I. INTRODUCTION

1. In December 2005, at the Sixth World Trade Organization (WTO) Ministerial Conference in Hong Kong, China, the Ministerial Declaration called for a new WTO work programme on Aid-for-Trade. Accordingly, the WTO Director-General was requested to: i) create a task force to provide recommendations by July 2006 on how to operationalize the programme; and ii) consult with WTO Members, international organizations and development banks on mechanisms to secure additional financial resources. The Task Force, created in February 2006, submitted its report and recommendations to the WTO General Council on 27-28 July 2006.

2. As for many developing countries, notably the least developed countries (LDCs), agriculture is the lead sector of the economy, a substantial amount of any Aid-for-Trade resources mobilized is likely to be channelled to developing the trade capacity of the agriculture sector. This document provides background on the Aid-for-Trade initiative, focusing on agriculture, with the objective of initiating discussion on this emerging topic, including FAO’s potential role. Specifically, it: introduces the Aid-for-Trade initiative; provides an account of five areas that the Aid-for-Trade initiative could focus on in the agricultural sector; and describes FAO’s trade-related activities, illustrating some selected assistance projects.

II. THE AID-FOR-TRADE INITIATIVE

3. The Hong Kong Declaration invited the WTO Director-General to create a task force to provide recommendations “on how to operationalize Aid-for-Trade” and “on how Aid-for-Trade might contribute most effectively to the development dimension of the Doha Development Agenda (DDA)”\(^1\). The Declaration stated that “Aid-for-Trade should aim to help developing countries, particularly LDCs, to build the supply-side capacity and trade-related infrastructure that they need to assist them to implement and benefit from WTO Agreements and more broadly to

\(^1\) In the context of this paper, agriculture also includes fisheries and forestry.
expand their trade. Aid-for-Trade cannot be a substitute for the development benefits that will result from a successful conclusion to the DDA, particularly on market access. However, it can be a valuable complement to the DDA.

4. According to the report of the Task Force\(^2\), Aid-for-Trade is a resource for assisting developing countries to increase exports of goods and services, to integrate into the multilateral trading system, and to benefit from liberalized trade and increased market access. Furthermore, effective Aid-for-Trade should enhance growth prospects and reduce poverty in developing countries, as well as complement multilateral trade reforms and distribute the global benefits more equitably across and within developing countries. The Task Force affirmed that Aid-for-Trade is not a substitute for a successful Doha Round. It also noted that “Aid-for-Trade is a complement to the Doha Round, but it is not conditional upon its success.”

5. The key conclusions reached and recommendations made by the Task Force for operationalizing the Aid-for-Trade initiative are as follows:

a) The Aid-for-Trade resources should be additional, predictable and sustainable for fulfilling the mandate.

b) The scope of Aid-for-Trade needs to be defined in a way that is both broad enough to reflect the diverse trade needs identified by countries, and specific enough to differentiate Aid-for-Trade from other development assistance. The following categories have been identified:\(^3\)

- trade policy and regulations;
- trade development;
- trade-related infrastructure;
- building productive capacity;
- trade-related adjustment;
- other trade-related needs

c) Clear and agreed benchmarks need to be established for reliable global monitoring of Aid-for-Trade efforts to ensure accurate accounting and to assess additionality.

d) Due attention needs to be given to regional constraints as several of the trade-related constraints facing developing countries are regional, subregional or cross-border in nature.

e) The Aid-for-Trade is to be guided by the Paris Declaration on Aid Effectiveness, applicable to all parties involved (donors, agencies and beneficiaries).

f) Donors and agencies are urged to provide all necessary information regarding financing of the initiative.

