Chapter 4

Building private sector capacities

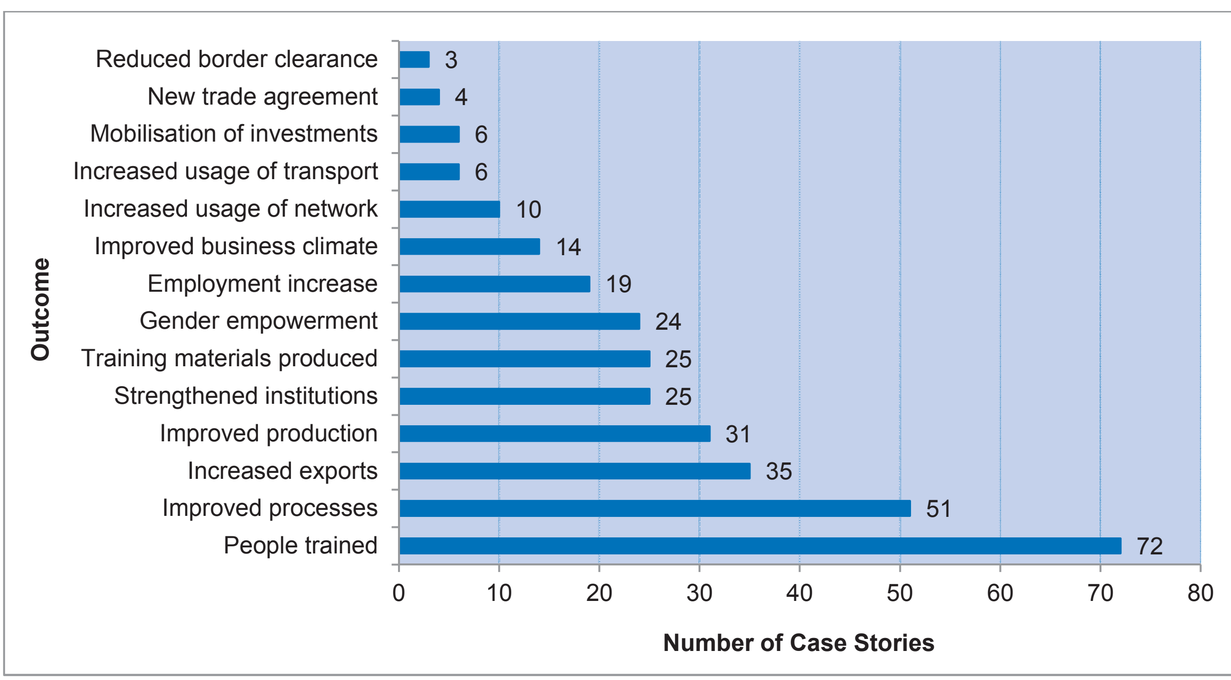
Having a dynamic private sector is key for sustainable economic growth, and SMEs are the backbone of the private sector in developing countries. This chapter includes those case stories that illustrate how aid for trade can help strengthen the private sector in two ways: first, by improving the business environment and providing tangible support to SMEs such as trade finance and second, by building human and productive capacities within specific industries.

Executive summary

A strong, dynamic private sector can play a key role in economic development and poverty reduction. This chapter covers two approaches through which aid for trade can help develop and strengthen the private sector. The first approach aims to *improve the business environment* and addresses market failures such as lack of reliable trade finance, market analysis and export promotion programmes. These programmes cover capacity building for entrepreneurs on business and trade-related subjects, while some programmes have a special focus on supporting women entrepreneurs. The second approach *targets specific industries* or products where the country is perceived to have a potential comparative advantage that could translate not only into greater exports, but also into positive spillovers to the rest of the economy.

The majority of private sector capacity building case stories reported human capacity building through training activities such as workshops and seminars concerning business-related topics, as well as on specific production techniques. The programmes and projects also delivered improved business-related processes, such as administrative procedures for setting up new businesses. It is noteworthy that 35% of the case stories related to the private sector also mentioned increases in exports as an outcome. Such an outcome was noted in only 14.5% of the trade facilitation case stories and in less than 10% of the public sector capacity building case stories. No doubt this percentage reflects the fact that 47 case stories were product- specific, focused particularly on boosting production and exports in those products. The question of attribution might also be less complex in product-specific programmes and projects that directly improve productivity than in the broader ones described in the previous chapters.

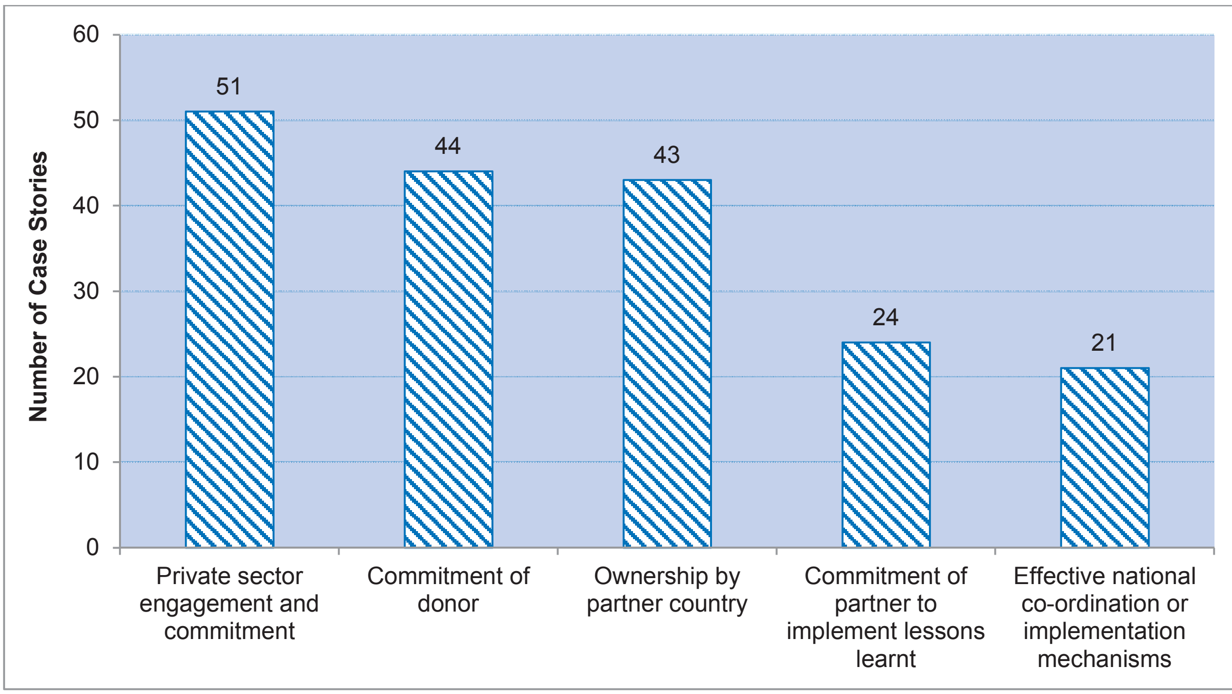
Figure 4.1 Outcomes reported in the case stories on private sector capacity building



Source: OECD/WTO (2011), Aid for Trade Case Story Database, *www.oecd.org/aidfortrade/casestories.htm.*

Programmes and projects that focus primarily on building private sector capacity will most certainly need a strong and consistent engagement from private sector constituencies. This is reflected in the mention of factors of success, which are shown in Figure 4.2. The most cited factor of success is, in fact, the commitment and engagement of the private sector, with 51 case stories explicitly mentioning it.

Figure 4.2 The factors for success cited most often in the private sector capacity building case stories were mobilisation of the private sector, donor commitment and strong ownership by the partner country



Source: OECD/WTO (2011), Aid for Trade Case Story Database, *www.oecd.org/aidfortrade/casestories.htm*.

A clear example can be found in the case story submitted by CARICOM on rum production [Caribbean, 23]: "Involvement of the beneficiaries in the design and implementation of the project […] allowed for the programme design to be much closer to what was required in the end." A case story on supporting honey producers in Nicaragua makes the argument that local companies must be strengthened and supported in creating a long-term vision in order to improve overall trade and business activities [Nicaragua, 98].

Results at a glance

Building entrepreneurial capacities

Trade finance

The Asian Development Bank's (ADB) Trade Finance Program supported USD 4.3 billion worth of trade in the form of 1 517 separate transactions from January 2008 through October 2010 [Asia and Pacific, 8]. The IaDB Trade Finance Reactivation Program has formed a network of 72 issuing banks in 19 countries, with trade transactions of over USD 1 billion; 73% of the banks focused on SMEs [Latin America, 117].

