

Millennium Challenge Corporation's Contribution to Aid for Trade

Trade is one of the greatest drivers of development. Developing countries that expand their trade at a faster rate tend to have the largest declines in poverty, according to the World Bank's 2008 Global Monitoring Report.¹ President Barack Obama stated, "I think it is very important for all countries to recognize that trade is an important engine for economic growth."²

MCC partner countries share this view and request "Aid for Trade" in their proposals for poverty reduction assistance through the U.S. Government's Millennium Challenge Corporation (MCC). As a result, 61 percent or \$3.4 billion of MCC assistance to its partner countries can be considered Aid for Trade, making MCC the largest source of these pro-growth development funds within the U.S. Government's foreign assistance portfolio over the past three years.

Aid for Trade strives to help developing countries, particularly least-developed countries, create the capacity to trade by removing internal barriers to trade, building institutional capacity in areas such as customs and national standards, developing trade-related skills, and building the infrastructure needed to enable trade and propel the country forward.

Aid for Trade Defined*

Aid for Trade is a broad concept and includes:

- ★ **Technical assistance** — helping countries develop trade strategies, negotiate more effectively, and implement outcomes.
- ★ **Infrastructure** — building the roads, ports, and telecommunications that link domestic and global markets.
- ★ **Productive capacity** — investing in industries and sectors so countries can diversify exports and build on comparative advantages.
- ★ **Adjustment assistance** — helping with the costs associated with tariff reductions, preference erosion, or declining terms of trade.

*Source: World Trade Organization

Aid for Trade: An MCC Priority

MCC works in partnership with eligible countries that identify the greatest constraints to their own development and establish their own priorities to create sustainable economic growth that delivers tangible results for the poor. While each country's grant is unique, each MCC partner country places a high priority on increasing competitiveness and facilitating domestic commerce and regional and international trade.

