



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

**TRADE AND POVERTY
PAPER SERIES No. 3**

November 2015



UNITED NATIONS

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

Amelia U. Santos-Paulino
Trade and Poverty Unit, ALDC, UNCTAD
and
Carolina Urrego-Sandoval
European & International Studies, King's College London

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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This document has not been formally edited.

UNCTAD/WEB/ALDC/2015/3

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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; UNDP, 2011). In this section, we consider not just the PRSPs but also the DTIS and National Development Plans since they are also instruments that have played a key role in the formulation and implementation of national development strategies and frameworks in LDCs.

Poverty Reduction Strategy Papers (PRSPs)

The PRSPs describe a country's macroeconomic, structural, and social policies in support of growth and poverty reduction, as well as associated external financing needs. They were introduced in 1999 by the IMF and the World Bank as a framework for the provision of concessional assistance to low-income countries with a view to ensuring that money accruing to beneficiaries from the Heavily Indebted Poor Countries debt relief initiative would be devoted to poverty reduction. Although the PRSPs were not initially conceived as development plans, they are regarded as part and parcel of

national development plans in LDCs, which is not surprising given that they deal with several issues and areas linked to national development such as macroeconomic stability, security, poverty and inequality, education, among others. Over the past decade, PRSPs have also become a very important instrument in the trade mainstreaming process in LDCs. But there are concerns that there is insufficient treatment of trade issues in PRSPs and that not enough consideration is given in these documents to the development of productive sectors and also the impact of trade on vulnerable populations. This concern has motivated several studies on the features of PRSPs and their role in the trade mainstreaming process in LDCs. For instance, Van der Borgh & Bieckmann (2002) review the content of PRSPs, as well as the World Bank and International Monetary Fund (IMF) loan-related documents to examine the extent to which social impact analysis (PSIA) influenced trade policy. The study suggests there are inconsistencies in trade strategies in the documents, with some countries supporting trade liberalisation policies while simultaneously implementing protective measures. The study also shows that social impact analyses are scarce in these documents and the existing ones have little analytical depth and pay limited attention to the poverty impact of trade reforms. UNCTAD's LDC Report 2002 examined 30 PRSPs and concluded that they contributed to policy improvements in LDCs, through: leadership in the formulation of poverty reduction strategies; efforts to improve public expenditure and to link budgetary processes to poverty reduction; and involvement of civil society in designing national strategies. Hewitt & Gillson (2003) also conducted a comprehensive review of 17 PRSP. Their study shows that the documents say very little about trade policy. They also fail to consider the impacts of trade on poverty and on different groups of poor and vulnerable people. However, supply-side issues appear to be well covered. Using case studies of Cambodia, Georgia, and Ghana, Oxfam (2004) reveals that the stakeholder participation process in PRSPs varies considerably from country to country but that there are common denominators: dissatisfaction, considerable concerns, and criticism, mostly due to the lack of stakeholder participation, lack of political support. The study concludes that stakeholders participation alone will not lead to poverty reduction unless there is binding political support.

Diagnostic Trade Integration Study (DTIS)

The DTIS is another instrument that is playing an important role in the process of trade mainstreaming in LDCs, even though it was not specifically designed as a development framework or plan. The aim of the DTIS is to evaluate internal and external constraints that a country faces in integrating into the world economy by looking at both supply and demand factors, and recommending areas where trade-related technical assistance and policy actions could help to overcome these impediments. An outcome of the DTIS is an action matrix, which serves as a roadmap and provides a listing of trade and sectoral priorities and investment needs to facilitate further discussions with stakeholders (Newfarmer, 2006). Although the DTIS is not in itself a development framework or plan, the action matrix resulting from it provides useful information that can guide policymakers in their efforts to mainstream trade into development strategies and fully exploit the potential of trade for poverty reduction.

National Development Plans (NDP)

Most LDCs have a National Development Plan guiding development policy formulation and implementation in the medium to long term. It defines a country's vision, specifies the roles of different sectors and stakeholders in pursuing this vision, and identifies the resource requirements associated with realizing the vision. It is a much broader instrument for trade mainstreaming than the DTIS, and to some extent the PRSPs. It is a comprehensive development framework and also

