America might present to Asian markets. The second high impact intervention involves upgrading Peruvian producers’ skills and their business models. A third high impact intervention would involve institutional improvements (i.e. reducing number of documents; steps in process). A final but extremely significant intervention would take the form of improving the physical infrastructure at ports.

- ❑ **Case 2: Applying the Value Chain Methodology to Honduras' Textiles and Apparel.** For the Honduran case, the analysis highlighted that the barriers and additional costs in the textile and apparel sector that hamper its export competitiveness occur within the links of the value chain, rather than at the points at which those links connected. The paper also underscores the importance of expanding the model that has worked so effectively in the textile and apparel sector to other sectors of Honduras' economy in order to allow them to follow a similar path to export success in the global economy.
- ❑ **Case 3: Incorporating the Investor's Perspective – Health Tourism in the Caribbean.** Finally, the analysis of the Caribbean case suggests that diversification in the direction of health tourism could prove attractive to entrepreneurs willing to invest in the Caribbean. It is suggested that entrepreneurs focus first on niches that they might successfully exploit without competing head-to-head with established competitors (e.g., India – heart surgery and joint replacements; Brazil – cosmetic surgery; Costa Rica – cosmetic and dental surgery).

Sanitary and Phytosanitary Technical Assistance Priorities for Peru

This report strengthens the linkage between “supply” and “demand” of technical cooperation in the area of food safety, animal and plant health (collectively known as sanitary and phytosanitary or SPS) requirements in Peru. The research was carried out in the framework of the Aid for Trade initiative and in collaboration with the World Trade Organization. With inputs of the Government of Peru, and Peruvian private sector, the report analyzes SPS issues that limit Peruvian exports and presents a set of actions which would help remove these constraints, taking into account ongoing or planned assistance where appropriate. The analysis contained in this report was obtained through interviews and questionnaires submitted to government officials, as well as discussions with private sector representatives, donors and non-governmental organizations.

Mesoamerican Integration Corridor and Aid for Trade

The average road transport speed along Mesoamerica's Pacific Corridor is 17 km/hour, which adversely affects the region's competitiveness and

economic integration. This is due in part to weak road infrastructure but also to slow border control procedures. This paper discusses how The International Network of Mesoamerican Highways (RICAM), the signature transport program of the Mesoamerican Project, is helping to achieve full physical integration and to ensure the smooth flow of merchandise and passengers. The RICAM is rehabilitating 13,132 kilometers of roads, including two major corridors (Pacific and Atlantic), a tourism route, inter-oceanic corridors, and a series of feeder roads and connections. The paper also discusses the introduction of international rules and standards for vehicular transit and homogenous weight and dimension regulations, as well as a pilot project on trade facilitation called International Transit Goods (TIM).

Strategy Proposal and Action Plan: Implementation of the US-Peru Trade Promotion Agreement in the Area of Intellectual Property

Protection of intellectual property rights is essential to the economic development of any country. Over the past few years, 10 countries in Latin America and the Caribbean have signed free trade agreements with the United States including extensive provisions on intellectual property rights. To successfully meet the obligations established in the agreements, countries must design and execute effective policy reforms that guarantee the protection of intellectual property. In this context, Peru is aware that it must pursue intellectual property policies that facilitate and foster the creation of intellectual goods for the 21st century.

At the heart of this study is a strategy designed to craft effective intellectual property legislation and institutions that will promote innovation and transfer of new technologies to local producers of Peru. The paper also outlines a set of policies to strengthen the international image of Peru and to fulfill its obligations in the framework of the Trade Promotion Agreement with the U.S.

Notes to Design an Internationalization Strategy for Honduras

Over the past few years, Honduras has enjoyed higher growth rates than the Latin American average thanks in part to foreign direct investment and export growth. The country has also signed several trade agreements that re-

quire improvements on the productivity and export capacity of Honduras. This paper provides a general overview of the Honduran economy and examines the impact of past economic policies with a special emphasis on the *maquiladoras*. It then moves on to analyze the current opportunities and challenges that Honduras is facing such as trade agreements (CAFTA-DR), trade negotiations with Europe and the rise of China. Finally, the last chapter provides a set of recommendations to maximize the potential of open trade regimes. Though the paper acknowledges the overall positive impact of the *maquiladora* industry, it also highlights the current gaps in economic and social development between Honduras and the rest of Latin America. The recommendations underline the necessity to diversify the export basket, attract more foreign direct investment and design new microeconomic policies that boost the creation of dynamic sectors to gain more access to the global marketplace and satisfy the needs of global consumers.

Appendix 2/ Events agendas and list of participants

Regional Policy Dialogue Caribbean Sub-Regional Meeting on Aid for Trade

Agenda

December 11–12, 2008
Bridgetown, Barbados
Hilton Hotel –
Península Room

Thursday, December 11

8:00–8:30 **Registration**

8:30–9:00 **Welcome Remarks:** Antoni Estevadeordal, Manager,
Integration and Trade Sector, IDB

Opening Remarks: Senator the Honorable Maxine
McClellan, Minister of Foreign Affairs and Foreign Trade,
Barbados

9:00–11:00 **SESSION I: Supply-side Constraints in the Caribbean:
Why are they Important and what is the Role of Aid for
Trade?**

This session will set the stage by exploring the main
supply-side constraints that the Caribbean countries
currently face in the context of expanding market
access and international competition, what impact
those constraints have on the ability of countries to take
advantage of increased market access, trade opening and
integration, and what role Aid for Trade could play.

Moderator: Kay Sealy, Acting Chief Economist, Trade
Division, Ministry of Foreign Affairs and Foreign Trade,
Barbados

9:00–9:30 **Speakers:**

- Antoni Estevadeordal, Manager, Integration and
Trade Sector, IDB
- Michael Roberts, Counsellor, Development Division,
WTO
- John Caloghirou, Director DG Development,
European Commission



