

AID-FOR-TRADE CASE STORY

ETHIOPIA

The Third Global Review for Aid for Trade

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EXECUTIVE SUMMARY

The government of Ethiopia supports the monitoring of “Global Aid for Trade Review” initiatives by OECD and WTO. Though, the government has very little success story on Aid for Trade, it is believed that the recent replies to the questions would add some value for the review.

In Ethiopia there has not been separate entity formed by law or in practice, to administer, monitor and evaluate Aid for Trade (AFT) Program. The country’s trade strategy is a derivative of the general economic development, and social welfare strategy and policy, i.e. there is no separate trade strategy or policy developed, specifically for the purpose of “Aid for Trade”

Due to the fact that a national awareness campaigns about Aid for Trade has not been conducted by the concerned institutions and the understanding of Aid for Trade by the government is slightly different from that of the donors’ definition and classification Aid for Trade programs, issues and concepts are not well known among the major public or private stakeholders.

The government treats or classifies other economic and social sectors differently from that of donors’ classification. This is mainly due to two reasons; first, the initiative came with no additional financial resources or any form of Technical Assistance so far. Second, there is a difference between the concepts of considering general ODA as if it has been provided as the Aft support. The ODA has been there for long before the Aft initiative and it has its own developmental support objectives.

The government has exerted some effort to implement a single component of the DTIS study of IF program and registered few results. However, there is a clear delay to successfully implement the EIF program, which could have an opportunity to benefit from Aft initiative.

With regard to mainstreaming trade into the national development strategy, all the previous national development plans and the current Growth and Transformation Plan (GTP) have given due emphasis and has incorporated trade matters as one of the key elements. Mainstreaming trade into the national development plan is the usual practice of the Government of Ethiopia not because of or for the sake of Aft program but as part of the overall economic growth and development objectives of the country.

With regards to donor’s participation, donors in Ethiopia have organized themselves in a group known as Donors Assistance Group (DAG). The government often conducts a dialogue with donors on commonly set agenda. The dialogue is conducted at higher policy level. The discussions mainly focus on pertinent issues that include aid effectiveness and its delivery mechanisms, poverty reduction, private sector development etc. There is also dialogue/forum with national stakeholders; public sector, private sector institutions;

chambers and sectoral associations and business people.

One of the major problems with respect to donors fund is that it is less predictable, and difficult to fully align with the priority of the country as there are different interests attached to the funds.

With regards to monitoring, the government has national accounting system at the Ministry of Finance and Economic Development (MoFED), to register the flow of all aids in the form of ODA; grants and concessional loans provided to the public sector at all levels.

ISSUES ADDRESSED

The most important issues that are addressed in this case story of AfT can be categorised in to two. From the government side and from donors side.

From the government's side, the issues addressed are mainly focused on

- the awareness or understanding of stakeholders about Aid for Trade (AfT) and the structural arrangement to administer and monitor AfT,
- mainstreaming of AfT into the national development plan of the country
- the country's objectives or priorities in the areas of AfT,
- role of focal point to implement the EIF program in to the country.
- financial flow and record keeping on AfT; and,
- about the dependency of the government's fiscal policy instruments on AfT

From the donors' side issues raised are, whether the donors have strengthened dialogue with government and have aligned their AfT supports around the country's development priorities.

With regard to the understanding about the concept and purpose of AfT, the issue/concept has not been adequately disseminated among the major stakeholders. It is observed that the definition, classification and categorization of the components of AfT by donors' differ from that of the government. Moreover, the initiative of donors in creating awareness and disseminating the information among stakeholders was undermined and no resources have been earmarked for that purposes.

The country has strategic plan focusing on the overall economic growth and development to derive the country and its people out of poverty within a short period of time. In that regard trade has been given prior focus in to the country's national development plan as part and parcel of the overall economic development plan. The objective and initiatives of the government towards trade mainly of foreign trade is promoting and diversifying export trade through the provision of the necessary support to business involved in export trade. Though there is no clear structural arrangement set to administer Aid for Trade program in the plan, (MoFED) keeps track record of all sort of ODA and related financings.

In 2004 Ethiopia, in cooperation with the donors, through IF has conducted Diagnostic Trade Integration Study that identified the supply side constraints of the country. The study identified more than 100 supply side constraints; among which the government has prioritised 45¹ areas. Through financial support from the UNDP the government has attempt to implement at least one component of the prioritized area related to institutional and human capacity building project (Institutional Support for Trade Integration and Implementation of IF Plan of Action in Ethiopia). Few results have been achieved in this regards.

The focal point for the IF program was the former Ministry of Trade and Industry (MoTI) but now the responsibility has been transferred to the Ministry of Trade after the split of MoTI in to two different entities (Ministry of Trade and Ministry of Industry). Unfortunately due to various reasons the EIF program has not yet been fully implemented but the government is now in the process of reviewing the program to implement it and benefit out of the opportunities.