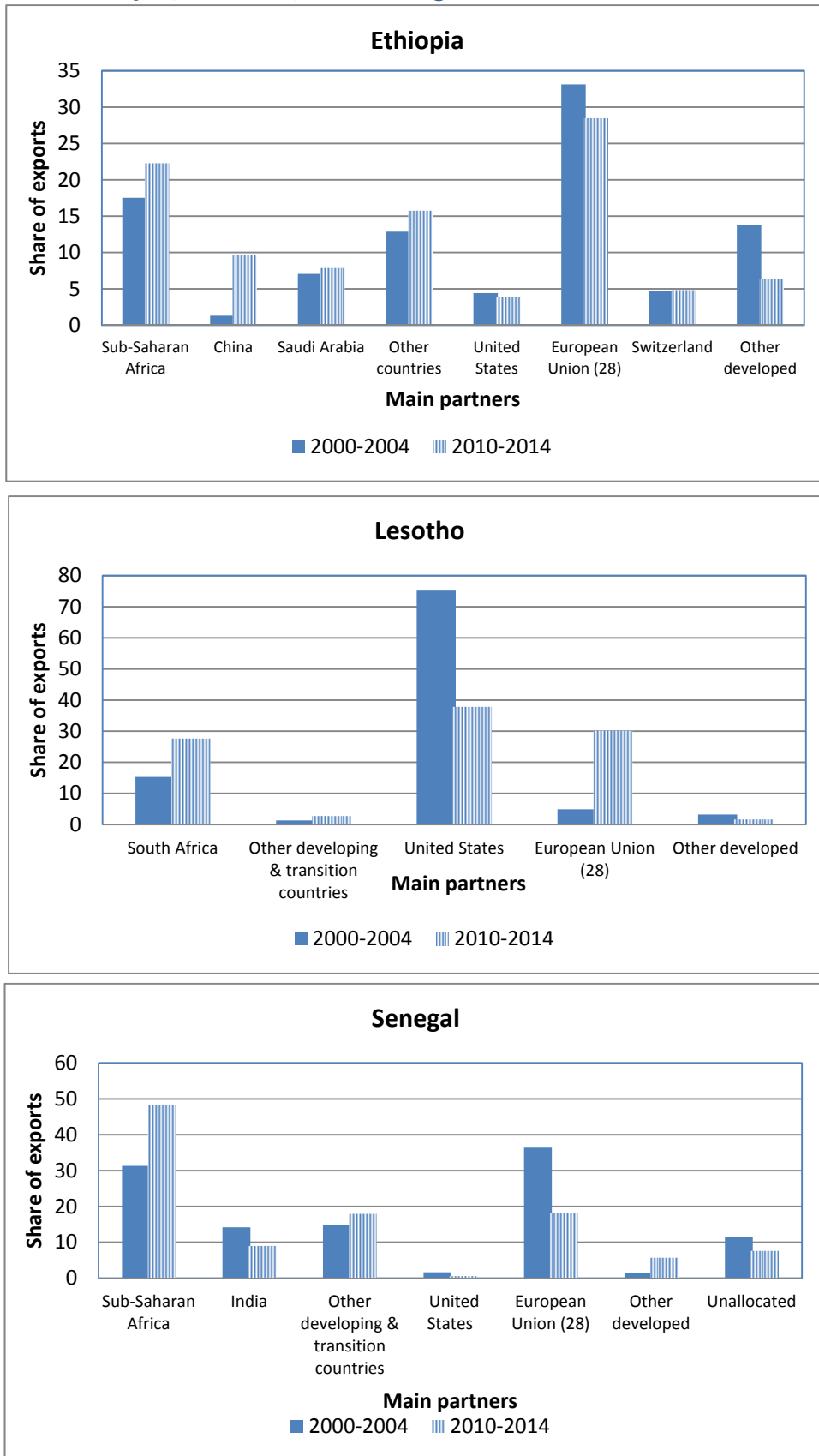
promotes coherence in policy formulation and implementation. As with the DTIS and the PRSPs, stakeholder consultation is important in the design and formulation of national development plans. It ensures that there is national ownership of the plan and enhances the likelihood that it will be implemented and accepted by local stakeholders. Despite its wide scope and importance in the trade mainstreaming process, there are no studies that we are aware of, examining the trade content of national development plans in LDCs. Several studies in the literature have focused on the PRSPs and not the national development plans per se even though it is the more appropriate instrument for trade mainstreaming than the PRSPs. This reflects the fact that, although the PRSPs arose out of efforts to ensure that debt relief contributes to poverty reduction, in many cases they have become de facto National Development Plans (NDP). Against this backdrop, the next section assesses the extent to which the national development plans, as well as the PRSPs and DTIS incorporate trade and trade-related issues and any potential impact they may have on development in LDCs.

Table 1: Output by Sector (% of GDP)

		2007	2009	2010	2011	2012	2013
Ethiopia	Total value added	100.00	100.00	100.00	100.00	100.00	100.00
	Agriculture, hunting, forestry, fishing	45.88	49.01	45.32	45.26	48.32	45.48
	Industry	12.71	10.41	10.38	10.60	10.38	11.06
	Mining, manufacturing, utilities	7.18	5.57	6.10	6.54	6.00	6.13
	Manufacturing	4.78	3.99	4.19	4.04	3.73	3.86
	Construction	5.53	4.84	4.29	4.07	4.38	4.93
	Services	41.41	40.59	44.29	44.13	41.30	43.46
	Wholesale, retail trade, restaurants and hotels	16.54	18.50	19.35	18.73	18.44	18.70
	Transport, storage and communications	3.99	3.24	3.64	4.24	4.33	5.22
	Other activities	20.88	18.84	21.30	21.17	18.52	19.54
Lesotho	Total value added	100.00	100.00	100.00	100.00	100.00	100.00
	Agriculture, hunting, forestry, fishing	7.54	7.56	8.94	8.05	8.08	8.09
	Industry	35.33	31.60	30.18	32.48	30.96	32.36
	Mining, manufacturing, utilities	31.12	26.29	24.36	26.88	23.50	26.56
	Manufacturing	18.67	15.61	13.37	11.74	11.34	14.16
	Construction	4.21	5.32	5.82	5.60	7.46	5.80
	Services	57.13	60.83	60.88	59.47	60.96	59.55
	Wholesale, retail trade, restaurants and hotels	9.02	8.67	9.19	9.37	10.37	9.38
	Transport, storage and communications	6.30	6.28	6.81	6.65	7.06	6.55
	Other activities	41.81	45.88	44.89	43.45	43.54	43.63
Senegal	Total value added	100.00	100.00	100.00	100.00	100.00	100.00
	Agriculture, hunting, forestry, fishing	13.77	17.32	17.46	14.66	15.83	15.99
	Industry	24.12	23.35	23.36	24.62	24.12	24.04
	Mining, manufacturing, utilities	18.50	18.74	18.97	19.81	19.62	19.47
	Manufacturing	14.47	13.94	13.80	14.49	13.76	14.02
	Construction	5.62	4.60	4.40	4.82	4.50	4.57
	Services	62.11	59.33	59.17	60.72	60.04	59.98
	Wholesale, retail trade, restaurants and hotels	21.08	19.86	19.71	20.23	19.99	19.98
	Transport, storage and communications	12.68	12.09	11.89	11.89	11.91	11.90
	Other activities	28.35	27.38	27.58	28.60	28.14	28.10

Source: UNCTAD database.