Export promotion

The export promotion activities undertaken by Tunisia's FAMEX led to export increases of more than USD 400 million from 2005 to 2009 [Tunisia, 130]. In Morocco, the textile and garment export consortium, developed in partnership with UNIDO in 2004, increased exports by 22% from 2005 to 2008, compared to the 10% increase seen in the rest of the sector [Morocco, 105].

Facilitating commercial relations

Africa Organic, a farmers' co-operative in Uganda, ships up to 15 tonnes of fresh fruits and vegetables to Denmark every week through its partnership with Solhjulet, a Danish organic produce retailer [Uganda, 214]. The Ethical Fashion Programme in Kenya and Uganda has created 7 000 jobs for women in marginalised communities [Africa, 76]. Two rice farmer unions in Benin developed high-quality Fairtrade rice, which is now exported to a retailer in Belgium through a partnership launched by a Belgian NGO [Global, 218].

Promoting sustainable development

The Netherlands' Sustainable Trade Initiative (IDH) provides matching grants designed to help SMEs export to the EU market based on sustainable technologies and fair labour practices [Global, 256]. UNCTAD and UNEP have helped establish organic production programmes in several countries in East Africa. Organic exports from Uganda more than tripled in four years, reaching USD 37 million in 2009-10 [East Africa, 102]. Brazil's initiative in C4 countries (Benin, Burkina Faso, Chad and Mali) aimed to organise sustainable, profitable and uniform supply chains to increase farmers' incomes. The yield of the Brazilian cotton variety was three times that of the local variety [Africa, 30].

Private sector development strategies

In Kenya, the Business Regulatory Reform Unit aims to improve the country's business and investment climate. Kenya was one of Top Ten Reformers in the World Bank's *Doing Business 2008* report [Kenya, 17]. According to the case story, jobs were created and trade increased in Burkina Faso through a trade finance fund targeted to SMEs that require technical assistance and consultancies on marketing and management strategies [Burkina Faso, 221].

Programmes benefiting women entrepreneurs

Programmes focused on products produced by women

Marula oil, which is produced by over 5 000 women in Namibia, is used in products made by internationally known companies such as The Body Shop [Namibia, 134]. Women in Business Development Incorporated (WIBDI) gives courses to women, young adults and people with disabilities on technical skills for producing virgin coconut oil in Samoa. The Body Shop has agreed to buy 10-30 tonnes of virgin coconut oil a year from WIBDI [Samoa, 257]. The ITC submitted a case story on ten initiatives that aimed to link poor rural women with export markets and resulted in increased income for the women, as well as improvement in their socio-economic independence [Africa, 48].

Providing business training to women entrepreneurs

The Canadian government and ITC sponsored a Programme for Building African Capacity to Trade (PACT) in Ethiopia, Ghana, Mali, Mozambique, Senegal, South Africa and Tanzania. A sub-programme focused exclusively on women ("Access! African Businesswomen in International Trade") provided training on exports; training on information technology to gain market information; expert advice on market readiness; and market access missions. These efforts resulted in 600 small farmers in Ghana exporting 210 tonnes of fresh fruit and vegetables a week to Europe. In addition, two South African cosmetic companies now export to Canada [Africa, 46]. Enterprise Uganda trained 3 832 women entrepreneurs in business management, coupled with health education to deal with HIV/AIDs. As a result, the women-led enterprises saw sales increase by more than 50% in two years and 500 people were employed [Uganda, 116].

Programmes supporting gender-sensitive trade policies

The government of Rwanda is implementing macro-policies that address both socio-economic issues and more specific trade-related constraints strategy to ensure more gender equality for women in market access and trade opportunities [Rwanda, 57]. Another case story describes three programmes for women's empowerment in which the Uganda Women Entrepreneurs Association Limited (UWEAL) pushed for more women's involvement in export practices. The case story notes that through technical capacity building, more than 50% of 150 women trained saw their sales increase and 20% formally registered a business [Uganda, 62].

Studies on women's productive activities and their challenges

UNCTAD and DFID undertook studies of the gender impacts of trade in India that found, among other things, that "export intensity has a positive and significant impact on women's employment." [India 56]. The UN Development Fund for Women (UNIFEM) submitted a study that found that women's trading activities contribute to poverty reduction, employment and wealth creation in Africa [Africa, 63].

Industry-specific pro-active policies

Upgrading quality

"Market-oriented Promotion of Certified Sustainable Cocoa Production in Côte d'Ivoire" trained 5 600 farmers who delivered 6 000 tonnes of certified cacao of higher yield and quality and increased incomes [Côte d'Ivoire, 187]. The Cocoa Livelihood Rehabilitation Project in the Solomon Islands, funded by AusAid, increased export volumes to 5 481 metric tonnes in 2010 compared to an annual average of 400 metric tonnes in 2003-09 [Solomon Islands, 90]. Around 1 million households in rural regions benefitted from an increase in income due to the processed cashew industry, which was supported by Switzerland's State Secretariat for Economic Affairs (SECO) [Mozambique, 184].

Chinese Taipei partnered with the Guatemalan government to improve local papaya production, which resulted in production process improvements, greater employment, increased awareness of international standards, and an increase in exports to the United

States and Canada [Guatemala, 133]. The African Cotton Development Initiative provides capacity building to cotton producers, as well as expertise from Asian countries, which has led to an increase in direct sales of African cotton to Asia [Gabon, 110]. Indonesia in co-operation with the Japan International Cooperation Agency (JICA) trained 5 984 persons from a large number of developing countries in artificial insemination and the management of cattle [Indonesia, 70]. Argentina provided technical assistance to Bolivian meat producers and addressed sanitary controls, warehousing, transportation and commercialisation of meat [Bolivia, 197].

Chad invested in its leather industry with support from the ITC. At the time the case story was written, the government was concluding a partnership with the Italian Chamber of Commerce to develop a production line for handmade leather shoes [Chad, 225]. Thanks to organic product certification, training and technical innovation, rural producers in Peru have improved the production of maca, leading to an increase in its price, a decrease in production time, and income growth for 184 families [Peru, 136].

Spurring new products

A programme to develop and improve Grenada's fisheries allowed it to gain access to the EU market [Grenada, 67]. In Honduras, Spain funded a programme that not only built sustainable fishing capacities but also developed 20 alternative products to increase production diversification [Honduras, 178]. In Guatemala, the Entrepreneurial Development of Cooperative Federations project provided technical assistance to cardamom producers. Guatemala is now a major cardamom exporter [Guatemala, 118]. In Burundi, ITC provided technical assistance to develop the production of essential oils, patchouli and lime that should provide employment to about 40 000 families [Burundi, 18].

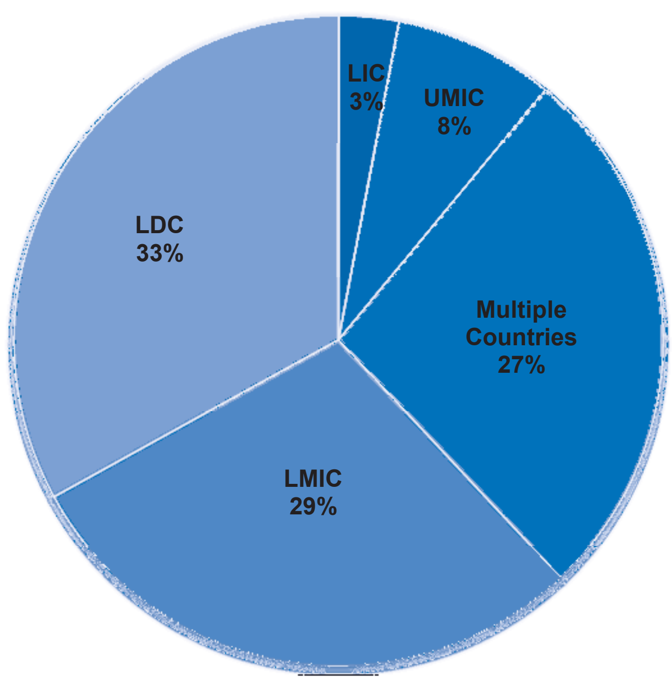
Introduction

Small and medium-sized enterprises (SMEs), which make up the bulk of the private sector in developing countries, face serious challenges in expanding their businesses. The most common binding constraints confronted are inefficient regulation, limited access to financing, outdated technology, and weak technical and entrepreneurial skills. This chapter illustrates two ways in which aid for trade is helping the private overcome these bottlenecks. The first approach that donors take to help develop the private sector and promote exports is to provide assistance in improving the business environment. The second approach consists in building human and productive capacities within specific industries.

