

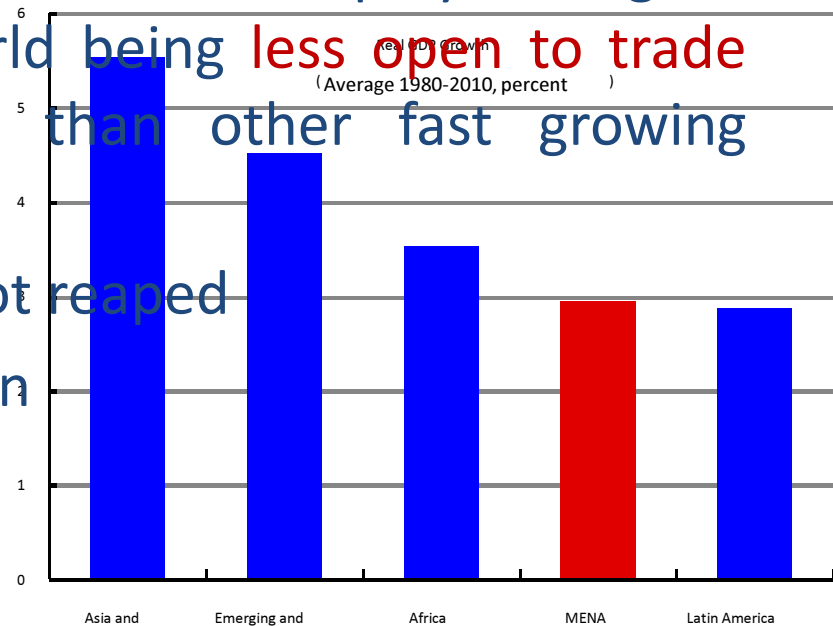


*Empowered lives.  
Resilient nations.*

# Aid for Trade Initiative for the Arab States

# Backdrop: Economic Performance

- Most of the Arab states have successfully maintained macroeconomic stability over the past 2 decades. But growth performance (3%) has **consistently lagged behind** other emerging and developing countries (4.5%).
- Consequently, many Arab states suffer from of the **highest unemployment rates in the world**, 10-12% over the past 2 decades in Egypt, Jordan, Lebanon, Tunisia...
- The record on per-capita growth and employment goes hand in hand with Arab world being **less open to trade** and **less attractive to FDI** than other fast growing emerging markets.
- In sum, the Arab world has not reaped the full benefits of globalization



# Trade matters for the Arab World

- The **share of Arab to total world exports is 5.5%**. Non-oil exports drop 1.5%. There is room for improvement.
- The League of Arab States region has one of the lowest levels of intra-regional trade in the world, despite preferential market access, **only 11% of the total exports**.
- The Region has great potential to improve its trade performance by building upon its **resources base strength** and continuing its efforts to diversify and upgrade into **higher value added activities**.
  - The Region exports have been mainly **concentrated in primary and consumer goods** 64% of the region's total exports, compared with only 41% for Asia.
  - Capital goods, on the other hand, account for only 6 % of Region exports.
  - These export patterns hold back the region's potential for trade and, as a result, the Arab countries **trade less with the rest of the world** than could be expected.
  - The region's total exports accounts for only **28% of GDP**, compared with **56% for Asia** (excluding China, India and Japan).
- It is estimated that to absorb the unemployed and new entrants to the labor force, the Arab emerging economies would require annual real GDP growth of **more than 7.5%**, almost 3% points higher than the average achieved in the past decade.

