

CHAPTER 4

ARE **DONORS** ON COURSE?

SUMMARY

The first Global Aid for Trade Review revealed that most donors had developed – or were in the process of developing – aid-for-trade strategies, and that wider support for trade issues was expressed in many aspects of their regular work programme. This second OECD/WTO monitoring survey reveals a healthy momentum to keep this initiative in the forefront of donors' development strategies. More donors took part in the second monitoring exercise and their responses clearly show that aid for trade holds growing importance in their programmes and is likely to be maintained, or even expanded, over the medium term.

Today most donors either have operational strategies that are specifically focused on aid for trade or have made trade a core component of their overarching development policy or strategy documents. A number of donors, whose existing strategies predate the December 2005 WTO Ministerial Conference, have set out – in policy statements or speeches – new strategic directions to reflect the changing environment of the Aid-for-Trade Initiative. In keeping with their general focus on poverty reduction, donor support for trade-related activities also has a strong pro-poor focus to achieve faster progress towards the MDGs.

The growing importance of trade in donor strategies is also reflected in increased aid-for-trade volumes. Despite the global downturn, many indicate their intention to scale up their assistance even more in the coming years. Most DAC donors are on track to meet, or have already surpassed, their respective aid-for-trade commitments made in 2005 (see Chapter 3). Multilateral channels are increasingly being used to deliver aid for trade, particularly among European and smaller emerging donors. The EIF is one such channel used by many donors to deliver aid for trade to the LDCs – by way of financially contributing to its multi-donor trust fund.

Trade is increasingly being mainstreamed into aid programmes and has become more prominent in policy dialogues with partner countries. Donors are strengthening their capacity to respond to the rising demand for aid for trade by scaling up aid resources, bolstering in-house expertise and raising awareness among policy-makers and practitioners at headquarters and field levels. Donors are also aligning to partner countries' procedures and systems, and undertaking joint donor initiatives, as well as South-South or triangular co-operation.

The self-assessments reveal that donors systematically monitor and evaluate, both quantitatively and qualitatively, trade-related projects and programmes in accordance with their generic guidelines. Many donors are also implementing measures to make their respective evaluation frameworks more results-oriented. In line with the WTO Aid for Trade Task Force's emphasis on "the need for concrete and visible results on the ground," most donors monitor the potential impact of their activities on trade performance. Moreover, most donors carry out monitoring and evaluation in a participatory manner, sometimes through joint initiatives with partner governments.

The above findings demonstrate that the Aid-for-Trade Initiative has so far been successful in galvanising political support and additional financial resources in the donor community. Progress, too, has been achieved in the delivery of aid for trade. More importantly, despite the current financial and economic crisis, donors have reaffirmed their commitment to sustaining aid flows and maintaining this momentum.

INTRODUCTION

This chapter looks at donors' self-assessments of the delivery and impact of their aid-for-trade efforts since the 2007 report, based on the key findings from the 2009 donor questionnaire.¹ Of the 70 donors surveyed, 57 responded including 38 bilateral donors and 19 regional and multilateral organisations, making for a response rate of 81%. Together, these 57 donors provide over 90% of global aid-for-trade flows.²

The objective of this chapter is to highlight the progress made since the first Global Aid for Trade Review in November 2007, especially regarding the implementation of aid-for-trade strategies, and to measure tangible impacts realised by the donor community as a result of effective aid-for-trade processes, projects and programmes. This exercise allows countries to compare strengths and weaknesses, to identify implementation gaps and possible remedies, and to track progress over time. Likewise, this exercise provides partner countries and donors with a clearer sense of the impact of their aid-for-trade efforts. The ability to demonstrate these positive results can help generate greater political and public support within donor and partner countries, and bring about behavioural changes in the way donors operate. This, in turn, can promote improved performance, enhanced accountability and transparency, and increased learning and knowledge.