The first approach includes programmes and projects that aim to help enterprises, particularly SMEs, through providing access to adequate and reliable trade finance, training in market analysis, export promotion services and training for entrepreneurs. The role of trade finance is evident and became ever more important during the financial crisis. Export promotion programmes also play an important role; Lederman et al. (2010) found that increasing the budgets of export promotion agencies by 10% led to increases in exports of 0.6-1%. The second approach discussed concerns industry-specific policies. Such policies are targeted to sectors where a country is perceived to have a potential comparative advantage, which deserve to be given a jump start, with a view to promoting faster development and favouring spillovers to other sectors. Such policies are controversial because they assume there can be justifiable and efficient public interventions that address market failures. While this debate is unresolved, most of the case stories examined here involved "soft industrial policies" that were successful in promoting certain clusters of industries through training and more efficient regulatory policies.

Of the total of 269 case stories submitted, 99 were classified as private sector support, with almost equal distribution between sector-wide (52) and industry-specific (47) interventions. It is noteworthy that about 30% of case stories on private sector capacity building were submitted by lower middle income countries (LMICs), which were not as prominent in the other categories. Most of the LMICs in question are in Latin America, with case stories on programmes and projects in Costa Rica, Guatemala, Honduras, and Nicaragua, to name a few. Sub-Saharan Africa still had the most case stories, with 40 attributed to initiatives in this region, followed by Latin America (North and Central America plus South America) with 29 and Far East Asia and Oceania with 25. The remaining case stories were spread between Asia, Eastern Europe, North Africa and multi-country.

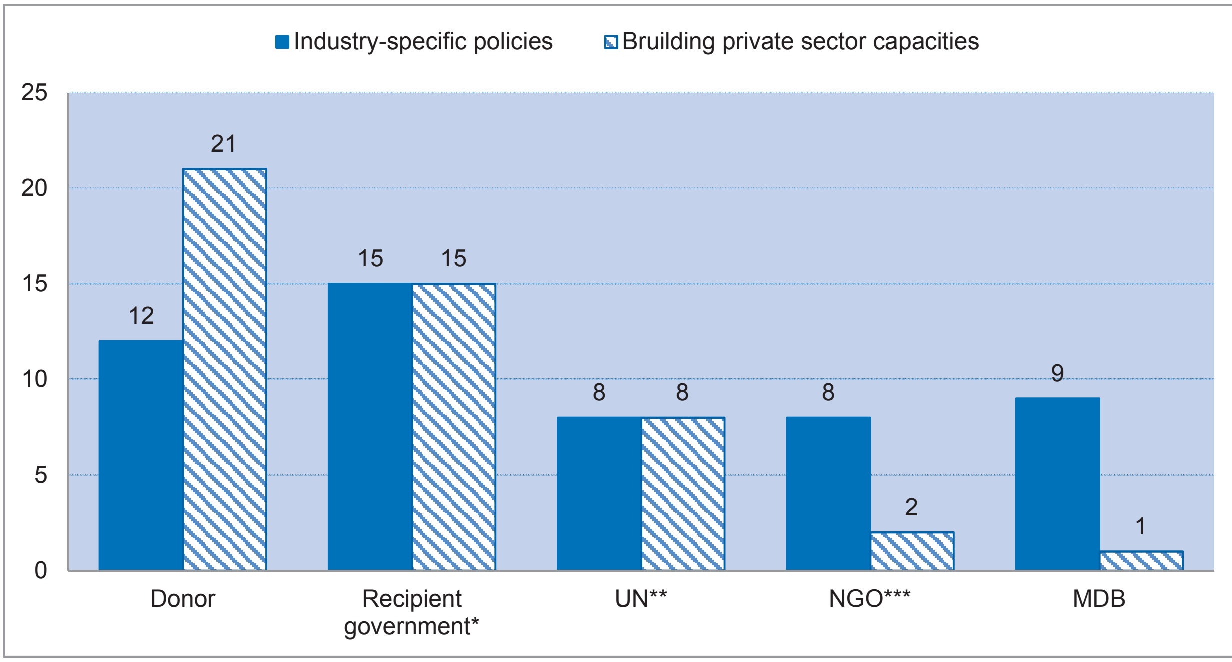
Figure 4.3 The largest number of case stories on private sector capacity building were about LMICs



Source: OECD/WTO (2011), Aid for Trade Case Story Database, *www.oecd.org/aidfortrade/casestories.htm.*

It is also noteworthy that donors provided the majority of the case stories that focused on developing and invigorating the private sector. In fact, 33 case stories were written by donors, followed by 30 case stories from the recipient government, with the remainder shared by the UN, NGOs and MDBs (Figure 4.3). The reason for these numbers is that programmes and projects categorised as industry-specific were mostly about partnerships between donors and small-scale producers or co-operatives of producers. This chapter is rich in detailed case stories describing practical initiatives that led to tangible results, such as increased exports of a specific product or the creation of new businesses.

Figure 4.4 The largest number of case stories on private sector capacity building were written by donors



Source: OECD/WTO (2011), Aid for Trade Case Story Database, *www.oecd.org/aidfortrade/casestories.htm.*

* Includes stories from regional economic communities and organisations
** Includes other international organisations
*** Includes unaffiliated authors

Strengthening the private sector and building entrepreneurial capacities

Theoretical arguments and motivations for private sector support are generally well articulated in the literature. Non-market factors including the rule of law (contract enforcement, intellectual property rights, investor protection), corruption and political instability influence private sector behaviour everywhere, but they loom particularly large in poor countries, where market and contracting failures play a much larger role. A sound business climate for investment, enhanced productivity, competitiveness and entrepreneurship is a prerequisite for raising living standards and alleviating poverty. The premise for using aid to promote the private sector is straightforward. The main objective of development co-operation is poverty reduction, and economic growth is central to development. Economic growth is best achieved through the private sector. Government has a central role to play in making it possible for the private sector to flourish and ensuring that growth contributes to poverty reduction.[1] Private sector development is thus crucial for increasing the pace of growth. But the way the private sector develops also has a strong bearing on the pattern of growth, influencing whether growth is broad or narrowly based and whether it is more or less inclusive of the poor (OECD, 2008a).

In practice, aid for the private sector encompasses many types of activities. Most bilateral and multilateral donors provide support to the enabling environment, but others go beyond this. White (2004) showed that donors mostly support the business environment, including macroeconomic strategies, governance issues, and policy, legal and regulatory frameworks. The rather minimalist approach focused on the need to establish a “level playing field” tends to disregard selective supportive interventions has been criticised as unrealistic, with a lack of empirical evidence. Altenburg and von Drachenfels (2006) suggested that a range of complementary public policies is needed to create competitive sectors and overcome internal constraints, especially in small-scale economies. In a review of donor activities, Te Velde, et al. (2008) highlighted the different approaches of development agencies. Donors such as DFID are more closely aligned with the view that support for the enabling environment is the most that can be done to support PSD, while those such as GTZ and DANIDA are more engaged at the business services and engagement level. Donors like GTZ and UNIDO believe that more selective policies (e.g. industrial policy) may also be appropriate. There may well be complementarities and different comparative advantages, so that some donors specialise in some operations and other donors in others. Schulpen and Gibbon (2002) critically reviewed private sector development policies, arguing that they are shaped mostly by the nature and interests of private sectors in the donor countries themselves, incorporate a high proportion of tied aid, and fail basic tests of coherence.

The 52 case stories that described sector-wide initiatives aimed at strengthening the private sector in developing countries generally fell into five broad categories: (i) efforts to provide trade finance; (ii) export promotion programmes; (iii) specific SME programmes; (iv) private sector development strategies; and (v) efforts to promote women in trade.

Trade finance programmes

Access to credit generally, not only trade finance, is crucial for the private sector. According to the Enterprise Surveys (World Bank, 2010)[2], access to credit is reported as a major business constraint. Econometric studies show that limited access to credit is a significant barrier to trade; a 10% increase in credit-to-GDP ratio boosts economic growth through its trade impact by 1.8% (OECD, 2012). This result is consistent with the case stories undertaken in many developing countries. Access to credit became even more important in the wake of the 2008 recession, when financial markets seized up, risk premia rose, and banks in rich countries recalled funds to recapitalise (Chauffour and Farole, 2009; Haddad, 2009; Chauffour and Malouche, 2011). The recent report of the WTO Expert Group on Trade Finance to the G-20 emphasised the need for increased trade finance for developing countries, as only one-third of the 60 poorest countries benefit from trade finance programmes.[3]

Only a few of the case stories that were submitted discussed trade finance programmes. At the urging of the WTO and others, the World Bank, the European Bank for Reconstruction and Development (EBRD), the Asian Development Bank (ADB), the Islamic Development Bank (IsDB) and others expanded their support to banks providing credit in developing countries. This effort was portrayed in the ADB’s Trade Finance Programme case story.