- 9:30–11:00** **Dialogue among members**
- 11:00–11:15** **Coffee break**
- 11:15–13:00** **SESSION II: Implementing the EPA: Opportunities, Challenges Ahead and Identification of Priorities**
 The Caribbean countries face the challenge of taking full advantage of trading opportunities in the global economy. Trade is an essential factor to the growth of the Caribbean countries as their economies are small and highly trade dependent. The recent signature of the Cariforum-EC Economic Partnership Agreement constitutes a new chapter in the economic relationship between the EU and the Caribbean countries and a significant opportunity for the Cariforum countries as it is expected to stimulate export development and business opportunities. At the same time, countries of the region would have to establish effective mechanisms and develop comprehensive strategies to allow each and every country to take full advantage of those opportunities. This session seeks to identify challenges ahead and priorities for the Cariforum countries, with emphasis on two areas: services and trade facilitation.
- Moderator:** Mona Haddad, Sector Manager, International Trade Department, World Bank
- 11:15–11:45** **Speakers:**
- Pamela Coke-Hamilton, Director of the Department of Trade and Tourism, OAS
 - Ben Nupnau, Economic and Trade Affairs Manager, European Commission
- 11:45–13:00** **Dialogue among members**
- 13:00–14:30** **Lunch** (*Break Garrison 1&2 Room*)
- Keynote Speaker:** Koosiram Conhye, Principal Assistant Secretary at the Ministry of Finance and Economic Empowerment, Mauritius
- 14:30–17:00** **SESSION III: Implementing the EPA: Opportunities, Challenges ahead and Identification of Priorities. Focusing on Services and Trade Facilitation**
- Moderator:** Rajesh Aggarwal, Bureau of Policy and Programme, ITC

- 14:30–15:00** **Speakers:**
 :: Brian Staples, International Consultant, Canada
 :: Grant Aldonas, Consultant, Split Rock International
- 15:00–17:00** **Dialogue among members**
- 17:30–19:00** **Cocktail offered by the IDB** (*Charles Fort room*)

Friday, December 12

- 9:00–11:00** **SESSION IV: Monitoring Aid for Trade: The Importance of Partner Countries' participation**
 There is a need to create incentives, through enhanced transparency, scrutiny and dialogue, for more and better Aid for Trade. The 2007 Global Review showed the need for strengthening the engagement of partner countries to establish mutual accountability on the results that Aid for Trade is producing. This session will discuss ideas on how to improve participation and engagement from partner countries in the Caribbean, including through a questionnaire that aims to elicit qualitative information about what is happening in-country, and at the regional level, what is not and where improvements are needed.
- Moderator:** Michael Roberts, WTO
- 9:00–9:30** **Speaker:** Frans Lammersen, OECD Development Cooperation Directorate
- 9:30–11:00** **Dialogue among members**
- 11:00–11:30** **Wrap-Up Session**
- 11:30–11:45** **Closing remarks:** Antoni Estevadeordal, Manager, Integration and Trade Sector, IDB

List of Participants

Countries

Antigua and Barbuda

- ❑ Clarence Henry, Trade Coordinator and NAO
Ministry of Finance and the Economy (Industry and Commerce)
- ❑ Natasha George, Foreign Service Officer
Ministry of Foreign Affairs and International Trade

Belize

- ❑ Orla Kantum Coleman, Deputy Director Foreign Trade
Ministry of Foreign Affairs and Foreign Trade

Barbados

- ❑ Maxine McClean, Minister of Foreign Affairs and Foreign Trade
- ❑ Kay Sealy, Acting Chief Economist, Trade Division, Minister of Foreign Affairs, Foreign Trade and International Business
- ❑ Carson Browne, Permanent Secretary, Economic Affairs, Ministry of Finance, Economic Affairs and Energy

Canada

- ❑ Marc Banzet, Second Secretary (Development) Canadian High Commission, Bridgetown, Barbados

Germany

- ❑ Moritz Ackermann, Project Coordinator, Physikalisch-Technische Q.53
– Technical Cooperation in Latin America and the Caribbean

Grenada

- ❑ Lennox J Andrews, Head, Economic Policy and Management
- ❑ S Sally Anne Bagwhan Logie, Head, Trade and Export Development

Guyana

- ❑ Neville B. Totaram, NACEN Coordinator/Trade Vice-Minister
Ministry of Foreign Trade and International Cooperation

Haiti

- Paul Valmy Eugene, Senior Adviser, Ministry of Economy and Finance
- Marc Franck Larose, Assistant Director External Trade
Ministry of Commerce and Industry

Jamaica

- David Prendergast, Head (Acting), Trade Implementation/CSME Unit
Ministry of Foreign Affairs and Foreign Trade
- Andrea Taylor-Spence, Manager, Economic Policy and Research
Division, Planning Institute of Jamaica

Mauritius

- Koosiram Conhye, Principal Assistant Secretary, Ministry of Finance
and Economic Empowerment

St. Lucia

- Mr. Thomas Samuel, Trade Advisor, Ministry of Trade, Industry,
Commerce and Consumer Affairs

St. Vincent and the Grenadines

- Montgomery Daniel, Minister of Agriculture, Lands and Fisheries

Suriname

- Clifford Marica, Minister of Trade and Industry
Ministry of Trade and Industry
- Mrs. Margret Kerkhoffs-Zerp, Deputy Director of Trade
Ministry of Trade and Industry

Trinidad & Tobago

- Roslyn Khan Cummins, Permanent Secretary a.i.
Ministry of Trade and Industry

United Kingdom

- Jan Wimaladharm, Department for International Development
(DFID) Guyana

International and Regional Organizations

International Trade Center (ITC)

- Mr. Raj Aggarwal, Geneva, Switzerland

Caribbean Regional Negotiating Machinery (RNM)

- Henry Gill, Director General
- Chantal Ononaiwu, Trade Policy and Legal Specialist
- Ramesh Chaitoo
- Junior Lodge, RNM Geneva, Switzerland

Caribbean Export Development Agency

- Philip Williams, Executive Director

Caricom Secretariat

- Lolita Applewhaite, Deputy Secretary-General, Caricom
- Irwin LaRocque, Assistant Secretary-General
- Percival Marie, Executive Director, Resource Mobilization and Technical Assistance
- David Hales, Programme Manager, External Economic and Trade Relations
- Franzia Edwards, Programme Manager, Resource Mobilization and Technical Assistance

Caricom Regional Organisation for Standards & Quality (CROSQ)

- Vyjayanthi F Lopez, Chief Executive Officer in Barbados

Caricom Development Fund

- Lorne McDonnough, CEO

Cariforum

- Willys Ramirez Díaz, Assistant Secretary General, Georgetown, Guyana

European Commission

- John Caloghirou, Director (DG-Development)
- Ben Nupnav, Economic and Trade Affairs Manager

Inter-American Development Bank (IDB)

- Antoni Estevadeordal, Manager, Integration and Trade Sector
- Anneke Jessen, IDB Representative in Barbados
- Carolyn Robert, Senior Trade Specialist
- Paolo Giordano, Integration Economist
- Leyda Fajardo, Regional Policy Dialogue Coordinator
- Brian Staples, International Consultant, Canada
- Grant Aldonas, Split Rock International, Washington DC, US
- Antonio Bonet, ACE, Asesores de Comercio Exterior Spain

