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International  
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UNITED NATIONS

United Nations Inter-Agency  
Cluster on Trade and  
Productive Capacity

UNDP, UNCTAD, ITC, UNIDO, ILO

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# **AID FOR TRADE INITIATIVE For the ARAB STATES**

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<b>Project Title</b>	<b>Aid for Trade Initiative for the Arab States</b>
<b>Expected Outcome</b>	Inclusive economic growth with increased employment opportunities and greater competitiveness is achieved through trade policy reforms in the Arab states as an integral part of the regional trade and economic integration agenda.
<b>Expected Project Results</b>	<ol style="list-style-type: none"> <li>1. Capacity gaps and priorities for technical assistance in relation to trade and productive capacity development are diagnosed at the national, sub-regional and regional levels. Action oriented road maps are formulated to develop trade related aspirations expressed in the outcome documents of Arab Economic and Social Summit. Interventions with the highest impact on youth and women are prioritized.</li> <li>2. Capacities of the League of Arab States (LAS), Gulf Cooperation Council (GCC) and Arab Maghreb Union (AMU) to implement regional integration processes and the Pan Arab Free Trade Area (PAFTA) are enhanced, as well as coordination and collaboration amongst them and with national policymakers/stakeholders in member countries.</li> <li>3. A regional platform and country tailored solutions are provided for trade reform including non-tariff measures, technical barriers to trade, and for enhancing the capacities of trade support institutions.</li> <li>4. Skills development strategies to support growth and decent employment creation in sectors that have the potential to increase exports and to contribute to economic diversification.</li> </ol>
<b>Chair of Project Board (Executive)</b>	ITFC
<b>Executing Entity</b>	UNDP
<b>Implementing Agency</b>	UNDP
<b>Responsible Parties</b>	ILO, ITC, ITFC, UNCTAD, UNIDO, UNOPS
<b>Project duration</b>	2 years

**Total resources required**      USD 11,504,450      **Un-funded budget**      USD 5,504,450

**Total allocated resources**

Islamic Development Bank Group: USD 2,000,000  
 SIDA: 10 Million SEK (USD 1,500,000)  
 UNDP TRAC: USD 1,000,000  
 Government of Kuwait: USD 2,000,000

**Parallel Contributions**

Signature



Name

\_\_\_\_\_

Designation

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## 1. SUMMARY

The Arab region faces today a number of major challenges that have hindered many of the League of Arab States (LAS) member countries' capacity to reap the benefits of international trade and regional trade and to achieve regional integration. Popular discontent in the Arab street is recognized as a development failure which was reinforced by a political economy of exclusion reflected, for instance, in high levels of unemployment and pervasive inequality. A consensus exists that regional economic integration is crucial both to promote economic development and human security, while enabling countries to face the challenges posed by globalization. Moreover, it is essential that the opportunities coming from an increasingly integrated world are turned into positive human development outcomes.

Trade development measures and programmes will help these countries to expand trade beyond current levels, boost economic growth and employment, reverse deindustrialization and reduce poverty. Better integration into international markets is also a critical factor in achieving increasing and sustainable levels of human development. Unleashing the Arab states' entrepreneurial potential and creative talents, diversifying economies, and providing women and men with the economic opportunities they need to build a better life will lead to more inclusive and resilient societies.

The two-year project will focus on helping countries and the main sub-regional and regional integration entities to accelerate the pace of trade reforms and regional economic integration, to strengthen the employment effects of those reforms with particular focus on women and youth and to mobilize additional resources for this purpose. Accordingly, the project will aim to:

- Review, assess, and where feasible, develop into actionable interventions for investment and resource mobilization the trade-related aspirations on energy, transport, communication and pipeline infrastructure, food security, water, SME financing and support, trade-facilitation and customs reform, expressed in the outcome documents of the January 2009 and January 2011 Arab Economic and Social Summit held in Kuwait and Sharm-el-Sheikh respectively.
- Enhance the capacities of the League of Arab States (LAS), Gulf Cooperation Council (GCC) and Arab Maghreb Union (AMU) to implement regional integration processes and the Pan- Arab Free Trade Area (PAFTA).
- Provide a platform for trade reform including non-tariff measures, technical barriers to trade, and for enhancing the capacities of trade support institutions, to foster the regional trade integration programmes of the member countries of the League of Arab States.
- Enhance the employment effects of trade and trade-related policies by ensuring the alignment of human resource related policies with policy changes in the area of trade.
- Mobilize Aid for Trade (Aft) resources to finance and implement country, sub-regional and regional priorities that will contribute to broader trade development outcomes.

It is expected that this first phase will lead to a subsequent phase of the project to scale up and extend the operational programmes (2014 and beyond) in a sequential and coordinated manner<sup>1</sup>.

The project is an initiative of the International Islamic Trade Finance Corporation (ITFC) with the International Labour Organization (ILO), International Trade Centre (ITC), the United Nations Economic Commission for Western Asia (ESCWA), the United Nations Conference for Trade and Development (UNCTAD), the United Nations Development Programme (UNDP), the United Nations Economic Commission for Europe (UNECE), the United Nations Industrial Development Organization (UNIDO), the Organization for Economic Cooperation and Development (OECD), and the World Trade

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<sup>1</sup> This subsequent phase is not covered by the current project proposal.



Organization (WTO), as core partners and with open-ended participation of other organizations and development partners.

Consultations with the representatives of LAS member states in Geneva and with governments and stakeholders in several Arab capitals as well as regional and sub-regional entities have informed and enriched the formulation and design of the project.

The project will specifically build upon the opportunities present in the region such as regional trade agreements, similar economic structures, intra regional capital and investment flows, existing economic and financial institutions and a shared cultural and linguistic heritage.

Diversity among the countries concerned is acknowledged as an opportunity to promote further integration and exchange of experiences. Arab countries indeed face different challenges that are characteristic of the development stage to which they belong.

The project is organized around four main result areas (or components) and will be executed by ITFC and four of the agencies participating in the UN Trade and Productive Capacity Cluster (i.e. ILO, ITC, UNCTAD, UNDP, and UNIDO). Result 1 aims to assess and where feasible develop into actionable interventions for investment and resource mobilization the trade-related aspirations on energy, transport, communication and pipeline infrastructure, food security, water, SME financing and support, trade-facilitation and customs reform, expressed in the outcome documents of the January 2009 and January 2011 Arab Economic and Social Summit held in Kuwait and Sharm-el-Sheikh respectively. Result 2 focuses on the regional and main sub-regional organizations and their capacity gaps to support the regional integration process. Results 3 and 4 aim to tackle in a coordinated manner the most pressing needs relating to trade expansion including employment growth scenarios for key sectors and markets.

More specifically, these four results can be formulated as follows:

**Result 1:** Capacity gaps and priorities for technical assistance in relation to trade and productive capacity development are diagnosed at the national, sub-regional and regional levels. Action oriented road maps are formulated to develop trade related aspirations expressed in the outcome documents of Arab Economic and Social Summit. Interventions with the highest impact on youth and women are prioritized.

**Result 2:** Capacities of the League of Arab States (LAS), Gulf Cooperation Council (GCC) and Arab Maghreb Union (AMU) to implement regional integration processes and the Pan Arab Free Trade Area (PAFTA) is enhanced, as well as coordination and collaboration amongst them and with national policymakers/stakeholders in member countries.

**Result 3:** A regional platform and country tailored solutions are provided for trade reform including non-tariff measures, technical barriers to trade, and for enhancing the capacities of trade support institutions.

**Result 4:** Skills development strategies to support growth and decent employment creation for men and woman in sectors that have the potential to increase exports and to contribute to economic diversification.

**A common approach in the roll-out of the four components will be followed: the specific activities and interventions under each result area will be fully developed into a work plan through**

engagement with the LAS, other regional organizations and member states taking into account previous and ongoing commitments and prioritization, such as for example, ongoing efforts to implement resolutions of the 2009 and 2011 Arab economic and social summits. The work plan for each result area, targeted toward achieving 'quick wins', will be submitted to the Project Board for approval within three months of the start up of project activities. To further ensure that project activities are closely aligned with priorities on the ground, a mid-term review will be undertaken after the first year to assess the deliverables up to that point and to begin to prepare the ground for a subsequent phase of the Aid for Trade Initiative for Arab States.