- The ADB provided finance for some USD 2.8 billion of trade in 2010, half of it for South-South trade. The ADB worked with over 200 banks in 14 countries in East and South Asia. It also supported some 500 SMEs [Asia and Pacific, 8].

- The EBRD reported on a similar programme based upon counter-guarantees to private finance. By 2008, the programme was active in 18 countries, with 56 participating banks, and 119 confirming banks and supporting businesses, with a total volume of more than USD 900 million. The programme also provided technical assistance to participating banks that helped them improve the accuracy of operations – two-thirds reported significant reductions in processing time, and one-half reported improvements in risk management [Eastern Europe, 39].

- The IaDB also augmented its trade finance activities with its Trade Finance Reactivation Program (TFRP). By the end of 2010, the TFRP had approved over USD 1.2 billion in credit lines, issued guarantees of over USD 800 million, and built a network of 72 issuing banks in 19 countries. Nearly three-quarters of these banks count SMEs as their main business focus. As with the ADB, a large portion of the trade financed was South-South intra-regional trade [Latin America, 117].

- In Central Asia, for example, the IsDB has played a catalytic role, providing trade finance assistance and developing a road map for aid for trade within the region [Central Asia, 192].

- The World Bank through its private sector arm, the International Finance Corporation (IFC), doubled its Global Trade Finance Program – a programme of trade finance counter-guarantees – to USD 3 billion and established a Global Trade Liquidity Program that will provide USD 50 billion in trade liquidity support in public-private partnership.[4]

PricewaterhouseCoopers submitted a case story on *export credit agencies* as an engine for growth and development. This case story examines five phases for setting up an export credit agency. It identifies financial challenges and lack of expertise as the main obstacles to developing countries in setting up this kind of institution [Global, 146].

Export promotion programmes

Efforts to actively promote exports were common to many case stories and were often embedded in national or regional export strategies. For example, the Caribbean Export Development Agency received assistance from the EU to help companies address shortfalls in efforts to upgrade the quality of products and services, increase productivity and reduce transport costs. Grants were made to some 197 companies throughout the region [Caribbean, 207], and Trinidad and Tobago were among the successful users of this facility [Caribbean, 188].

Tunisia's export promotion programme, Famex, has recently been subjected to a series of rigorous impact evaluations that show contradictory results. One study finds that the programme significantly raised the export performance of benefitting firms, especially in the case of service firms (Gourdon*,* et al*.,* 2011). Another study, however, finds that manufacturing firms benefitting from the programme do not have a persistent increase in exports (Cadot, et al*.* 2011). The three main components of Tunisia's export promotion programme are an export market fund to help Tunisian firms increase their competitiveness, an export finance guarantee facility to encourage financial institutions to provide pre-shipment financing, and an effort to improve customs efficiency. According to the case story, implementation of these components had already contributed to export increases of more than USD 400 million from 2005 to 2009 and an additional USD 319 million as at the end of May 2010 [Tunisia, 130].

There were also ambitious efforts at the sub-regional level. One such example is the Caribbean Export Development Agency's initiative that provides an array of trade and investment services to firms, including SMEs, within the region. The authors of the case story give credit to the Agency for having enhanced competitiveness of firms, supported firms in taking advantage of the CARIFORUM-EC EPA, and improved the commercial relations of SMEs with international counterparts [Caribbean, 20]. The Inter-American Investment Corporation of the IDB has a similar programme. It was initially launched in Guatemala, but has now been expanded to all of Central America and the Caribbean. The programme aims to enable SMEs to access export markets by providing help in researching potential markets, gathering data on company operations, and providing technical assistance to select groups of companies [Central America, 121].

Chile presented a programme to strengthen the commercial and institutional management of EXPORTA in El Salvador. This programme, funded by the IaDB, consisted of needs assessments, identifying best practices for the implementation of export strategies and analysing market information. Furthermore, El Salvadorian officials were provided with training in the Chilean export offices and were offered internships in Chile. The training successfully strengthened El Salvador's capacity to promote exports, with officials gaining a better understanding of what an "export culture" represents for their country [Chile, 124].

UNIDO submitted a case story on the establishment of export consortia in Morocco as an example of the impact that SME networks can have on enhancing competitiveness. Having set up 20 consortia by 2008 (the programme started in 2004), UNIDO found that export consortia not only boost exports by SMEs, but also provide a cost-effective way of pooling resources to reach more beneficiaries [Morocco, 105]. Uganda, working with ITC, undertook a firm survey to lay the basis for assistance and policy revision. The survey found that although obstacles to trade still remain, the private sector had noted substantial improvements in factors such as economic and physical infrastructure and information and communications technology over the last five years. Positive performance was also registered for the services sectors, where the capacity of Ugandan exporters improved and the value of their exports increased. The authors recommend strengthening the dialogue between development agencies and the private sector to enhance the positive effects of aid for trade initiatives [Uganda, 77]. At the global level, ITC has devoted considerable energy to export promotion programmes, including the development of a modular learning system for supply chain management for exporters. The programme is now offered in more than 120 licensed partner institutions in 61 countries. More than 25 000 people have taken the 18-module course [Global, 193].

Programmes aimed at SMEs and training entrepreneurs

Numerous case stories (i.e. 34) told of initiatives aimed at strengthening the entrepreneurial capacities of the private sector, particularly those of SMEs. The EBRD submitted a case story on its Business Advisory Services Programme, which provides technical assistance to help micro, small and medium-sized enterprises (MSMEs) build knowledge and capacity in the areas of market performance and branding, management effectiveness, cost reduction, quality management and environmental management. Since 2008, 20% of the 995 companies benefitting from the programme reported improvement in exports [Eastern Europe, 38].

EXPECT (Exports Promotion & Enterprise Competitiveness for Trade) is an initiative in West Africa that seeks to reinforce value chains of products with high export potential and to empower the SMEs within these value chains to better perform in regional and global markets. At the time the case story was written, no results were yet documented

[Africa, 41]. The Ministry of Trade of Senegal submitted a case story on the implementation of a project funded by France to support the competitiveness and sustainability of the agricultural sector. Activities included financial support for enterprise participation in numerous trade fairs and market access missions [Senegal, 87]. In Jamaica, a project funded by the IaDB aims to help the Jamaican Business Development Corporation assist SMEs to become more competitive and sell more products abroad. A main challenge was to convince owners of small businesses to engage in the formal sector [Jamaica, 181].

As part of the EIF, Madagascar received support from the World Bank and UNDP to support SMEs in developing sustainable export capacity. The project included training on market information tools, supporting SMEs' participation in regional and international product fairs, creating co-operatives of artisans, and specifically supporting industries that are export-oriented. Thanks to this project, some SMEs producing honey were able to export it to the EU [Madagascar, 254].

The Competitiveness & Enterprise Development Project in Burkina Faso, funded by the World Bank, supports private sector development through the improvement of the business climate and provision of business development services and microfinance. The project led to the creation of a fund to provide financial support to local firms that require technical assistance on management skills. According to the authors of the case story, this led to the creation of jobs as well as an increase in business activities in the country [Burkina Faso, 221].

Facilitating commercial relations

Four case stories described initiatives to create networking between companies established in the donor country and SMEs in developing countries.

- The first example was a three-year partnership between Uganda's African Organic and the Danish company, Solhjulet. African Organic is a farmers' co-operative of 154 farmers, of whom about 120 are small-scale farmers. The partnership consists of technical capacity building as well as establishing standards such as "Fair for Life". African Organic provides women with child day clinics and courses to raise awareness on HIV/AIDS. In the most productive season, up to 15 tonnes of fresh fruits and vegetables are exported by African Organic to Denmark, although the authors of the case story mention the need to improve transportation conditions to preserve the produce better [Uganda, 214].

- Max Havelaar France selected six products from the Guinean agricultural sector to be labelled as fair trade. Although this was positively received by the Guinean government, the authors of the case story mention the high costs of maintaining the label as problematic [Guinea, 27].

- The Ethical Fashion Programme in Kenya and Uganda promotes trade in sustainable fashion between international companies and micro producers and has created 7 000 jobs for women in marginalised communities. Furthermore, 80% of participants said these exports help them to provide for their family, while 88% noted that their new ability to make independent financial decisions was the most important change in their lives [Africa, 76].