Organization for Economic Co-operation and Development (OECD)

- Frans Lammersen
- Len Ishmael, Director General
- Randolph Cato, Director of Economic Affairs

Organization of American States

- Pamela Coke-Hamilton, Director, Department of Trade and Tourism
- Maryse Roberts, Chief, Trade Section, Department of Trade and Tourism

United Nations Development Programme (UNDP)

- Luciana Mermet, Policy Specialist, Bureau for Development policy

World Bank (WB)

- Mr. Mona Haddad, Sector Manager, International Trade Department

World Trade Organization (WTO)

- Mr. Michael Roberts, Counsellor, Development Division

National Dialogue on Aid for Trade

March 3, 2009

Lima, Perú

Swissotel – Room
Paracas

Agenda

Tuesday, March 3

A joint event organized by the Inter-American Development Bank, Vice-Presidency for Sectors and Knowledge, Integration and Trade Sector, World Trade Organization and the Government of Perú in collaboration with the Government of Switzerland



9:00–9:45

Welcoming Remarks:

- Ana María Rodríguez, IDB Representative in Perú
- Michael Roberts, Counsellor, Development Division World Trade Organization (WTO)
- Mercedes Araoz, Minister of Trade and Tourism, Perú
- Peter Muller, Ambassador of Switzerland in Perú

9:45–11:00

SESSION I: The Global Economic Integration Strategy of Perú

This session will set the tone for the discussion through a dialogue on the strategy that Perú has adopted and promoted in the last few years to integrate its economy into the world. What are the main characteristics of this strategy, its elements, results, lessons learned, as well as the significant challenges that the country faces towards the future and the role of the Aid for Trade

Moderator: Carolyn Robert Senior International Trade and Investment Specialist, Integration and Trade Sector, IDB

9:45–10:15

Presentation by: Mercedes Araoz, Minister of Trade and Tourism, Perú

10:15–10:45

Dialogue among participants

10:45–11:00

Coffee break

11:00–13:00

SESSION II: Taking Advantage of Opportunities and Benefits from Trade Liberalization: Main Challenges and Reforms Needed

Perú has concluded important trade agreements with strategic partners, and is currently negotiating others and participating actively in the multilateral trading system. This process has deepened trade liberalization in the country, reducing domestic barriers and also

creating new and important market access opportunities for Peruvian exports. The issues to be discussed in this session are: which are the challenges that Perú faces to take advantage of these opportunities, which reforms need to be taken, what are the priorities, etc.

Moderator: Christian Robin, SECO, Switzerland

11:00–12:00

Short presentations:

- A Future Reform Agenda: Diego Calmet, consultant for the Inter-American Development Bank
- Value chain: A Case Study of Perishable Agricultural Products Sector: Grant Aldonas, former Under Secretary for International Trade, U.S. Department of Commerce and consultant of the Inter-American Development Bank

12:00–12:30

Dialogue among participants

12:30–15:00

Lunch hosted by the IDB

15:00–17:30

SESSION III: Trade Facilitation, Intellectual Property, Sanitary and Phytosanitary Measures: Challenges and Priorities

The objective of this session is to discuss the challenges and priorities in three areas that are strategic for Perú: trade facilitation, intellectual property and sanitary and phytosanitary measures. The private sector will share its perspective as well as the donors emphasizing their strategies on cooperation and their priorities regarding technical assistance.

Moderator: Mary Ryckman, USTR

15:00–16:00

Short presentations:

- Trade facilitation plan: Luis Torres, National Director Development and International Trade, MINCETUR
- Intellectual Property Action Plan: Pedro Roffe y Mariano Genovesi, Consultants of the Inter-American Development Bank
- Sanitary and Phytosanitary Priorities: Jason Hafemesiter, Allen Johnson and Associates:

16:00–16:45

Round table

- Liliana Honorio, Coordinator for Cooperation, Minister of Trade and Tourism, Perú

- ❖ Jose Chlimper, President AGROKASA, former Minister of Agriculture
- ❖ Donors representatives

16:45–17:15 **Dialogue among participants**

17:15–17:30 **Closing remarks**

List of participants

Countries

Perú

Ministry of Foreign Trade and Tourism (MINCETUR)

- ❖ Mercedes Araoz, Minister of Trade
- ❖ Liliana Honorio, Director FTAA, DNC.
- ❖ Victoria Elmore, Director, National Administration of Multilateral Affairs and International Trade Negotiations, DNAMNCI.
- ❖ José Luis Chicoma, Advisor
- ❖ Iván Valentino, Advisor
- ❖ Teresa Mera, Specialist on Intellectual Property
- ❖ Luis Torres, Director, National Administration of Trade (DNC)
- ❖ Javier Calderón, Cooperation Public Official, DNC, Vice-Ministry of Trade
- ❖ Edgardo Sara, Cooperation Public Official, DNC, Vice-Ministry of Trade
- ❖ Diego Llosa, WTO Public Official, Vice-Ministry of Trade

Peru Promotion Commission (PROMPERU)

- ❖ José Quiñones, Director, Export Promotion
- ❖ César Freund, Public Official, International Cooperation
- ❖ Claudia Solano, Quality Coordinator

National Institute for the Defence of Competition Defense and the protection of Intellectual Property (INDECOPI)

- ❖ Jaime Thorne León, President
- ❖ María Soledad Ferreyros Castañeda, President, Intellectual Property
- ❖ Lily Escobar, Specialist, Technical Cooperation and International Relations

General Directorate for Medicines, Medical Supplies and Drugs (DIGEMID)

- ❖ María del Carmen Orihuela, Advisor

Ministry of Labor and Employment Promotion (MTPE)

- ❖ Milenka Eslava, Advisor

Ministry of Agriculture

- ❖ Carlos Saavedra, Advisor, Office of the Minister
- ❖ Álvaro Espinoza, Advisor, Office of the Minister
- ❖ Carina Vizcarra, Advisor, Office of the Minister
- ❖ Alfredo Paredes, Director, Agrobusiness and Market Access Unit
- ❖ César Armando Romero, Specialist

National Institute of Agrarian Innovation (INIA)

- ❖ Yovana Morales Olivera, Specialist

National Agrarian Health Service (SENASA)

- ❖ Percy Barrón López, Director General, Planification and Development Office
- ❖ Jorge Barrenechea, Chief, National Administration of Vegetal Sanitary

Supervisory Authority for Private Investment in Telecommunications (OSIPTEL)

- ❖ Guillermo Thorberry Villarán, President, Board of Directors

Ministry of Foreign Affairs

- ❖ Javier Paulinich, Ambassador, Director General for WTO and International Economic Negotiations
- ❖ Claudia Guevara, First Secretary, Public Official, Under Secretary of Multilateral Economic Affairs

Private Sector

- ❖ José Chlimper, President, AGROKASA

Canada

- ❖ Rebecca Mellet, Counsellor Head of Aid, Canadian Embassy in Peru

Japan

- ❖ Hideynki Saito, Secretary, Embassy of Japan in Peru.