Figure 1: Ethiopia, Lesotho, and Senegal Main Trade Partners



Source: Authors' elaboration based on UNCTAD, UNCTADstat, July 2015.

3. Trade Mainstreaming in African LDCs: An Assessment

Using three African LDCs as case studies (Ethiopia, Lesotho and Senegal), this section examines the extent to which trade and trade-policy issues and their impact have been incorporated and analysed in key national policy documents such as PRSPs, DTIS, and national development plans. The framework we adopt for the analysis is based on a methodology developed by Hewitt and Gillson (2003) and Kosack (2008) and originally applied to PRSPs. It is based on binary responses to six main questions, namely: i) whether there is an identifiable section related to trade in the NDPs or prominent policy documents; ii) Whether the documents discuss trade policy options explicitly, for example, through analysing the effects of trade on vulnerable groups; iii) whether the documents link trade to poverty and different types of inequality, by addressing different types of risks, changes in retail prices and the impact of trade on employment and wages; iv) whether the documents identify or discuss how trade policy and compliance with the rules of the multilateral trading system can directly affect government's' revenue and expenditure patterns; v) whether regional integration and international factors affecting trade including negotiations within the WTO have been considered; and, vi) if the documents explain how the trade section was formulated and who were the stakeholders involved in the consultation to measure the level and relevance of stakeholders' participation.³

The evaluation of trade mainstreaming practices in the three African LDCs considered was based on a review 13 documents: five PRSPs, three NDPs, and five DTIS covering the period 2002 to 2013. Among the three countries, the documents for Ethiopia included 2 PRSPs, 1 DTIS and 1 NDPs. For Lesotho the documents reviewed included 2 DTIS, 1 PRSP and 1 NDP while for Senegal the documents included 2 PRSPs, 2 DTIS, and 1 NDP. Although the findings are country-specific, the case studies reveal important themes and common patterns that should be useful for other LDCs. Table 2 and Figure 2 provide more information on the questions and the responses for each of the three countries considered.

Is there an identifiable section related to trade?

In assessing whether the various documents reviewed have an identifiable section on trade, it should be noted that this question does not apply to the DTIS since it is essentially focused on trade. Consequently, the discussion in this sub-section will focus on the PRSPs and the NDPs. Trade was briefly treated as an independent section in the reviewed PRSPs and NDPs, and all the documents include at least some mention of trade policy issues. It is also interesting to note that the trade content of these policy documents has evolved during the last 13 years and has become relatively more comprehensive in recent years than in the past. Ethiopia's 2002 PRSP highlighted the goal of achieving 'rapid export growth through production of high value agricultural products and increased support to export orientated manufacturing sectors, particularly 'intensified processing of high quality skins/leather and textile garments'. The PRSP also emphasizes agricultural development led industrialisation (ADLI) as a key strategy. This approach is placed within the context of progressive integration into the global economy and export-orientation and ADLI are viewed as mutually

³ The present paper differs from Hewitt and Gillson (2003) and Kosack (2008) in that it considers not only PRSPs but also national development plans and the DTIS.

reinforcing. These issues are also reflected in the 2010 NDP. Sections 1.2. and 5.3. of the NDP address the importance of increasing production and export diversification, establishing and integrating domestic marketing system, and strengthening export development. The plan suggests that industrial expansion will be promoted based on both export-oriented and import-substituting industries.

With regard to Lesotho, two sections of the 2012 NDP addressed trade issues and part of the trade strategy of the government has been to lower the costs of trading and also establish a competitive business environment to promote trade and investment. There is also a recognition of the importance of lifting supply-constraints to boost production as evidenced by the focus on productive sectors, including agriculture and the rural economy, manufacturing, tourism, mining, and micro, small and medium enterprises (MSMEs). Other issues that were emphasized in the plan include: infrastructure development, which covers transport, water and sanitation, energy, information and communication technology (ICT), shelter and property development, sports facilities and public asset management; and skills, technology and innovation.

In the case of Senegal, the 2002 PRSP included limited discussion of trade issues, particularly with regard to the intensification and modernisation of agriculture, livestock, fishery, and tourism as a mechanism to increase exports and create jobs. In contrast to the 2002 PRSP, the 2012 National Strategy for Economic and Social Development (2013–2017) has a more comprehensive and well-defined trade strategy aimed at: strengthening capacities to produce goods and services; the promotion of exports and e-commerce; the construction of modern marketing facilities that are evenly distributed geographically; and the promotion of access to local and international markets.

