



Asian Development Bank

Memorandum

Office of Regional Economic Integration

15 May 2007

To: General Counsel
Directors General, CWRD/EARD/RSDD/SARD/SERD/SPD/OED
Controller
Chief Economist
Principal Directors, COSO/OCO

From: Jong-Wha Lee
Head, OREI

Subject: **Proposed Small Scale Technical Assistance to Support the Aid-for-Trade Initiatives in Asia and the Pacific 2007 – Request for Interdepartmental Comments on the DrAFT SSTA Paper**

1. Attached is a draft SSTA paper to Support the Aid-for-Trade (AFT) Initiatives in Asia and the Pacific 2007 for your review. The Asia and Pacific Regional AFT Review co-hosted by ADB and WTO will be held in Manila in September 2007.
2. As stipulated in ADB Technical Assistance guidelines paragraph 39, there will be no SRC meeting for a SSTA.
3. We would appreciate if you could send your comments to Ganeshan Wignaraja, Senior Economist (trade) by **Monday, 21 May 2007**. Thank you.

Attachment

cc: S. Madhur, Director, OREI

Sub Committee on Trade Members:

M. Kawai, Dean, ADBI
R. Bestani, Director General, PSOD
I. Ali, Chief Economist, ERD
Ashraf Mohammed, Counsel, OGC
Barry J. Hitchcock, Director, EARG
Jaseem Ahmed, Director, SEGF
Christopher W. MacCormac, Director, SPPI
Daan Boom, Principal Knowledge Management Specialist, RSDD-KM
Jeffrey Liang, Principal Country Economist (China), PRCM
Ganeshan Wignaraja, Senior Economist (Trade), OREI
Hans-Peter W. Brunner, Senior Economist (Trade), SAGF
Hasib Ahmed, Senior Investment Specialist (Capital Markets), PSCM
Sharad Bhandari, Senior Economist, SEOC
Fan Zhai, Economist, ERMF
Jong Woo Kang, Economist, OREI
Kelly Bird, Economist (Trade), SEGF
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Teruo Ujiie, Trade Specialist, EROD
Christian Oliver Mercado, RSDD-KM

Professional Staff, OREI
W. Paz, OREI
Project file

Small Scale Technical Assistance to Support the Aid-for-Trade Initiatives in Asia and the Pacific 2007

I. INTRODUCTION

1. The need for trade-related infrastructure, technical assistance, and capacity-building, particularly for least developed countries (LDCs) and small states in Asia and the Pacific, has been recognized by the international community. In December 2005, the Hong Kong Ministerial Conference of the World Trade Organization (WTO) launched the Aid-for-Trade (AFT) Initiative that seeks to provide development finance to improve the participation of developing countries in the world trading system. AFT refers to the provision of trade-related capacity building, trade-related infrastructure, supply-side capacities, and more generally, facilitation of trade-related structural adjustments. The WTO members view AFT as a complement to, and not a substitute nor conditional upon the success of the Doha Development Agenda.

2. The WTO Task Force, established in February 2006 pursuant to the Hong Kong Ministerial Declaration, has recommended to place emphasis on regional AFT needs, the importance of regional integration, and the role of donor agencies in implementing the AFT agenda.¹ During the high-level meeting in Montreal, Canada in June 2006, the Presidents of regional development banks, stressed their endeavor to strengthen inter-institutional coordination to effectively deliver AFT and acknowledged a fruitful interaction with the WTO Task Force on fulfilling the mandate of AFT. President Kuroda has committed ADB's support to the AFT initiative.

3. This small-scale technical assistance (SSTA) is consistent with the ADB's Regional Cooperation and Integration (RCI) Strategy adopted in July 2006 (particularly, Pillar I-Infrastructure and Pillar II- Trade and Investment). The proposed SSTA will help finance the activities of the Asia and Pacific Regional AFT Review in support of AFT initiatives in the region.

II. ISSUES

4. The growing intra-regional trade and FDI in Asia since the 1997 financial crisis have created new opportunities for Asia's prosperity. While large economies such as China and India and Asia as a whole, experienced phenomenal growth in trade and investment, there are still a number of LDCs and small fragile states in the rest of Asia and the Pacific which find it difficult to take advantage of new export opportunities because of policy uncertainties, lack of capacity to manage trade development, and infrastructure gaps.

