

Private Sector and Aid for Trade: Focus Africa
Dar Es Salaam, Tanzania
30 September 2007

The International Trade Centre (ITC) organized a dialogue on the Private Sector and Aid for Trade on 30 September 2007. The dialogue was intended to deliberate and underline the critical role of the private sector in the debate on aid for trade. It provided an opportunity to draw lessons from successful initiatives in some countries and see how they might be replicated elsewhere. These together with a number of cautionary tales on the failure of some other endeavors served to assess the specific needs of the private sector that the aid for trade initiative should address.

The dialogue was split into three panel discussions amongst key stakeholders and experts on the whole gamut of public-private collaborations for trade development, that is,

1. Private sector as advocates in trade policy making and for creating business friendly environment;
2. Private sector as partners in design, financing and execution of infrastructure projects,
3. Small and medium enterprises (SMEs) as beneficiaries of aid to enable them to take advantage of the opportunities of trade liberalization

The **panel on the advocacy role of the private sector in policy making** underscored that a well run system of private sector advice strengthens trade policy since,

- Private actors know the priorities, e.g. the Kenyan private sector lobbied with their government to streamline procedures for accelerated release of goods instead of expanding the port to perform warehouse functions.
- Private sector is in a better position to impart technical information, and
- Public-Private collaboration fosters participatory decision making, accountability and ownership of policies and enhances the outcomes of such policies.

It was considered absolutely essential that the private sector representation in advocacy is inclusive of all interests, that is, protectionist as well as reformist;

local, comprising SMEs and the informal sector as well as foreign business interests so as to overcome the governments' apprehension of the real motives of private sector in engaging in policy debate.

Effective participation on the part of private sector entails their willingness to learn about negotiations, understand and articulate technical issues, participation on a regular basis, willingness to compromise with others' positions and be realistic about possible outcomes.

The private sector participants can leverage the technical competence and the neutral platform provided by international organizations in building a relationship of mutual trust with their governments. It was repeatedly stressed that the private sector needs training on technical issues and sensitization on best practices elsewhere to build credibility with their governments and participate pro-actively and efficiently in the consultation process. An important first step requires the private sector to organize themselves if they are to effectively communicate with governments.

The **panel on the role of the private sector in design, financing and execution of infrastructure** projects underscored the large and growing gap between the infrastructure needs and the resources that governments have at their disposal to invest in meeting these needs. Therefore, public and private partnerships (PPPs) are more and more considered as supplementary means for infrastructure development.

The infrastructure was seen in the wider context comprising not only roads, railways, ports, energy, telecommunication etc but also the softer aspects related to trade facilitation.

It was felt that there are significant private funds for investment in infrastructure projects. The challenge, however, lies in creating awareness about the benefits of such projects, gaining confidence of all stockholders including the civil society, handling non-revenue generating projects, building appropriate regulatory frameworks, preparing feasibility studies, conceiving viable projects, enhancing the capacity of the public sector to negotiate concession agreements etc. These were a pre-requisite for releasing private financing and were identified as priority areas which could be financed under aid for trade initiatives.

The **panel on SMEs taking advantage of opportunities of trade liberalization** identified areas of technical assistance which would substantially enhance their export competitiveness. These areas include:

1. Formation of associations and clusters of SMEs for marketing their products and services.

2. Identification of niche markets and assisting small enterprises to produce according to the buyers' needs
3. The provision of information and the building of knowledge capabilities of SMEs about markets and products.
4. Assistance in exports logistics by establishing linkages right from producers in the informal sector to the large exporters.
5. Assistance for compliance with quality, SPS standards, packaging requirements and fulfilling customs procedures.
6. Assistance to SMEs in formulation of long term business plans for exports along with product upgrading, innovation and diversification.
7. Assistance for trade facilitation for intra-regional trade.
8. Access to credit and long term financing mechanisms
9. Affirmative action to help women in trade

The participants laid considerable stress on ensuring sustainability of such initiatives through building long term capacity and strengthening of local trade promotion institutions. Furthermore, the effectiveness of technical and financial assistance should be enhanced through better donor and agency coordination and direct engagement of the private sector in design, management and monitoring of aid for trade schemes.