Table 2: Trade Mainstreaming Evaluation by Key Areas and Policy Documents

	Ethiopia				Lesotho				Senegal					
	PRSP	DTIS	PRSP	NDP ¹	DTIS	PRSP	DTIS	NDP ²	PRSP	DTIS	PRSP	NDP ³	DTIS	
	2002	2004	2006	2010	2003	2006	2012	2012	2002	2003	2006	2012	2013	
1	<i>Is there an identifiable section related to trade?</i>													
	✓	NA	✓	✓	NA	✓	NA	✓	✓	NA	✓	✓	NA	
	<i>Does the document discuss trade policy options explicitly?</i>													
	✓	✓	✓	✓	✓	x	✓	✓	x	✓	✓	✓	✓	
	At macroeconomic level													
	x	✓	x	x	✓	✓	✓	✓	x	✓	✓	✓	✓	
	At the microeconomic level													
	x	x	x	x	x	x	x	x	x	x	x	x	x	
2	<i>Does the document discuss how trade stimulates growth?</i>													
	✓	✓	✓	✓	x	✓	✓	✓	x	x	x	x	x	
	<i>Is there differentiation between sectors and subsectors?</i>													
	✓	✓	✓	✓	✓	x	✓	x	✓	✓	✓	✓	✓	
	<i>Is there differentiation between consumers, producers, and employees, and between urban and rural environments?</i>													
	✓	x	x	x	x	x	x	x	x	x	x	✓	✓	
	<i>Is the trade discussion related to poverty analysis and/or inequality?</i>													
	x	✓	✓	✓	x	x	✓	x	x	✓	✓	x	✓	
	<i>Does document consider how trade affects risk?</i>													
	x	✓	x	x	✓	✓	✓	✓	x	x	x	✓	✓	
3	<i>Is effect of trade on retail prices changes considered?</i>													
	x	x	x	x	x	x	x	x	x	✓	x	✓	✓	
	<i>Does document consider impact on employment and wages</i>													
	x	x	x	x	✓	✓	x	✓	✓	x	✓	✓	✓	
	<i>Is impact on vulnerable groups, areas discussed?</i>													
	x	✓	x	x	x	x	x	x	x	x	x	x	x	
	<i>Are trade and gender links considered?</i>													
	x	x	x	x	✓	x	✓	x	x	x	✓	✓	✓	
4	<i>Is there any discussion on government revenue and/or expenditure?</i>													
	x	✓	x	✓	✓	x	✓	x	✓	x	x	✓	x	
	<i>Does document discuss changes in structures of protection resulting from trade reforms?</i>													
	x	✓	x	x	x	x	x	x	x	✓	x	x	x	
	<i>Does it include national and international factors affecting trade?</i>													
	✓	✓	✓	✓	✓	x	✓	✓	✓	✓	✓	✓	✓	
5	<i>Does it cover trade issues at the local, national and regional levels?</i>													
	✓	✓	✓	✓	✓	x	✓	✓	✓	✓	✓	✓	✓	
	<i>Does it consider demand-side constraints such as market access in other countries, regional and /or industrialised countries?</i>													
	x	✓	x	x	✓	x	✓	✓	✓	✓	✓	x	✓	
	<i>Are ongoing discussions in the WTO referred to and analysed?</i>													
	x	✓	✓	✓	✓	x	✓	✓	x	✓	x	✓	✓	
6	<i>How was the trade section/ content formed?</i>													
	x	✓	x	x	✓	✓	✓	✓	x	✓	x	x	✓	
	<i>Stakeholders participation and ownership: how was the trade section/ content elaborated</i>													
	x	✓	x	x	✓	✓	✓	✓	x	✓	x	x	✓	

Source: Authors' own elaboration based on Hewitt and Gillson (2003) and Kosack (2008), and the national policy documents.

Notes: x = Denotes that it not included in the national development strategies and plans; ✓ = it is included, and NA= does not apply; DTIS: Diagnostic trade integration study; PRSP: Poverty reduction strategy paper; World Trade Organization (WTO). 1. 'Growth and Transformation Plan (GTP) 2010-11/2014-2015'. 2. 'National Strategic Development Plan 2012/13 – 2016/17'. 3. 'NSES 2013–2017 National Strategy for Economic and Social Development'.

Table 3: Coverage of Production Sectors in National Documents

	Ethiopia				Lesotho				Senegal					
	PRSP	DTIS	PRSP	NDP ¹	DTIS	PRSP	DTIS	NDP ²	PRSP	DTIS	PRSP	NDP ³	DTIS	
	2002	2004	2006	2010	2003	2006	2012	2012	2002	2003	2006	2012	2013	
Productive sectors*	Agricultural products	✓	Cereals, coffee, horticulture, and sugar	Agro processing industries, flowers	Sugar, agroprocessing industries	Fruits, dairy products, vegetables, eggs, and poultry	✓	Horticulture and commercial agribusiness	✓	✓	✓	✓	Irrigated agriculture and agri-food processing	Cotton, rice, onions, industrial tomatoes, potatoes, dairy products, and corn
	Air transport	x	x	x	✓	x	x	x	x	x	✓	x	x	x
	Construction	x	x	✓	✓	x	x	x	x	✓	x	✓	✓	x
	Fishery	✓	x	✓	x	x	x	x	x	✓	✓	✓	✓	✓
	Handicraft	x	x	✓	✓	x	✓	x	x	✓	✓	✓	✓	x
	Hydropower and bottled water	x	x	x	x	x	✓	✓	✓	x	x	✓	✓	x
	Livestock	x	x	✓	x	x	✓	✓	✓	✓	x	✓	✓	x
	Manufactures (textiles, garments, and leather)	✓	✓	x	✓	✓	✓	✓	✓	x	✓	✓	x	x
	Metal industries	✓	x	✓	x	x	x	x	x	x	x	x	x	x
	Mining	✓	x	✓	✓	x	✓	✓	✓	✓	✓	✓	✓	x
	Pharmaceutical industries	x	x	x	✓	x	x	x	x	x	x	x	✓	x
	Power and energy	✓	x	✓	✓	x	✓	x	✓	✓	x	✓	✓	✓
Telecommunications	✓	x	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	x	
Tourism	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	

Sources: Authors' own elaboration.

Notes: * In many cases the importance of specific sectors for development is mentioned but the documents do not further elaborate on them or relate them to trade policy (See Tables 1, 3, and Annex 5). ✓ = Denotes it is included and x = it not included; .DTIS: Diagnostic trade integration study; PRSP: Poverty reduction strategy paper; 1. 'Growth and Transformation Plan (GTP) 2010-11/2014-2015'; 2. 'National Strategic Development Plan 2012/13 – 2016/17'; 3. 'NSES 2013–2017 National Strategy for Economic and Social Development'.