6. In elaborating and implementing the Aid-for-Trade initiative, one issue that will have to be overcome is the delineation of Aid-for-Trade from the rest of the development aid. So far, the coverage of the WTO/Organization for Economic Cooperation and Development (OECD) database has been on two of the six categories identified previously by the Aid-for-Trade Task Force, i.e. trade policy and regulations and trade development.\(^4\)

\(^2\) Recommendations of the Task Force on Aid-for-Trade, Document Number WT/AFT/1, 27 July 2006, WTO, Geneva. This document may be downloaded from: http://docsonline.wto.org/DDFDocuments/t/WT/AFT/1.doc

\(^3\) This builds upon the definitions used in the WTO/OECD DDA Trade Capacity Building Database (TCBDB), launched in November 2001 at the Doha WTO Ministerial. The web site is http://tcbdb.wto.org/

\(^4\) The trade policy and regulations category covers support such as effective participation in multilateral trade negotiations, analysis and implementation of multilateral trade agreements, trade-related legislation and regulatory reforms, trade facilitation including tariff structures and customs regimes, support to regional trade arrangements. The
7. It will be more difficult to define aid specific to trade in the case of the other four categories, namely trade-related infrastructure, building productive capacity, trade-related adjustment and other trade-related needs. But these are the types of assistance aimed primarily by the Aid-for-Trade initiative, i.e. supply-side capacity and trade infrastructure. Indeed, reflecting this dilemma, the WTO/OECD 2006 Trade-Related Technical Assistance and Capacity Building (TRTA/CB) report states at one point that all aid to infrastructures are shown in the report as being assisting international trade. The reason given was that it would be wrong to say that the construction of a road is “trade-related” because it goes to a port, while the construction of a rural road in a coffee growing region is not. This is a dilemma that will also apply to other categories identified, like building productive capacity.

8. Figure 1 provides an overview of the evolution of funding commitments, in favour of the developing countries, for the two trade-related technical assistance and capacity-building categories that the WTO/OECD database covers currently.

**Figure 1: Trends in Donor Commitments to Trade-related Technical Assistance and Capacity Building** (billions of constant 2004 US dollars)

![Figure 1: Trends in Donor Commitments to Trade-related Technical Assistance and Capacity Building](chart)

Source: WTO/OECD Trade Capacity Building Database (TCBDB)

### III. BUILDING CAPACITY FOR AGRICULTURAL TRADE

9. The key to enhanced agricultural trade capacity, both in global and domestic markets, is competitiveness. Competitiveness has both price and non-price components. Price competitiveness is mainly determined by the cost of production, which in turn depends on many factors – productivity of factors such as labour, land and capital; efficiency in resource use; appropriate technology; costs of inputs, transportation and marketing costs; and exchange rates. The two major categories of non-price competitiveness are market service characteristics (market information, supply chain logistics, etc.) and non-price related product attributes (e.g. quality and safety, convenience of packaging, reliability of supply).

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10. For an initiative like Aid-for-Trade to be effective, it is desirable to focus resources first on the most binding constraints on competitiveness. These may differ for countries at different stages of development. Based on specialized knowledge and experience, FAO has identified the following five areas as requiring priority attention under the Aid-for-Trade initiative for the agricultural sector:

a. Technology transfer and utilization.
b. Rural infrastructures.
c. Water control.
d. Technical standards of products.
e. Trade negotiations and trade policy analysis.

Technology transfer and utilization

11. One major reason for the lack of competitiveness of agriculture in the developing countries is low productivity of the main factors used – namely land and labour – on account of low efficiency of water use, as well as low adoption and better utilization of new technologies by the vast majority of the small- and medium-scale farmers. The problem is typically one of lack of adoption of the technologies that are mostly already available in the country. One example where this approach was tried and implemented successfully in many diverse situations is the Special Programme for Food Security (SPFS) and National Programmes for Food Security (NPFS), supported by FAO. These programmes focus on small-scale interventions that can demonstrate a change within a short period. These interventions include, *inter alia*, demonstration to farmers of the benefits of simple, low-cost changes in technologies in the areas of water control, crop intensification and diversification, and in identifying constraints to the wider adoption of these technologies. The SPFS has been implemented in over 100 countries since its launch in 1994. Given the enormous opportunities for raising productivity at lower costs and a faster pace, projects and programmes with a focus on technology adaptation and adoption should be one priority area for the Aid-for-Trade resources.

Rural infrastructures

12. The ability of the existing value chains to respond to new trade opportunities, as well as for the emergence of new value chains, is highly conditioned by the availability of rural infrastructural services. Key rural services for facilitating marketing and trade include rural transport (notably village and community-level agricultural roads), agricultural finance, agricultural insurance, post-harvest facilities, storage including cold storage, fishing ports, physical markets and market information systems. These infrastructures are essential also to induce the adoption of modern production technologies. In FAO’s analytical and technical assistance programmes, a value-chain approach is increasingly being used as a framework for identifying constraints and solutions, and in delivering services.