## 2. CONTEXT AND RATIONALE

Many Arab states are experiencing direct or indirect economic disruptions that accompanied recent political developments and instability. An extremely high youth unemployment average rate of 23 per cent in 2010 is considered one of the causes of discontent. Half the population is under 25, and youth unemployment rates nearly double the global average. The challenge certainly goes beyond unemployment, as youth and women are disproportionately represented among the working poor. As a consequence, political transitioning might be coupled by lower growth in the short term due to, among other causes a higher risk spread in capital markets. Uncertainty is also mounting along with the growing risks of a double-dip recession and, particularly, of declining demand from Europe. New inclusive growth models need to be encouraged through smart strategies that enable Arab states to benefit more broadly from reciprocal interaction. Doing that requires capable institutions, effective governance mechanisms and leadership committed to sustainable human development. UNDP's Arab Human Development Reports have warned about the consequences of the lack of inclusion and job opportunities.<sup>2</sup>

Trade has been a key economic driver in the region due to the inherited factor endowment, i.e. a region which is exceptionally rich in oil and gas but also heavily dependent on these commodities for growth. Before the global economic and financial crisis the region exhibited remarkable growth trends partially as a result of hikes in oil prices. As elsewhere, the global financial and economic crisis took its toll. Oil exporters have been directly hit through a sharp drop in oil prices and a rapid drying up of capital inflows. However, countercyclical government stimulus packages mitigated the impact thanks to the high level of reserves and budget surpluses earned in previous years. Low integration with global capital markets, and limited exposure of financial institutions to the US market and structured products cushioned these countries from the full effects of the shocks. Fiscal and monetary stimulus and spillovers from increased public spending in oil rich countries helped to sustain internal demand in neighboring countries, where impacts were being strongly felt given the reduced earnings from exports, drying up of investments flows and lower remittances volumes.

Countries in the region today face a number of major challenges that hinder their capacity to reap the benefits of trade and to achieve desirable regional integration. Trade development measures and programmes will help these countries to expand trade beyond current levels, boost economic growth and employment, reverse deindustrialization, reduce poverty and achieve inclusive development. Better integration into regional markets is a critical factor in achieving increasing and sustainable levels of human development. Unleashing the Arab states' entrepreneurial potential and creative talents, diversifying economies, and providing women and men with the economic opportunities they need to build a better life will lead to more inclusive and resilient societies.

### 2.1 Overall picture and challenges<sup>3</sup>

In most Arab states, the relatively low level of economic diversification contributes to continued dependence on a handful of commodities, particularly oil, gas and minerals, and some labour-intensive manufacturing sectors. While these sectors remain the main development drivers, a large proportion of the population is employed in low valued added services and/or inefficient public enterprises. Several Arab countries have a young and fast-growing population, with large numbers of job seekers and a sizable proportion of educated people, many of them degree holders.

<sup>2</sup> See for instance, *Arab Human Development Report 2009: Challenges for Human Security in the Arab Region*.

<sup>3</sup> The analysis drew broadly from the following reports: ESCWA Assessment of Trade Policy Trend and Implications for the Economic Performance of the ESCWA Region, latest IMF Regional Economic Outlook for Middle East and Central Asia, ITC Consolidated Programme Document 2008-2009, World Bank's regional publications, UNDP's regional human development reports and the UNDG Response Strategy and Framework for Action.



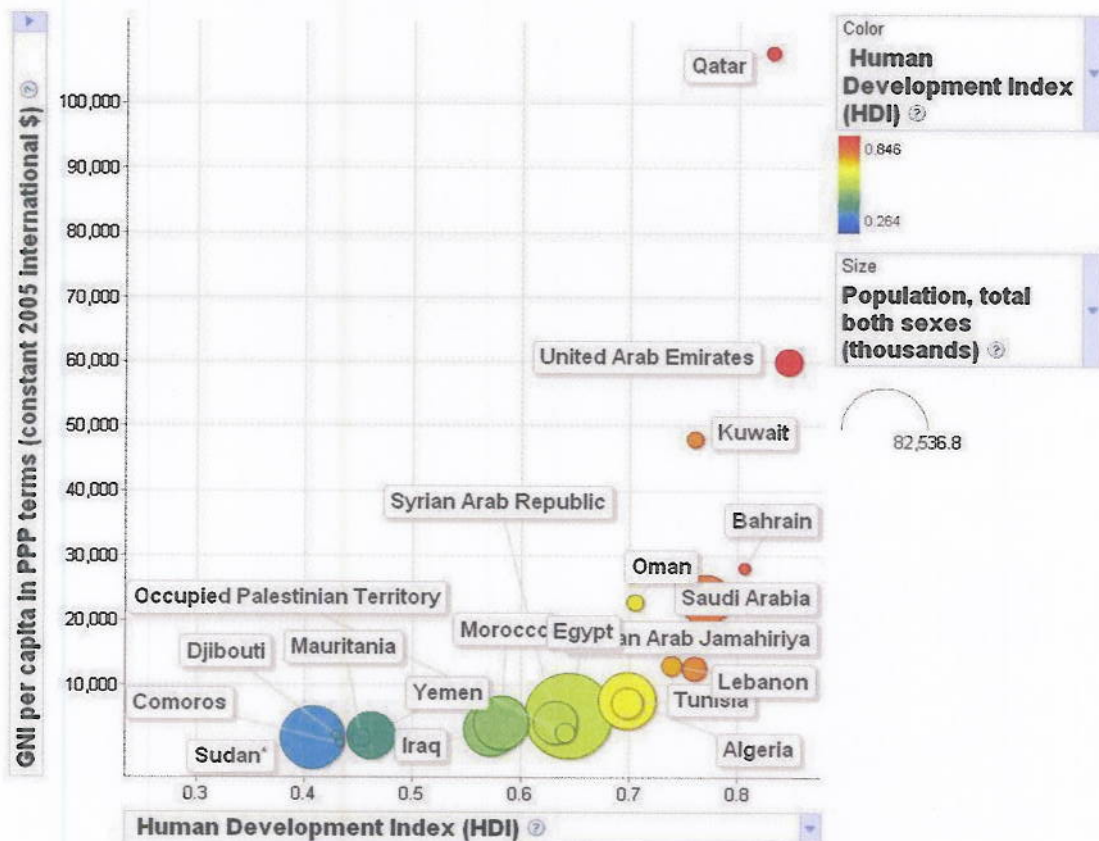
On the one hand, this highlights the problem of skills mismatch – a situation where the skills taught by education institutions do not match the demand of the labour market. This is a common phenomenon in the region. Many young people with high levels of education do not find work, while at the same time firms complain that they cannot find workers with adequate skills. Such skill mismatch has high social and economic costs, in particular when it takes the form of youth unemployment.

On the other hand, this is a good basis that opens the way to restructure Arab economies and to focus on new sectors, such as those related to the digital economy, green and low carbon technologies. Regional integration and trade alone do not provide an easy solution to these challenges, but they undoubtedly offer means and opportunities to unlock progress.

This project’s approach and strategy is informed by major recent trends in the region. These include but are not limited to jobless growth, limited development and sophistication of the private sector and especially small and medium enterprises (SMEs), weak institutional capacities to drive trade reforms, inadequate trade-related infrastructure (including transportation and energy), trade facilitation, and supply-side constraints.

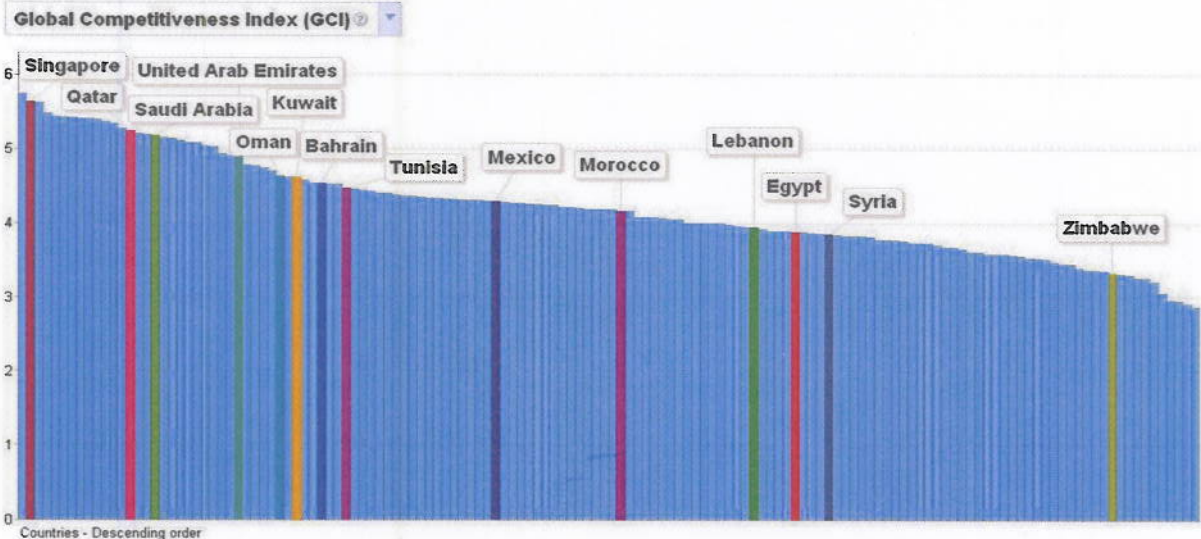
Diversity among Arab States is acknowledged as an opportunity to promote further integration and fruitful exchange of experiences. LAS member countries indeed face different challenges that are characteristic of the development stage to which they belong. Experiences and best practices of the Gulf countries bring additional value. Figure 1 clearly points to the wide spectrum of development challenges as referred to by the Human Development Index (HDI) developed by UNDP.

