

WBG Trade Strategy Discussion

Summary Feedback of Information Sharing Meeting with staff members of the Africa Development Bank,

Tunis, April 1, 2010

1. All participants commended the World Bank Group for the initiative and for the well written issues paper.
2. The propose strategy was considered very comprehensive, covering various aspects of international trade at country and regional level. The five pillars of the proposed strategy (Trade Promotion and Competitiveness; Trade Finance; Trade Facilitation and Logistics; Trade Cooperation; and Trade Data and Indicators) were considered pertinent.
3. On the proposed strategy, participants made the following suggestions:
 - a. **Advocacy Role:** Although most trade strategies tend to focus on supply-side constraints to trade, it is also important to bear in mind the restrictions imposed and domestic subsidies offered by developed countries' governments. Given the restrictions faced by many African countries by the protectionism by OECD countries, and the weight of the WBG's influence, it is a very well positioned player to advocate for reforms and policies that will benefit developing and less developed countries, especially in Africa.
 - b. **Linkages to other WBG strategies:** The paper states that the strategy will strive to delineate the boundaries between trade and other issue areas, including Transport, Business, Agriculture, Energy and Environment. It might be useful, however, to show how these aspects are intrinsically linked via trade, instead of trying to artificially establish boundaries between them.
 - c. **Regional integration and market size:** In the same line as the comment above, it would be valuable if the trade strategy were framed in the broader context of regional integration in the African continent. As the expected gains from trade will only materialize if issues of regional integration are addressed, a discussion of regional integration and the role of market size would enhance the paper and the overall strategy.
 - d. **Capacity:** One of the challenges for trade in the continent is the dearth of capacity to design adequate strategies that are tailor

made for Africa. The strategy would, therefore, benefit from a more in-depth discussion of specific challenges and potential solutions.

- e. **Aid for Trade:** The strategy should clearly specify how the Aid for Trade agenda will be addressed by the World Bank, as there is no independent World Bank strategy on Aid for Trade.
 - f. **Finance:** In most cases, Trade Finance is channeled through commercial banks for on-lending to SMEs. These banks charge exorbitant interest rates, making it difficult for SMEs to survive. In formulating the strategy, cognizance should be taken of the need to make use of specialized institutions in advancing loans to SMEs. In other words, there is need for innovative approaches in dealing with SMEs.
 - g. **From trade flows to composition:** It could be also interesting to put some more emphasis on the structure (composition) of the trade flows, which widely differ among countries and have important implications on the type of infrastructures needed. For example, in West and Central Africa there is an outflow of unprocessed goods and an inflow of finished goods. While exporters use bulk terminals, importers need container terminals. In addition, container vessels often leave Africa almost empty, which has severe costs implications.
4. The AfDB initiatives are closely aligned with the objectives of the World Bank strategy. In this regard, there is scope for cooperation or coordination along Paris and Accra Declarations. Regarding potential areas of cooperation, the following have been mentioned:
- a. **Trade Facilitation and Logistics:** These aspects are the mainstay of Regional Economic Communities (e.g. SADC and North-South corridor development initiatives). The AfDB has been increasing its support to development corridors, including in the area of soft infrastructure and trade facilitation. However, given the great needs of the continent, there is scope for cooperation and joint planning.
 - b. **Identification of Trade Bottlenecks:** To facilitate cooperation in the areas of infrastructure and trade facilitation, it was suggested that the two Banks should engage in a joint effort to identify the major bottlenecks to trade in Africa. The result of such activity could be a "map of major bottlenecks" that would guide each organization's work in the region.
 - c. **Knowledge Products:** Joint research and exchange of information was suggested in the areas of export diversification, infrastructure development and extension of lines of credit to

financial institutions and commercial banks (especially in the context of financial crisis).

- d. **Data and indicators:** The AfDB is currently in the process of developing indicators for regional integration, including trade indicators. In this sense, both institutions could benefit from closer collaboration in this area, not only to develop a framework, but to collect, analyze and publicize data, as well as to provide training to relevant national and regional institutions on these areas.
 - e. **Strategic Planning:** The AfDB is currently engaged in the process of preparing Regional Integration Strategy Papers covering all African sub-regions. Closer collaboration with the World Bank Group, especially with its field offices, is sought in this exercise to improve information flow and exchange. The Director of the North Africa Department even suggested a staff exchange to facilitate cooperation in the area of research. Also, in the context of the AfDB's Country Strategy Papers (CSPs), aspects of Trade Promotion and Competitiveness, as well as Trade Finance are important areas to be addressed.
 - f. **Advocacy:** To complement the proposed advocacy role to be played by the World Bank, the AfDB could join forces in raising the voice of Africa in trade negotiations and assisting trade officials, through training and policy advice, in preparing for negotiations.
5. The AfDB, through its Vice-Presidencies for Country and Regional Programs and Policy (ORVP) and for Infrastructure, Private Sector and Regional Integration (OIVP) welcomed the World Bank's initiative and look forward to strengthening the partnership between the two institutions.

Annex I: List of Participants

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