Investment in water management

13. Water management, particularly small-scale water control, in conjunction with technology diffusion and improved rural infrastructures, offers high payoffs to public and private sector investment in agriculture, and thus should be a high-priority for the Aid-for-Trade assistance. Water management or control encompasses a range of interventions which include traditional irrigation, water harvesting, soil moisture conservation, flood recession agriculture, drainage and flood control. FAO has considerable experience and expertise in all these areas, and can provide technical assistance in the following areas in particular: formulating investment programmes and projects, including for the rehabilitation of existing irrigation assets, training of national professionals to plan, finance and implement the rehabilitation/extension of irrigated land;
establishment of sustainable operation and maintenance systems; amendment of laws and by-laws regarding land tenure and water rights; establishment and strengthening of water user associations and community-based natural resource management, including conflict resolution.

**Technical standards of products**

14. Improving technical standards of traded products is a natural high-priority area for the Aid-for-Trade initiative. Since the implementation of the Uruguay Round Agreement in 1995, these initiatives are being taken within the framework of the WTO Agreements on Sanitary and Phytosanitary Measures (SPS) and Technical Barriers to Trade (TBT). FAO’s approach to assisting the developing countries in this area combines activities at the national level with initiatives at the regional and international levels. The demand for assistance from member countries in this area is intense in relation to available resources. More support through the Aid-for-Trade initiative, for example, could be readily accommodated within the current FAO programmes, both national and global, to provide further assistance.

**Trade negotiations and trade policy analysis**

15. In addition to multilateral trade negotiations, most countries are now engaged in trade negotiations at the regional, bilateral and preferential levels. This places a significant burden upon those who must negotiate the agreements. Trade negotiators need to be aware not only of the compatibility in a legal sense between the various agreements, but also of the impact of multiple and overlapping agreements on their economies. At the same time, capacity needs to be built for implementing these agreements, for responding to trade disputes, and for adopting and complying with rules and standards. There is also a growing need for strengthened capability among other national stakeholders such as non-governmental organizations and farm and trade associations. Building trade-related capability will therefore remain a priority area in the context of the Aid-for-Trade initiatives. FAO has developed considerable expertise in assisting countries through capacity building, the provision of information and analysis on trade issues affecting agriculture, fisheries and forestry, for example, through its Umbrella I and Umbrella II trade-related capacity building programmes.

**IV. ILLUSTRATIONS OF SELECTED TRADE-RELATED PROJECTS OF FAO**

**A. OVERVIEW OF TRADE-RELATED ASSISTANCE DELIVERED BY FAO**

16. This section illustrates briefly seven trade-related projects or interventions that FAO designed and/or implemented in various countries and regions in recent years. Figure 2 provides a rough order of magnitude of the trade-related assistance delivered by FAO since 2002. These statistics are as reported to the WTO/OECD Trade Capacity Building Database (TCBDB), described earlier, and come from a large number of projects implemented by FAO. Delineating trade-related projects from the broader category of development projects is not straightforward – this is done by scrutinizing carefully all projects being implemented against the criteria developed for the TCBDB under the two broad categories: trade policy and regulations and trade development. For example, the data used in Figure 2 are based on between 60 and 80 projects out of about 700 projects listed in FAO’s comprehensive Field Programme Management Information System (FPMIS) database. Expanding the categories to also include new areas identified by the Aid-for-Trade initiative, notably supply-side capacity and trade infrastructures, would most probably cover most of the 700 projects.
Figure 2: Outlays in FAO-implemented Trade-related Technical Assistance and Capacity Building Projects (millions of current US dollars)

Source: FAO, as reported to the WTO/OECD TCBDB

B. ILLUSTRATION OF SELECTED TRADE-RELATED PROJECTS

Relieving constraints to trade due to Foot-and-Mouth Disease

17. Many transboundary animal diseases are impeding international trade of animals and animal products, sharply limiting – and disrupting – exports by the developing countries despite their comparative advantages. Foot-and-mouth disease (FMD) is one such major constraint. This is also hurting regional trade, thus frustrating recent efforts on regional integration, notably in Africa (e.g. from Sahelian countries to the Maghreb area). FAO has for many years been actively assisting Members to overcome this constraint.