In Ethiopia (MoFED) is responsible for soliciting, accepting and signing agreements, and keeping track record

¹ Though there is a need to be updated, the identified prioritized 45 projects are annexed with this document.

of all official assistances extended to the public/government, into its national account. Often almost all assistances are requested by delivering viable project proposals to the donors. On the other hand, the government has no mechanism of controlling and administer other flows through other institutions like NGOs and civil society organizations. The government's policies, strategies, plans and programs are crafted independent of donors' assistances. In other words the fiscal policy instruments are free from or autonomously crafted from external influences.

With regards to dialogue with donors, in Ethiopia there is a forum called "Development Assistance Group (DAG)". The DAG was initially established in 2001 as a forum for donors to share and exchange information. The primary objective of the DAG group was to ensure a more effective delivery and utilization of development assistances. The DAG group in Ethiopia comprises 26² bilateral and multilateral development agencies providing assistance to the country.

The government has been holding discussions with donors sustainably on different issues including economic, trade, governance, etc. The Government continue to work with development partners in areas like enhancing aid effectiveness for the achievement of the national plan and the Millennium Development Goals (MDGs). In 2008 a High Level Forum took place to discuss the role of the private sector in the development of the Ethiopian economy and on the creation of an environment that fosters the development of the private sector. In the same year the government and the DAG took part in the global OECD Survey (Aid for Trade), on the implementation of the Paris Declaration on Aid Effectiveness and Harmonization. And more recently, in September 2010, the Government of Ethiopia held a two-day consultative meeting with DAG members and other development partners on its draft five-year Growth and Transformation Plan (GTP), which covers the period 2010/11-2014/15. In general the government undergo continues dialogue with concerned groups on issues of common interest.

The discussion agenda, with donors, sometimes focuses on alignment of assistance to the government priorities. In this regard there have been improvements from time to time in terms of moving to align with the country's priority including AfT.

OBJECTIVES PURSUED

Though, the government of Ethiopia has not put in place any structural arrangements to administer, monitor and implement AfT, the Trade Relation and Negotiation Directorate within the Ministry of Trade has been delegated to follow up the implementation of the former IF program and its successor the EIF.

PROBLEMS ENCOUNTERED

Major challenges encountered were;

- Lack of common understanding and awareness about the concept, definition and purpose of Aid for Trade among major stakeholders. The concept and/or purposes of Aid for Trade have not been disseminated among major players. The initiatives and commitments of donors to persuade the government and other relevant stakeholders, for the dissemination of the concept, purposes and the structural arrangement were almost nonexistent. As a result, the projects designed/ prioritized to mobilize resources for Aid for Trade program were not implemented.
- Conceptual differences in accepting the idea that general development aid as an aid for trade has also been a challenge.
- Lack of incorporating AfT program in the development objectives of most of negotiated financing agreements such thing as aid for trade or enhancing/ building the capacity of the country with respect to trade.

² DAG members are:- African Development Bank (AfDB), Austrian Development Cooperation, Belgium Development Cooperation, CIDA, Denmark Embassy, DFID, European Commission, Finland Embassy, French Embassy, German Embassy, GTZ-Ethiopia, IMF, Indian Embassy, Irish Aid, Italian Cooperation, Japan Embassy, JICA, KfW, Netherlands Embassy, Norwegian Embassy, SIDA, Spanish Agency for International Development Cooperation(AECID), Turkish International Cooperation Agency (TICA), UNDP, USAID and World Bank.

- Lack of clearly and objectively drafted policy and strategy to mobilize Aid for Trade resources.

FACTORS FOR FAILURE

- Lack of focused and prioritized activities to follow up AfT program
- Lack of effective utilization of available resources

RESULTS ACHIEVED

As a result of the above mentioned challenges and problems for failures there is no as if remarkable results achieved in the past year on AfT.

LESSONS LEARNED

It has been reported by the OECD that many African (Sub-Sahara) countries have already implemented Aid for Trade program by forming the structural frame work. But Ethiopia has not implemented Aid for Trade program as it should to be due to various reasons mentioned above and has not been the beneficiary of the initiative. Therefore, from the lessons can be drawn from other countries who have achieved good results from the proper implementation of the program.

CONCLUSION (applicability to other programs)

The Aid for Trade program has not been fully and effectively implemented in Ethiopia due to various internal and external factors. The major external reasons are linked to lack of donors' commitment to disseminate the concept and purpose of Aid for Trade initiatives and mixing up the definition of ODA and AfT. Internally, due to lack of understanding about Aid for Trade and structural framework to administer, monitor and implement the program.

In general we can propose the following core values for better and smoother implementation of AfT in Ethiopia or in any other LDCs.