- The Belgian NGO Vredeseilanden facilitated the partnership between two rice farmers' unions in Benin and a retailer in Belgium. This partnership has led to the development of high-quality rice production in Benin. The rice can be found in all Colruyt supermarkets in Belgium [Global, 218].

Promoting sustainable development

A subset of case stories focused on ways aid for trade could be used to help SMEs develop environmentally sustainable technologies.

- The Swiss government, in collaboration with UNIDO and UNEP, developed a programme in Colombia to help companies deploy environmentally sustainable technologies along with other SME support programmes, such as marketing advice, meeting international norms and standards, and improving management [Colombia, 183].

- The Belgian government has provided grants and training to increase the professionalism of small-scale producers and their associations in 18 developing countries, with a particular focus on sustainable trade and accessing markets. Trade finance provided by this programme led to awarding the first ever fair trade certification of a mining company (Fairtrade/Fairmine) to a mining co-operative in Bolivia [Global, 218].

- The Netherlands' Sustainable Trade Initiative (IDH) provides matching grants designed to help SMEs export to the EU market, based on sustainable technologies and fair labour practices [Global, 256].

- UNCTAD and UNEP have helped establish organic production programmes in several countries in East Africa [East Africa, 102]. Brazil's Cotton 4 initiative in C4 countries (Benin, Burkina Faso, Chad and Mali) aims to organise sustainable, profitable and uniform supply chains to increase farmers' incomes [Africa, 30].[5]

Private sector development strategies

Other case stories were linked to efforts to promote a policy environment conducive to private sector growth. For instance, in Kenya the Business Regulatory Reform Unit aims to improve the country's business and investment climate. The process involves simplification of business licenses and permits, creation of an e-registry, systematic involvement of the private sector in co-operation with the World Bank's *Doing Business* report, and continued exercise of monitoring and evaluation. In 2008, Kenya was included in the World Bank's top ten performers in the *Doing Business* report [Kenya, 17].

Ghana's Private Sector Development Strategy (PSDS) created a policy framework to stimulate private sector-led growth. The success of this programme, including increased private sector involvement in policy making and legislation, led the government to design a successor programme, PSDS-II, to build on these achievements and correct some of the shortcomings of PSDS-I [Ghana, 65]. Experience in the Republic of the Congo with its Commercial and Entrepreneurial Capacity Reinforcement Project was not as successful as Ghana's. Problems such as lack of adequate funding, bad co-ordination between donors, and a timeline that proved too short led to unsatisfying results [Congo, 26].

Programmes benefiting women entrepreneurs

Many stories describe public and private efforts to raise the incomes of women through trade. These efforts take different forms: supporting exports of products produced mainly by women, providing business training of women entrepreneurs, supporting gender-sensitive trade policies, and providing studies on the challenges faced by women entrepreneurs and ways to improve their situation.

Programmes focused on products produced by women

One case story described a programme in Namibia that combined efforts to improve women's incomes through the protection of indigenous knowledge and the creation of a patent system. The Marula tree produces a fruit with seeds that are rich in oil used for centuries in skin moisturising and cooking. In 1999, an NGO formed the Eudanfan Women's Cooperative (EWC) to increase production of Marula oil and sell it to international pharmaceutical and beauty companies. By 2008, the EWC had over 5 000 women in 22 groups producing Marula oil from fruits picked on wild trees. Internationally known companies such as The Body Shop are now marketing beauty products with Marula oil bought from EWC. One company went a step further: Aldivia, a French company, launched an R&D effort in partnership with PhytoTrade (a fair trade sponsor of EWC) and Natural Products of South Africa[6] that developed and patented a process to manufacture solvent-free cosmetics based on Marula oil. This process, named "Ubuntu", has led to a sharp quality improvement in Marula products, which are now sold at a premium compared to similar cosmetics. Success resulted in a significant income rise for women producing Marula oil. As the success of Marula oil was evident, EWC branched out into other export product lines. In June 2010, it began to market "ondjove" cooking oil and other food oils at the Windhoek Tourism Expo [Namibia, 134].

A similar story is told by Women in Business Development Incorporated (WIBDI) in Samoa. This NGO supports women, young adults and people with disabilities by providing them with technical skills and access to finance and to marketing tools. The WBDI has helped 350 farmers obtain organic production certification and paved the way for a deal with The Body Shop to buy 10-30 tonnes of virgin coconut oil a year from farmers certified through the programme [Samoa, 257]. In addition, ITC submitted a case story on ten initiatives that aimed to link poor rural women with export markets ranging from niche markets, such as organic, to retail chain stores. The case story found that not only were women's incomes rising, especially if they also shared ownership of the business, but their confidence was increasing as they achieved socio-economic independence. A factor for the sustainability of such initiatives is complementing structural change with the development of institutions that facilitate trade for small producers [Africa, 48].

Providing business training to women entrepreneurs

The Canadian government and ITC sponsored a Programme for Building African Capacity to Trade (PACT) that is active in Ethiopia, Ghana, Mali, Mozambique, Senegal, South Africa and Tanzania. A sub-programme ("Access! African Businesswomen in International Trade") focused exclusively on women. The programme provided several trade-related services in an integrated way: training on exports; training on information technology to gain market information; expert advice on market readiness; and market access missions. These efforts resulted in 600 small farmers in Ghana exporting 210 tonnes of fresh fruit and vegetables a week to Europe. In addition, two South African cosmetic companies now also export to Canada. The "Access!" programme involved 22 training modules for African businesswomen, with 46 trainers in five languages, and certified more than 770 women in 11 countries. This programme has led to many success stories concerning women entrepreneurs. For example, a women-led company in South Africa supported by the programme produced and patented a process for water sanitation using nanotechnology to provide safe drinking water and a hand sanitiser that keeps hands protected for almost seven hours. Not only are these products based on innovative technology and extremely useful in Africa, but they are recognised as such and are being bought by numerous international aid agencies [Africa, 46; Africa 119].

Enterprise Uganda, set up with Norwegian help in 2001, dedicated its second phase of integrated business support to SMEs almost exclusively to women entrepreneurs. The project entailed training in business management for some 3 832 women entrepreneurs, many of whom were located in rural sectors and had low levels of literacy. This training was often coupled with health education to deal with HIV/AIDs. Sales increased by more than 50% in two years, while the number of people employed rose by 500. Furthermore, investment increased, as did payment of taxes. On average, women in cities improved their outcomes more than those in the countryside. Even so, the activities of Enterprise Uganda are unlikely to be sustained without continued public sector support [Uganda, 116].

Programmes supporting gender-sensitive trade policies

Involving women in the policy process can improve regulations for everyone. In Cambodia, the Ministry of Women's Affairs and the World Bank's IFC organised a forum to bring women's organisations into the policy making process to address their concerns about taxation, corruption, and lack of transparency in laws and regulations. The IFC's project manager used some of the ideas in the World Bank's *Gender Dimensions of Investment Climate Reform*, a guide to help design programmes that more adequately take into account gender-based concerns. These ideas, according to the IFC project leader, led to an increase in women's participation and to more effective lobbying for women's interests. One outcome has made it easier for women to obtain certificates of origin, including lowering the cost of the certificate from more than USD 100 to about USD 1.25. The Executive Director of the Cambodian Craft Cooperative, with some 2 000 members, has found the forum helpful in expanding exports [Cambodia, 125].

The government of Rwanda is implementing macro-policies that address both socio-economic issues and more specific trade-related constraints strategy, in order to ensure more gender equality for women in market access and trade opportunities [Rwanda, 57]. With ITC co-operation, Uganda has also included gender issues in its National Export Strategy [Uganda, 60]. Another case story described three programmes for women's empowerment in which the Uganda Women Entrepreneurs Association Limited was involved: the CIDA-funded Access to International Markets for African Businesswomen; the Women in Business Investment Club; and Women in Business. The first phase of the Access programme led to 120 women being trained on export practices, of which 20% went on to register a business formally, 50% indicated a readiness to export after the programme, and 53% said their sales increased by at least 8% [Uganda, 62].

Studies on women's productive activities and their challenges

UNCTAD teamed up with DFID to undertake studies of the gender impacts of trade with a view to shaping policy in India. The analysis found, among other things, that "export intensity has a positive and significant impact on women employment. But imports have not led to any displacement of women's employment." The authors proposed gender-sensitive trade policies that would favour sectors with female employment, enhanced opportunities for women's education, and further studies of the gender impact of trade in India [India, 56].