18. Two examples of recent FAO interventions on FMD are: the EXCELEX project, Support to Livestock Exports from the Horn of Africa; and the LICUS project, Low Income Countries under Stress. The EXCELEX project aimed at building capacities of three countries (Djibouti, Ethiopia and Somalia) so that trade with the Arabic peninsula takes place smoothly. Major activities of this Italian-funded US$3 million project were to harmonize legal requirements between the trading partners, address traceability barriers through health certificates, and build controlled border entry and export ports. The private sector was closely associated in the certification process. The LICUS project, funded by the World Bank (US$200 000), aimed at building a sanitary inspection and veterinary certification system in Somalia to facilitate trade.

19. These and similar other experiences have shown that FAO has an institutional advantage in delivering these services by virtue of in-house presence of expertise along the entire food chain, i.e. from stable to table. Many other constraints have been identified, which offer high-return potential interventions, provided resources can be mobilized. Examples include: FMD and classical swine fever problems in Viet Nam; Contagious Bovine Pleuro-Pneumonia (CBPP) and FMD in Southern Africa; Rift Valley Fever (RVF) and CBPP in eastern Africa hampering trade towards the Gulf countries; African swine fever devastating trading opportunities in Western and Southern Africa and Madagascar; and Avian Influenza cutting down poultry export of Thailand.

National Hazard Analysis Critical Control Point (HACCP)-based Fish Inspection Systems in the South Pacific

20. For developing countries that together account for close to 50 percent of the US$78 billion annual trade in fish and fishery products, the main constraints to exports are in meeting technical requirements on quality and safety, and increasingly also on environment and social protection. The growing role of large marketing and restaurant chains has further imposed private or market-based standards and labels.
21. The National HACCP-based Fish Inspection Systems in the South Pacific was a project designed in response to potential disruptions to exports following the introduction by the European Union (EU) of a number of import requirements with a deadline for compliance by end-2003. The project sought to prevent this by improving the effectiveness of the HACCP-based seafood quality assurance systems in the four covered countries, Fiji, Marshall Islands, Palau and Tonga. This required: capacity building in fish inspection; provision of training in modern seafood inspection and quality assurance activities; delivery of advice and training to seafood industry personnel; and planning for the establishment of appropriate national analytical facilities for seafood products.

22. The project, with a budget of US$380 000 and a duration of 20 months, had five main components: i) a seafood inspection service; ii) a set of revised and updated national fish and fishery product regulations; iii) training of about 20 fish inspectors; iv) assistance to more than 20 seafood processing companies in upgrading seafood safety and quality assurance programmes; and v) an outline plan for each country for the establishment or upgrading of a national laboratory to perform the required seafood analyses.

23. The project was implemented successfully. However, it was noted as one of the lessons that for national capacities to be effective, secured funding and continuous upgrading is essential as technical requirements set by importing countries do often change.

Facilitating Uruguayan Access to Premium Beef Markets

24. In May 2001, the outbreak of FMD spread to 18 of Uruguay’s 19 departments bringing beef and dairy sectors to a standstill, including large-scale disruption of export markets and, notably, the loss of premium export markets like Canada and the United States. Given the large share of the beef sector in Uruguay’s GDP, exports and employment, this was a devastating outbreak.

25. Given the scale of the problem, external assistance was sought. Collaboration with the World Bank, through FAO’s Investment Centre, facilitated rapid development of a new loan of US$18.5 million. The objectives of the FMD project were to provide technical and financial support to help contain and mitigate the impact of the outbreak through: (i) vaccination of the national herd; (ii) strengthening of the monitoring and surveillance capacity of the country; and (iii) identification of alternative markets and restoring the country’s presence in the premium beef markets.

26. The project was highly effective. It led to the recovery of exports beginning in 2003 from the slump of 2001 and 2002, as the interventions led to the restoration of the FMD-free status. Also importantly, the premium markets were recovered. For example, by 2005 the United States’ share in total exports rose to 68 percent from virtually nothing in 2002.

