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# Integrating Trade into National Development Strategies and Plans: The Experience of African LDCs

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# Integrating Trade into National Development Strategies and Plans: The Experience of African LDCs*

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**Abstract**

This paper examined the experiences of three African LDCs in mainstreaming trade into their national development strategies. It found that while they have strengthened efforts to better integrate trade into their national strategies, significant challenges remain, for instance with regard to the inclusion of local stakeholders in the trade policy-making process and in addressing the social impacts of trade reforms on vulnerable groups. Against this backdrop, the paper underscores the need for African LDCs to have a more systematic approach to trade policy-making than in the past to enhance their ability to better use trade in support of development. The paper also draws lessons from the experiences of the three African LDCs for other LDCs.

* This paper has benefited from discussions and assessments performed in the countries, involving policy makers and other stakeholders. The views expressed in this paper are those of the authors and do not represent the official views of the UNCTAD Secretariat or its member states.

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# Contents

1. Introduction .......... 1

2. Trade Mainstreaming: Rationale and Instruments .......... 3

3. Trade Mainstreaming in African LDCs: An Assessment .......... 8

4. Lessons Learned from the Experiences of African LDCs .......... 18

5. Conclusion .......... 20

References .......... 21

# Figures

1. Ethiopia, Lesotho, and Senegal Main Trade Partners .......... 7

2. Percentage of documents that included issues and sectors considered .......... 15

# Table

1. Output by Sector .......... 6

2. Trade Mainstreaming Evaluation by Key Areas and Policy Documents .......... 10

3. Coverage of Production Sectors in National Documents .......... 11

## List of Acronyms

| | |
|---|---|
| ADLI | Agricultural development led industrialisation |
| AGOA | African Growth and Opportunity Act |
| DTIS | Diagnostic Trade Integration Studies |
| ECOWAS | Economic Community of West African States |
| EBA | Everything but Arms |
| EIF | Enhanced Integrated Framework |
| EU | European Union |
| GTP | Growth and transformation plan |
| ICT | Information and communication technology |
| IF | Integrated Framework |
| IMF | International Monetary Fund |
| LDCs | Least Developed Countries |
| MDGs | Millennium Development Goals |
| MSMEs | Micro, small, and medium enterprises |
| NDPs | National development plans |
| NSESD | National Strategy for Economic and Social Development |
| OECD | Organization for Economic Cooperation and Development |
| PASDEP | Plan for accelerated and sustained development to end poverty |
| PRSPs | Poverty Reduction Strategy Papers |
| PSIA | Poverty and Social Impact Analysis |
| SACU | Southern African Customs Union |
| SADC | Southern African Development Community |
| UN | United Nations |
| UNCTAD | United Nations Conference on Trade and Development |
| UNDP | United Nations Development Program |
| WAEMU | West African Economic and Monetary Union |
| WTO | World Trade Organization |

# 1. Introduction

At the fourth United Nations Conference on the Least Developed Countries (LDCs) held in Istanbul, Turkey, from 9 to 13 May 2011, the Heads of State and Government acknowledged the progress that has been made by LDCs over the past decade. But they also expressed concerns about the high levels of poverty and hunger prevalent in LDCs and committed to assisting LDCs in confronting their current and emerging development challenges and enabling half of these countries to meet the criteria for graduation from LDC status over the next decade. There is the recognition that trade can play a positive role in reducing poverty and in addressing the complex and multifaceted challenges facing LDCs. However, this potential of trade for poverty reduction and development has not been realised in many LDCs, despite having achieved impressive export and growth performance and also having implemented significant trade reforms, particularly since the 1990s. The failure of trade expansion to lead to poverty reduction can be ascribed to the fact that it has not created sufficient employment and has also gone hand in hand with an increase in inequality. More importantly, it is a consequence of the fact that trade has not been effectively mainstreamed into the national development strategies of LDCs. Although many LDCs are increasingly making efforts to mainstream trade into national development plans, there is a gap between the rhetoric of trade mainstreaming and its actual practice and outcomes. In this context, there is the need for governments of LDCs, with the support of their development partners, to strengthen efforts to integrate trade into their national development strategies with a view to unlocking its potential for poverty reduction and development.