The UN Development Fund for Women (UNIFEM) submitted the results and recommendations of a baseline study to address the challenges faced by informal cross-border women traders. The study highlighted that women's trading activities contribute to poverty reduction, employment and wealth creation in Africa. However, informal cross-border women traders suffer from various physical and verbal abuses and lack of access to adequate services. This all points to the conclusion that the benefits and challenges these groups are facing are captured insufficiently by mainstream trade policies [Africa, 63].

The African Trade Policy Centre (ATPC) of the UN Economic Commission for Africa (UNECA) submitted a case story that examined the most common areas of gender inequalities and highlights the importance of addressing the links between gender and aid for trade in the context of aid effectiveness. Supported by CIDA, the ATPC is striving to become a centre of excellence for mainstreaming gender issues into trade policies. Among the ATPC's successes is the creation of a trade and gender network [Africa, 47].

Industry-specific pro-active policies

One of the controversies in development economics surrounds the topic of industrial policy – that is, government policies targeted at promoting the growth of particular sectors. The purpose is to stimulate development through public policy in sectors in which countries have a potential comparative advantage, where there are positive spillovers in terms of technological advancement, employment or other societal goals such as poverty reduction or gender equality. As Harrison and Rodriguez-Clare (2009) have argued, however, the case for subsidies or protection only carries weight when the country adopting such policies has a latent comparative advantage and when those policies can later be removed.[7] Instruments typically used are tax breaks, credit and budget subsidies, preferences in government procurement and trade protection. In addition to import restrictions, instruments include trade-related investment measures, sectoral restrictions on foreign and/or private investment, and subsidies to technology development.

Dani Rodrik, among others, has been a leading proponent of industrial policies to promote competitiveness. Much of his view is predicated on offsetting the "discovery" costs essential to diversification, and to the desirability of certain product portfolios that lend themselves to inter-industry spillovers, an argument elaborated by Hausmann and Rodrik (2003). One justification for industrial policy generally is that it can help countries move into higher technology products that are more likely to lead to faster growth rates. Hausmann and Klinger (2006), extending work by Hausmann and Rodrik (2003), argued that certain types of products lend themselves to more rapid movement into other newer products or entail other externalities, thus contributing to rapid structural transformation and productivity growth.

Other authors, such as Pack and Saggi (2006), have taken a more critical stance, arguing that failures and wasteful expenditures have been as common as successes and that other variables besides industrial policy could as likely explain positive outcomes in regions such as East Asia.[8] Harrison and Rodriguez-Clare (2009), in one of the most comprehensive reviews of the empirical literature, concluded that the evidence is inconclusive. In reaching their assessment, they draw a distinction between "hard" and "soft" industrial policy. "Hard industrial policy" in their formulation includes tariffs and non-tariff barriers, export subsidies and tax breaks for foreign and domestic corporations. They found little evidence that these policies lead to more rapid growth or diversification. They contended that these policies are too easily entrenched and are more easily subject to manipulation by interest groups. On the other hand, they found "soft industrial policy" often to be effective – namely "programmes and grants to, for example, help particular clusters by increasing the supply of skilled workers, encouraging technology adoption, and improving regulation and infrastructure" (2009:76). A key characteristic is that these policies tend to expose supported activities to import and export competition rather than protect them from it.

Focusing on exports, Lederman and Maloney (2010) probe in detail whether "what you export matters" and whether that would justify more aggressive industrial policies. Their conclusion is that: "First, what you export probably does matter. Externalities exist…and there is no reason to believe that they are associated with all goods equally… Second, the literature still offers us no confident policy guidance on what those goods might be. …Our bottom line is that: How you export matters more." (2010:85) That is, the way a country deploys its resources to raise productivity is more important than the basket of goods they produce.

Industry-specific policies surfaced frequently in the case stories. The most common initiatives supported specific industries with technical assistance on production techniques, meeting standards, upgrading quality, information about foreign markets, and concerted government efforts to overcome specific transportation or other constraints in the value chain, often coupled with some small amounts of subsidies. The measures in the case stories tend to conform to the "soft industrial policy" of Harrison and Rodriguez-Clare (2009) or industry-specific versions of what Newfarmer, et al. (2009) called "pro-active" government policies. These policies are intended to remedy market failures (such as in information about export markets), increase exposure to competition by actively promoting entry, and/or address bottlenecks in the supply chain to lower the costs of trading.

Upgrading quality

Many of the projects described in the case stories were intended to upgrade quality – working at the "intensive margin" with traditional exports. Many of these exports exhibited substandard performance, but had considerable potential if supply-side obstacles could be overcome. Providing technical assistance to improve quality or to reduce specific costs in the value-chain of delivery to foreign markets was a common objective that, once achieved, had high pay-offs. Within this category, the vast majority of the projects targeted agricultural products such as cocoa, coffee, rice, nuts, fruits and vegetables, and cotton. Others, however, focused on fisheries, livestock and dairy production, textiles, and processed goods such as rum, leather and maca.

Cocoa

Improving cocoa production was the aim of projects described in five case stories. "Market-oriented Promotion of Certified Sustainable Cocoa Production in Côte d'Ivoire" was implemented as a public-private partnership (PPP) between Kraft Foods, the cocoa trader Armajaro, USAID and GIZ. The project trained 5 600 farmers, who delivered 6 000 tonnes of certified cocoa of higher yield and quality and increased their incomes [Côte d'Ivoire, 187]. The Belgian Investment Company for Developing Countries implemented a project to supply a Vietnamese chocolate company with assistance to build a new plant, diversify and expand its product range for export, and implement quality standards. This resulted in the marketing of the first Belgian chocolate manufactured entirely in Viet Nam, increased exports, and employed mostly women [Viet Nam, 217]. In Indonesia, the Smallholder Agri-business Development Initiative (SADI), implemented by AusAid, facilitated links between buyers and smallholder cocoa farmers by establishing buying centres. Productivity increased and market information spread, leading to a 6% increase in cocoa production [Indonesia, 152]. Support to cash crop (cocoa/coffee) production in Sierra Leone, funded by the EU, has already brought improvements in the quality of produce through better processing [Sierra Leon, 88]. AusAid funded a Cocoa Livelihood Rehabilitation Project in the Solomon Islands, a project that includes training, distribution of cocoa production equipment, and logistics assistance to farms, especially remote ones. Cocoa export volumes reached 5 481 metric tonnes in 2010, compared to an annual average of 400 metric tonnes in 2003-09 [Solomon Islands, 90].

Coffee

In Nicaragua, Rwanda and Tanzania, programmes were aimed at improving the quality of coffee production. In Rwanda, the EU funded technical assistance, production infrastructure construction and productive capacity building for coffee production, as well as tea and pyrethrum [Rwanda, 194]. The International Solidarity Foundation of Finland submitted a case story regarding the Nicaraguan Tierra Nueva co-operative of small farmers of organic coffee and honey. The co-operative, formed in 1997 and with a membership of 620 producers, aimed at realising international market access opportunities for coffee producers and beekeepers through the improvement of knowledge on quality standards, moving up the value chain and increasing productivity. Tierra Nueva has conducted training activities, consolidated a model of certified organic agriculture, created a large network of customers, and grown to become the largest exporter of honey in Nicaragua [Nicaragua, 98]. SECO presented a case story on the International Institute for Sustainable Development (IISD)/UNCTAD Sustainable Commodity Initiative's Committee on Sustainability Assessment (COSA) and its results in Tanzania. The study noted that compliance with private voluntary standards by certified coffee producers in Tanzania had brought about positive impacts on their social and economic situation. The project found that certified farms had 3% higher yields and 15% higher prices, and that their average revenues were 17% above than those of conventional farms. Social conditions such as access to food, education and training also improved [Tanzania, 212].

Rice and nuts

Three case stories reported on projects targeting rice and nuts. In West Africa, efforts were made to grow a more resistant, better quality rice. The AfDB funded a project to commercialise the New Rice for Africa rice variety in seven West African countries, with positive impacts on yields, grain quality and commercialisation and with positive spillover effects on incomes. For instance, in rural areas rice production tripled from 2007 to 2009 [Benin, 13]. Historically, Mozambique is an exporter of processed cashew nuts, but political instability and civil war destroyed the industry and by the year 2002 it was only exporting cashew nuts in raw form. SECO supported activities to revive this lost industry by providing productive capacity as well as training on compliance with international standards. The proportion of processed nuts to raw nuts exported was already 36% higher in 2008, six years after the project began. The impact on employment and income was also impressive: in 2002 the 407 cashew factory workers were making an average of USD 213 a year, while in 2008 there were 4 740 workers making USD 343 a year. Around 1 million households in rural regions benefitted from an increase in income thanks to the processed cashew industry [Mozambique, 184]. The Ministry of Industry and Trade of the Central African Republic submitted a case story on an Integrated Framework (IF) project aimed at strengthening production capacity in the sesame sector and exploring related export opportunities [Central African Republic, 21].