27. The following lessons learned from this experience should be useful for the design of the new Aid-for-Trade work: i) importance of complementary and reinforcing technical knowledge and financial injections, as was the case in this collaborative work between FAO and the World Bank; ii) comprehensive project design and implementation, thus addressing both production and market dimensions; and iii) timely and flexible responses by different sources of assistance are crucial to reducing the spread and impact of the impediments to trade.

Expanding Jordan’s Horticultural Trade

28. The main trade problems that this project addressed were low productivity and weak supply response, lack of export diversification due to a range of problems related to quality and standards (lack of required volumes, insufficient quantities meeting the required standards, irregularity of supplies, etc.) and the marginalization of small growers from trade chains.
29. FAO’s Investment Centre partnered with the World Bank to design a *Horticultural Exports Promotion and Technology Transfer Project*, approved in June 2002 for a budget of US$6.5 million. The project sought not only to expand and diversify trade through upgraded produce quality standards, but also to link small farmers in the trade chain. The three main interventions were: i) Horticultural Exports Promotion – establishing a Trade Information Service that linked producers, exporters and retailers, providing information on standards and codes of good agricultural practices, and implementing capacity building activities that increased the understanding of export markets – including costing and pricing, export packaging, transportation; ii) Strengthening Export Support Services and Systems – Demand-Driven Adaptive Technology Development and Transfer – facilitating service providers such as research and technology institutes; and iii) Quality Testing and Export Certification Services – strengthening local institutional capacity in areas such as inspecting, testing and verifying compliance on product standard certification, pesticide residues, etc.

30. The project was effective in meeting its main goals. Between 2002 and 2005, exports of targeted fruits and vegetables almost doubled. Also, export destination did diversify significantly from neighbouring countries before to the niche European markets by 2005. One of the lessons learned from this project, which would be useful for the Aid-for-Trade work, is the importance of designing interventions that address weaknesses throughout the supply chain. Also, interventions that directly address equity issues are essential if the benefits are to be shared equitably. Strategic alliance between small and larger growers and exporters was valuable.

*Global Training Programme to Improve the Safety and Quality of Fresh Fruits and Vegetables*

31. As part of the continuing collaboration of FAO with various global partners working on the safety and quality of fresh fruits and vegetables, FAO launched in 2002 a *programme to improve the safety and quality of fresh fruits and vegetables*. The programme stressed on the adoption of good practices in all stages of the farm-to-plate chain, aimed at preventing the contamination of, and other hazards on, fresh fruits and vegetables. The two strategic building blocks of the programme were *capacity building* and *information sharing*.

32. Initially concentrated in Latin America and the Caribbean, the programme expanded to enable many more food enterprises and government agencies in Africa, Asia and the Near East to enhance the safety and quality of fresh fruits and vegetables. The major activities and achievements so far include the following:

- trained over 300 qualified trainers through a series of subregional training workshops held between 2002 and 2007 in Latin America and the Caribbean, Africa, Near East and Asia;
- produced a range of innovative tools and resources to support the training programme, including: i) an online database with over 800 documents on safety and quality of fresh fruits and vegetables covering many related areas; ii) a Fresh Fruits and Vegetables Quality and Safety Manual; and iii) a CD-ROM with additional resources. These materials are available in Chinese, English, French and Spanish;
- provided financial and technical assistance to over 50 countries to implement *national action plans* aimed at increasing the quality and safety of fresh fruits and vegetables, specifically contributing to: i) the development of training materials tailored to local needs; ii) establishment of national commissions; and iii) quality assurance training for some 5 000 persons working in the production and marketing of fresh produce;

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undertook case studies on exports in fruit and vegetable sectors from Latin America (on gooseberry in Colombia, broccoli in Ecuador and fresh pineapple in Costa Rica);

made special efforts to bring on-board private sector actors in these activities.

Organic and fair-trade exports from Africa

33. Markets for organic and fair-trade products have been growing steadily in many developed countries, providing developing country farmers with export opportunities. Nevertheless, exporting organic and fair-trade products poses a number of challenges, as there may be technical constraints to comply with the standards and high quality requirements. Furthermore, certification tends to be costly and requires administrative and organizational arrangements. In addition to the specific requirements of these market segments, farmers often need also to comply with private food-safety standards that are increasingly demanded by supermarket chains as a minimum requirement.