Does the document discuss trade policy options explicitly?

Eleven out of the thirteen documents reviewed did discuss trade policy options explicitly.⁵ However, they do not distinctly address the role of export diversification in promoting employment and other social outcomes. They also do not address the implications of international trade at the microeconomic level. In the case of Senegal, in general the policy documents do not discuss how trade is expected to stimulate growth. For Lesotho, only the DTIS of 2003 and the DTIS update in 2012 articulated trade strategies for sectors and subsectors. However, this is not further developed either in the 2006 PRSP or the 2012 NDP. Only Ethiopia's 2002 PRSP, as well as Senegal's 2012 NDP and 2013 DTIS consider the differential effects of trade on consumers and producers. These documents also address distributional issues, albeit briefly, in relation to urban-rural asymmetries. This is a prominent issue for Africa, where the rural-urban divide and the incidence of poverty are vast and persistent. In terms of specific trade issues, Ethiopia's 2002 PRSP focused on export promotion of manufactures and high-value agricultural products, within the framework of an agricultural development led industrialisation (ADLI), and also briefly underscored the importance of the tourism and mining sectors (table 3). At the macroeconomic level, the document also discussed overall issues pertaining to fiscal and monetary policies, but they were not directly related to the trade strategy. There are references to tax reforms, but the implications of the fiscal reforms were not linked to the overall trade policy framework. Furthermore, this is the only one of Ethiopia's policy documents analysed that distinguished between rural and urban environments, but only in the context of agricultural export development. The 2004 DTIS highlighted the importance of making Ethiopia an outward-oriented economy, focusing on agriculture (cereals, coffee, horticulture, and sugar), manufacturing (leather products and textiles), and tourism. This is the most comprehensive of Ethiopia's documents even though it fails to explore some of the sectors identified in the 2002 PRSP. The 2006 PRSP entitled 'Plan for Accelerated and Sustained Development to End Poverty' (PASDEP) discussed industrial development, export promotion and diversification, and emphasised the role of liberalisation. Furthermore, Ethiopia's 2010 Growth and Transformation Plan (GTP) underscored the importance of maintaining macroeconomic stability, as well as infrastructure development. The GTP highlights micro and small-scale manufacturing enterprises as foundation for the establishment of medium and large-scale industries and employment creation.

In Lesotho, the 2003 DTIS and its action matrix outlined the objectives and agencies responsible for activities within four main areas: trade policy, easing constraints to firm operation and growth, customs reform in support of trade facilitation and export development, and strengthening institutions. The action matrix also presents specific objectives for fishery, agriculture, tourism, and textile and garment sectors (see table 3). Regarding specific sectors and sub-sectors, the study only briefly mentions the need to support industrial exports and tourism. The 2012 DTIS update presents a comprehensive analysis of the country's social and economic performance. The document emphasises the importance of developing a strategy to encourage the diversification of products and markets and evaluates the implementation of the 2003 action matrix. It considers the potential sectors for export capacity expansion including: hydropower and bottled water, jewellery manufacturing, wool and mohair industry horticulture/commercial agribusiness, textile and garments, and tourism. Also, it discusses specific trade options within sectors and sub-sector which are essential to build trade capacity, achieve export diversification, and promote investment.

⁵ The two exceptions are the 2006 PRSP of Lesotho and the 2002 PRSP of Senegal.

Senegal's 2002 PRSP focused on the diagnosis of poverty and discussion of a poverty reduction strategy that includes wealth creation, capacity-building and promotion of the basic social services, among others. It did not comprehensively address trade issues. That said, the 2003 DTIS presents a succinct sectoral analysis which identifies the strengths and weaknesses of the country and proposes suggestions for an action plan in the following sectors: fisheries, agriculture, tourism, and garment and textile. The 2012 NDP aimed to strengthen the institutional framework and the implementation of sectoral policies. It focused on agriculture, livestock, fishery, aquaculture, irrigated agriculture, industry and agri-food processing. It also underscored the need to improve worker skills and better market domestic businesses at the international level. The action matrix of the 2013 DTIS addressed inter-sectoral issues, with a focus on services, trade facilitation, and agricultural sector (e.g. cotton, rice, onions, industrial tomatoes, potatoes, dairy products, and corn).

Is the trade discussion related to poverty analysis and/or inequality?

Although there is a discussion of trade issues in the documents reviewed, Only 7 out of the 13 documents relate trade to much broader issues such as poverty and inequality. The 2004 DTIS of Ethiopia discussed the impacts of trade on poverty and suggests that the benefits to the poor from increased international integration can be enhanced by taking measures to move from a domestic subsistence economy to a market one. In addition, the 2006 PRSP discussed poverty issues, but did not address the importance of trade within this framework. This document was established as a medium term strategy to be aligned with the Millennium Development Goals (MDGs). Despite its human development-oriented approach, the document does not address the implications of trade for gender, vulnerable groups, risk, employment, wages and informality. Ethiopia's 2010 GTP discussed the relationship between growth, poverty reduction and well-being, recognising the multifaceted nature of poverty and the need for equitable growth. One of its objectives was to expand and improve the qualities of education and health services to improve the prospects for achieving the MDGs in the social sectors. However, the plan does not address the relationship between trade and poverty and neither its impact on inequality. Employment creation is identified as a central issue in the process of becoming a middle income country, but the document does not elaborate on this priority.