The rest of the chapter is organised as follows. The next section highlights the recent progress made by donors in developing operational aid-for-trade strategies. This is followed by a section that describes how donors are translating those strategies into actual programmes and delivering them in line with the Paris Declaration on Aid Effectiveness. The different measures taken by donors to improve the quality of their aid-for-trade programmes are illustrated in the subsequent section. The final section concludes by underlining the importance of maintaining the momentum of the Aid-for-Trade Initiative. Finally, the donor responses are also presented in their entirety in the accompanying CD-ROM.

WHAT ARE THE STRATEGIES AND PRIORITIES?

The first Global Review revealed that most donors had developed, or were in the process of developing, aid-for-trade strategies, and that wider support for trade was expressed in many aspects of their regular work programme.³ The latest self-assessments show a healthy momentum in keeping the Aid-for-Trade Initiative at the forefront of donors' development strategies. The response rate of donors in the self-assessment process has increased since the first monitoring exercise⁴ in 2007, and their responses clearly show that aid for trade is assuming growing importance in their programmes, and is likely to be maintained or even expanded over the medium term. Since the first review, several additional donors have either developed strategic frameworks or operational guidance specifically focused on aid for trade, or made trade a core component of their overarching development policy or strategy documents. Moreover, a number of donors, whose existing strategies predate the December 2005 WTO Ministerial Conference, have articulated new strategic directions to reflect the changing environment of the aid-for-trade agenda.

The following section highlights the recent progress made by donors in developing strategic frameworks to respond to the growing demand for aid for trade, and describes their key focuses and delivery modalities.

Donors have operational aid-for-trade strategies

The largest donors of aid for trade (*i.e.* the United States, Japan, the EC and the World Bank) all have operational guidance in place to step up their efforts.

The United States issued a new development strategy in 2008, *Securing the Future: A Strategy for Economic Growth*. It builds on the 2003 Trade Capacity Building (TCB) Strategy and guides the work of the United States Agency for International Development (USAID) to help developing countries achieve sustained growth through, among other things, building trade competitiveness.⁵ The United States policies on trade-related assistance are also integrated within its overall development assistance framework, the *Strategic Framework for Foreign Assistance*, as part of the economic growth pillar. In addition to USAID, aid-for-trade funds are also channelled through the MCC compact. Aid-for-trade activities are embedded within the various activities of MCC that make up a Millennium Challenge Account (MCA) programme. The United States estimates that over half of all funds MCC allocated between 2005 and 2008 qualify as aid for trade.

Japan has steadily implemented its Development Initiative for Trade, a comprehensive package of measures launched in 2005, which aims to help low income countries reap further benefits from the multilateral trading system. Under this initiative, Japan divides trade development into three different stages – supply-side support (*Produce*), distribution and export support (*Sell*) and market access support (*Buy*) – and provides technical and financial assistance to facilitate each of the three stages. Furthermore, Japan reinforced its commitment to aid for trade as part of the pledge to increase aid to Sub-Saharan Africa at the Fourth Tokyo International Conference on African Development (TICAD-IV) in May 2008, particularly in the area of regional infrastructure and energy.⁶

The EU Strategy on Aid for Trade⁷ has been developed with the objective of collectively⁸ supporting the integration of developing countries into the multilateral trading system. There is also a specific section on support for the ACP countries in the context of the regional integration efforts of these countries, including the ongoing negotiations of EPAs.⁹ This strategic framework has a clear orientation to the MDGs and specifies short- and medium-term priority actions and concrete financial targets to increase wider aid for trade consistent with increases in total ODA. It is organised under five key pillars: i) achieving the joint pledge of the EC and member states on trade-related assistance; ii) enhancing the quality and pro-poor focus of aid for trade; iii) delivering in line with aid effectiveness principles; iv) supporting ACP regional integration processes; and v) supporting effective monitoring and reporting.

The World Bank, at the first Global Review in 2007, announced its multi-pronged trade strategy to scale-up further its aid-for-trade work. This strategy has since been operationalised around seven key areas: i) increased support to country and region-wide programmes on *trade and competitiveness*, including policy analysis, lending and technical assistance; ii) more resources for *trade-related infrastructure*; iii) expanded programmes for *financing trade* through the IFC; iv) expanded assistance in *trade facilitation and logistics*; v) more investments in *training and capacity building* for policymakers; vi) greater work on *tools and indicators* to help countries analyse trade obstacles; and vii) further development of *research and knowledge* to inform key trade policy debates on how to harness globalisation for growth and poverty reduction.