**Figure 1: Human Development Index in Arab states (Source: UNDP, 2011)**



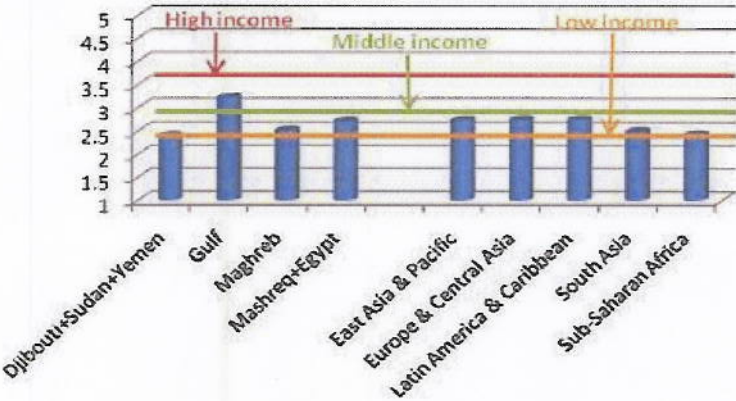
Similar disparities are found in competitiveness indices. Gulf countries are located in the first and second quartile of the Global Competitiveness Index (GCI) produced by the World Economic Forum (WEF), while the other LAS members for which data is available are found in the third quartile, with the exception of Tunisia. Most recent data on the GCI is reproduced in Figure 2. However, it is important to note that data is available for only half of LAS members. Additional research is required to better understand the region’s dynamics.

**Figure 2: Global Competitiveness Index in the Arab states (Source: WEF, 2011)**



Along with competitiveness, trade facilitation and logistics are critical elements to take into consideration. The World Bank’s Logistics Performance Index (LPI) is a comprehensive and useful proxy for measuring trade performance and identifying bottlenecks. The region’s LPI picture is heterogeneous and reveals significant performance bottlenecks within many Arab states. Figure 3 shows that the region’s performance on the International LPI (2.6) is between Sub-Saharan Africa (2.4) and South Asia (2.5) and the other three developing regions of East Asia and Pacific Europe and Central Asia, and Latin America and the Caribbean (2.7)<sup>4</sup>.

**Figure 3: Logistics Performance Index in the Arab states (Source: World Bank, 2010)**



Findings from the LPI survey point to a number of actions required to improve infrastructure quality, efficiency of border clearance, and the quality and competence of service providers in the region.

<sup>4</sup> LPI uses a 5-point scale, being 5 the highest mark.



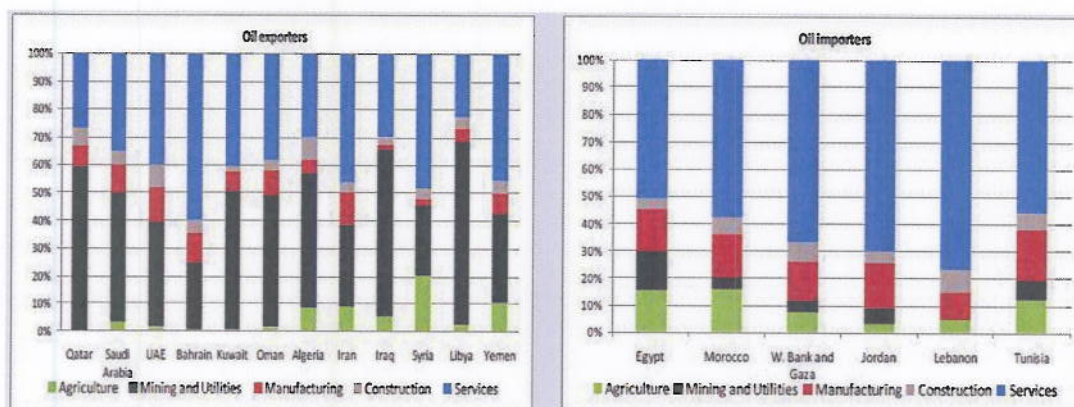
Modernization of quality and standards infrastructure as well as actions in support of health/sanitary and Phytosanitary measure is required. Moving the trade facilitation agenda further requires both reforms and investments. Upgrading trade-related infrastructure in the Arab world should be incremental and cost-effective. Gulf countries and early reformers can provide regional leadership on trade facilitation reforms through the dissemination of best practices and experience sharing. Some governments, such as Morocco and Tunisia, have already launched significant and effective reform programs that are reflected in their global indices' ranking (figure 2).

Furthermore, it is necessary to recall that coordination of initiatives on a regional and sub-regional basis is critical, so as to facilitate the development and efficient management of trade corridors. Recent analysis<sup>5</sup> indicates, for instance, that coordination among different border agencies is more critical in the short term than additional customs modernization.

Trade and logistics performance is strongly connected with economic diversification and participation in global value chains. Inclusion in global and regional value chains is today a requirement for developing competitive manufacturing sectors. For example, closing the gap between export and import lead times would be a crucial action for supporting home grown manufacturing in the region by improving domestic manufacturers' access to vital imported intermediate and capital equipment.

While manufacturing has contributed to income and job growth in the last decade, its average size in the Arab states is small relative to emerging economies such as Brazil, Indonesia, Malaysia and Turkey (see figure 4). Regional integration – through trade and investment - can support job-creating manufacturing sectors and reduce the threat of de-industrialization. UNDP research found that intra-African integration would support manufacturing development: in Egypt, for example, the structure of production is estimated to shift away from agriculture towards manufacturing and services due to regional integration dynamics.<sup>6</sup> Germane evidence is also found on the positive impact of manufacturing on employment in the Arab states in the past decade. In the 2000s, manufacturing received just around one fifth of all regional foreign direct investment (FDI) inflows but created 55 percent of all FDI-related jobs.

**Figure 4: Value added shares by sector in the oil exporters - period averages in the 2000s, percent (Source: World Bank, 2011)**



<sup>5</sup> World Bank, 2010

<sup>6</sup> UNDP, *Regional Integration and Human Development: A pathway for Africa*, 2011



## 2.2 Trade policies and integration in Arab States

Trade integration in the Arab world has a long history. While early attempts date back to the post Second World War and the creation of the LAS, it is only from the 1980s that countries in Middle East and North Africa started to establish and promote outward-oriented trade regimes. Out of the 22 LAS members, 12 are now members of the World Trade Organization (WTO) and 8 are observers. All Arab states are members of the Pan Arab Free Trade Agreement (PAFTA) with the exception of Mauritania and Somalia which are candidate countries; six are members of the Gulf Cooperation Council (GCC) and five are members of the Arab Maghreb Union (AMU), the two main sub-regional organizations. Several countries are signatories of partnership agreements with the European Union (EU), while some hold bilateral trade agreements with the United States of America and other Asian, African and Latin American countries. Figure 5 provides a snapshot of trade agreements in the region.

### Box 1: Pan-Arab Free Trade Area (PAFTA)

In February 1997, the LAS launched a free trade programme, known as the Pan Arab Free Trade Area – PAFTA, also sometimes known as the Greater Arab Free Trade Area (GAFTA). Member states were asked to provide specific commitments regarding elimination of tariffs, non-tariff measures and rules of origin. The Executive Program is at the core and represents an effort to revive the 1981 Agreement for Facilitation and Promotion of Trade among the members. All 22 member states of the LAS, except Djibouti, the Comoros Islands and Mauritania have endorsed the Agreement and have committed to the Executive Program, representing 92 percent of Arab foreign trade and 96 percent of intra-Arab trade. The implementation schedule – which started on 1 January 1998 - called for tariff reductions over a seven year period at a rate of 10 percent during the period 1998-2003, and 20 percent during the period 2004-2005, with tariffs reduced to zero by 2005 (later postponed to 2007) for non-LDCs members.

PAFTA is managed by the Council of Ministers of Member Countries and by a permanent executive body. PAFTA has a functioning Secretariat housed in the Economics Department of the LAS Secretariat.

