



MCC'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, \$4.65 billion—65 percent—of MCC assistance to its partner countries can be considered Aid for Trade.

Aid for Trade strives to help developing countries, particularly less 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: 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, many MCC partner countries place a high priority on increasing competitiveness and facilitating domestic commerce and regional and international trade.

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.

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.

Compact Country*	Compact Amounts (\$ millions)	Aid for Trade (\$ millions)	Aid for Trade in Compact (%)
Armenia	236	93	39
Benin	307	191	61
Burkina Faso	481	396	82
Cape Verde	110	88	79
El Salvador	461	392	83
Georgia	395	288	61
Ghana	547	283	44
Honduras	205	186	90
Lesotho	363	99	28
Madagascar	88	39	48
Mali	461	229	29
Moldova	262	232	89
Mongolia	285	0	66
Morocco	698	530	76
Mozambique	507	223	44
Namibia	304	166	55
Nicaragua	113	91	71
Tanzania	698	572	82
Senegal	540	494	91
Vanuatu	66	58	83
Total	7,127	4,650	65

*Compacts with Jordan and the Philippines, signed in FY 2010, will be reported in the fiscal year they enter into force.

Ten of MCC's Threshold Programs also include aid for trade activities, totaling \$52 million. MCC's Threshold Programs generally focus on policy and institutional reforms.

Examples of MCC Investments in Aid for Trade:

 In **Benin**, inefficient port operations and aging infrastructure result in delays and high costs. MCC's \$171 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 is providing \$46 million to fund critical repairs to the North-South Gas Pipeline, which provides natural gas to homes and businesses throughout the country and runs from the Russian border to Armenia. The completed rehabilitation of Georgia's main trunk gas pipeline will reduce catastrophic loss and improve regional and municipal service delivery, providing increased reliability and energy security throughout the country.

 **Jordan's** threshold program included \$8.5 million to modernize customs administration. The threshold program helped implement a "single window" concept in five customs centers across the country to improve security and increase efficiency. In addition, the program helped upgrade the Jordanian customs clearance system to an internet based clearance system, ASYCUDA World, in 14 locations across the country. As a result of these and other efforts, the threshold program helped reduce clearance and processing times, sometimes by as much as 80%.

 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 \$301 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 **Namibia**, MCC is providing \$67 million to improve the management and infrastructure of Etosha National Park, enhance the marketing of Namibian tourism, and develop the capacity of communal conservancies to attract investments in ecotourism. The Tourism Project will stimulate investment and income generation in poor, rural communities by improving the livelihoods of over 168,000 individuals. In addition, a \$48 million Agriculture Project will support farmers to enhance marketing of livestock as well as increase the harvesting, processing and commercialization of natural products used in cosmetics, food products and medicines.

 In **Tanzania**, a \$369 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 430 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, upgrade an additional 35 kilometers of roads on Pemba island and provide funds for road maintenance to enhance Tanzania's capacity to maintain its road network. In addition, a \$206

million Energy Project will improve the reliability and quality of electric power to business and individuals as well as extend electricity service to communities not currently served.