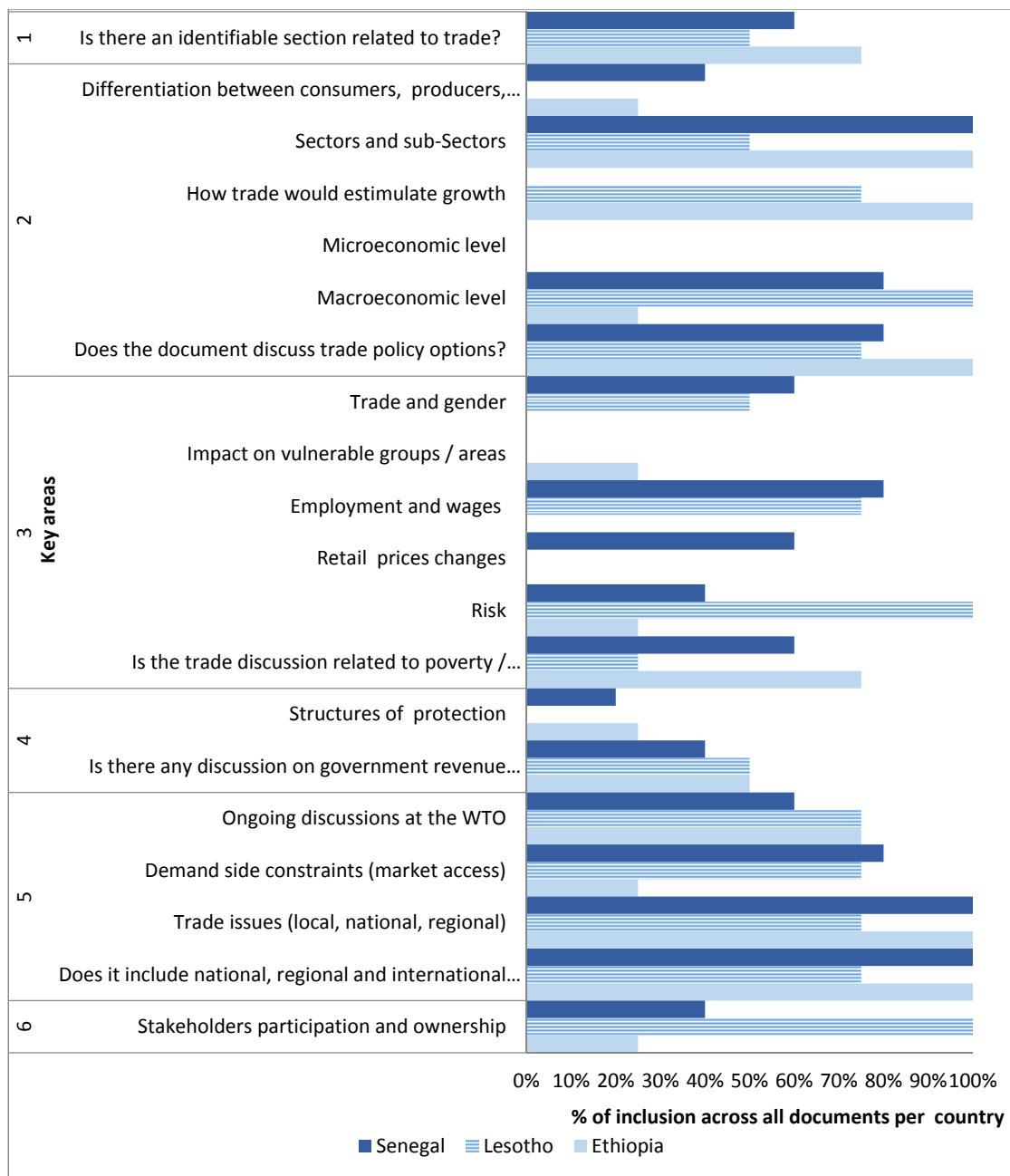
With regard to Lesotho, the 2003 DTIS did not really address linkages between trade and inequality. In fact, the only mention of inequality in the document is that 'about half of the population is considered poor; and income inequality is among the highest in the world'. Regarding employment, the document focuses on the garment sectors highlighting the importance of human capital, how its expansion has led to pressures for higher wages and how it has benefited job creation, particularly for the urban poor, and mostly women. The 2006 PRSP discussed the spread of HIV and AIDS pointing out that the most vulnerable members of the population are women and children. Nevertheless, it did not consider gender issues in relation to trade. In contrast to the 2003 DTIS, the 2012 DTIS related trade discussions to poverty and inequality. Interestingly, despite having health and social vulnerability among its goals, the 2012 NDP did not distinctly address poverty and inequality issues, or the effects of trade on vulnerable populations. Regarding risk, the document recognised Lesotho's vulnerability to international trade and movements in the exchange rate (linked to the South African Rand). In addition, Section 2.2.1 of the 2012 NDP highlighted the importance of generating employment as a mechanism to reduce poverty and inequality.

Regarding Senegal, its 2002 PRSP made reference to the need for redistributive growth and meeting the basic needs of the poor, but the issue is not further elaborated. That said, chapter 4 of the 2003

DTIS was dedicated to the links between trade and poverty, but the different types of inequality, and how they are affected by trade strategies or risks are not explored. The 2006 PRSP provides a poverty diagnosis that includes inequality and gender issues. However, the treatment of trade policy options is less well-developed than in the previous documents (focusing only on export promotion). The 2013 DTIS update discussed inequality and the importance of considering the different needs across rural and urban populations. Regarding risk, it considered the role of international factors, such as price fluctuation and changes in demand as well as the importance of development assistance and the unpredictability of disbursements. It also considered impact on retail prices and the effect of trade on employment.