Switzerland

- ❖ Ambassador Peter Muller, Embassy of Switzerland in Peru.
- ❖ Christian Robin, Responsible of Programs, State Secretariat for Economic Affairs (SECO).
- ❖ Jocelyn Ostolozza, National Official of Program, Swiss Agency for Development and Cooperation in Peru.
- ❖ Line Leon-Pernet, Advisor, Embassy of Switzerland in Peru

United States

- ❖ Mary Ryckman, Assistant USTR for Trade Capacity Building, Executive Office of the President, USTR.
- ❖ Fran Huegel, Senior Director Trade and Development, USTR.
- ❖ Martín Mc Laughlin, Officer, USAID.
- ❖ Nate Tenny, Officer, USAID.
- ❖ Steve Olive, Chief, Office of Economic Development, USAID.
- ❖ Eduardo Albareda, Officer, USAID.

International and Regional Organizations**European Commission**

- ❖ Francisco Acosta, European Commission Delegation in Peru

Inter-American Development Bank (IDB)

- ❖ Ana María Rodríguez, IDB Representative in Peru
- ❖ Carolyn Robert, Senior Specialist on Trade, Integration and Trade Sector
- ❖ Alfonso Tolmos, Specialist, Infrastructure and Environment Sector
- ❖ Anabel González, Consultant, Integration and Trade Sector
- ❖ Carlos Tovar, Consultant, Integration and Trade Sector
- ❖ Diego Calmet, Consultant, Integration and Trade Sector
- ❖ Mariano Genovesi, Consultant, Integration and Trade Sector
- ❖ Pedro Roffe, Consultant, Integration and Trade Sector
- ❖ Jason Hafemesiter, Allen Johnson and Associates.
- ❖ Grant Aldonas, Former Undersecretary of Commerce, United States

Organization of American States (OAS)

- Theresa Wetter, Senior Trade Specialist

World Trade Organization (WTO)

- Michael Roberts, Counsellor, Development Division

National Dialogue on Aid for Trade

May 4, 2009
San Pedro Sula,
Honduras
Hotel Real
Intercontinental

A joint event organized
by the Inter-American
Development Bank,
*Vice Presidency for Sectors
and Knowledge
Integration and
Trade Sector,*
World Trade Organization
and the Government of
Honduras



Agenda

Monday, May 4

8:30–9:15

Introduction

Moderator: Anabel González, Inter-American Development Bank

Welcoming Remarks:

- Rebeca Santos, Minister of Finance, Honduras
- Hans-Peter Werner, Counsellor, Development Division, World Trade Organization
- Steven Stone, IDB Representative in Honduras

9:15–11:00

SESSION I: Towards a Strategy for the Internationalization of Honduras

This session will set the tone of the discussion through a dialogue on what should be the elements that should guide the development of a strategy for internationalizing Honduras' economy, including the challenges the country faces today as well as concerns and opportunities looking ahead. During the meeting, participants would address the issue of aid for trade and the role it can play in developing this strategy.

9:15–9:45

Presentation by Ricardo Rozemberg: Notes for a strategy on the internationalization of Honduras.

9:45–10:45

Working session among participants, with initial comments from Jaime Turcios, Viceminister of Industry and Trade, Honduras

10:45–11:00

Coffee break

11:00–13:00

SESSION II. The Vision of the Private Sector: The Challenges of Internationalization in Key Sectors

The active participation of the private sector in formulating a strategy of international integration is vital to ensure its relevance and success. This session would

aim to seek the vision of the Honduran private sector about what are the main challenges that the country faces to successfully integrate into the international economy and what should be the national priorities for future reforms, with special reference to the challenges and priorities in three areas of strategic importance for Honduras: textiles and clothing, meat and trade facilitation.

- 11:15–12:00 Presentations by:**
- Alberto Trejos: The value chain of the textile industry in Honduras
 - Guillermo Zúñiga: The value chain of meat
 - Jérôme Robin: Trade Facilitation and Infrastructure
- 12:00–13:00 Working session among participants,** with initial comments from Jacobo Kattán, Honduran Maquila Association
- 13:00–14:00 Closing session:** steps to follow
- 14:00–15:30** Lunch hosted by the IDB

List of Participants

Countries

Republic of China (Taiwan)

- Wally Su, Economic Counselor, Embassy of the Republic of China (Taiwan)

Costa Rica

- Alberto Trejos, INCAE

Honduras

- Roberto Babún, National Port Company
- Nadia Colindres, Dacotrans of C.A.
- Jorge Díaz, National Association of Meat Packers
- Daniel Facussé, Maquila Association
- Jacobo Kattán, Maquila Association
- Mohand Merzkani, National Port Company

- ❑ Jouseff Mitr, Chamber of Commerce and Industry of Cortes
- ❑ Melvin Redondo, Ministry of Industry and Trade
- ❑ Yani Rosenthal, Banking Sector
- ❑ Michelle Santos, Ministry of Industry and Trade
- ❑ Rebeca Santos, Minister of Finance
- ❑ Jaime Turcios, Viceminister of Industry and Trade
- ❑ Jerónima Urbina, Ministry of Industry and Trade

United States

- ❑ Robert Armstrong, Economic Officer of the Embassy of USA in Honduras
- ❑ Thomas Morris, Director, Office of Trade & Development, U. S. Trade Representative

International Organizations

Inter-American Development Bank (IDB)

- ❑ Steven Stone, IDB Representative in Honduras
- ❑ Anabel González, Consultant of the Integration and Trade Sector
- ❑ Ricardo Rozemberg, Consultant
- ❑ Guillermo Zúñiga, Consultant
- ❑ Jérôme Robin, Consultant

World Trade Organization (WTO)

- ❑ Hans-Peter Werner, Counsellor, Development Division

Second Regional Review on Aid for Trade Latin America and the Caribbean

The Second Regional Aid-for-Trade (AfT) Review for Latin America and the Caribbean will focus on progress made on the implementation of the AfT initiative. The Review builds on the results of the First Review for Latin America and the Caribbean held in Lima, Peru in September 2007 which successfully identified the region's binding constraints and AfT needs. The theme of the Second Review will be on how these constraints are being addressed

