



## **Reactie op Consultatie**

### **Vernieuwd Beleid Buitenlandse Handel en Ontwikkelingssamenwerking**

**Maart 2018**

**Contact personen:**

**Frank Matsaert: [frank.matsaert@trademarkea.com](mailto:frank.matsaert@trademarkea.com)**

**Anthe Vrijlandt: [anthe.vrijlandt@trademarkea.com](mailto:anthe.vrijlandt@trademarkea.com)**

## 1. Introduction to TradeMark East Africa

TradeMark East Africa (TMEA) is an East African not-for profit company limited by guarantee. It was established in 2010 to support growth of trade - both regional and international - in East Africa. TMEA is funded by eight bilateral donors, among which the Netherlands as one of the larger donors. TMEA's work as an Aid-for Trade (AfT) organisation focuses on practical action on the ground to remove barriers to trade and increase business competitiveness. The goal is to generate *sustainable, inclusive prosperity in East Africa* and tangible gains in terms of greater incomes, new jobs, and reduced poverty.

TMEA's work is in line with the East African Community's Development Strategy. Its focus is not just on big business, but also on informal and small-scale trade, especially for women. TMEA recently started its second strategy that runs from 2017 to 2023. TMEA has achieved significant results in its first strategy period from 2010-2017. From an initial budget of USD100m in 2010, TMEA has become one of the largest AfT initiatives in the world, with a cumulative budget since 2010 of USD560m, delivered through programmes in Burundi, Rwanda, Uganda, Tanzania, Kenya, South Sudan and DRC. During this period, TMEA delivered benefits estimated to have increased trade value by USD17 billion over a ten-year period.

TMEA interventions have focused on improving physical transport infrastructure (also known as *hardware* investment); improving the trade environment and trade systems (known as *software or policy* investment); and making business more competitive. According to external independent evaluations, TMEA's work with its implementing partners has directly led to significant results, such as reducing the average time to transport a container from Mombasa Port in Kenya to landlocked Uganda, Rwanda and Burundi by an average of 16.5% by June 2017, a third of the total declines in time along this main trade artery (the Northern Corridor) since 2010. This in turn has led to average transport costs from Mombasa to Uganda's capital Kampala declining by an average of over 30% from \$3/Km in 2010 to \$2/Km in 2017. Transport costs also declined by an average 11% from Dar es Salaam to Burundi.

New One-Stop Border Posts (OSBPs) supported by TMEA, and adoption of OSBP controls (where travellers and goods now stop only once at the country of destination for customs clearance) at 8 of 13 surveyed border crossing points in East Africa reduced the average time for a truck to cross the border by over 70%. This created annual transport savings of USD62m. Elimination of key trade barriers, building export capability and improving competitiveness contributed to a 42% increase in the total value of exports from the EAC to the rest of the world from USD9 billion in 2010 to \$12.4 billion in Dec 2015. Further, there has been a 44% increase in intra-regional exports from a 2010 baseline of \$2 billion to \$# billion by Dec 2015. TMEA's support to set up of the Rwanda Electronic Single Window reduced clearing times from 11 days to 1.5 days. TMEA work with the Uganda Revenue Authority such as upgrade of the Customs IT and electronic cargo tracking systems reduced customs processing time by 75%, resulting in an estimated £40m in annual savings for traders.

Whilst there's been progress, the job is not done. TMEA still has a lot to do as trade costs are still around 80% higher in Africa than comparable middle-income countries, more than double that of Europe (\$1.8 per tonne/km versus \$1 per tonne/km in middle income and \$0.5c per tonne/km in developed countries). The type of work that TMEA is doing is as powerful as

it simultaneously reduces costs for exporters but also creates a level playing field for international trade, creating opportunities for Africa and the Netherlands alike.

## **2. Guiding Principles for our Response to the Consultation**

TMEA seeks to promote more trade in East Africa. This is complementary to efforts by the Government of the Netherlands to promote the investment by Dutch Companies in the region. By building an Africa that increasingly trades with itself, by supporting a single market for internal and external investors, and by dismantling high trade barriers, Africa's market potential will expand considerably. The market opportunities for Dutch Companies will grow too as the African Continent becomes more integrated. Any successful LDC trade policy must continue to drive down trade and transport costs. The spin-off for the NL is a more level playing field in Africa, and attractive new trade opportunities. This is why TMEA's work in reducing trade costs help East African and NL companies alike to trade more, also NL companies as the NL is an important trading partner for East Africa.

