Trade support needed to boost aid for Africa

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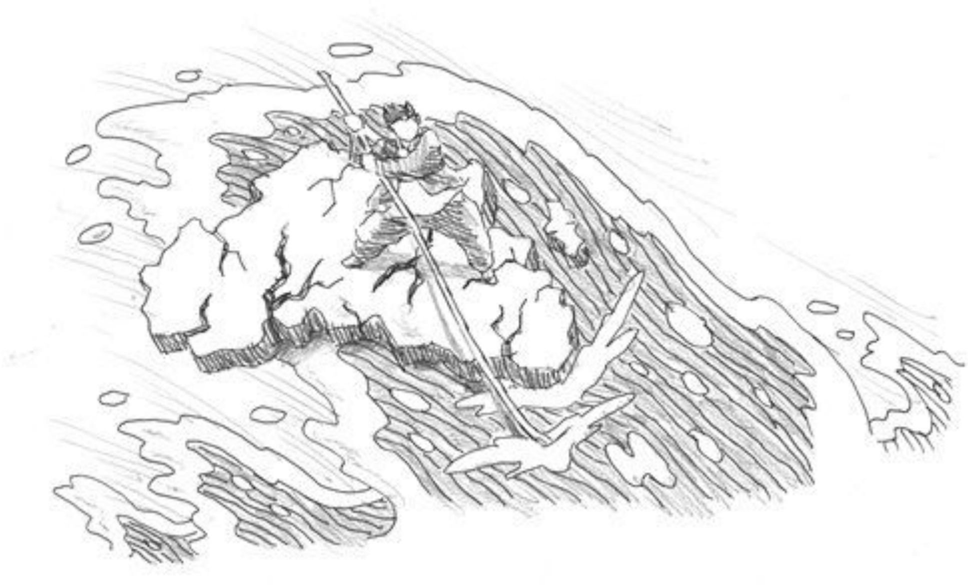

Illustration: Peter C. Espina/GT

Aid to sub-Saharan Africa decreased in 2015, as a result of sluggish global growth and weak commodity prices. And the 2018 budget blueprint recently announced by the US cut the foreign aid budget by one third, while the impact of **Brexit** on Africa is a further reason for uncertainty.

While emerging donor countries like China are still actively promoting poverty alleviation in Africa, the financing gap in sub-Saharan Africa cannot be bridged in a short period. In 2013, the African Union commenced the Agenda 2063 for the development of Africa over the next 50 years. The agenda made it clear that by 2063, Africa's manufacturing sector should account for more than 50 percent of its GDP and 50 percent of labor market entrants will be able to find jobs in the manufacturing industry. In order to meet this target and achieve sustainable development, African countries are greatly in need of more funding. In recent years, a number of international agencies, experts and scholars have made various estimates of the financing needs for African countries to meet these goals. According to the preliminary statistics, Africa needs at least $600 billion in financing per year to achieve the overall development goals. To achieve specific goals, such as infrastructure construction, electricity coverage and climate change solutions, the annual financing required will be $93 billion, $25 billion and $18 billion, respectively. Therefore, finding ways to integrate the existing aid resources and improve the efficiency of aid utilization is not only in line with the interests of donors and African recipients, but also of great significance for enhancing the level of global economic governance.

Trade support should be promoted to help reduce the cost of aid to sub-Saharan Africa. This support is designed to help developing countries, especially the least developed countries, get past trade barriers so that they can increase exports and better participate in the multilateral trading system. The main objectives are to enhance the capacity of developing countries to use trade for stimulating development; to assist recipient countries to build supply capacity and trade-related infrastructure to enter international markets and increase their exports; to accelerate trade facilitation and liberalization; to promote regional integration; and to assist recipient countries in implementing trade agreements.

Broadly speaking, "trade support" includes six categories: trade policy and management assistance, trade development assistance, trade-related infrastructure assistance, production capacity building, and trade-related reforms and other trade-related needs. It is a way to help less developed countries increase their ability to participate in international trade so that they can enhance domestic development. Although Africa is the second-largest continent in the world, its economic development level is far below the world average. In recent years, there has been a trend of rapid economic development in sub-Saharan Africa, and all sub-Saharan African countries are working to improve the economic environment to attract foreign investment and support from the international community. The implementation of trade facilitation has effectively connected sub-Saharan Africa with the outside world, bringing capital and technology to those countries and helping them solve economic difficulties. In the context of pressure on aid budgets, further efforts in trade support would be an effective way to increase capital usage efficiency.

Also, an extensive discussion of international cooperation is needed to enhance the efficiency of aid to Africa. Tripartite cooperation, as a new type of economic cooperation model, has advantages that are widely recognized internationally. The United Nations Office for South-South Cooperation defines tripartite cooperation as a situation in which two or more developing countries cooperate with each other and turn to developed countries for third-party support in obtaining more funding, technology or other requested resources. For the traditional donor countries, tripartite cooperation is helpful with the enhancement of aid usage efficiency. For emerging donor countries, by cooperating with traditional donor countries, more aid can be mobilized, more advanced aid technologies can be applied and more useful management practices can be learned to enhance their own aid skills. For recipient countries, tripartite cooperation contributes to integration of aid resources from all channels. Tripartite cooperation has expanded aid effectiveness by integrating the capital, technology and human resources of traditional Western aid countries and emerging donor countries. As a result, the current major donor countries are becoming more and more active in their tripartite cooperation.

Countries in the OECD Development Assistance Committee (DAC) are also starting to raise their participation in tripartite cooperation. Currently, two-thirds of DAC member countries are involved in tripartite cooperation, with Japan playing the most active role, followed by Germany and Spain. Emerging donor countries are also becoming more open to tripartite cooperation.

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