The Aid-for-Trade Roadmap for 2009 places emphasis on monitoring implementation, with a focus on country, regional and sectoral priorities. In preparation for the Second Regional Review on AfT for Latin America and Caribbean, a series of National and Sub-Regional Reviews have been held in specific countries across the region. These reviews have showcased how Aid-for-Trade strategies are progressing with a technical and results-oriented focus. The events were co-hosted by national governments and involved broad participation from donors, regional organizations and other key stakeholders. Conclusions arising from these events will be profiled at this Second Regional Review as well as at the Second Global Review on Aid for Trade to be held in Geneva on July 6–7 at the World Trade Organization. Finally, the Second Regional Review will build on OECD/WTO self-assessments submitted by countries of the region to develop actionable plans, monitor progress, and encourage mutual accountability.

Objectives

In summary, the Second Regional Review on Aid-for-Trade will have the following objectives:

- ❑ **To monitor progress in the implementation of the Aid-for-Trade Initiative** and encourage “peer” review and incentives to advance the implementation of concrete national and regional strategies in Latin America and the Caribbean;
- ❑ **To continue supporting and enhancing the mainstreaming of trade** into national and regional development agendas;

May 7–8, 2009
Montego Bay, Jamaica
Ritz Carlton Hotel

A joint event organized
by the Inter-American
Development Bank and the
World Trade Organization,
with the support of the
Government of Jamaica



Supported by:



- :: **To foster regional approaches and private sector strategies** as part of the implementation process of the Aid-for-Trade Initiative;
- :: **To promote coordination** among donors and relevant institutions in the implementation of the AfT in the region

Organization

The Second Review will be structured in several thematic panels. The objective of each session is to promote an open dialogue among all participants. This discussion will be facilitated by an initial keynote speakers and triggering remarks offered by selected lead discussants. For additional information and follow up please contact the Integration and Trade Sector of the Inter-American Development Bank (aft-lac@iadb.org)

Agenda

Thursday, May 7

- 08:00–09:00** **Registration**
- 09:00–10:30** **SESSION I: Introductory Remarks: Aid for Trade in LAC**
 This session provides an overview of the implementation of Aid-for-Trade in Latin American and the Caribbean, including a discussion of current trends in aid flows, impact of the current economic and financial downturn on aid and financial flows in the region, progress achieved to date and challenges ahead.
- Opening remarks:**
- :: Luis Alberto Moreno, President, Inter-American Development Bank
 - :: Pascal Lamy, Director General, World Trade Organization
 - :: Pamela Cox, Vice President for Latin America and the Caribbean Region, World Bank
- Keynote Address:** The Honorable O. Bruce Golding, Prime Minister of Jamaica
- 10:30–11:00** **Networking Break**

11:00–13:00

SESSION II: Effective Implementation of Trade Agreements – An Opportunity to Enhance Export Development and Business Opportunities

Latin American and Caribbean countries continue to experience the challenges associated with taking full advantage of the opportunities in the global economy. Given that many countries in the region are small and import dependent, trade plays a large role in spurring economic growth and ensuring sustainable development. The recent signing of important and strategic free trade agreements (FTAs) by countries of the region provides a significant opportunity to promote reform, stimulate export development and enhance business opportunities, e.g., the recently signed CARIFORUM-EC Economic Partnership Agreement (EPA). This is also the case of other FTAs recently signed by other countries in LAC with regional and extra-regional partners. At the same time, countries of the region urgently need to establish effective mechanisms and develop comprehensive strategies to allow each and every country to fully implement the agreements and take advantage of the new market access and investment opportunities. This session will promote the identification of challenges ahead and seek to establish priorities for countries of the region.

Key questions include:

What are the main implementation challenges countries of the region face in order to effectively implement FTAs? How prepared are countries to implement trade agreements?

What needs to be done once the agreement is implemented to ensure that the private sector is able to take advantage of increased market access opportunities?

How will countries deal with overlapping agreements and obligations?

How can regional financing mechanisms help?

11:00–12:00

Chair: The Hon. Kenneth D. Baugh, Minister of Foreign Affairs and Foreign Trade, Jamaica

Keynote speakers:

- Implementation of the CARIFORUM-EC Economic Partnership Agreement. **Dr. the Hon. David Estwick, Minister of Economic Affairs, Empowerment, Innovation, Trade, Industry and Commerce of Barbados**
- Implementation of free trade agreements in Latin America: The experience of Peru. **Mercedes Araoz, Minister of Trade and Tourism of Peru**

Triggering Remarks

- Peter Thompson, Director “Trade and Development”, Directorate-General for Trade, European Commission
- Irwin Larocque, Assistant Secretary General, CARICOM Secretariat

12:00–13:00

Plenary Discussion

Key questions include:

What impact the lack of trade finance is having on LAC export performance?

What is the gap in trade financing in the region caused by the financial crisis? How this gap is being addressed?

What is the private sector vision on existing trade finance facilities and programs?

Key questions include:

To what extent some regional projects addressing infrastructural gaps—that are multi-sectoral and multi-modal—are offering a solution to supply side constraints existing in the region?

What are the best practices for regional initiatives? Which work better than others?

Have trade facilitation reforms undertaken at regional level been more successful than trade facilitation through unilateral efforts?

How will increased transport costs affect the globalised economy?

Are we putting enough emphasis on Aft's ability to address "soft" infrastructure needs?

13:00 -14:30

SESSION III (Lunchtime): Dialogue on Aid-for-Trade and Trade Finance

LAC's growth will slow this year as the current downturn in the global economy weakens demand for the region's exports. However, the current downturn should not prompt governments in LAC to lapse into protectionism as this could greatly aggravate the current situation, prompting a vicious circle of retaliation from partners within and outside the region. Falling demand is affected by a withdrawal of trade credit. The lack of credit lines and trade guarantees is indeed one important reason for the reduction in trade flows. The impact is even more severe for developing countries. Thus, reinvigorating trade finance is essential for restoring export growth. This session will address not only the impact the current downturn is having in LAC from the trade perspective, as well as the challenges countries face but, more significantly, the alternatives to address the challenges and the importance of trade finance.