On gender issues, while some of the documents acknowledged the fact that trade affects vulnerable groups, gender was included in only 5 out of the 13 documents: Lesotho's 2003 and 2012 DTIS, and Senegal's 2006 PRSP, 2012 NDP, and 2013 DTIS. The relationship between trade and gender is important in understanding the trade-poverty nexus given that a large portion of the poor in LDCs are women. Trade and trade policies have gender implications, especially given the fact that gender inequalities persist in terms of income, employment, wages, and access to productive resources, education and training. As indicated in UNCTAD (2012), Lesotho illustrates how trade-led expansion has contributed to job creation but also created new patterns of inequality and vulnerability. In particular, the study shows that liberalisation resulted in women being crowded in low-skilled/labour intensive segments of the value chain. UNCTAD & UNDP (2008) present a gender-sensitive approach to trade as an essential component of efforts to eradicate poverty and promote sustainable, people-centred development. The Report stresses that the status of women in many LDCs is characterised by unequal power and social relations; unequal access to political power; heavy work load; and inequality before the law. Despite the importance of gender issues in the development process, gender specificities are by and large ignored in macroeconomic policies and trade policy formulation and implementation, hence, inequalities tend to persist in the development process.

Figure 2: Percentage of documents that included issues and sectors considered



Source: Authors 'own elaboration based on Table 1.

Note: Following the observations on Table 1 the figure summarises the percentage of areas addressed in the document across the 21 questions (✓). Question 1 is not included since all the reviewed PRSPs and NDP presented a trade section, and the DTIS are inherently trade-oriented.

Is there any discussion on government revenue and/or expenditure?

An important issue in evaluating the impact of trade policy and trade liberalisation on poverty and income distribution is whether changes in the structure of protection help in redistributing income from rich to poor households.⁶ Our review suggests that neither the PRSPs nor the NDPs clearly address consequences of changes in structures of protection, that is, government's taxes and expenditures before and after trade liberalisation. The long-term gains from trade liberalisation might be substantial, but they have to be set against short-term adjustment costs associated with employment losses decline in tariff revenue which has implications for provision of social services. The reduction or elimination of trade barriers (tariff and non-tariff) is a key component of trade reforms, particularly in the context of multilateral liberalisation and regional integration. Yet, only in the cases of Ethiopia and Senegal are the implications of reforming government fiscal policies and the potential reduction of tax revenues briefly addressed. Chapter 5 of Ethiopia's 2004 DTIS addressed the role of FDI and suggested that 'Ethiopia should consider major changes in the regulatory environment in order to create a better perception among foreign investors'. In the 2010 NDP, Chapter 4 discussed revenues and expenditures in the context of a medium term macroeconomic framework. It was proposed indicated that a large share of total government spending will be allocated for development for pro-poor and growth enhancing sectors such as agriculture and rural development, food security, water, education, health, roads.

Lesotho's 2003 DTIS noted that customs revenues represent between 43 and 52 per cent of total central government revenues and that it has significantly contributed to reducing the fiscal deficit. The DTIS also suggested that foreign owned firms, especially those in the successful garment sector, appear to make a very limited direct contribution to tax revenues. In the 2012 DTIS most of the discussion on revenues and expenditures, focused on the dependency on revenues from SACU. Possible platforms for domestic resource mobilisation to offset any fiscal erosion resulting from trade reforms are not explicitly articulated.

Senegal's 2002 PRSP examined the sources of tax revenues, which are derived essentially from taxes on household consumption. In addition, the 2003 DTIS analyzed the features of its external tariffs and other import taxes. It was noted that 'the most important main remaining trade barriers are import tariffs and surtaxes' and that 'on average there is not much escalation in Senegal's tariff structure. The DTIS also discussed government tax revenues and demand-side constraints such as tariff and non-tariff barriers on its exports. The DTIS update of 2013 discussed key issues concerning fiscal policy, particularly the importance of revenue mobilisation for creating a solid fiscal space, to finance important economic programmes beyond trade.

Does the document include national, regional, and international factors affecting trade?

The importance of national, regional and international factors affecting trade was acknowledged in 12 of the 13 analysed documents. In the case of Ethiopia, a prominent issue across the national policy documents is the negotiations at the WTO and the country's accession process. The 2004 DTIS underscored the need to improve market access and also discussed the potential for export gains associated with the elimination of trade barriers through multilateral, regional and bilateral trade

⁶ See Nicita, Olarreaga, & Porto (2014).

negotiations and agreements. It also presented recommendations for action and technical assistance including implementing agencies within a time frame of five years. The 2006 PRSP briefly discussed trade opportunities within the African Growth and Opportunity Act (AGOA) and the Everything but Arms (EBA) initiatives. Furthermore, it identified issues affecting trade, notably high transport costs, the lack of access to capital, low skill and education levels of the work force, as well as emphasising the need to improve quality and market information for export-oriented products, particularly in agriculture. It also considered the impact of risk, specifically for manufacturing exporters.

With regard to Lesotho, the 2003 DTIS discussed how to lower the 'costs of trading' with South Africa, other Southern African Customs Union (SACU) partners, and the rest of the world. It also discussed how to establish a competitive business environment relative to other countries in the region. Furthermore, it analysed the benefits and risks of being part of the LDC category, the importance of regional integration and the African Growth and Opportunity Act (AGOA). Unlike the 2003 DTIS, the 2006 PRSP did not address how national, regional, and international factors affect trade. Nevertheless, the 2012 DTIS update presented a more comprehensive analysis of regional and international trade factors that have an impact on national development. It examined Lesotho's association with the South African Customs Union (SACU), the WTO, South Africa, AGOA, the Economic Partnership Agreements (EPA) with the European Union, and other agreements. There was a focus in the document on the potential impact of possible removal of the US AGOA preferences on the textiles sector in Lesotho.