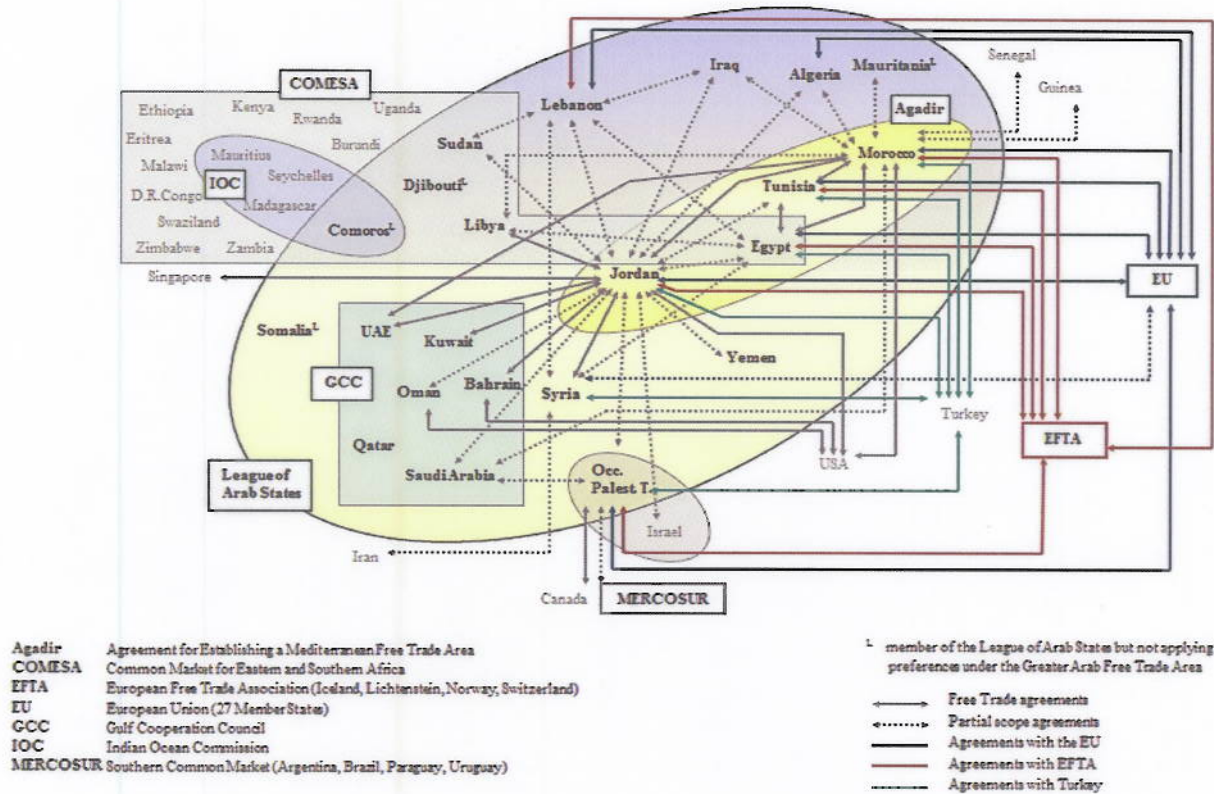
It is recognized that previous efforts to promote intra-Arab trade integration have at best a mixed record, but it is on the very strong potential of regional integration and political commitments that this Aid for Trade Initiative for Arab States intends to build upon.

Despite most recent progress, the region remains a laggard with respect to regional integration. To boost economic integration in the region, the last two Arab economic and social summits prioritized interventions on energy, transport, communications and pipeline infrastructure, food security, water, SME financing and support, trade facilitation and customs reform. However, over the past two decades, the share of intra-Arab states trade in total trade was under 10 per cent, notwithstanding the implementation of PAFTA since 2005. When compared with other regions, intra-Asian trade was about 55 percent, intra-Latin American trade was approximately 45 percent and intra-EU trade was up to 65 percent. Intra-regional trade is now estimated to be less than 3 percent among the Maghreb countries that form AMU, 6 per cent between GCC countries and about 17 per cent between Iraq, Jordan, Lebanon, Syria and Palestine (also referred as Mashreq countries). There are some indications that trade flows are under reported in official trade statistics and that informal trade is significant between neighboring states such as Libya and Tunisia. Intra Arab states trade is dominated



by GCC countries which account for about 60 percent of intra-regional exports and almost 50 per cent of imports in 2009<sup>7</sup>.

**Figure 5: Trade agreements in the Arab States (Source: ITC, 2012)**



Over the past two decades, the relatively low share of intra-Arab trade is due in large part to the lack of production of tradable goods and services. World Bank research found that many countries have not been successful in developing their tradable manufacturing activities and instead have created jobs in the less-efficient non-tradable construction and public sector. There is broad consensus and economic evidence on the benefits of enhanced regional integration channeled through increased trade and FDI flows. However, limited capacity to design and implement trade policies and agreements has led too often to strategies that are partially or not implemented at all. Even the interventions prioritized by the 2009 and 2011 economic and social summits are not being systematically implemented or adequately coordinated or in some cases consistent with national priorities and activities.

Accordingly, to enhance the trading capacity of the region, this project will focus on PAFTA implementation issues and the medium term LAS objective of moving towards the establishment of a Customs Union by 2015.

While impediments to trade have been reduced in recent years, they remain relatively high in many countries outside the Gulf, with average tariff levels close to or above 15 per cent for non-GCC countries. As formal trade barriers are reduced, the focus turns to facilitation and transport impediments and non-tariff barriers. Intra-regional trade growth performance indicates that existing

<sup>7</sup> OECD based on UNCTAD data. This estimate is based on the following countries for which reliable data is available. Gulf Cooperation Council: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, UAE. North Africa: Algeria, Egypt, Libya, Morocco, Tunisia. Levant: Jordan, Lebanon, Palestinian Authority, Syria. Others: Iraq and Yemen (data unavailable for Djibouti)



trade agreements have so far not stimulated further intra-regional trade flows in any appreciable way. In addition, trade agreements signed with the EU in more than one case underperformed in terms of increased exports to the common EU market. These findings highlight the need to quickly overcome the stumbling blocks that obstruct integration within the region and the rest of the world economy. Consequently, there is a greater need to promote trade and productive capacity through export promotion and import substitution strategies. In parallel, Arab states should be encouraged to overcome country specific bottlenecks that are inhibiting the competitiveness of domestic firms and holding up FDI inflows. The current trade agreements have also generally failed to attract a satisfactory level of investment in the non oil and gas sectors.

Trade development measures and programmes will help Arab states to expand trade beyond the current levels, boost economic growth and employment, reverse deindustrialization and reduce poverty. However, it is not enough to reduce trade costs and increase market access. Businesses must be able to respond by expanding productive capacity and investments. Currently, behind-the-border conditions for doing business and an underdeveloped private sector are a matter of concern. Improvements therefore are needed not only in trade policy, transport and transit, but also in the business and investment climate and overall competitiveness. Moreover, the region's most important development challenge in the coming years is the creation of enough jobs for its large and rapidly growing workforce. However an educated and skilled workforce is crucial to ensure that the job creation potential from trade materializes and to ensure that growth is inclusive. Thus, in order to avoid skill mismatches that contribute to unemployment, skills development policies are needed to be aligned with policy changes in the area of trade.

A recent policy review by ESCWA<sup>8</sup> summarizes recommendations for reforms that are urgently needed:

- Continue to integrate regionally and internationally, and seek to encourage a policy mix of import-substitution and export promotion policies;
- Continue to reform and further modernize existing trade policies. Improving the information and communications technology (ICT) sector will play a vital role in enhancing markets and trade in the region;
- In order to succeed in their recent trade integration efforts and their new, outward-oriented trade policies, countries need to encourage FDI, which, in addition to increasing savings and employment opportunities, allows for the transfer of technology and knowledge, and increases productivity;
- Improve the domestic investment environment by facilitating trade management procedures, reducing bureaucracy and becoming more transparent. Privatization remains an important channel for increasing investment opportunities;
- Devote additional efforts aimed at promoting further investment in the region. At the national level, investment promotion policies must focus on three main elements, namely, (i) updating investment promotion laws; (ii) establishing national committees to oversee investment projects; and (iii) facilitating administrative procedures relating to these projects;
- The recent removal of several barriers to trade and movement of human resources have benefited the region to some extent. Countries need to integrate their labour markets further, particularly given that large intraregional labour movements could constitute the main vehicle for regional economic integration, thereby triggering substantial financial flows in the form of workers' remittances;

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<sup>8</sup> ESCWA, *Assessment of trade policy trends and economic implications for the economic performance of the ESCWA region, 2009*



- Further liberalization of intra regional trade and the removal of tariff and non-tariff barriers could result in improving significantly employment and job creation opportunities. Through the combined size of their capacities and markets, and the sectoral complementarities among countries, unemployment rates could be further reduced through both trade and investment creation;
- Enhance efficiencies in production by further exploiting comparative advantage in domestic markets, thereby benefiting from economies of scale that are made possible by expanded markets;
- Improve and coordinate further macroeconomic and monetary policies both at the national and regional levels.