# Towards a New Deal

- Due to disappearance of tariff-based competitive advantages exporters, mainly comprised of SMEs, must compete on a different basis
  - And here seems to lie **the main challenges for Arab's region** next phase in the development of its export sector; the need for its exporters to compete through **improved productivity, reduced transaction costs, and higher ability to meet international standards** and requirements.
- Over the years, the regional investment rate remained stagnant at around 13% of GDP. Mining and real estate attracted almost two thirds of the total between 2003 and 2010. As a result, private sector investments did not have a commensurate impact on economic growth or employment creation.
  - The Arab economies call for a **shift from factor-driven development,** whereby growth is determined by the mobilization of the resources

# Aid for Trade Initiative for Arab States

Upon the request of the WTO Arab missions in Geneva and under the auspice of the Arab League, the programme benefit from a strong ownership and commitment from the Region

- The AfT Initiative for Arab States was endorsed by the 3rd Arab Economic and Social Development Summit, held 21-22 January, 2013 in KSA, (Riyadh Declaration)

The initiative aims to achieve inclusive economic growth with increased employment opportunities and greater competitiveness through trade policy reforms in Arab countries as an integral part of the regional trade and economic integration agenda

- The initiative provides a platform for targeted trade reforms, building upon UN agencies' experience and expertise, ongoing technical assistance and capacity development interventions in the region
- It focuses on providing practical solutions to boost intra-trade in region, while developing knowledge resources and partnership with LAS, Agadir Agreement Countries, Arab Maghreb Union and the Gulf Cooperation Council

UNDP is the implementing partner of this regional initiative, working closely with the International Islamic Trade Finance Corporation (ITFC) as the chair of the project board (executive) and UN agencies from the CEB Trade and Productive Capacity Cluster (ILO, ITC, UNCTAD and UNIDO) responsible for leading work in specific result areas in coordination with partners in the region

# Aid for Trade Initiative Objective

- To address the **single most important demand** of the region's growing young population: a well-paying job that enables its youth to live in dignity, the Aid for Trade Initiative for the Arab States project intends to support:
  - *“inclusive economic growth with increased employment opportunities and greater competitiveness through trade policy reforms in the Arab states as an integral part of the regional trade and economic integration agenda”.*
- Further to the consultations held with ITFC, the Arab donors and SIDA, UNDP and ITFC agreed on a delivery model for the project through three outcomes and 8 Outputs;
  1. Enhance regional competitiveness through trade reforms
  2. Strengthen trade supply side and value chain integration
  3. Strengthen regional and sub-regional organizations' capacity to foster trade integration

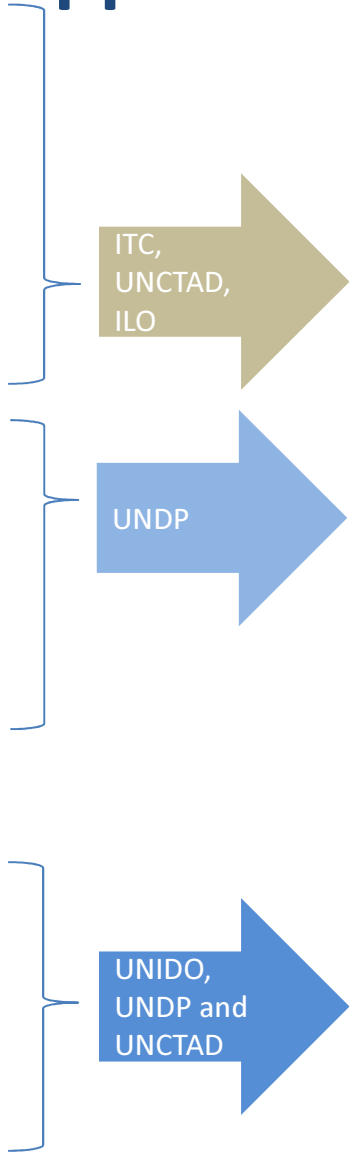
# Aid for Trade Initiative Results

To address the challenges in enhancing regional economic integration, the AfTIAS project aims at supporting the Arab countries to boost intra-regional trade as a means to create new jobs and income to absorb