Fruits and vegetables

Fruits and vegetables were the targeted industries of programmes in Cameroon, Guatemala, Honduras, and Tonga. A project implemented by the Taiwan Technical Mission introduced Honduran farmers to several varieties of oriental vegetables and ensured that measures were taken to ensure a higher yield of these vegetables and better quality [Honduras, 68]. In Tonga, Regional Management of Fruit Flies in the Pacific sought to improve the quality and production of fresh fruits and vegetables by addressing quarantine issues. The project had a 19% return on investment and, according to the authors of the case story, identification of the fruit fly saved the market [Tonga, 99]. In Cameroon, national production strategies and training activities were initiated with the goal of doubling the production of cassava and bananas. The projects lacked sufficient funding, but are now supported by the All ACP Agricultural Commodities Program, funded by the EU [Cameroon, 19]. This programme's multi-agency approach has allowed Cameroon to benefit from the expertise of different international organisations in a coherent and co-ordinated manner [Cameroon, 209]. Chinese Taipei presented a case story about co-operation with the Guatemalan Ministry of Agriculture, Livestock and Food to establish and operate a demonstration farm for production of papaya. This project resulted in production process changes, greater employment, more awareness of international standards, and an increase in exports to the United States and Canada, which reached 56 622 cartons of papaya worth USD 202 604 in 2010 [Guatemala, 133].

Cotton

Two case stories described efforts to improve the quality of cotton production. The Cotton 4 project initiated by the Brazilian government in 2008 in Benin, Burkina Faso, Chad and Mali had dramatic results: yields increased three-fold to 3 000 kg/ha [Africa, 30]. The African Cotton Development Initiative includes capacity building in trade and marketing as well as farmers' and ginners' associations. The producers have also benefitted from sharing expertise with cotton experts from China, India and Turkey. Direct sales of African cotton to Asia have increased, with orders of up to USD 10 million [Gabon, 110].

Fisheries

Improving the quality of fishery products to meet international standards was the theme of four case stories. Mozambique's fisheries sector had to be improved after a critical report from a European Union inspection. Support received from two consecutive DFID funded programmes allowed the country to retain its right to export to the EU and, in addition, to satisfy South African requirements for shrimp exports [Mozambique, 141].

A case story from Fiji described a similar programme to improve quality standards after an EU ban on shrimp exports [Fiji, 196]. In Grenada, also with EU support, more than 275 fishermen, vendors, boat owners and market staff received training on the Hazard Analysis and Critical Control Point (HACCP) food safety methods to ensure food safety compliance [Grenada, 67]. Argentina provided technical assistance to fishermen in Nicaragua to improve their sustainable fishing techniques, with the aim of improving its overall competitiveness in fish production and export [Nicaragua, 199].

Livestock and dairy products

Livestock and dairy production were also mentioned in case stories, which were all submitted by providers of South-south co-operation. For example, Argentina provided technical assistance to dairy companies operating in Peru [Peru, 198]. It also provided technical assistance to Bolivian meat producers and addressed sanitary controls, warehousing, transportation and commercialization of meat [Bolivia, 197]. Indonesia in co-operation with JICA trained 5 984 persons from a large number of developing countries in artificial insemination and the management of cattle [Indonesia, 70].

Textiles

Two case stories referred to projects that promoted the textile sectors in Peru and Bangladesh. In Peru, the IaDB and DFID funded a programme to develop the artisanal textile sector in remote regions by training artisans (mainly women) on production processes, marketing, planning, financial and quality controls, product certifications, design, fashion, and technical innovation [Peru, 138]. UNIDO works with Bangladesh to upgrade quality in the readymade garment sector and promote exports through product and market diversification, improve competitiveness, and promote private-public partnerships [Bangladesh, 216].

Processed goods

Other products mentioned in the case stories were rum from the Caribbean, leather from Chad, and maca from Peru. The European Centre for Development Policy Management (ECDPM) and the Technical Centre for Agriculture and Rural Cooperation (CTA) submitted a case story regarding an EU funded programme to help the ACP Caribbean rum sector become more competitive by improving their products' quality and branding as well as reducing costs through modernising production facilities and management procedures. Of the 20 companies that received assistance, several reported cost reductions of 15-20% [Caribbean, 2]. As a way to diversify exports away from petroleum, the government of Chad decided to invest in improving its leather industry with the support of the International Trade Center (ITC). Following a study on the value chain in Chad, artisans and butchers were trained and provided with equipment, production facilities were improved, and a website promoting their work was created. Through these interventions, Chad is concluding a partnership with the Italian Chamber of Commerce to develop a line in handmade leather shoes [Chad, 225]. The Peruvian government submitted a case story on how technology transfer, development of organic product certification, training and technological innovation have enabled rural producers to improve and develop the cultivation of maca to address increasing demand for biodiversity products. As a result, the market price per kilo of maca increased by approximately 60%, drying time was reduced from three months to 45 days, and production costs and risks were reduced for 184 families who also saw their incomes rise [Peru, 136].

Spurring new products

Soft industrial policies to promote diversification into non-traditional products – at the extensive margin – were also common in the case stories. Grenada's effort to improve the quality of fishery products for exports offers an interesting example. To counter its environmental vulnerability, Grenada decided to try to change its trade structure by diversifying into highly exportable sectors, and the fishery industry is one of them. This sector, however, faced non-trivial challenges, including strict international standards and norms for fishing, and local difficulties in storing and transporting fish. In 2003, Grenada was accepted into the EU's Strengthening Fishery Products Health Conditions programme, which started (in 2002) as a support mechanism to help third countries meet EU regulations in this sector. The project trained national inspectors in quality and gave advice to the fishing industry on improving its internal quality systems. It also provided a vast array of services in this area, including: institutional strengthening in the form of establishing a Produce Chemical Laboratory, training for officers of the competent authority, EU study tours for inspectors and managers, support for testing laboratories and technical institutes, renovation of laboratory structures, technical assistance for the development of quality assurance manuals and guidelines, technical assistance for the production of value-added products, product development, packaging, support for small business, and funding public infrastructure. Limited technical capacity in Grenada was a constraint on the project, as were environmental setbacks (i.e. rising water temperature). Nevertheless, Grenada was included in the EU's List 1 of countries that can export fishery products into the EU as a result of the great strides it had made: the sector is now covered by modern legislation, capacity was built at all levels of stakeholders (from auditors to individual fishermen and vendors), and equipped testing laboratories are readily available. The project was successful in increasing exports from this sector and improving the quality and variety of products [Grenada, 67].

Successful results in fisheries were also noted in Honduras, where Spain funded assistance to create sustainable fishing capacities in the south of the country as well as to develop 20 products as alternatives to traditional fishing activities [Honduras, 178]. However, other case stories underscore that exports of fishery products can be a hard area to get right. Only through the reported extraordinary commitment of staff looking for creative solutions to problems ranging from lack of finance to testing facilities were authorities in Fiji able to successfully implement new SPS standards for fisheries [Fiji, 196]. In Mozambique, efforts to implement standards for fisheries were successful, but rising fuel and other costs depressed exports [Mozambique, 141].

The Entrepreneurial Development of Cooperative Federations project in Guatemala focused on providing technical assistance and expertise to two producer organisations to increase exports of cardamom. From having no cardamom exports in 2002, Guatemala exported 40 tonnes in 2006 and 400 tonnes in 2009. Family incomes increased by 24-35%, with significant benefits going to the many women involved in every aspect of the production cycle. Guatemala is now a major cardamom exporter, with values of exports increasing from USD 93 million in 2002 to more than USD 304 million in 2009 [Guatemala, 118]. Another example of diversification comes from Burundi, where ITC provided technical assistance to develop production of essential oils, patchouli and lime. It is expected that the new production will provide employment for around 40 000 families [Burundi, 18].

Because the government of Cambodia felt the garment industry was having some trouble recovering from the financial crisis, they decided to favour the transfer of productive resources to rice, which they refer to as "white gold". Positive results have been achieved in terms of market access opportunities, the export process, greater efforts to align national and regional development strategies, and further integration of Cambodian rice into regional value chains. Almost 100% of rice production is now eligible for preferential access to the EU [Cambodia, 139].