## **3. Questions of the on-line consultation**

- Question 1: How can the Netherlands (the government, the private sector, social enterprises, civil society and knowledge institutions) achieve more results on the following themes: conflicts and instability, reception in the region and emergency aid?
- Question 2: How can the Netherlands (the government, the private sector, social enterprises, civil society and knowledge institutions) best address population growth in Africa and stimulate youth employment in Africa and the Middle East?
- Question 3: What new priority areas could the government identify? Resources are limited and we need to make choices. So we'd also like to ask: what priority areas could do with less attention?
- Question 4: What innovative solutions could the Dutch government, NGOs and the private sector promote with a view to 1) reducing CO2 emissions (climate mitigation) and 2) helping societies adapt to climate change (climate adaptation)?
- Question 5: In your opinion, what opportunities are there in the areas of manufacturing, trade and investment to achieve social progress (for example, better working conditions, higher wages, more opportunities for women and young people) or tackle ecological challenges (for example, in the areas of water, the climate and biodiversity)?
- Question 6: Do you have any concrete suggestions on how the government could help ensure that international trade and investments contribute to the achievement of the Sustainable Development Goals?
- Question 7: What innovative and creative solutions could the government use to better support the private sector and knowledge institutions that wish to market their knowledge and expertise globally? And in what areas?
- Question 8: How could the government create a more comprehensive support package for companies, especially SMEs, interested in doing business internationally, and for which markets is an extra boost warranted?
- Question 9: In addition to the above, do you have any other recommendations in the area of foreign trade and development cooperation?

## **4. Selective Responses from TMEA**

***Q2: How can the Netherlands best address population growth in Africa and stimulate youth employment in Africa and the Middle East?***

Africa's total population is expected to more than double by 2050 to 2.4 billion. Africa will be much younger than the rest of the world and will need to produce an average of 18 million high-productivity jobs per year until 2035.

These jobs and the related prosperity only will be created in the right context, that is, in a thriving trading environment that contributes to economic growth. As a leading institution in the Aid for Trade sector, TMEA has specialised in identifying major barriers to trade and to export competitiveness, experiencing that reduced trading times and costs increases imports and exports. In the coming years, we will be supporting the development of Trade and Logistics Hubs in the EAC region, targeting specific high-potential sectors, while looking at the entire value chain (from 'farm to fork'). We project that this will contribute to the creation of 700,000 jobs in the region. TMEA will be pleased to mentor and advice other regions in Africa or the Middle East to learn from our experience.

***Q3: What new priority areas could the government identify? Resources are limited and we need to make choices. So we'd also like to ask: what priority areas could do with less attention?***

TMEA pleads for investing in those sectors that contribute to job creation and economic growth. Trade Facilitation and Export Competitiveness are excellent examples of such sectors.

***Q4: What innovative solutions could the Dutch government, NGOs and the private sector promote with a view to 1) reducing CO2 emissions (climate mitigation) and 2) helping societies adapt to climate change (climate adaptation)?***

*"Here's the Conundrum: No country has ever ended human deprivation without a growing economy. And no country has ever ended ecological degradation with one,"* says Kate Raworth.

From an environmental and climate change perspective, expansion in trade raises critical questions; will open up trade lead to more greenhouse gas emissions and/or environmental damage; how much does trade change greenhouse gas emissions and/or cause environmental damage; are there opportunities for climate change mitigation and/or adaptation; could any possible climate change mitigation and/or adaptation interventions attract climate finance?

The most affected sectors by climate change, such as agriculture, tourism, forestry and fisheries, are critical for East African economies. Climate change is therefore likely to alter the comparative advantage of the regional countries in these sectors, and thereby alter the pattern of regional and international trade. Moreover, climate change is expected to have an impact on trade infrastructure and transportation routes. These risks need to be considered in the assessment of risks related to trade-related interventions which are core to the TMEA mission and strategy.

TMEA wishes therefor to promote a **flourishing climate resilient trade** in East Africa contributing to reduction of GHG emissions, adaptation to climate change and sustainable development of communities. Example of on-going projects are green port development, modal choice (train instead of truck), circular design of Trade and Logistics Hubs.

The Netherlands is experimenting with some of these models as well (example: Park 20/20 near Amsterdam). Increased collaboration between new industrial zones in Africa and Dutch initiatives would be very welcome.