Enhance regional competitiveness through trade reforms	Strengthen trade supply side and value chain integration	Strengthen regional and sub-regional organizations' capacity to foster trade integration
<b>Output #1:</b> Trade support institutions in the Arab states are more efficient in promoting regional trade environment and integration	<b>Output #4:</b> Bankable Project to support production and trading capacity of SMES in priority export sectors	<b>Output #7:</b> Intra-Arab trade development strategy developed and endorsed
<b>Output #2:</b> Regional Quality Infrastructure Strategy is adopted and implementation is carried away	<b>Output #5:</b> Bankable Project to support SMES's integration to regional value chains	<b>Output #8:</b> Strengthened capacities of LAS, GCC, Agadir Agreement and Arab Maghreb Union to implement regional integration processes and the PAFTA
<b>Output #3:</b> Bankable Project to support regional business	<b>Output #6:</b> Skills Development strategies	

# Modus Operandi featuring a double track approach

- Regional Export Potential Assessment
  - Improved awareness and national capacity on NTM and Trade promotion
  - National accession negotiations strategies discussed & developed for 7 acceding countries
  - National skills development strategies
  - Bankable project to support business environment, competitiveness and trade facilitation
  - Bankable project to support
- 
- Regional Quality Infrastructure Strategy
  - Intra Arab Trade Development Strategy
  - Strengthen capacity of LAS, GCC, Agadir Agreement countries, Maghreb Union secretariat



**National Level**

**Regional & Sub-regional Level**

**LDCs:** Sudan, Mauritania, Yemen, Djibouti, Comoros and Somalia

**Agadir Agreement Countries:** Egypt, Tunisia, Morocco and Jordan

**Middle Income Countries:** Libya, Lebanon, Algeria, Palestine and Iraq

**WTO acceding Countries:** Algeria, Comoros, Iraq, Lebanon, Libya, Sudan and Syria

Agadir Group

AMU

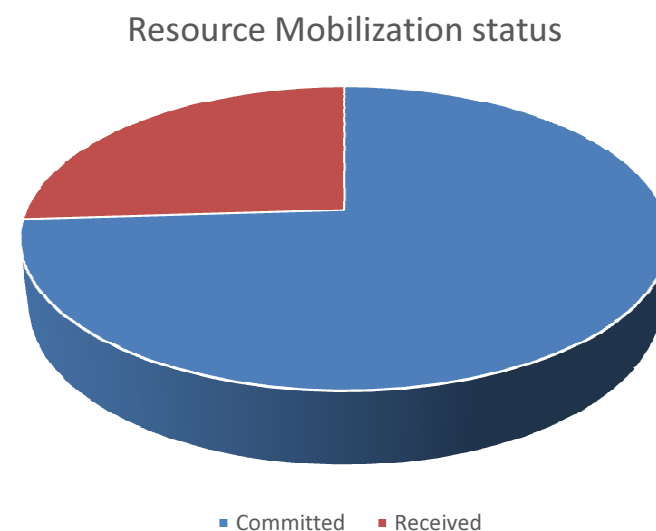
GCC



OUTCOME	OUTPUT	COMMITTED	UN-COMMITTED	TOTAL
Outcome #1	Output #1	1,069,233	810,767	1,880,000
	Output #2	1,069,233	810,767	1,880,000
	Output #3	120,000	500,000	620,000
Outcome #2	Output #4	120,000	500,000	620,000
	Output #5	120,000	500,000	620,000
	Output #6	726,851	551,149	1,278,000
Outcome #3	Output #7	1,184,355	535,467	1,719,822
	Output #8	565,328	428,672	994,000
	Management and Operation Support	750,000		750,000
	Monitoring and Evaluation	390,000	-	390,000
	GMS	385,000	367,628	752,628
	<b>TOTAL</b>	<b>6,500,000</b>	<b>5,004,450</b>	<b>11,504,450</b>