### 2.3 An Aid for Trade (AfT) Initiative for the Arab States

The AfT agenda is one of the most important development-related outcomes of the fifth WTO Conference that was held in Hong Kong in 2005. It aims at strengthening the capacity of developing countries to participate in and benefit from international trade. A large part of AfT is focused on strengthening the international competitiveness of SMEs, including the creation of an enabling business environment for enterprises or building economic infrastructure. Box 2 describes the six AfT categories.

#### Box 2: Aid for Trade six categories

- Trade policy and regulations, including training of trade officials, analysis of proposals and positions and their impact, support for national stakeholders to articulate commercial interest and identify trade-offs, dispute issues, institutional and technical support to facilitate implementation of trade agreements and to adapt to and comply with rules and standards;
- Trade development, including investment promotion, analysis and institutional support for trade in services, business support services and institutions, public-private sector networking, e-commerce, trade finance, trade promotion, market analysis and development;
- Economic infrastructure, including investments in infrastructure - roads, ports, telecommunications, energy networks – needed to link products to global markets;
- Productive capacity, including strengthening economic sectors, from improved laboratories to better supply chains – to increase competitiveness in export markets;
- Trade-related adjustment, including helping developing countries with any transitions costs from liberalization – preference erosion, loss of fiscal revenue, or declining terms of trade; and
- Other trade needs.

The AfT initiative can provide a platform for the development of tangible interventions aimed at strengthening countries' capacities to benefit from trade and integration. It is essential that AfT is aligned with poverty reduction and sustainable development efforts, and thus towards achieving the UN Millennium Development Goals (MDGs)<sup>9</sup>. The importance of trade, trade policies, and trade related technical assistance for poverty reduction and human development is further elaborated in a UN methodological guide "Trade and Human Development: A Guide to Conducting Aid for Trade

<sup>9</sup> The MDG framework contains 8 goals, 18 targets, and 48 indicators. Most of the targets are to be achieved over the 25-year period from 1990 to 2015 ([www.undp.org/mdg](http://www.undp.org/mdg))



Needs Assessment Exercises<sup>10</sup>” designed to help policymakers, trade officials and researchers to formulate priorities for AfT interventions.

Based on this concept, UNDP supported the preparation of AfT interventions in 11 countries in Eastern Europe and CIS and of AfT implementation strategies in several countries in Africa. The Inter-American Development Bank conducted similar exercises in Latin America and the Caribbean.

Consensus emerged in the international community on the need for AfT to better reflect regional and national peculiarities to produce durable results. According to the global responses to the WTO AfT questionnaires, a disconnect remains in many instances between the priorities established by governments, stakeholders and donor assistance. In response, regional platforms and coordination and financing mechanisms were established in Africa, Latin America and the Caribbean and Asia. In light of the challenges previously described, there is a pressing need to move the AfT agenda forward in the Arab states region, which currently lacks either a strategy or a platform to plan and manage AfT. According to the AfT data base, in 2010, Arab countries attracted USD 5.9 billion in AfT commitments. Disbursements in the same year totaled USD 4.1 billion. This roughly translates into a 13 percent share of AfT commitments in a region that accounts for around 5 per cent of the world’s population. But the distribution among Arab countries that are traditional recipients of development assistance flows is uneven, with Egypt and Morocco accounting for the greater share.

The consultative process for establishing a regional AfT governance and review mechanism in the Arab states was initiated upon the request of the Arab Group at the WTO to the Islamic Trade Finance Corporation (ITFC) which is part of the Islamic Development Bank (IsDB) Group. A participatory and inclusive process, encompassing consultations with key stakeholders involved in trade-related issues in the Arab states followed. Upon ITFC’s initiative, a consultative meeting was held at the Headquarters of ESCWA in 2010. The meeting took stock of existing work in relation to scaling up AfT in the region. The main supporters of the initiative reconvened in Cairo in 2011 at a meeting, jointly organized by ITFC and the League of Arab States (LAS) to identify the steps necessary to finalize this project document. A Steering Committee was established to promote the rolling out of the initiative. The Committee is chaired by ITFC and includes LAS, ITC, UNCTAD, UNDP, and UNIDO, with open ended participation from other international and regional organizations and donors. The two UN Economic Commissions responsible for the Arab states region, the UN Economic Commission for Africa (UNECA) and ESCWA informed the process. The UNECE contributed on a consultative basis.

A second round of consultations took place during 2011 in selected capitals where the project was presented and with sub-regional organizations such as AMU and GCC. Further consultations were held in Geneva in February-April 2012. On the basis of these consultations this project document has been finalized. Contributions and comments were provided by Arab Group in Geneva, and international organizations including ILO, ITC, ITFC, UNCTAD, UNDP, UNECA, UNECE, UNESCWA, UNIDO, regional and sub-regional organizations including the AMU, LAS, GCC, the Arab Industrial Development and Mining Organization (AIDMO), the Arab Union of Land Transport (AULT), the Council of Arab Economic Unity (CAEU), and the Arab Regional Accreditation (ARAC).

This project is intended to provide support for the successful implementation of AfT in the Arab states. The initiative will build upon the opportunities present in the region such as regional trade agreements, similar economic structures, intra regional capital and investment flows, existing economic and financial institutions and a shared cultural and linguistic heritage. The initiative aims to:

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<sup>10</sup> Trade and Human Development: A Guide to Conducting Aid for Trade Needs Assessment Exercises (available at: [http://www.undp.org/poverty/topics7\\_trade\\_capacity.shtml](http://www.undp.org/poverty/topics7_trade_capacity.shtml))



- Assess and where feasible develop into actionable interventions for investment and resource mobilization the trade-related aspirations on energy, transport, communication and pipeline infrastructure, food security, water, SME financing and support, trade-facilitation and customs reform, expressed in the outcome documents of the January 2009 and January 2011 Arab Economic and Social Summit held in Kuwait and Sharm-el-Sheikh respectively.
- Enhance the capacities of the League of Arab States (LAS), Gulf Cooperation Council (GCC) and Arab Maghreb Union (AMU) to implement regional integration processes and the Pan- Arab Free Trade Area (PAFTA).
- Provide a platform for trade reform including non-tariff measures, technical barriers to trade, and for enhancing the capacities of trade support institutions, to foster the regional trade integration programmes of the member countries of the League of Arab States.
- Enhance the employment effects of trade and trade-related policies by ensuring the alignment of human resource related policies with policy changes in the area of trade.
- Mobilize Aid for Trade (AfT) resources to finance and implement country, sub-regional and regional priorities that will contribute to broader trade development outcomes.

This initiative will include a subsequent phase of the project to scale up and extend the operational programmes (2014 and beyond) in a sequential and coordinated manner.

#### 2.4 Stakeholders and beneficiaries

Beneficiaries and stakeholders of the project include a wide range of private and public entities. The end beneficiaries of the project are the peoples of the Arab states.

Involvement of both government and other stakeholders representing a broad spectrum of interests has increasingly proved to have a positive impact on development and policy making. There is a widespread recognition that such participation brings political, legal and social benefits and reduces the risks of conflict in the implementation of national and regional development strategies. Investing efforts in participation, even if costly, has proved to be effective and efficient. The project specifically envisages capacity development interventions for LAS and partnerships with AMU and GCC.

The main stakeholders at the national level are:

- 1) Government and governmental organizations
  - a. *Line ministries*: Ministry of Trade, Ministry of Industry, Ministry of Economy/Finance, Ministry of Education, Ministry of Labour, Ministry of Agriculture, Ministry of Tourism, Ministry of Foreign Affairs, Ministry of Gender Equality/Gender Affairs;
  - b. *Specialized agencies*: Customs Agency, Export Credit Agencies, Investment Promotion Agencies, National Statistical Office, National Standards Bodies, National Food Safety Authorities, Central Bank, National and Regional Development Banks and Authorities, Antitrust Authority, Technical Vocational Education and Training institutions, Higher Education Institutions;
  - c. *Special committees*: Trade Facilitation Committee, Aid for Trade Committee, Skills Committee etc.
- 2) Business and employer organizations and trade unions
  - a. *Business and employers*: national trade promotion organization, sectoral business associations, small and medium enterprises business associations, associations of artisans and traders, chambers of commerce, export associations, representatives of entrepreneurs, business women associations ;
  - b. *Trade unions*: confederation of trade unions, main trade unions, women workers association, association/cooperatives of workers;



- 3) Civil society: Non Governmental Organizations (NGOs), including environmental NGOs, associations of NGOs, women and sub-population groups' associations, independent think-tanks, national and local media.