An example of non-agricultural technical assistance was the introduction of mobile telephones in Bangladesh. Grameen Bank branched out into mobile telephones and allowed women to connect their villages with the nation's markets, to better market their products and to become part of the formal financial system. This raised the incomes of the "phone ladies" several-fold, transforming their lives and those of others who benefited from the new connectivity [Bangladesh, 64]. Simple technical assistance to mobile telephones in the Dominican Republic also helped that industry take off; USAID provided assistance to allow telephone numbers to be used across carriers; meanwhile, new competition induced prices to fall and the market to widen [Dominican Republic, 231]

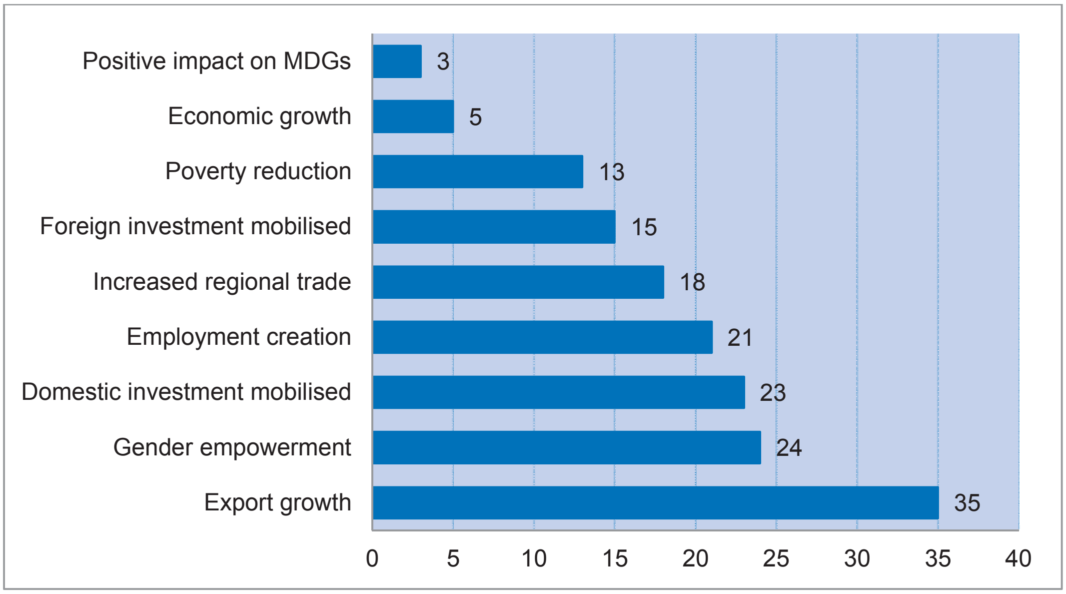
A no less interesting example is the story of rattan furniture production in Indonesia. With the support of Germany's Agency for International Cooperation (GIZ), the country undertook a study of the integrated value chain for rattan furniture exports, identified constraints in productivity, human resources, knowledge of foreign markets, and capital, and worked with firms and workers in the industry to overcome these constraints. The results, though adversely affected by the 2008 downturn, have included increased productivity, quality improvements, and a 16% increase in exports in 2010 compared with 2009 [Indonesia, 185].

Conclusions

The aid for trade case stories concerning private sector capacity building often included quantitative indicators of successful outcomes, such as increases in production, exports and incomes, or even evidence of improvements in gender equality and environmental sustainability. For example, 35 case stories mentioned export growth, particularly in Tonga [99], West Africa [147], Ethiopia [75] and Guatemala [53]. Contributing to export growth, there were stories of products being successfully improved to meet the standards of importing countries; new products with exporting potential being developed; and rural producers being linked to global value chains. There were also success stories concerning women entrepreneurs. One notable example is the Enterprise Uganda case story [116]; another is rice technical assistance for the seven countries of West Africa, where some 80% of producers were women.

The outcomes from private sector capacity building cited in the case stories are summarised in Figure 4.5. Having described the numerous programmes aimed at building capacity in the private sector, it is not surprising to see that the most cited outcome was export growth, with 35 case stories mentioning it. The results of gender empowerment were cited in 24 case stories, followed by the mobilisation of domestic investment (23) and job creation (21).

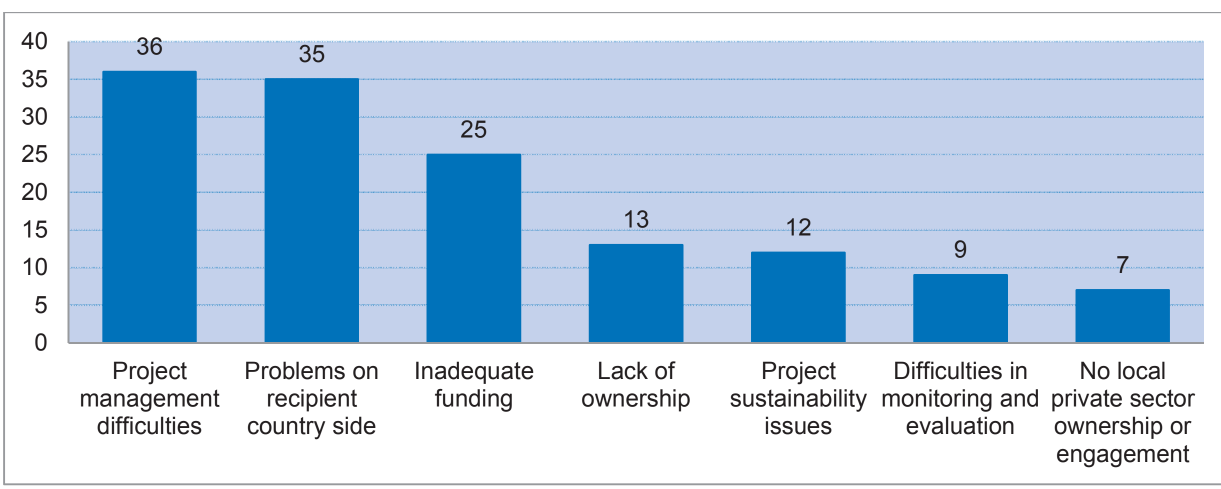
Figure 4.5 Outcomes reported in the private sector capacity building case stories



Source: OECD/WTO (2011), Aid for Trade Case Story Database, *www.oecd.org/aidfortrade/casestories.htm.*

This positive picture is nuanced by the main challenges faced by actors involved in the programmes, as shown in Figure 4.6. With 36 citations, the problem most often mentioned was difficulty in project management due to factors such as lack of co-ordination. Other problem areas concerned insufficient capacities in recipient countries and inadequate funding. These areas were in fact noted as the three most frequent problems across all the main three categories of aid for trade covered in this book.

Figure 4.6 Problems reported in the private sector capacity building case stories



Source: OECD/WTO (2011), Aid for Trade Case Story Database, *www.oecd.org/aidfortrade/casestories.htm.*

Notes

1. A related argument is that aid can catalyse investment. However, empirical studies on the effect of aid on foreign investment indicate ambiguous relationships with inconsistent results. Harms and Lutz (2006) show that higher aid has no effect on private foreign investment. Conversely, Selaya and Sunesen (2008) show that aid invested in complementary inputs such as social and economic infrastructure draws in foreign capital, while aid directly invested in physical capital crowds out private foreign investments.
2. See *www.enterprisesurveys.org/.*
3. WT/WGTDF/W/59, October 2011.
4. These programmes are not the subject of a case story, but are described in World Bank (2009).
5. Two case stories described efforts to improve the quality of cotton production (see "Upgrading quality" below).
6. A South African company that markets and distributed health and beauty products.
7. To be efficient and enhance incomes, the industry has to be able to survive without protection (the Mill test) or special advantages and the discounted present value of the gains compensate for the losses to consumers (the Bastable test). Harrison and Rodriguez-Clare (2009) noted that rarely in practice are these tests actually performed. The absence of these tests explains why "infant industries" benefitted from decades of protection until the 1990s.
8. See Rodrik (2004) and Wade (2003) for the political economy arguments; Nolan and Pack (2003) and Pack and Saggi (2006) for critical reviews of the empirical underpinnings of Rodrik's interpretation of East Asia; Harrison and Rodriguez-Clare (2009) for a detailed review of the economics and empirical literature; and Lederman and Maloney (2012) for a more trade-focused review, and by implication Easterly and Reshef (2010) for Africa.

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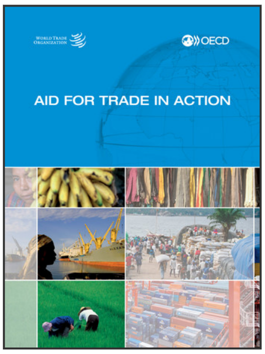

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