61%

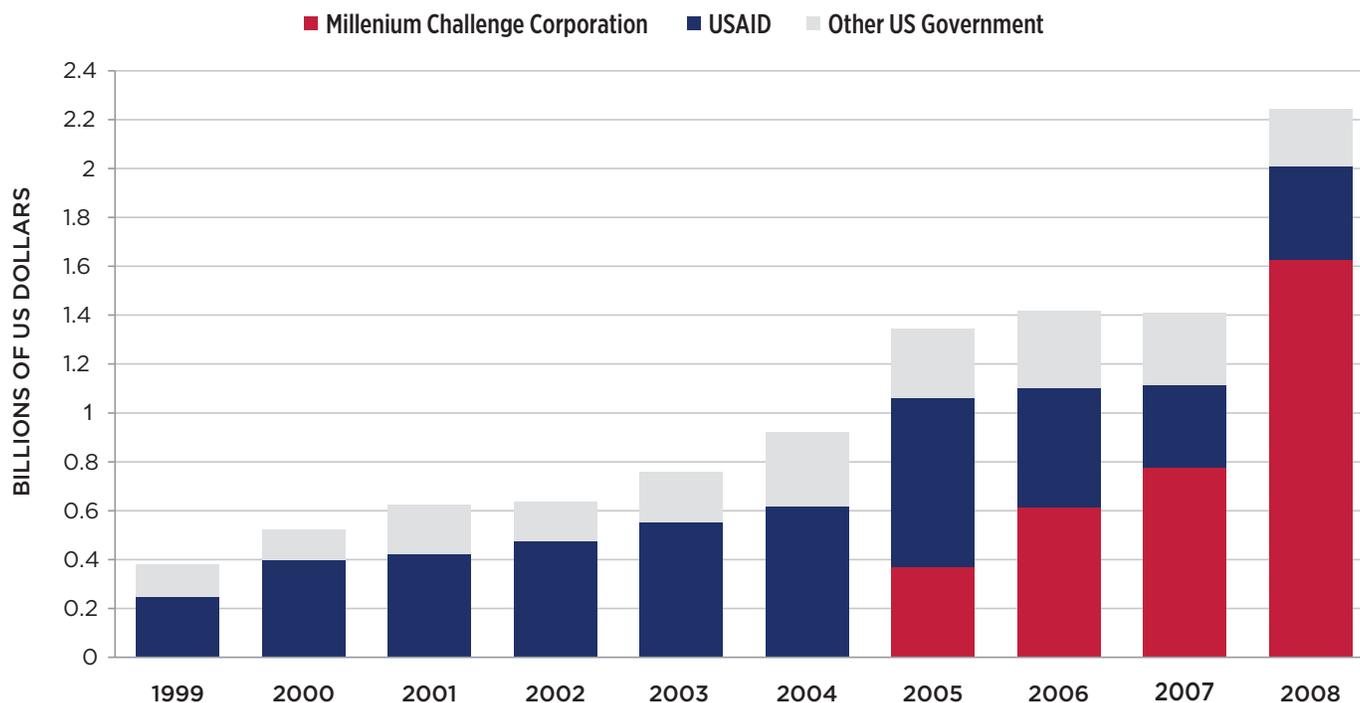
of MCC's Compacts Support Aid for Trade

<i>Compact Country*</i>	<i>Compact Amounts</i> (\$ millions)	<i>Aid for Trade</i> (\$ millions)	<i>Aid for Trade in</i> <i>Compact (%)</i>
Armenia	236	91	39
Benin	307	189	61
Cape Verde	110	87	79
El Salvador	460	382	83
Georgia	295	179	61
Ghana	547	240	44
Honduras	215	193	90
Lesotho	363	98	28
Madagascar	110	53	48
Mali	461	136	29
Mongolia	285	188	66
Morocco	698	532	76
Mozambique	507	222	44
Nicaragua	175	123	71
Tanzania	698	579	83
Vanuatu	66	55	83
Total	5531	3348	61

* *Compacts with Burkina Faso and Namibia signed in FY 2008 will be reported in the fiscal year they enter into force.*

Eight Threshold Programs also include aid for trade activities, totaling \$36 million. These programs are designed to help countries improve economic, social, and political policy performance measured by third-party data in key areas that foster an environment for economic growth.

U.S. Aid for Trade Fiscal Years 1999-2008³



Examples of MCC Investments in Aid for Trade:

In **Benin**, inefficient port operations and aging infrastructure result in delays and high costs. MCC's \$169 million Access to Markets Project aims to improve port performance and security, expand capacity, and reduce costs. The expansion and modernization of the port will reduce delays and increase the volume of imports and exports.

In **Georgia**, MCC has provided \$49.5 million to fund critical repairs to the North-South Gas Pipeline, which provides heat to homes and businesses throughout the country and exports Russian gas to Armenia. The completed rehabilitation of the gas pipeline will reduce leakage, enable a safe increase in the import and export of gas, and provide reliable heat and electricity to over one million Georgians.

In **Honduras**, as part of a \$70.7 million rural development project, farmers are gaining better access to credit, feeder roads that connect farms to markets, training in business and agricultural practices, and institutions and instruments to support production and marketing of high-value horticultural crops. MCC investments also support a \$125.7 million major road improvement program to link the Atlantic port of Puerto Cortes to Pacific ports and major production centers in Honduras, El Salvador, and Nicaragua. The program has helped more than 3,600 farmers cultivate over 4,233 hectares of high value horticulture crops and is currently constructing over 140 kilometers of highways and roadways.

In **Mali**, a landlocked country that depends on air routes for trade, the \$181 million Bamako-Senou Airport Improvement Project will remove constraints to air traffic and increase the airport's efficiency in handling freight and passenger traffic. The establishment of appropriate institutional mechanisms to ensure effective management, operation, and maintenance of the airport facilities over the long term will complement the infrastructure improvement activities.

In **Morocco**, a \$300.9 million Fruit Tree Productivity Project will stimulate growth in the agriculture sector and encourage stakeholders to organize and link to high value domestic and international markets. The program expects to improve the livelihoods of approximately 136,000 farm households in rural areas of the northern, central, and southern regions of Morocco.

In **Tanzania**, a \$372.8 million Transport Project is addressing the inadequate transportation network. To increase commerce and help connect communities with markets, schools, and health clinics, the project will rehabilitate up to 425 kilometers of trunk roads, connecting the seaport of Tanga with Horohoro at the Kenyan border and improving roads along the Mtwara corridor. It will also upgrade the airport on Mafia Island and includes funds for road maintenance to enhance Tanzania's capacity to maintain its road network.

Zambia's recently completed \$22.7 million Threshold Program allocated \$6.2 million to remove barriers to trade and build capacity by upgrading and modernizing customs techniques and integrated border control management. It strengthened inspections at the borders through import and export quality monitoring, standardization, and certification. It piloted the Customs Accredited Client Program, which allows large-scale Zambian importers and exporters, who meet security and transparency criteria, to avoid lengthy delays. The program has had a significant impact on border operations, reducing the number of days required to export goods from 60 to 30 and the number of days to import goods from 62 to 31.

¹ World Bank, Global Monitoring Report 2008, p. 13 (<http://web.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTGLOBALMONITOR/EXTGLOMONREP2008/0,,menuPK:4738069~pagePK:64168427~piPK:64168435~theSitePK:4738057,00.html>)

² Remarks by President Obama at Press Conference with Brazilian President Lula on March 14, 2009.

³ United States Trade Capacity Building Database (<http://quesdb.usaid.gov/tcb/index.html>)