5. There is a need to scale-up Aid-for-Trade flows in Asia and the Pacific to build trade capacity and infrastructure in LDCs and small states. Equally important is the evaluation of country-needs identification, trade mainstreaming in national strategies, and donor responses in order to improve the delivery capacity of donors and the absorptive capacity of recipients. An integrated and structured approach to providing information on AFT in Asia and the Pacific and assessing the needs of developing member countries (DMCs) will ensure effective delivery and success of Aid-for-Trade initiatives in Asia and the Pacific.

¹ The WTO's AFT Roadmap for 2007 includes the following: (a) formation of WTO Advisory Group on AFT; (b) conducting OECD Development Assistance Committee (DAC) Global Monitoring of AFT; (c) holding Regional Reviews on AFT; and (d) conducting an Annual AFT Debate.

6. The Asia and Pacific Regional AFT Review will be conducted to assess the national and regional AFT needs, share good practices and donor perspectives, and provide a summary paper on AFT in Asia and the Pacific which will be presented in the Annual AFT Debate in Geneva in November 2007.

7. ADB's regional cooperation programs have long been involved in conducting trade-related projects (such as cross-border infrastructure, trade facilitation and customs modernization, export promotion and SME financing) in the Greater Mekong Subregion, the Central and West Asia Region, South Asia Region, and the Pacific. Strategic direction has been provided by the Regional Cooperation Strategy and Programs (RCSPs) and ADB's RCI Strategy. The ADB President will co-host (with WTO's Director General) the Asia and Pacific Regional AFT Review and is expected to present the outcome at the Annual AFT Debate. An informal AFT Board Seminar is planned for June/July 2007. Co-hosting (with the WTO) the Asia and Pacific Regional AFT Review, participating in the Annual AFT Debate, and conducting relevant case studies are some important milestones furthering ADB's support to AFT initiatives in Asia and the Pacific.

III. THE TECHNICAL ASSISTANCE

A. Impact and Output

8. The impact of this SSTA is strengthened capacity and increased opportunity for Asia and the Pacific DMCs to participate in global and regional trade. The outcome is a more effective delivery of Aid-for-Trade initiatives in Asia and the Pacific through an integrated and structured approach to providing information on AFT and assessing the needs of DMCs. Expected impact, outcomes and outputs are included in Appendix 1.

B. Methodology and Key Activities

9. The SSTA will include three components:

- (i) *Asia and Pacific Regional AFT Review.* A two-day forum will be organized in Manila to be attended by around 100 representatives from DMCs, donor agencies, regional development agencies, and the private sector in the region. The AFT Regional Review will, among others, deliver a practical and integrated assessment of what is needed, what is happening, and what should happen. It will also underscore the regional cooperation and integration dimension of AFT. ADB's President Kuroda and WTO Director-General Lamy will deliver keynote addresses at the event.
- (ii) *Case Studies and Summary Paper on AFT in Asia and the Pacific.* Regional case studies that present AFT perspectives of the government, the private sector and donor responses, will be prepared and presented during the Asia and Pacific Regional AFT Review. The output of the Asia and Pacific Regional AFT Review will be presented by President Kuroda as a summary paper on AFT in Asia and the Pacific during the Annual AFT Debate in November 2007. A background paper on AFT issues in Asia and the Pacific, if required, may be prepared as well.
- (iii) *Policy coordination and information dissemination.* Consultations and sharing of good practices experience with various regional development banks, international agencies, and bilateral donors will be conducted in appropriate venues like seminars or workshops. There will also be continuous monitoring of ADB aid flows for

submission to OECD-DAC Global Monitoring on AFT. Information on and outputs of the Asia and Pacific Regional AFT Review and relevant background materials will be made available online through a forum website which will be created for the project.

C. Cost and Financing

10. The total cost of the SSTA is estimated at US\$150,000. The cost will cover airfares and per diem of selected participants from DMCs, costs of preparing position papers/case studies and costs related to the organization of the Asia and Pacific Regional AFT Review. The SSTA will be financed on a grant basis by ADB's TA funding program. The details of the financing plan are shown in Appendix 2. The SSTA classification is given in Appendix 4.

D. Implementation Arrangements

11. The SSTA is expected to commence on July 2007 and to be concluded in December 2007. ADB will be the Executing Agency and the Office of Regional Economic Integration (OREI) will implement the SSTA. The recruitment of consultants and resource persons will follow ADB's Guidelines on the Use of Consultants.