Senegal's 2002 PRSP briefly mentioned regional integration in the context of the New Partnership for Africa's Development and membership of the West African Economic and Monetary Union (WAEMU). The 2003 DTIS discussed ongoing negotiations at the WTO as it relates to Senegal. In addition, the 2013 DTIS update coordinated by UNCTAD provided a comprehensive analysis of trade policy options, and addressed issues such as regional integration, common tariffs in the Economic Community of West African States (ECOWAS), and other international arrangements. Issues concerning market access and technical constraints associated with sanitary and phytosanitary requirements particularly in the EU were elaborated in the resulting action matrix.

How was the trade section and content elaborated?

The implementation of trade policy reforms, or national development plans, could be undermined if there is no domestic consensus and national ownership. In this context, the effective participation of local stakeholders is important in the trade policymaking and development process. Yet, amongst 13 documents analysed, 6 do not provide any discussion of the consultation process associated with the formulation of the sectoral, trade and national strategies. In the remaining 7 documents there is general information on how the document as a whole was formulated, but the consultation process in specific areas (such as trade) is not described, and neither is the institutional mechanism needed for such a process to take place. It should be noted that out of the three countries examined, it was only in Lesotho that all documents did mention the issue of stakeholder participation and ownership. The limited participation of stakeholders, particularly the private sector and civil society, in the consultation and policymaking processes is due in part to capacity constraints. A high level of human and institutional capacity is needed to formulate and implement effective trade strategies and so there is the need for African countries to strengthen efforts to build the capacity of the private sector and civil society on trade policy issues so that they can effectively participate in the national trade policy-making process.

4. Lessons Learned from the Experiences of African LDCs

The inclusion of a trade section in national documents does not guarantee mainstreaming

One of the lessons to be learned from the review of the trade mainstreaming experiences of the three African LDCs studied is that the inclusion of trade and trade-related issues in national documents or frameworks does not guarantee success in mainstreaming trade into national development strategies. The inclusion of trade issues in national documents is only a first step that must be complemented with effective implementation of action plans to ensure that expected outcomes are realized. More often than not African LDCs include trade and trade-related issues in some national documents and not in others. There is also lack of continuity in the way trade and trade-related issues are addressed in national documents. In this context, there is the need for African LDCs to develop a much more systematic and holistic approach to mainstreaming trade into national development strategies to ensure that they achieve desired results from the process.

Policy coordination is crucial to success in trade mainstreaming

Success in mainstreaming trade into national development strategies requires that there is policy coherence in the design and implementation of economic and social policies. This will only happen if there is proper policy coordination across and within government departments. One of the lessons from the review of national documents of three African LDCs is that policy coordination remains a challenge and has to be addressed. Based on the experiences of countries that have been successful in mainstreaming trade into national strategies, policy coordination works when it is institutionalized, effectively monitored, and geared towards eliminating duplication and exploiting synergies across government departments.

Social impacts of trade policies have to be addressed

One of the objectives of trade mainstreaming is to enhance the capacities of countries to fully reap the potential of trade for poverty reduction and development. Therefore, if mainstreaming is to achieve this objective, there has to be a conscious effort to incorporate the social impact of trade and trade related issues in the design and implementation of national development strategies. This is important because there are adjustment costs associated with trade reforms and they are borne disproportionately by different groups. In particular, the poor tend to be more affected by trade reforms in the short run and they also have less ability and capacity to cushion the adverse effects of trade reforms. Furthermore, studies have also shown that trade reforms have different effects on men and women and these differences have implications for poverty reduction efforts. There is therefore the need to take the differential impact of trade reform on vulnerable groups into account in the trade policy-making process.

There has to be national ownership of the policymaking process

All local stakeholders have to be involved in the process of trade mainstreaming if it is to be effective. In each country, the government has leadership role in the process of trade mainstreaming but it also needs valuable inputs from stakeholders, such as the private sector and civil society, in order to

design meaningful and realistic policies that would be acceptable to the citizens. When there is an arm's length relationship between the government and the private sector, government policies are unlikely to be geared towards lifting key constraints facing the private sector thereby undermining their effectiveness. There is therefore the need to have a mechanism for consultation between the government, the private sector and civil society in the trade mainstreaming process.

Capacity building plays an important role

Mainstreaming requires enormous human resources. Unfortunately, African LDCs have very limited capacity to formulate and implement trade and development policies and this presents a serious challenge to reaping the gains from the mainstreaming exercise. In this context, there is the need for LDCs to integrate capacity building into their trade mainstreaming process for better development results. But capacity building requires financial resources and so domestic resource mobilization efforts also have to be strengthened. In this regard, there is also the need to ensure that capacity building efforts are coordinated to minimize waste and ensure better utilization of limited financial resources.

5. Conclusion

Trade is increasingly identified as a potential driver of growth, employment creation and poverty reduction. There is also evidence indicating that countries that have benefitted from trade are those that have effectively mainstreamed trade into their national development strategies and plans. Against this background, this paper examined the experiences of three African LDCs (Ethiopia, Lesotho and Senegal) in mainstreaming trade into national development plans and strategies, based on an examination of national documents such as the PRSPs, the DTIS, and national development plans. The paper finds that despite the desire of the three countries to see trade play a more important role in the development process, very limited progress has been made by the three countries to effectively integrate trade into their national development strategies. The paper underscores the need to address trade issues in national development documents in a more systematic way than in the past. In many cases, the documents pay little attention to the ways in which trade is expected to have a social impact, particularly on vulnerable groups. Furthermore, in most of the cases, the documents do not provide specific information on how key local stakeholders have been involved in the policy-making process. Addressing these and other related issues should be a priority for African LDCs if they want to effectively integrating trade in development strategies and achieve their national development goals.

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