34. In order to help small-farmer groups harness the export opportunities provided by the growing market for organic and fair-trade products, FAO has implemented a capacity-building project in West and Central Africa since September 2005 with funding from Germany. This project has helped seven pilot groups of small farmers raise their production and exports of organic and fair-trade products, thereby increasing the incomes of members and their families. The following main results have been achieved so far:

• farmers have increased their technical skills and knowledge, and the groups have increased their production, product quality, exports and incomes. For example, in Burkina Faso two farmer groups have raised their mango exports by 40 percent while a women’s group has trebled its exports of shea butter;
• farmer groups have improved their management and internal organization. They have become more effective in serving their members, whose participation in the decision-making process has increased;
• several farmer groups have developed effective internal control systems and obtained certification against organic and/or fair-trade standards;
• the project produced a manual on import requirements and certification programmes for exporters and producer groups in West Africa.

“Umbrella” Programme of Training on Uruguay Round and Negotiations on Agriculture

35. This programme was formulated and launched in 1999 with the objective of strengthening the capacities of the developing countries and countries in transition to deal with the WTO trade agreements related to agriculture, fisheries and forestry – notably Agreements on Agriculture, Sanitary and Phytosanitary Measures, Technical Barriers to Trade and Trade-related Intellectual Property Rights. The Programme implemented 14 workshops in various subregions, covering 151 countries and 846 trade specialists. The programme also led to the preparation of a resource manual on Multilateral Trade Negotiations on Agriculture, in four volumes and three main languages. These materials continue to be used in countries.

36. The total direct expense of the 14 workshops reached approximately US$2.3 million, with one-third of the funds provided by FAO/Technical Cooperation Programme (TCP) and the rest by several donors: Caribbean Development Bank, Czech Republic, European Commission, France, Germany, Sweden, IICA (Inter-American Institute for Cooperation on Agriculture) and SESRTIC (Statistical, Economic and Social Research and Training Centre for the Islamic Countries). Several international and regional agencies also contributed to the workshops as resource persons.
37. A comprehensive review of the project was carried out by FAO based mainly on a survey of national participants at the end of each workshop and several months later. The overwhelming majority of the participants agreed that the major objectives of the Programme were successfully fulfilled. The follow-up assessment showed that: i) most participants continue to be involved on trade issues in the ministries; ii) information received was pertinent and useful for their work; and iii) collaborative work and partnership among institutions in their countries dealing with trade issues and with the outside world increased as a consequence of the workshops.

V. CONCLUDING REMARKS

38. This document is intended to facilitate discussion on the Aid-for-Trade initiative in agriculture with a view to soliciting feedback and guidance. The following points may be highlighted for discussion and follow-up:

a) The recognition that the Aid-for-Trade initiative should address effectively the supply-side capacity and trade-related infrastructure is a welcome development.
b) FAO should continue to collaborate actively with the WTO and other development partners in elaborating the Aid-for-Trade initiative for the agricultural sector.
c) As the guiding principle of the Aid-for-Trade implementation is country ownership and integration with national development programmes, FAO should assist Members as they prioritize activities under the initiative, prepare investment proposals and implement various trade-related activities. FAO should play a lead role in facilitating the implementation of the initiative in the area of agriculture.
d) The emphasis placed by the Aid-for-Trade initiative on giving due attention to regional constraints through regional programmes and projects is consistent with the approach taken in some FAO programmes like the National and Regional Programmes for Food Security. With the Aid-for-Trade resources, programmes like these could be upscaled and expanded.
e) In the field of trade negotiations and trade policy analysis, the following areas should receive, or should continue to receive, priority attention:

- continue to provide assistance to member countries on the ongoing Doha Round negotiations on the rules for agricultural and non-agricultural food products, as well as rules for fisheries and forestry;
- re-orient/expand the work programme to cover the growing needs for information and assistance on regional and bilateral trade negotiations and their implementation;
- undertake studies and analyses, including those on best practices, that would help member countries to adopt appropriate trade policies and measures that enhance the contribution of trade to agricultural development, equitable distribution of benefits, sustainable food security and poverty reduction.