***Q5: In your opinion, what opportunities are there in the areas of manufacturing, trade and investment to achieve social progress (for example, better working conditions, higher wages, more opportunities for women and young people) or tackle ecological challenges (for example, in the areas of water, the climate and biodiversity)?***

### **Social Development**

TMEA is committed to increasing trade opportunities and economic growth in East Africa in an inclusive, responsible and sustainable way, contributing to East Africa's Sustainable Development Goals (SDGs). We will increasingly focus on gender and youth, poverty and climate change in the years to come. To mitigate risks that investments might inadvertently harm communities or the environment, TMEA will implement its Environmental and Social Safeguards Policy. Our vision is that TMEA becomes a thought leader in gender, poverty, climate change and environmental and social safeguards - within the trade agenda. To achieve this, we require a rich repository of evidence from our work and that of others to inform our programming. We will build strong alliances and co-financing with like-minded stakeholders in each area, such as EA National Governments, ITC, climate funds, UN agencies, the World Bank Group, AfDB and ICTSD.

### **Gender and Youth**

TMEA will continue to build on the strong gender mainstreaming foundation. The priority will be to ensure TMEA has gender-responsive programming across all strategic outcomes, reflected in core programming. We will update the gender strategy and incorporate youth into it. This will be supported by operational procedures, guidelines and tools, and reporting on accountability indicators to inform the design of regional and country programmes. Gender focal points will be reconstituted and trained in skills to advance the gender and youth agenda within their teams.

### **Poverty**

We learned from our past work that it is essential to understand linkages between programming and poverty outcomes, including both negative and positive effects of interventions on the poor. In addition, we will integrate poverty analysis to understand risks and opportunities facing low-income communities, and design programmes to respond to this.

### **Climate Change and Green Growth**

TMEA recognises climate change as the most serious global challenge of our time. Although the East African region carries little historical or present responsibility for global climate change, the region is highly vulnerable to its impact. Whilst climate change poses great risks, it also brings opportunities for green growth, following low-carbon development pathways. It is estimated that the transport sector will account for an increasing share of GHG emissions in the coming decades. The adoption of a low carbon pathway needs to fit into countries' national circumstances and climate change policies, contributing both to mitigation and adaptation. TMEA's in-depth understanding of the region means it is well placed to advise and support nationally and regionally appropriate pathways. Examples include more efficient and environmentally friendly port infrastructure that saves energy and reduces emissions; creation of green logistics hubs in secondary cities; better data on trade-related carbon emissions gathered through improved information systems; better policies, regulations and standards; and promotion of environmentally responsible and climate-friendly low carbon products and value chains. To achieve this, the team will develop a climate strategy, raise new climate funding, and screen Strategy 2 programming to mainstream climate change and green growth projects.

### **Environmental and Social Safeguards**

TMEA is committed to being environmentally and socially responsible, as demonstrated in the recently approved Environmental and Social Safeguards Policy. The policy ensures that projects

comply with the organisation's standards by assessing environmental, climate change and social risks and impacts during the design and implementation of projects. TMEA will ensure programming is screened for risk and risk mitigation.

**Q6: Do you have any concrete suggestions on how the government could help ensure that international trade and investments contribute to the achievement of the Sustainable Development Goals?**

As explained above, TMEA believes that increased trade, combined with robust national policy choices, has the potential to augment prosperity. More exports, more investments in Africa, means more jobs, means more state revenues. Well running economies in Africa means more investments in social sectors are possible.

The Dutch Government can assist by making sure that all countries play the “trading game” by the rules set by the WTO. This might require rather more than less multilateralism. The latest Trade and Development Report by UNCTAD provides a number of useful proposals for a “Global New Deal” based on three broad strategic components: recovery, regulation and redistribution. Elements of such a deal include: (-) establishing a new global financial register; (-) a stronger voice for organised labour; (-) ending austerity; (-) taming financial capital; (-) reining in corporate rentierism, by extending the 2013 OECD BEPS initiative, by stricter enforcement of existing national disclosure and reporting requirements, by establishing a global competition observatory and by rethinking the dispute settlement and arbitration system for developing country governments to navigate disputes with multinational corporations on more egalitarian terms.

**Q9: In addition to the above, do you have any other recommendations in the area of foreign trade and development cooperation?**

TradeMark East Africa, with support from (among others) the Dutch Government, has developed a unique platform where donors invest in trade facilitation programmes with high impact. The model is based on a few principles and could be used in other regions as well. Those principles include: (-) presence in-country, (-) national implementation of regional policies, (-) independence and non-political technical inputs, (-) partnership focus, demand based, working systemically with a range of relevant partners, (-) trade facilitation (‘software’) combined with infrastructure (‘hardware’), (-) systems approach, (-) importance of world class governance.

TradeMark East Africa would be happy to offer its mentorship to other regions in Africa.