A high level dialogue on Aid for Trade and Trade Finance moderated by Steven Puig, Vice President for the Private Sector, IDB, with the participation of the Hon Audley Shaw, Minister of Finance and the Public Service of Jamaica and Mr. Othman Gamero, Vice-President, Trade Services Head Latin-America, Citigroup

14:30–17:30

SESSION IV: Enhancing Trade Facilitation and Trade – Related Infrastructure Regional Strategies in Progress

Latin American and Caribbean countries have had a long tradition of functional cooperation associated with trade liberalization. More recently, countries have begun to devise regional approaches to enhance trade facilitation and trade-related infrastructure. The Aid-for-Trade Initiative should give new impetus to this trend. Donors and recipients should collaborate in devising a response to problems and challenges faced at a regional level and provide incentives to enhance regional strategies and regional instruments to address them.

14:30–15:30

Chair: Alberto Trejos, INCAE Business School**Keynote speakers:**

- ▣ Presentation on the Mesoamerican Project
Karla María González Carvajal, Minister of Transport and Public Works, Costa Rica

- Presentation on the Initiative of the Integration of Regional Infrastructure in South America
Mauro Marcondes, Coordinator, IIRSA Initiative, IDB

Triggering Remarks

- The Hon. Michael Stern, Minister of State, Ministry of Industry, Investment and Commerce, Jamaica
- Frank Santeiro, Managing Director for Customs for Latin America, FEDEX
- Antonio Bonet, President of Asesores de Comercio Exterior, ACE , Spain

16:00–17:30 Plenary Discussion

18:00–20:00 Evening Reception hosted by the Government of Jamaica

Friday, May 08

08:30–11:00 SESSION V: Importance of Aid-for-Trade to the Private Sector

The goals of trade policy in a globalized world economy are no longer merely a question of lowering barriers in export markets. They must facilitate the ability of countries to participate in regional and global supply chains, which has become a competitive necessity. However, there is a need to identify which steps in the supply chain and the business environment add greatest value, and which areas might attract investment in higher value-added activities by improving efficiencies in the production and distribution networks for trade.

Key questions include

According to private sector, which reforms are most needed to aid countries and entrepreneurs to take advantage of new market access opportunities?

What is the scope for expanding public/private partnerships?

What are the success models in private sector involvement?

08:30–09:30 Chair: Steven Puig, Vice President for the Private Sector, IDB

Keynote Speaker: Grant Aldonas, Split Rock International, Inc, former US Under-Secretary of Commerce for International Trade

Triggering Remarks

- Senator the Hon. Charlotte Tessa Mangal, Minister of Industry, Commerce and Consumer Affairs of St Lucia
- Karen Hillard, Mission Director in Jamaica, USAID

- ❖ Patricia Francis, Executive Director, International Trade Center
- ❖ Representatives from private sector

09:30–10:45 Plenary Discussion

10:45–11:00 Networking break

Key questions include:

What are the benefits of 'horizontal' aid?

How can triangular aid play a part in the Aft Initiative?

Is there a need for a new framework for monitoring and prioritizing South-South cooperation?

How do we create incentives for the donors?

11:00–12:30 SESSION VI: Enhancing South-South Cooperation in the Aid-for-Trade Initiative

South-South cooperation is a growing dynamic trend and a significant source of tested solutions to development challenges, including in the international trade area. The increasing bilateral, trilateral and regional assistance developing among countries of the region suggests a need to explore innovative mechanisms and ways to enhance, promote, encourage and monitor this form of cooperation and its potential contribution to the implementation of the Aid-for-Trade Initiative.

11:00–11:45 Chair: Celso de Arruda França, General-Coordinator of Economic Organizations, Ministry of Foreign Relations of Brazil

Lead Speakers:

- ❖ The Hon. Yves Robert Jean, Director General, Ministry of Planning and External Cooperation
- ❖ Roberto Pizarro, Senior Advisor, Economic Relations Directorate, Ministry of Foreign Affairs, Former Minister of Planning, Chile
- ❖ Eduardo José Michel, Deputy Director, Economic Relations Directorate, Ministry of Foreign Affairs, Argentina

11:45–12:30 Plenary Discussion

12:30–13:00 Wrap-Up Session

Co-Chairs:

- ❖ **Shishir Priyadarshi, Director, Development Division, World Trade Organization**
- ❖ **Antoni Esteveordal, Manager, Trade and Integration Sector, IDB**

Rapporteur's Report: Simon Evenett, University of St. Gallen

13:00–14:30 Lunch hosted by the Inter-American Development Bank

List of Participants

Countries

Antigua & Barbuda

- ❑ Colin Murdoch, Permanent Secretary Ministry of Finance, the Economy & Public Administration (Industry & Commerce)
- ❑ Clarence Henry, Trade Coordinator, Minister of Foreign Affairs

Argentina

- ❑ Eduardo José Michel, Minister, Deputy Director, Multilateral Economic Relations Department, Ministry of Foreign Affairs
- ❑ Marcelo Suarez Salvia, Advisor, General Cooperation Department Ministry of Foreign Affairs

Barbados

- ❑ David Estwick, Minister, Ministry of Economic Affairs, Empowerment, Innovation, Trade, Industry and Commerce
- ❑ Bentley Gibbs, Permanent Secretary, Ministry of Economic Affairs, Empowerment, Innovation, Trade, Industry and Commerce
- ❑ Kay Sealy, Chief Economist, Foreign Trade Division, Ministry of Foreign Affairs and Foreign Trade
- ❑ Shani Griffith, Senior Economist, Foreign Trade Division Ministry of Foreign Affairs and Foreign Trade
- ❑ Matthew A. Wilson, First Secretary, Permanent Mission of Barbados to the United Nations and other International Organizations, Geneva, Switzerland

Belize

- ❑ Adalbert Tucker, Ambassador for Foreign Trade, Ministry of Foreign Affairs and Foreign Trade
- ❑ Edward Osborne, Adviser to Ministry of Foreign Affairs and Foreign Trade, Ministry of Foreign Affairs and Foreign Trade

Brazil

- ❑ Celso Franca, First Secretary, Economic Department, Ministry of Foreign Relations
- ❑ Julio Mattos, Minister-Counsellor, Embassy of Brazil in Jamaica

Canada

- Zheng Zhang, Senior Policy Analyst, Canadian International Development Agency

Chile

- Alex Foley, Executive Director for Chile, IDB, Washington DC, USA
- Roberto Pizarro, Senior Advisor, Former Minister of Planification, Ministry of Foreign Affairs
- Marcelo Garcia, Chief, OCDE Department, Ministry of Foreign Affairs