- Country ownership and system:- recipient countries should build strong system for desired results and accountability and donors commitments should be aligned with country system of Aid administration and priorities.
- Harmonization of donors procedure:- donors need to harmonize their procedure but should be subsidiary to alignment to government priorities
- Predictability and flexibility:- commitments or Aid provided over a medium to long term basis to ensure realization of strategic planning and delivery of better results and flexibility to adjust to emerging priorities and short term shocks.
- Shouldering responsibility:- to underpin interaction with development partners and to enhance active participation of local stakeholders, transparency in all aspects of aid management and sharing the outcome of engagement will facilitate effective aid delivery.

The ultimate objective of aid policy should, of course, be to ensure that external aid assistance programs are geared to support government's objectives of attaining middle income status and reduce or remove aid dependency.

ANNEXES / REFERENCES

Annex 1

IF Framework for Trade Related Technical Assistance

Detailed Action Plan for Prioritized DTIS Recommendations

S.No	Activity Description
PRIVATE SECTOR DEVELOPMENT AND COMPETITION	
1	<ul style="list-style-type: none"> • Strengthen the institutional capacity of the Ethiopian Privatization and Public Enterprise Supervising Agency through training and advisory services to accelerate privatization. • Outsource services related to privatization: such as company valuation, promotion and sales of enterprises.
2	Conduct a study on domestic competition among entities in the public as well as the private sector and Refine and implement the present legislation on competition.
3	Enforce the right to pledge leased land for collateral purpose.
INFRASTRUCTURE DEVELOPMENT	
4	<ul style="list-style-type: none"> • Develop road-rail container terminal at Addis Ababa with private-sector participation and Move containerized goods on the land bridge in boxes, not break bulk. • Establish inland dry port/ports and Issue through bills of lading to Addis Ababa/regional dry port/s.
5	<ul style="list-style-type: none"> • Make arrangements with port states to conclude agreement on through bill of lading system to facilitate containerized transport. • Sensitize sector participants about the through bill of lading system, including those relevant entities in Djibouti
EXPORT SUPPORT SERVICES	
6	Improve the Export Credit Guarantee Scheme by separating the two risks as well as by making prompt payment.
7	Strengthen MoTI and MoR in terms of human resources to operate the duty drawback scheme, voucher scheme and bonded warehouse facilities effectively.
FOREIGN DIRECT INVESTMENT	
8	<ul style="list-style-type: none"> • Strengthen the institutional capacity of the Ethiopian Investment Commission and regional bureaus of investment in terms of human resources and office equipment and facilities to implement the present investment regime and • Implement the new simplified procedures for business registration and start-up and continue improving as called for.
9	<ul style="list-style-type: none"> • Conduct a comprehensive review of the land lease system and make improvements to facilitate access to land and finance and also attract FDI and Implement improved system of access to land and strengthen land use rights. • Review the impact of the present regulatory regime and take corrective measures as necessary, taking into consideration FDI-specific standards and a) tax regime, b) labour law, c) work and residence permits, and d) competition policy
10	<ul style="list-style-type: none"> • Create awareness amongst investors about the legal and regulatory framework through familiarization workshops, web-based information, brochures and investment fora. • Upgrade human and material resources to facilitate implementation of investment projects (both domestic and foreign) at regional level.
11	Improve the image of the country through special events to promote Ethiopian culture abroad, strengthening linkages with Ethiopian overseas and through diplomatic missions.
12	<ul style="list-style-type: none"> • Develop inventory/data base, i.e. cadastre, of suitable urban as well as rural land by pattern of land usage as well by agro-ecological zone, including information on infrastructure, for investment at regional and federal level and disseminate information to investors