Roles and responsibilities for engagement of different entities (relevant tools, approaches, and skills) are presented below:

- *Think tanks and research institutes*: Gathering evidence by conducting research, analyzing data or providing direct advice and recommendations to policy makers and other decision makers; established sources of evidence-based information; position papers on trade policy related topics.
- *Professional associations*: Expert knowledge on specific topics; advocacy on legal and regulatory framework issues (especially laws and policies affecting their activities); promoting dialogue between corporate sector and policy makers on issues of concern to association members.
- *Trade unions and workers cooperatives*: expert knowledge on specific topics; forming alliances, mobilizing members to speak out and challenging positions of more influential groups.
- *Media/journalist societies*: disseminating information about the project and policy options; challenging public policies in the public domain in order to play a monitoring function; local media's role in collecting firsthand data from communities, publicizing opinions and disseminating information in national and local debates.
- *Community-based organizations*: Bringing grass-roots evidence or knowledge into the process; monitoring processes and outcomes; participatory methods of assembling citizens' voice and gathering information through action research; community profiles; community household level questionnaires; and community resource mapping.
- *Cross-national policy dialogue groups*: Creating the space for dialogue between different policy makers, donors and other civil society stakeholders; policy briefs to promote policy-relevant knowledge among policy makers and others regarding reforms; bringing disparate groups together around common issues (e.g. women's movements).

The project will benefit from the experience and lessons learned from regional AfT reviews and projects that are being implemented in other regions of the world. The process supporting the project is intended to be participatory and inclusive, encompassing all the key stakeholders involved in trade-related issues. The private sector's perspective and priorities will be specifically considered along with civil society concerns.

### 3. DEFINITION OF THE INTERVENTION

#### 3.1 Project framework

The project aims to contribute to the following outcome:

*Inclusive economic growth with increased employment opportunities and greater competitiveness is achieved through trade policy reforms in the Arab states as an integral part of the regional trade and economic integration agenda.*

Related context indicators for monitoring and evaluation include:

- a) Human Development Index (HDI),
- b) GDP per capita (PPP),
- c) Trade volumes per capita,
- d) Share of intra-regional trade in percentage to total trade,
- e) Employment, unemployment rate and labour force participation rate, as far as possible disaggregated by sex,
- f) Global Gender Gap Index

The project implementation timeframe is set to match the economic agenda of the Arab states, which calls for the full implementation of PAFTA and the establishment of a Customs Union by 2015.

The project is fully aligned to the UN Development Group (UNDG) Response Strategy and Framework for Action under the title “Towards an Inclusive Development Path within a New Arab Social Contract between State and Citizen” and is implemented through the UN CEB Trade and Productive Capacity Cluster<sup>11</sup>. The project takes the UNDG strategy’s axes of implementation as crosscutting themes, and specifically women and youth participation and human rights. The project will more directly contribute to the following programme areas: 4 “Improving alignment between skills supply and work opportunities”, 5 “Economic diversification, decent jobs and social protection” and 6 “Promoting inclusive markets” by promoting intra-regional trade and competitiveness and advocating for human development orientation of trade policies and AfT strategies; and 10 “Arab economic integration” by directly supporting LAS and sub-regional organizations.

#### 3.2 Project results

The purpose of the project is to foster inclusive economic growth and increased employment in the Arab states through the promotion of trade reforms and the broader development agenda, to support regional integration, to support skills policies conducive to employment creation for men and women in sectors with growth potential and through increased regional and national AfT engagement. Accordingly, the project aims to contextualize the AfT agenda in the Arab region consisting of 22 countries: Algeria, Bahrain, Comoros, Djibouti, Egypt, Iraq, Kuwait, Jordan, Lebanon, Libya, Mauritania, Morocco, Palestine, Oman, Qatar, Saudi Arabia, Somalia, Sudan, Syria, Tunisia, Yemen, and the United Arab Emirates with particular attention to sub-regional dynamics and the PAFTA initiative. The project will take into consideration the disparate economic country structures (oil-producing countries and low income countries) and will feature within-the region cross-

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<sup>11</sup> The CEB Inter-Agency Cluster on Trade and Productive Capacity is an interagency mechanism dedicated to the coordination of trade and development operations at the national and regional levels within the UN system. The Cluster is led by UNCTAD and includes UNIDO, UNDP, ITC, FAO, WTO, UNEP, ILO, UNCITRAL, UNOPS and the five UN Regional Commissions.



collaboration and exchanges. The focus will be on the following country groupings and sub-groupings:

- Arab Maghreb Union (AMU): Algeria, Libya, Mauritania, Morocco and Tunisia.
- Gulf Cooperation Council (GCC): Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates.
- Mashreq: Egypt, Iraq, Jordan, Lebanon, Syria and Palestine.
- Least Developed Countries (LDCs): Comoros, Djibouti, Mauritania, Somalia, Sudan, and Yemen.

The two-year project will focus on helping countries and the main sub-regional and regional integration entities to accelerate the pace of trade reforms and regional economic integration, to strengthen the employment effects of those reforms particularly with respect to women and youth and to mobilize additional resources for this purpose. Accordingly, the project will aim to:

- Review, assess and where feasible develop into actionable interventions for investment and resource mobilization the trade-related aspirations on energy, transport, communication and pipeline infrastructure, food security, water, SME financing and support, trade-facilitation and customs reform, expressed in the outcome documents of the January 2009 and January 2011 Arab Economic and Social Summit held in Kuwait and Sharm-el-Sheikh respectively.
- Enhance the capacities of the League of Arab States (LAS), Gulf Cooperation Council (GCC) and Arab Maghreb Union (AMU) to implement regional integration processes and the Pan Arab Free Trade Area (PAFTA).
- Provide a platform for trade reform including non-tariff measures, technical barriers to trade, and for enhancing the capacities of trade support institutions, to foster the regional trade integration programmes of the member countries of the League of Arab States.
- Enhance the employment effects of trade and trade-related policies by ensuring the alignment of human resource related policies with policy changes in the area of trade.
- Mobilize Aid for Trade (Aft) resources to finance and implement country, sub-regional and regional priorities that will contribute to broader trade development outcomes.

It is expected that this first phase will lead to a subsequent phase of the project to scale up and extend the operational programmes (2014 and beyond) in a sequential and coordinated manner.<sup>12</sup>

**A common approach in the roll-out of the four components will be followed: the specific activities and interventions under each result area will be fully developed into a work plan through engagement with the LAS, other regional organizations and member states taking into account previous and ongoing commitments and prioritization, such as for example, ongoing efforts to implement resolutions of the 2009 and 2011 Arab economic and social summits. The work plan for each result area, targeted toward achieving 'quick wins', will be submitted to the Project Board for approval within three months of the start up of project activities. Taken together, the overall focus of the work plan will be on helping countries and the main sub-regional and regional integration entities to accelerate the pace of trade reforms and regional economic integration, to strengthen the employment effects of those reforms with particular focus on women and youth and to mobilize additional resources for this purpose. To further ensure that project activities are closely aligned with priorities on the ground, a mid-term review will be undertaken after the first year to assess the deliverables up to that point and to begin to prepare the ground for a subsequent phase of the Aid for Trade Initiative for Arab States.**

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<sup>12</sup> This subsequent phase is not covered by the present project proposal.



The project is organized around four main result areas (or components) and will be executed by ITFC and four of the agencies participating in the UN Trade and Productive Capacity Cluster (i.e. ITC, UNCTAD, UNDP, and UNIDO). Result 1 aims to review, assess and where feasible develop into actionable interventions for investment and resource mobilization the trade-related aspirations on energy, transport, communication and pipeline infrastructure, food security, water, SME financing and support, trade-facilitation and customs reform, expressed in the outcome documents of the January 2009 and January 2011 Arab Economic and Social Summit held in Kuwait and Sharm-el-Sheikh respectively. Result 2 focuses on the regional and main sub-regional organizations and their capacity gaps to support the regional integration process, including mobilization (e.g. trade financing) of resources. Results 3 and 4 aim to tackle in a coordinated manner the most pressing needs relating to trade expansion including employment growth scenarios for key sectors and markets.

More specifically, these four results can be formulated as follows:

1. **Result 1:** Capacity gaps and priorities for technical assistance in relation to trade and productive capacity development are diagnosed at the national, sub-regional and regional levels. Action oriented road maps are formulated to develop trade related aspirations expressed in the outcome documents of Arab Economic and Social Summit. Interventions with the highest impact on youth and women are prioritized. Progress is monitored through the following indicators:
  - 1.1 Number and quality of actionable interventions prepared for investment, resource mobilization and implementation;
  - 1.2 Volume of AfT and other official flows commitments, and foreign direct investment (timeframe: 3 years after project closure);
  - 1.3 Number and quality of AfT road maps prepared and validated;
  - 1.4 Number of countries that improve mainstreaming trade in national development strategies.
  