Costa Rica

- Marco Vinicio Ruiz, Minister, Ministry of Foreign Trade
- Karla González, Minister, Ministry of Transport and Public Works
- Emmanuel Hess, General Manager, PROCOMER, Ministry of Foreign Trade
- Marvin Rodríguez, Director of Investment and Cooperation, Ministry of Foreign Trade

Dominican Republic

- Marcelo Puello, Under Secretary of Foreign Trade, Secretary of Trade and Industry
- Juan Guiliani Cury, Under secretary of Foreign Affairs for Economic Issues and Trade Negotiations, Secretary of Foreign Affairs
- Alberto Duran, International Cooperation Coordinator Secretary of Trade and Industry
- Karina Alcantara, Foreign Trade Executive Coordinator Secretary of Trade and Industry

Ecuador

- Ivonne Garces, Undersecretary of Economy, Ministry of Foreign Affairs, Trade and Integration

El Salvador

- Rodolfo Villamariona, Advisor, CAFTA Office, Ministry of Economy

France

- Marc Olivier Strauss-Kahn, Executive Director for France, Inter-American Development Bank, Washington DC, USA

- ❖ Claire André, Economic Counsellor for Andean Countries and the Caribbean, Embassy of France in Panama
- ❖ Patrick Lebrun , Economic Counsellor in charge of Dominican Republic, Jamaïca, Haïti, Bahamas and Caïman Islands, Embassy of France in Dominican Republic

Germany

- ❖ Hans-Peter Debelius, Country Director for the Dominican Republic, Deutsche Gessellschaft fur Technische Zusammenarbeit (GTZ), Santo Domingo, Dominican Republic
- ❖ Andreas Edele, Project Manager, Trade Policy, Trade and Investment Promotion, Deutsche Gessellschaft fur Technische Zusammenarbeit (GTZ), Santo Domingo, Dominican Republic
- ❖ Kathleen Van Hove, Independent Consultant, Deutsche Gessellschaft fur Technische Zusammenarbeit (GTZ), Santo Domingo Dominican Republic
- ❖ Mathias Czaika, Economic Policy Advisor, Deutsche Gessellschaft fur Technische Zusammenarbeit (GTZ), Santo Domingo Dominican Republic
- ❖ Christine de Barros Said, Senior Project Manager, InWent, Bonn, Germany

Grenada

- ❖ Sally Anne Bagwhan Logie, Senior Trade Officer, Ministry for Finance, Planning, Economy, Foreign Trade, Co-operatives and Energy
- ❖ S. H. Allyson Francis, Trade Counsel, Ministry for Finance, Planning, Economy, Foreign Trade, Co-operatives and Energy, St. George's, Grenada

Guatemala

- ❖ David Cristiani, Vice Minister of Integration and Foreign Trade Ministry of Economy
- ❖ Ingrid Barillas, Advisor to the Vice Minister of Integration and Foreign Trade, Ministry of Economy

Guyana

- ❖ Neville Totaram, NACEN Coordinator, Ministry of Foreign Affairs Foreign Trade & International Cooperation

Haiti

- ❑ Yves Robert Jean, Ministry of Planning and External Cooperation
- ❑ Pierre Andre Dunbar, Director General, Ministry of Trade and Industry

Honduras

- ❑ Jaime Turcios, Under Secretary of Economic Integration and Foreign Trade, Secretary of Industry and Trade

Jamaica

- ❑ Bruce Golding, Primer Minister
- ❑ Kenneth Baugh, Deputy Prime Minister & Minister of Foreign Affairs and Foreign Trade, Ministry of Foreign Affairs and Foreign Trade
- ❑ Karl Samuda, Minister of Industry, Investment and Commerce, Ministry of Industry, Investment and Commerce
- ❑ Audley Shaw, Minister of Finance and the Public Service, Ministry of Finance and the Public Service
- ❑ Richard Bernal, Executive Director for Jamaica, Inter-American Development Bank, Washington DC, USA
- ❑ Gail Mathurin, Permanent Secretary, Ministry of Foreign Affairs and Foreign Trade
- ❑ Alison E Roofoe, Deputy Director, Foreign Trade Department, Ministry of Foreign Affairs and Foreign Trade
- ❑ David Prendergast, Head, Trade Implementation Unit/CSME, Ministry of Foreign Affairs and Foreign Trade
- ❑ Cheryl Spencer, Minister-Counsellor, Permanent Representative to UN Geneva, Switzerland
- ❑ Dianne Davis, Planning Institute of Jamaica
- ❑ Pamela McLean, EXIM Bank
- ❑ Marjorie Kennedy, Jamaica Exporters' Association

Japan

- ❑ Tetsuya Yohsimoto, First Secretary, Embassy of Japan, Kingston, Jamaica
- ❑ Anjali Patel, Program Officer for US Affairs, Japan International Cooperation Agency, Washington DC, USA

Peru

- ❑ Mercedes Araoz, Minister, Ministry of Foreign Trade and Tourism
- ❑ Liliana Honorio, Advisor to the Minister, Ministry of Foreign Trade and Tourism

Spain

- ❑ Jesus Silva, Ambassador for Spain, Embassy of Spain in Jamaica

St. Kitts and Nevis

- ❑ Rosalyn Hazelle, Permanent Secretary, Ministry of International Trade, Industry, Commerce and Consumer Affairs
- ❑ Samuel Berridge, Senior Trade Policy Officer, Ministry of International Trade, Industry, Commerce and Consumer Affairs

St. Lucia

- ❑ Charlotte Tessa Mangal, Minister, Ministry of Commerce, Industry and Consumer Affairs
- ❑ Titus Preville, Permanent Secretary, Ministry of Commerce, Industry and Consumer Affairs

St. Vincent & the Grenadines

- ❑ Camillo Gonsalves, Permanent Representative of St. Vincent and the Grenadines to the UN, New York, USA
- ❑ Clarence Harry, Director of Trade, Ministry of Foreign Affairs, Commerce & Trade

Suriname

- ❑ Imro San A Jong, Policy Advisor, Ministry of Trade and Industry

Trinidad and Tobago

- ❑ Wayne Punnette, Deputy Permanent Secretary, Ministry of Foreign Trade and Industry
- ❑ Anysa Alley, Representation to the WTO, Geneva, Switzerland

United Kingdom

- ❑ Hagan, Harry, Senior Economic Adviser, Department of International Development DFID, Barbados

United States

- ❑ Elena Bryan, Deputy Assistant USTR for Trade and Development Office of the United States Trade Representative, Washington DC, USA
- ❑ Sarah Senich, Office of the Western Hemisphere, Department of Treasury, Washington DC, USA