	<ul style="list-style-type: none"> • Develop technical capacity of key institutions to prepare land for more efficient allocation for investment purposes.
INSTITUTIONAL DEVELOPMENT & TRADE SUPPORT SERVICES	
13	<ul style="list-style-type: none"> • Recruit and train staff in MoTI, MoFA and Chambers of Commerce in the areas of design of trade information and analysis, including the multilateral trade system and • Organise within MoTI and Chambers of Commerce trade related information from sources such as COMESA, ACP/EU, WTO, and trade promotion organisations through improved Internet access (websites and databases) and establish a network linking MoTI, CC, CSA and ECA
14	Make twinning/training arrangements and Perform a gap analysis for strengthen Chambers of Commerce to enable them to render efficient and effective trade support services such as training ,market research, information, etc.
WTO ACCESSION	
15	Strengthen MoTI, including the WTO Department within MoTI, with adequate management and technical expertise in trade issues, including negotiations skills to overcome tariff and non-tariff barriers, etc.
16	Undertake a trade-related legislative reform program to conform to WTO requirements and improve the drafting and legal skills of officials responsible for the legislative reform.
MARKET ACCESS	
17	Take measures for the implementation of EBA and COMESA agreements to access the EU market and the COMESA FTA as well as other markets.
18	Encourage measures for the diversification of the export bundle, particularly into those products that have growing markets.
19	Make preparations and establish and operate an internationally recognized Conformity Assessment System.
AGRICULTURE AND TRADE	
CEREALS	
20	Promote the development of high yielding variety of cereals.
21	Promote the formation of farmers' cooperatives.
22	Identify and deploy off-farm activities as alternative sources of employment and train development agents/extension workers to promote these activities. Plan and implement a system of increased access to credit through micro-finance intermediaries
COFFEE	
23	<ul style="list-style-type: none"> • Introduce a strict regime of quality assurance regarding grading and branding of coffee. • Promote different value-added qualities such as organic, gourmet, and specialty coffee and exploit the vast potential for developing niche market and thus diversify products and markets.
24	<ul style="list-style-type: none"> • Increase the export of washed coffee through investment in coffee washing facilities and Undertake the following reform in the Coffee Auction System <ol style="list-style-type: none"> a) Exhibit washed coffee both raw and roasted. b) Improve information system about the crop relevant to the buyer; both buyers and sellers being able to interact and establish relationships
25	<ul style="list-style-type: none"> • Create a certification program for organic as well as different coffee varieties that could uphold the authenticity of coffee • Implement certification program that could uphold the authenticity of coffee.
26	Train liqueurers in coffee tasting skills and differentiating liquoring characteristics of different coffee varieties. Conduct further research to improve current coffee varieties in both liquoring characteristics and disease resistance and put in place a system /s to ensure application of research outputs
HORTICULTURE	
27	Strengthen horticultural training in higher institutions such as Jimma University to raise awareness about the benefits of the industry.

28	Improve transport and storage facilities for horticulture products to maintain freshness and minimize spoilage.
	SUGAR
29	Apply tissue culture method to improve sugar cane variety and soil improvement
LIVESTOCK AND MEAT	
30	<ul style="list-style-type: none"> • Assess the feasibility of establishing disease free zones and identify and select appropriate sites for quarantine stations; • Develop disease-free zones for export • Establish quarantine sites and an export zone/s with quarantine facilities. • Assess, delineate and Develop stock route and market areas including export market • Develop technical capacity to meet stricter standards in export markets and improve disease surveillance
31	Allow private animal health providers to operate through effective public-private partnership in disease control and strengthen veterinary services.
32	Devise strategies for provision of services such as feed, water, veterinary service in trek routes at reasonable intervals.
33	<ul style="list-style-type: none"> • Simplify regulatory procedures and reduce to a “one window” arrangement, managed by LMA s the focal point at Federal level and Agricultural Bureaus in the regions • Operate one-window service for regulatory procedures.
34	Strengthen the main export and trade organizations to make them effective participants in quality improvement and international trade discussions on SPS.
MANUFACTURING SECTOR	
	General
35	<ul style="list-style-type: none"> • Create a close working relationship between industry and institutions of higher learning. • Develop curricula for relevant training for manufacturing, and also improve Curricula of Technical and Vocational Education Training (TVET) to meet needs of industry
36	<ul style="list-style-type: none"> • Provide enhanced and quality training at all levels including On- the –Job Training levels ; • Strengthen technical training institutions at all levels,
37	Speed up establishment of Industrial Zones with the requisite infrastructure.
LEATHER INDUSTRY	
38	<ul style="list-style-type: none"> • Train vets countrywide and strengthen veterinary training schools and colleges and Introduce extension programs for the improvement of quality of raw hides and skins through the use of modern abattoirs, slaughterhouses and slabs • Implement modern slaughtering techniques. • Launch control program of Ekek disease
39	Enforce legal measures to build effluent treatment plants
LEATHER AND TEXTILES	
40	Improve the quality/capacity of management in terms of human resource, and Environmental Protection of the textile and leather industries and upgrade the level of technology.
TOURISM DEVELOPMENT	
41	<ul style="list-style-type: none"> • Develop a coherent, detailed action-oriented strategic plan including a tourism development code related to tourist destinations as well as a restructuring and capacity building programme for ETC and regional tourism support institutions • Implement the tourism strategic plan and restructure ETC.
42	Develop guidelines for eco tourism.
43	Encourage the participation of the handicraft sector, particularly women, in tourism industry, through production of souvenirs and artifacts.
44	Improve market intelligence system and tourism information available at hotels, airports and tourist attractions.
45	<ul style="list-style-type: none"> • Devise promotional strategy based on target markets & improve tourism promotion

	<ul style="list-style-type: none">• Devise a strategy for developing and improving human resources of the tourism industry, ETC and regional tourism support institutions and Facilitate community involvement and integrate their needs in tourism planning.• Implement the human resources strategy and upgrade Catering and Tourism Training Institute (CTTI) as a hotel management school and permit greater number of paying students.
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