IV. THE PRESIDENT'S DECISION

12. In accordance with the authority delegated by the Board, it is recommended that the President approve:

- (i) the provision of the Small-Scale Technical Assistance to Support the Aid-for-Trade Initiatives in Asia and the Pacific in an amount not exceeding the equivalent of \$150,000 on a grant basis from ADB's TA funding program; and
- (ii) reporting of this action to the Board in the Monthly Report on Small-Scale Technical Assistance Projects.

Attachments: a/s

DESIGN AND MONITORING FRAMEWORK

| Design Summary | Performance Targets/ Indicators | Data Sources/ Reporting Mechanisms | Assumptions and Risks |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Impact Strengthened capacity and increased opportunity for DMCs to participate in global and regional trade | Improved trade performance or trade expansion of DMCs within 5 years and of LDCs within 10 years Baseline data: Trade statistics in 2006 | <ul style="list-style-type: none"> • ADO • CPSs, RCSs • Other relevant documents (eg. IMF, WB, WTO) • National economic statistics | Assumptions <ul style="list-style-type: none"> • Liberal national trade policies and effective regional cooperation initiatives • Export competitiveness of DMCs Risks <ul style="list-style-type: none"> • Lack of commitment of governments and the private sector |
| Outcome More effective delivery of Aid-for-Trade (AFT) initiatives in Asia and Pacific through an integrated and structured approach | <ul style="list-style-type: none"> • Well-monitored AFT flows in Asia and Pacific • Increased awareness and commitments on AFT from donors • AFT mainstreamed in ADB programs/strategy • Better public-private-donor coordination on AFT Baseline date: OECD report on AFT (2004-2005) | <ul style="list-style-type: none"> • ADO • ADB Annual Report 2008 • Summary report on AFT in Asia and the Pacific • CPSs, RCSs • AFT strategy paper | Assumptions <ul style="list-style-type: none"> • High absorptive capacity of recipient countries • Availability of additional funds Risks <ul style="list-style-type: none"> • Resistance to change from vested interest groups or protected sectors/industries |
| Outputs <ol style="list-style-type: none"> 1. Asia and Pacific Regional AFT Review 2. Case studies and summary report on AFT initiatives in Asia and the Pacific 3. Policy coordination and information dissemination | <ul style="list-style-type: none"> • Well-attended and participated sessions • High quality case studies presentations • Well-written summary report on AFT • Good comments from donors, partners, and stakeholders • One-stop website for all AFT resources • successful forum website and high web statistics Baseline date: OECD report on AFT (2004-2005) | <ul style="list-style-type: none"> • Feedback from participants • Comments on case studies • Summary paper • Online feedback on forum website • Articles in ADB website and media reports • Number of hits or page views on forum website | Assumptions <ul style="list-style-type: none"> • Availability of funds • Timely recruitment of qualified consultants Risks <ul style="list-style-type: none"> • Lack of commitment of governments and the private sector |
| Activities with Milestones <ol style="list-style-type: none"> 1.1 June 2007: consultation with Finance and Trade COP and liaise with event co-hosts; identification of resource persons for case studies on AFT in Asia and the Pacific 1.2 July 2007: Board Seminar on AFT and visit of Mr. Pascal Lamy of WTO 1.3 August 2007: Launch of forum website, and logistics preparations 1.4 September 2007: Asia and Pacific Regional AFT Review 1.5 November 2007: Annual AFT Debate | | | Inputs ADB: \$ 150,000 |

COST ESTIMATES AND FINANCING PLAN
(\$'000)

| Item | Total Cost | |
|--------------------------------------------------------------|-------------------|-------|
| A. Asian Development Bank (ADB) Financing^a | | |
| 1. Position papers/case studies | 25.0 | |
| 2. Travel and accommodation (esp. DMCs) | | 105.0 |
| 3. Miscellaneous Administration and Support Costs | 10.0 | |
| 4. Contingencies | 10.0 | |
| Total | 150.0 | |

^a Financed by ADB's Technical Assistance funding program.

Source: ADB estimates.

TECHNICAL ASSISTANCE CLASSIFICATION

| | |
|---------------------------------|----------------------------------------------------------------------------------------------------------------|
| Sector/Subsector | Industry and Trade/ Trade |
| Theme | Sustainable economic growth; Regional Cooperation |
| Subtheme | Promoting economic efficiency and enabling markets; promoting macroeconomic stability; trade and investment |
| Targeting Classification | General Intervention |