This paper discusses the experiences of three African LDCs (Ethiopia, Lesotho and Senegal) in mainstreaming trade into their development strategies, with a view to drawing lessons from these experiences for other LDCs.[1] More specifically, it examines and analyses three policy documents that have been used as instruments or vehicles for mainstreaming trade into national development strategies in LDCs. These are: the Poverty Reduction Strategy Papers (PRSPs); the Diagnostic Trade Integration Studies (DTIS), and National Development Plans. The three countries analysed were chosen because they are the African LDCs in UNCTAD's project on "Strengthening the capacities of trade and planning ministries of selected Least Developed Countries to develop and implement trade strategies that are conducive to poverty reduction." They are also interesting case studies because of their structural differences which make their trade and development experiences relevant for other LDCs (table 1). Although the three are LDCs, Ethiopia and Lesotho are landlocked countries while Senegal is not landlocked. Furthermore, Ethiopia is an agriculturally dependent economy while Lesotho depends more on services and also manufacturing exports. While Senegal also has a large services sector like Lesotho, they both differ from Ethiopia in the sense that they are involved in monetary cooperation arrangements which have implications for trade and also the design and implementation of national development strategies.[2] The three countries also differ in terms of their main trading partners: over the period 2010-2014 the European Union was Ethiopia's main trading partner; the United States was Lesotho's main trading partner; and a large portion of Senegal's

[1] (Ferede, 2015; Mokoena, 2015).

[2] In particular, Senegal is a member of the West African Economic and Monetary Union (WAEMU) and Lesotho is a member of the Common Monetary Area. The membership of Senegal and Lesotho in these monetary arrangements mean that they do not have an independent monetary policy and this has consequences for trade policymaking.

exports went to sub-Saharan Africa (figure 1). These differences in structure, geography and export markets make the experiences of the three African LDCs useful for drawing lessons for other LDCs.

The rest of the paper is organized as follows: Section 2 discusses the rationale and instruments for trade mainstreaming in LDCs. Section 3 presents the framework of analysis of the study and applies it to the experiences of the three selected LDCs. It also presents the main findings from the review of national documents in the selected LDCs. Section 4 highlights lessons learned from the country-case studies. Section 5 concludes.

## 2. Trade Mainstreaming: Rationale and Instruments

There is no generally-accepted definition of trade mainstreaming but it is often understood to be the process of integrating trade into national development and poverty reduction strategies, and the operationalisation of trade within such strategies. This process entails incorporating trade into sectoral strategies, action plans and budget, intra-governmental and government-private sector relations, as well as government-donor relations (UNDP, 2011). It also demands ensuring that trade and trade policy-related issues are coordinated and geared towards accomplishing key national development objectives. Thus, effective trade mainstreaming should result in national development policies that enable LDCs to better use trade to support their national development efforts and goals.

The national policy hierarchy and institutional framework to effectively mainstream trade entails linkages between various plans and institutions: the national vision or development plan, which contains the development goals, situation analysis and medium-long term strategic policy objectives; sector plans, which establish the policy objectives and strategies for the economic sectors (e.g. industrial, agricultural policies); ministries operation plans, that is the policy objectives and strategies of ministries that may be different from sector-specific plans; and budgetary and donor allocation (i.e. recurrent budget, infrastructure development, and aid resources).

Policy and institutional coordination are also important in the trade mainstreaming process. They ensure that policies and actions of ministries and other key stakeholders are consistent with the overall national development goals. Many developing countries acknowledge having made efforts to mainstream trade through well-developed operational priorities and action plans (OECD/WTO, 2009). Nevertheless, there are significant variations in the degree and scope to which different LDCs incorporate trade into national plans and strategies and policy coordination and alignment remain a challenge in these countries. It is therefore not surprising that LDCs have not been able to fully reap the benefits of trade in the development process. Some of the factors limiting the ability of LDCs to effectively mainstream trade in national development plans and strategies include: absence of a conceptual understanding of how trade is linked to poverty reduction; institutional weaknesses in the line ministries; and limited capacity to engage in inclusive economic planning, directly affecting the establishment of relevant, realistic, and effective strategies.

There have been some attempts to identify and assess the trade elements of policy instruments in national development planning, mostly by examining the PRSP, which in many cases have been adopted as de facto National Development Plans (NDP) (EIF, 2011; Kosack, 2008; Prowse, 2002;