# Resource Mobilization Status

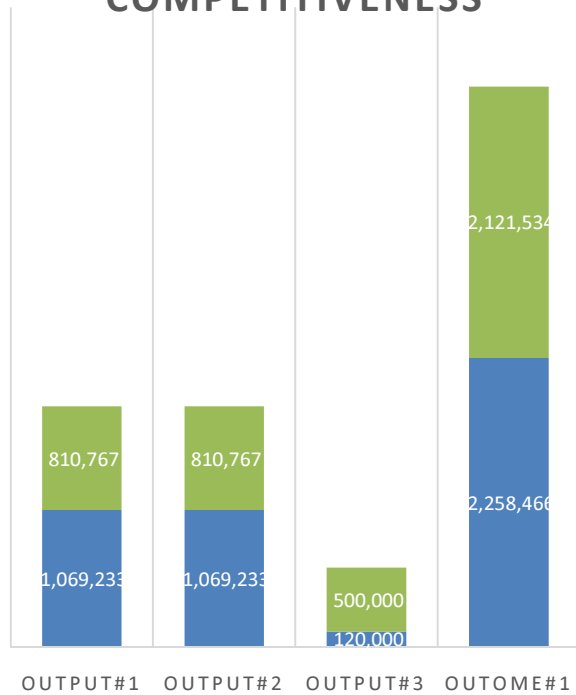
Donor	Committed	Received
Islamic Development Bank Group	2,000,000	1,000,000
Kingdom of Saudi Arabia*	3,000,000	-
State of Kuwait	2,000,000	1,000,000
SIDA	1,500,000	750,000
Egypt*	500,000	-
UNDP	1,000,000	750,000
<b>TOTAL</b>	<b>10,000,000</b>	<b>3,500,000</b>



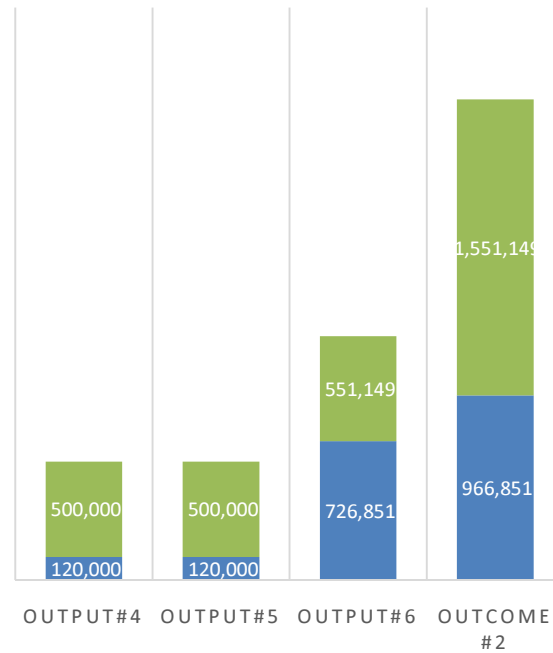
\* Cost sharing Agreement to be signed

# Project Budget: 2013-2016

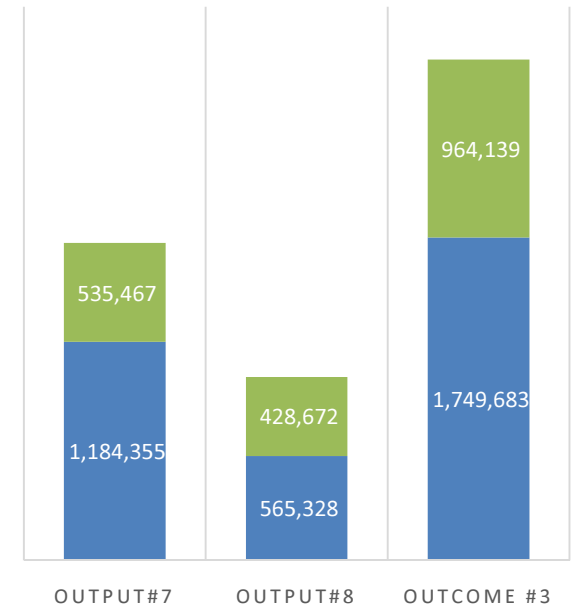
## OUTCOME #1: REGIONAL COMPETITIVENESS




## OUTCOME #2: TRADE SUPPLY CAPACITY



## OUTCOME #3: REGIONALIZATION CAPACITY



Committed fund   
Un-committed fund 