2. **Result 2:** Capacities of the League of Arab States (LAS), Gulf Cooperation Council (GCC) and Arab Maghreb Union (AMU) to implement regional integration processes and the Pan Arab Free Trade Area (PAFTA) are enhanced, as well as coordination and collaboration amongst them and between them and national policymakers/stakeholders in member countries. Progress is monitored through the following indicators:
  - 2.1 Capacities of secretariats of LAS, GCC and AMU to support regional integration processes and the PAFTA is enhanced;
  - 2.2 Consultative mechanisms amongst secretariats of LAS, GCC and AMU and national stakeholders in member countries in place;
  - 2.3 PAFTA monitoring and evaluation mechanism in place;
  - 2.4 Progress of member countries towards the implementation of PAFTA.
  
3. **Result 3:** A regional platform and country tailored solutions are provided for trade reform including non-tariff measures, technical barriers to trade, and for enhancing the capacities of trade support institutions. Progress is monitored through the following indicators:
  - 3.1 Number of TSIs that are enabled to provide improved services to their clients on intraregional trade opportunities as a results of ITC trainings on market analysis;
  - 3.2 Number of cases where regulatory improvements have occurred in the national trade environment as a result of national discussions on NTM survey results;
  - 3.3 Number of regional stakeholder discussions on non-tariff barriers and intraregional trade liberalization strengthened;



- 3.4 Number of Business Environment Task Forces in place, generating multilateral trading system-related activities ;
- 3.5 New institutional network mechanisms in place between TSIs/TPOs in the Arab States to promote regional economic integration;
- 3.6 New Trade Information collaborative platforms in place, enabling TSIs and TPOs from the Arab States to have access to relevant and up to date trade information;
- 3.7 New collaboration protocols signed by assisted institutions;
- 3.8 Number of common areas of improvement identified and validated by all TPOs as the basis for the Network development;
- 3.9 The Regional Quality Infrastructure Strategy revised and endorsed by AIDMO member countries.
- 3.10 Number of regional models, guidelines and protocols (Quality / Food Safety) developed and agreed under AIDMO Regional Quality Policy framework.
- 3.11 Number of regional events carried out by AIDMO through the implementation of the regional quality policy framework.

**4. Result 4:** Skills development strategies to support growth and decent employment creation for men and women in sectors that have the potential to increase exports and to contribute to economic diversification. Progress is monitored through the following indicators:

- 4.1 Number of skill development strategies prepared and validated;
- 4.2 Number of capacity building events focusing on the design of skill development strategies;
- 4.3 Number of interventions to increase familiarity with the functioning of skill bodies linking enterprises and training institutions;
- 4.4 Number of events targeting implementation of skill development strategies under the lead of national stakeholders.

UNDP will be responsible for overall coordination and project implementation. UNDP will be the responsible party for the implementation of activities under Result 1. UNCTAD will be responsible for the implementation of activities under Result 2, ITC and UNIDO will be responsible parties for the implementation of activities under Result 3, and ILO for Result 4.

### 3.3 Project activities

A project unit will be responsible for coordinating the implementation of project activities. Detailed management arrangements are described in section 5.

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#### Result 1 (UNDP led)

The expected result can be formulated as follows:

*Capacity gaps and priorities for technical assistance in relation to trade and productive capacity development are diagnosed at the national, sub-regional and regional levels. Action oriented road maps are formulated to develop trade related aspirations expressed in the outcome documents of Arab Economic and Social Summit. Interventions with the highest impact on youth and women are prioritized.*

Result 1 activities are described below. These include a comprehensive audit at regional and national levels of the status of implementation of the main trade-related priorities adopted at the regional level by the Arab economic and social summits that were held in 2009 and 2011; the introduction of

a regional trade integration logic for the rationalization of interventions required by the resolutions; and the preparation of actionable interventions through bankable projects.

1.1 A comprehensive audit at the regional and sub-regional levels of the status of implementation of the trade-related resolutions adopted by the 2009 and 2011 Arab economic and social summits is undertaken.

- a. Country-tailored diagnoses of gaps and priorities for technical assistance in relation to trade and productive capacity development, including feasibility assessments as required at the regional and sub-regional levels of the main proposals of the 2009 and 2011 Arab economic and social summits.

*National AfT road maps, where necessary, will be designed to support stakeholders to lead the national dialogue with development partners and investors for the identification of trade related priorities, policy reforms, policy coherence, coordination and alignment with regional integration and PAFTA commitments. A key aspect of the road maps will be to kick start resource mobilization to ensure implementation of agreed priorities. The analytical work is informed by and aligned with national initiatives as provided in relevant documents.*

- b. At the national level, a parallel audit to ascertain the status of initiatives aimed at supporting regional trade integration is undertaken. In the case of the LDCs LAS member states, specific reference will be made to the Diagnostic Trade and Integration Studies (DTIS) and EIF. In the case of GCC countries the focus will be on the identification of best practices and emerging intra-Arab modes of cooperation.

1.2 Preparation of bankable projects at regional and national levels, taking into account the need for interventions with the highest short-to-medium term impact on youth employment and the inclusion of women.

- c. Extensive consultations with beneficiaries at regional, sub-regional and national levels on projects to be prepared for resource mobilization.
- d. Feasibility assessments utilized to prepare and cost the projects to be taken forward at regional, sub-regional and national levels.
- e. Customized resource mobilization strategies prepared for each project.

1.3 Strategic initiatives, investment and resource mobilization, including organization and participation in high level events

*Key strategic initiatives and resource mobilization efforts including through high level events will be undertaken.*

- a. Proactively support resource mobilization for bankable projects identified, confirmed and agreed with the LAS, GCC and AMU and at national level.
- b. Organize a side event at the 2013 Arab Economic Summit to take stock of the implementation of Arab Aid for Trade Initiative;
- c. Organize a high-level event on emerging intra-Arab modes of cooperation through GCC and other intra-Arab investment



- d. Organize a high level event for the sharing of experiences on investment and resource mobilization experiences for the implementation of trade development strategies at the national level and regional integration programmes by the IsDB Group, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, the European Bank for Reconstruction and Development, and the World Bank.
- e. Organize a high level event in 2014 to take stock of the project's four result areas and to provide direction for the next phase of the Arab Aid for Trade Initiative.

#### Box 4 Main events

- **Arab Economic Summit side event**
  - ✓ provide political energy for AfT national and regional strategies;
- **Sub-regional and regional high-level meetings**
  - ✓ review emerging intra-Arab modes of cooperation through GCC and other intra-Arab investment;
  - ✓ review investment and resource mobilization experiences for the implementation of trade development strategies at national level and regional integration programmes with regional development banks and the World Bank;
  - ✓ prepare recommendations to be considered for adoption at the high level event to be held in 2014.
- **High level event / Ministerial forum**
  - ✓ Focusing on strategic initiatives to drive the regional integration agenda

### Result 2 (UNCTAD led)

The expected result can be formulated as follows:

*Capacities of the League of Arab States (LAS), Gulf Cooperation Council (GCC) and Arab Maghreb Union (AMU) implement regional integration processes and the Pan Arab Free Trade Area (PAFTA) is enhanced, as well as coordination and collaboration amongst them and with national policymakers/stakeholders in member countries.*

Result 2 activities include targeted capacity development interventions, particularly institutional and systems strengthening for and partnerships with LAS and two sub-regional organizations, namely AMU and GCC, as well as their member States, prioritization of trade and development policies which include support to Members that are acceding to the WTO. A sequencing and operationalization of actionable interventions will be undertaken at the country, sub-regional and regional levels.

- a. Desk research and analyses to assess the capacity of LAS, GCC and AMU to facilitate, implement and monitor regional integration processes and the Pan Arab Free Trade Area (PAFTA), existing consultative mechanisms amongst them and with member countries and to identify the specific assistance required in this regard, including mobilization of resources (e.g. trade financing) in support of, among others, SMEs.
- b. Training of designated staff and experts of LAS, GCC, AMU and their member States on all regional integration issues.