- ❑ Karen Hilliard, Jamaica Mission Director, United States Agency for International Development, Kingston, Jamaica

Uruguay

- ❑ Valeria Csukasi, Permanent Mission of Uruguay to the WTO, Geneva, Switzerland

International and Regional Organizations

Andean Development Corporation

- ❑ José Pineda, Deputy Director of the Office of Public Policies and Competitiveness

African Development Bank

- ❑ Henri Minnaar, Principal Trade Expert, Tunis Belvedere, Tunisia

Caribbean Development Bank

- ❑ Valarie Pilgrim, Operations Officer, Project Services Division

CARICOM Secretariat

- ❑ Lolita Applewhaite, Deputy Secretary General, Caribbean Community
- ❑ Irwing La Rocque, Assistant Secretary-General, Trade Economic Integration Directorate
- ❑ Wilys Ramirez, Assistant Secretary-General, CARIFORUM Directorate
- ❑ Percival Marie, Executive Director, RMTA & CARIFORUM Directorate
- ❑ Franzia Edwards, Programme Manager, Resource Mobilization & Technical Assistance
- ❑ Jeanette Stuhlerland, Project, Coordinator, Agribusiness Enterprise

Caribbean Regional Negotiation Machinery (CRNM)

- ❑ Henry Gill, Director General
- ❑ Trevor Boothe, Director, Technical Cooperation, Partnerships and Information
- ❑ Gabrielle Gellineau, CRNM Professional Trainee, Caribbean Regional Negotiating Machinery
- ❑ Junior Lodge, Technical Coordinator, WTO Negotiations, Caribbean Regional Negotiating Machinery

Economic Commission for Latin America and the Caribbean (ECLAC)

- Ekaterina Krivonos, Regional Adviser

European Commission

- Peter Thompson, Director, Trade and Development, European Commission, Brussels, Belgium
- Helen Jenkinson, Head of Economic & Social Development Section Delegation of the European Commission to Jamaica, Belize, the Bahamas, Turks & Caicos Islands & the Cayman Islands Kingston, Jamaica

Inter American Development Bank (IDB)

- Luis Alberto Moreno, President
- Steven Puig, VP for Private Sector and Non-Sovereign Guaranteed Operations
- Antoni Estevadeordal, Manager, Integration and Trade Sector
- Gerard Johnson, IDB Representative in Jamaica
- Carolyn Robert, Senior Trade and Investment Specialist, Integration and Trade Sector
- Ginya Truitt, Co-financing Specialist, ORP
- Patricia Rojas, Senior Press Officer
- Pamela Coke-Hamilton, Consultant, Integration and Trade Sector
- Anabel Gonzalez, Consultant, Integration and Trade Sector
- Krista Lucenti, Consultant, Integration and Trade Sector

Inter-American Institute for Cooperation on Agriculture (IICA)

- Trevor Murray, Director of Regional Operations and Integration for the Caribbean Region

International Monetary Fund (IMF)

- Trevor Alleyne, Division Chief in the Western Hemisphere Department

International Trade Center (ITC)

- Patricia Francis, Executive Director
- Claudia Uribe, Chief, Office for LAC
- Rajesh Aggarwall, Senior Advisor, Business and Trade Policy
- Anton Sad, Chief, Export Strategy

Organization of American States (OAS)

- Maryse Robert, Acting Director, Department of Trade and Tourism
- Fabian Victora, Section Chief, SICE, Department of Trade and Tourism

Organization for Economic Cooperation and Development (OECD)

- Frans Lammersen

Organization of Eastern Caribbean States (OECS)

- Alicia Stephen, Programme Office, Trade Policy Unit

World Bank (WB)

- Pamela Cox, Vice President for Latin America and the Caribbean Region
- Yvonne Tsikata, Country Director for the Caribbean
- Badrul Haque, Country Manager Jamaica
- Sebastian Saez, Senior Economist
- Juan Carlos Mendoza, Special Assistant to the Vice President

World Trade Organization (WTO)

- Pascal Lamy, Director General
- Valentine Rugwabiza, Deputy Secretary General
- Joshua Setipa, Counsellor, Office of the Director General
- Shishir Priyadarshi, Director, Development Division
- Michael Roberts, Counsellor, Development Division
- Josep Bosch, Information Officer

Private Sector

- Antonio Bonet, President, ACE Asesores de Comercio Exterior, Madrid, Spain
- Taiana Mora, Consultant ACE Asesores de Comercio Exterior, Madrid, Spain
- Becky Stockhausen, American Chamber of Commerce
- Diana Stewart, American Chamber of Commerce
- Michele Hustler, Project Manager Trade in Services, Barbados Coalition of Services Industries
- Natasha Ward, Trade Consultant, Barbados Private Sector Trade Team
- Milton Samuda, President, Caribbean Association of Industry and Commerce Jamaica

- ❑ Philip Williams, Executive Director, Caribbean Export Development Agency Barbados
- ❑ Othman Gamero, Vice-president, Trade Services Head of Latin American Region, Citigroup Venezuela
- ❑ Cecile La Grenade, Managing Director De La Grenade Industries, Grenada
- ❑ Francisco Santeiro Managing Director for Customs for LAC Fedex, Florida
- ❑ Alberto Trejos, Professor INCAE, Costa Rica
- ❑ Michael Lumsden, President, Jamaica Exporters Association
- ❑ Lisa Bell, Deputy President, Jamaica Promotion Corporation
- ❑ Fernando Bosque, Managing Director MJB Airports, Jamaica
- ❑ Sharon McIntosh, Project Manager, National Coalition of Service Industry (NCSI), Jamaica Trade & Invest, Jamaica
- ❑ Jacqueline Emmanuel, Director, Office of Private Sector Relations, St. Lucia
- ❑ Winston Davidson, Pricewaterhouse Coopers Jamaica
- ❑ Santia Bradshaw Director Pyramid Entertainment Management Inc. Barbados
- ❑ Trevor Riley, General Manager Shipping Association of Jamaica
- ❑ Roger Hinds, President, Shipping Association of Jamaica
- ❑ Grant Aldonas, Former US Secretary of Commerce Split Rock International USA
- ❑ Brian Staples, International Consultant, Trade Facilitation Services Canada
- ❑ Laurence Placide, President, Trinidad and Tobago Coalition of Services Industries
- ❑ Simon Evenett, Professor University of Saint Gallen Switzerland
- ❑ Andrew Morales, Managing Director, West Best Foods Ltd Jamaica

WORLD TRADE
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Integration and Trade Sector
Vice Presidency for Sectors and Knowledge