

Aid for Trade Global Review 2019



United Nations
Economic Commission for Africa



WORLD TRADE
ORGANIZATION

An inclusive African Continental Free Trade Area: Aid for Trade and the empowerment of women and young people

Executive summary

Introduction

On 30 May 2019, the Agreement Establishing the African Continental Free Trade Area entered into force, following the deposit of the twenty-second instrument of ratification with the African Union. All but three African Union member States have signed the Agreement, indicating a continent-wide commitment to deepening economic integration. As the countries prepare for the operationalization of the Agreement, the African Continental Free Trade Area faces high expectations. Modelling carried out by the Economic Commission for Africa estimates that the increase in the value of intra-African trade could range between 15 and 25 per cent, with a majority of the gains to be derived from the industrial sector. If realized, this would provide a significant boost to the industrialization and structural transformation of Africa.

The success of the Agreement depends not only on its impact on trade, but also on whether it can deliver on this transformation and affect development. While inclusive and sustainable development are at the heart of the Agreement's objectives, the provisions alone will not, in and of themselves, bring inclusiveness. Accordingly, African countries are developing national implementation strategies, which is crucial to ensure that the gains from the Agreement are felt on the ground. The strategies will also provide guidance on the gaps that Aid for Trade could bridge, thereby contributing to the effective implementation of the Agreement.

Aid for Trade flows to Africa remain strong

In 2017, US\$21.7 billion of Aid for Trade was committed and \$15.2 billion was disbursed to Africa. This represents 37.6 per cent and 35.3 per cent of the global total, respectively, making Africa one of the two main recipients of Aid for Trade. The largest donors remain unchanged from 2015, with the World Bank Group, the European Union and Germany together representing 46.9 per cent of the Aid for Trade to the continent. The majority of the disbursements were paid in the form of loans (60.2 per cent), the share of which has been increasing in recent years even though grants are more frequently given in Africa, as compared with other regions. Aid for Trade accounts for approximately 25.5 per cent of official development assistance extended to Africa.

At the subregional level, East Africa continued to attract the largest share of Aid for Trade to the continent, followed by North Africa, and then West Africa. With the exception of Southern and Central Africa, disbursements to most African subregions increased in 2017 from 2015. At the country level, the largest recipients in 2017 remained unchanged, namely Morocco, Kenya, Ethiopia, Egypt and the United Republic of Tanzania. African least developed countries received 49.3 per cent of the Aid for Trade flows, totaling \$7.1 billion in disbursements.

Economic diversification priorities and ambitions reflected in Aid for Trade strategies

Economic diversification in Africa is persistently hindered by many obstacles. Aid for Trade continues to play a role in building trade capacity and in alleviating supply-side capacity constraints. In line with this, a large majority of Aid for Trade disbursements to the continent are directed to the economic infrastructure and building productive capacity categories. Disbursements in 2017 related to these categories were \$8.0 billion (52.5 per cent) and \$6.9 billion (45.4 per cent), respectively, marking an increase from 2015. Meanwhile, disbursements intended for trade policy and regulations decreased (to \$320 million), notably because of a reduction in funding for trade facilitation projects. Transport and storage, energy and agriculture remain the largest subcategories receiving Aid for Trade disbursements.

The responses to the joint OECD-WTO 2019 Aid for Trade monitoring and evaluation exercise indicate that economic diversification is largely mainstreamed into the national development strategies or into the trade strategies of African countries. Progress in terms of economic diversification was most frequently identified in export diversification, industrialization and structural transformation. With regard to progress in economic diversification made at the sectoral level, agriculture was the most frequently identified.

Towards an inclusive African Continental Free Trade Area

In Agenda 2063: The Africa We Want, of the African Union, the empowerment of women, young people and other disadvantaged groups is highlighted as a priority, and trade is included as a pathway to industrialization and job creation. The link between economic empowerment and trade is also recognized in the Agreement Establishing

the African Continental Free Trade Area, and reiterated in the responses to the 2019 Aid for Trade monitoring and evaluation exercise.

Women and young people encounter many barriers in accessing trade, and could be marginalized in terms of the benefits from the African Continental Free Trade Area. The national strategies for the implementation of the Agreement have a key role in identifying where barriers to the African markets are disproportionately high for women and young people, and the measures that can be implemented to overcome them.

For the most part, the current Aid for Trade projects do not reflect the concerns of women and young people. A majority of the projects reviewed did not consider gender equality as an objective of the project. This varies among sectors, with some, such as transport and trade policy, appearing almost completely gender blind, whereas in priority areas, such as agriculture, financial services and business support services, Aid for Trade appears to be making a contribution towards gender equality in trade. These gaps indicate unfilled potential for improving the impact of the African Continental Free Trade Area and the Aid for Trade support on the ground.

To ensure inclusive benefits from the African Continental Free Trade Area, efforts must be made to increase the number of Aid for Trade projects that specifically target women and young people and to more effectively mainstream the concerns of women and young people into Aid for Trade projects in all categories. More focus on the distributional impacts of intra-African trade is also required within the emerging institutions and monitoring mechanisms for the African Continental Free Trade Area.