- c. Desk research and analyses on tariffs and non-tariff measures and their implications on policies for trade and productive capacity development related to the regional integration process.
- d. Desk research and analyses of the potential implications of regional trade agreements on women's employment and gender equality.
- e. Training of designated staff and experts of LAS, GCC, AMU and their member States on the utilization and the analysis of the UNCTAD databases on tariffs and non-tariff measures and their implications for the trade policies related to the regional integration process.
- f. Training of designate staff and experts form LAS, GCC, AMU and their member States on methodologies and indicators to assessing the gender ramifications of regional integration processes.
- g. In close coordination with LAS, GCC, AMU and their member States, dissemination of the results of the above-mentioned research and analyses in view of informing and raising awareness among all the stakeholders involved in the regional integration process.
- h. Organization of exchanges of information and experiences with trade policy makers and negotiators of other developing regions on regional integration processes.
- i. Enhancement of the websites of LAS, GCC, AMU.
- j. Provision to policy makers and stakeholders of relevant IT tools related to the regional integration process, including the establishment of the UNCTAD-World Bank Trade Intelligence System (TIS) tailor-made to provide and analyze trade data to support policy makers in the region in identifying priority areas for regional integration, as well as related negotiations and Aid-for-Trade projects.
- k. Organization of regional, sub-regional and national services policy reviews to guide multi-stakeholder consultative processes for improving relevant policy, regulatory and institutional frameworks, strengthen services supply capacities, identify new opportunities for exports and promote experience-sharing and regulatory cooperation among infrastructure services regulators.
- l. Organization of regional, sub-regional and national reviews to guide multi-stakeholder consultative processes on cooperation on trade-related green economy challenges, production and export of green products, promotion of technology access and transfer and trade and investment opportunities and challenges arising from climate change mitigation and adaptation.
- m. Organization of regional, sub-regional and national reviews to guide multi-stakeholder consultative processes on promotion of a regional culture of competition, enhanced adoption and implementation of competition and consumer laws and cooperation agreements, and regional convergence and cooperation in addressing anticompetitive practices and protecting consumers.
- n. Technical assistance and capacity building to be provided to the eight Arab countries which are currently, at different stages, in the process of accession to the WTO. This would involve,



among others, the design of appropriate national trade policies, coherent accession negotiations strategies and building human and institutional capacities to deal with WTO accession challenges in particular in LDCs and post –conflict countries.

### **Result 3 (ITC and UNIDO led)**

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The expected result can be formulated as follows:

*A regional platform and country tailored solutions are provided for trade reform including non-tariff measures, technical barriers to trade, and for enhancing the capacities of trade support institutions.*

Result 3 activities are described below. These include targeted capacity development interventions for National trade promotion organizations and related networks and for regional specialized agencies such as the Arab Industrial Development and Mining Organization (AIDMO) and the Arab Organization Agriculture Development (AOAD) in the fields of regional harmonization under the TBT/SPS framework. Targeted research and analysis will look at opportunities for reducing NTBs as well as to the identification of highest potential sectors for intra-regional trade. ITC is responsible for the implementation of activities 1 to 2, while UNIDO is responsible for the implementation of activities 4 and 5.

#### 3.1 Policymakers and other relevant stakeholders in Arab States have improved awareness and understanding of non-tariff barriers as well as the economic and social prospects of further trade liberalization (ITC led)

- a. Detailed analysis provided on export potential for intraregional trade within the context of existing trade agreements.
- b. Detailed analysis provided on economic, social and gender-specific impacts of further regional trade liberalization.
- c. Regional network of market analysis trainers (women and men) on trade flows and intraregional export opportunity created.
- d. Capacities built of NTM surveys specialists and three national NTM surveys carried out.
- e. National workshops held to discuss NTM survey results and how to address them.
- f. Advisory services to facilitate the establishment of a Business Environment Task Force in each NTM survey country
- g. Three studies commissioned by the Business Environment Task Force in each NTM survey country

#### 3.2 Effective networking mechanisms among TPOs and TSIs in the Arab States (ITC led)

- a. TPOs selected and institutional performance assessment carried out.
- b. Regional Trade Information assessment carried out.
- c. Regional workshop held on key areas for improvement of assisted TPOs.

- d. Regional workshops held on effective networking and trade intelligence management.
- e. A regional TPO collaborative platform created.

### 3.3 The regional Quality Infrastructure and policy framework (2014 – 2020) developed and endorsed. (UNIDO led)

- a. Update and revise AIDMO 2009-2013 regional standardization strategy following a regional capacity assessment and mapping of the national quality infrastructure capacities in the region.
- b. Support a regional consultation process on the revised strategy under the existing AIDMO regional consultative committees to secure a regional endorsement on the revised strategy.
- c. Disseminate and promote the regional strategy at country level within the region and implement awareness building campaign at national / regional level.
- d. Support AIDMO, through its regional working groups, in the development of the regional conformity assessment framework under the revised strategy;
- e. Build the capacity of AIDMO consultative committees and the Arab Standards Body for the effective management and coordination of the regional strategy ;
- f. Support the development of the regional protocols, models and guidelines for the effective implementation of the strategy focusing on priority areas (Metrology, accreditation).
- g. Support a coordinated approach between AIDMO and AOAD on food safety related standards under a regional food safety initiative with the participation of all concerned regional and international organizations.

### **Result 4 (ILO led)**

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The expected result can be formulated as follows:

*Skills development strategies to support growth and decent employment creation in sectors that have the potential to increase exports and to contribute to economic diversification.*

Based on ILO's existing STED (Skills for Trade and Economic Diversification) methodology, skills development strategies will be designed to support growth and decent employment creation in sectors that have the potential to increase exports and to contribute to economic diversification. Special attention will be paid to skill development for women to ensure that their skills match the requirements of the export/diversification sectors. This activity will be conducted for two sectors each in six selected countries. The choice of focus sectors will be closely aligned with the country level priorities and trade development strategies envisaged under result 1 and with activities formulated under results 3.1 and 3.2, the aim being to develop human capacity that matches and drives forward sector level productive capacity improvements.



In addition activities will be undertaken in the six countries and at the regional level to promote linkages between enterprises and training institutions to better target training towards skills needed in the labour market.

#### 4.1 STED analysis: skills development strategies have been prepared that are in line with sectoral growth strategies

In co-ordination with the work undertaken under results (1) and (3) of this project, work will be undertaken to identify critical skill gaps in the work force and developed concrete proposals at the policy, institutional and enterprise level on how they can be addressed. These proposals will take the form of skills development strategies for selected sectors in six project countries. Activities undertaken in order to design sectoral skills development strategies include:

- a. Desk review building upon existing information, including the work of partner agencies under results 1 and 3, and publicly available data.
- b. Two stakeholder workshops per sector (Ministries of Labour, Trade, Industry, Education, and Gender equality/Gender Affairs; Managers and/or Human Resources officers from firm in the sector, Workers' and Employers' Associations, TPOs, Education and Training Institutions, others experts as relevant).
- c. Series of structured interviews with firms in the sector and training institutions focused on current and anticipate skills demand and supply.

More information on the STED methodology can be found at [www.ilo.org/STED](http://www.ilo.org/STED).

#### 4.2 Promote STED implementation: activities have been undertaken to promote linkages between enterprises and training institutions

In the six pilot countries, steps will be undertaken to promote linkages between enterprises and training institutions. Specific activities include:

- a. Capacity building for government officials in six countries and in three regional institutions (LAS, GCC, AMU) on how to run skill bodies (e.g. "skills councils", "skills expert groups") that:
  - o Facilitate consultations between enterprises, worker representatives and training institutions;
  - o Have the ability to conduct STED analysis

Capacity building will take the form of training events and of study tours to countries with well-functioning relevant skills bodies.

- b. Facilitate implementation of sector level recommendations resulting from 4.1. through the organization of sector level meetings of relevant counterparts (including enterprises, training institutions, worker representatives, relevant line ministries (e.g. labour, education, industry, trade). Government officials trained under c) above will take an active role in organizing the relevant meetings and in proposing steps forwards towards implementing STED recommendations.

### **3.4 Project partnership strategy**

To ensure strong national ownership and coordination with other development initiatives in each country, a national *AfT Focal Point* will be nominated by each of the participating governments. In the case of LDCs, i.e., Comoros, Djibouti, Mauritania, Somalia Sudan and Yemen, the EIF focal point will be the main interlocutor<sup>13</sup>. National stakeholders, including representatives from the civil society, private sector and development partners will be engaged throughout including on the prioritization of bankable projects that are proposed for implementation.

### **3.5 Gender as a cross-cutting theme**

Throughout the project, gender will be a key cross-cutting theme which will receive particular attention, since trade development has a strong potential for addressing these fields. There are many mechanisms how trade can directly and indirectly contribute to gender equality; most of them are based on the fact that women in the Arab States are often highly educated. Growing exports, for example, will require more skilled staff for enterprise management and more skilled labour for the production of goods and services meeting the requirements of international markets, in both cases improving the match between the skills required in growth areas of the economy and the level of education of women. Working in enterprises active in foreign markets may also have the additional benefit of exposing women to international practices and thus further raising their ability to improve their status in the economy. Apart from a range of analyses dedicated to gender-related impacts of policies and further regional integration, the promotion of women's empowerment and gender equality will be considered at the level of activities within each component of the project, for example, by actively supporting high participation rates of women in training and other capacity building measures.

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<sup>13</sup> Special arrangements will be put in place for Somalia as the country does not yet participate in the EIF.