Aid-for-trade strategies vary between donors

As stated earlier, the EU Aid for Trade Strategy covers EC and EU member states. It aims to strengthen their concerted efforts to support developing countries integrate into the world trading system and use trade more effectively to promote poverty reduction. The EU strategy promotes scaled up financial efforts and has a strong focus on quality and results, in line with the Paris Declaration and the Accra Agenda for Action (see Box 4.1). Accordingly, more EU member states are now putting into practice the EU Code of Conduct on Complementarity and Division of Labour. Finland, for instance, is focusing aid-for-trade support in areas where it has a comparative advantage vis-à-vis other donors and can contribute added value.¹⁰

Several EU member states have designed and developed their strategies – with additional guidance and instructions – as a complement and contribution to the broader EU Strategy on Aid for Trade. Since 2007, Belgium, Finland¹¹, Ireland and the UK¹² have developed an aid-for-trade-specific strategy and other EU member states – such as Austria, the Czech Republic, Greece, Poland and Spain – have identified aid for trade as a priority issue or a specific budget item in their development policy documents. Germany, Latvia, Lithuania and the Netherlands explicitly frame their strategies – including the level of financial contributions, priorities and delivery mechanisms – within the EU strategy. Furthermore, an aid-for-trade strategy is either under preparation or foreseen in France, Italy, the Slovak Republic and Sweden. EU member states and the EC are working together to develop a series of best practices and indicators to develop an effective aid-for-trade monitoring and evaluation framework.

For some bilateral donors, trade is a core component of agency-wide strategy papers on development co-operation. For instance, Canada's trade-related activities are guided by the 2003 *Policy on Private Sector Development* and the *Sustainable Development Strategy* (as part of its support for equitable economic development), both of which identify trade as a key tool for growth and development. Switzerland's strategies to support aid for trade are guided by, and are an integral part of, the *Framework Credits 2009-2012* whose core themes include "shaping a form of globalisation that promotes development". Other donors have strengthened the linkages with trade in their existing strategies. For example, Australia's trade minister recently delivered a speech (the October 2008 *Biennial Sir Alan Westerman Lecture*) in which he articulated Australia's new strategic directions on aid for trade¹³ for the coming years. Likewise, commitment to aid for trade is reinforced in New Zealand's 2008 *Economic Growth and Livelihoods* policy.

Box 4.1 Improving aid effectiveness: from aspiration to action

The 2005 Paris Declaration on Aid Effectiveness was a landmark in defining the principles by which aid would be made more effective, securing practical commitments to new ways of working, setting a target date of 2010 for achieving the aid effectiveness goals based on measurable progress indicators, and setting up a monitoring system. It was in this spirit that both the aid and trade policy communities from donor and partner countries unanimously agreed that the principles set out in the Paris Declaration should guide the delivery of aid for trade. This consensus was an achievement in its own right and was a significant step towards making aid for trade more effective. Even with significant political momentum, keeping the initiative on the international agenda, and applying the aid effectiveness principles more broadly and widely, requires continuing effort and attention.

The 2008 Accra High Level Forum was about applying these principles in practice; it was the occasion for a mid-term review of stakeholder accountability, and for reaffirming and, where necessary, redefining commitments. Overall, the evidence is clear that some good progress is being made, but in many cases this progress will need to be accelerated if the 2010 targets are to be met. The 2008 Monitoring Survey found that three of the twelve aid effectiveness targets are within reach by 2010 (technical co-operation is aligned and co-ordinated; public financial management (PFM) systems are reliable; and aid is increasingly untied). A further three are within reach but will require additional efforts to be scaled up at country level (donors avoid parallel project implementation units; aid flows are accurately recorded in countries' budgets; and aid is more predictable within the year it is scheduled). However, efforts to attain six of the targets are lagging, and these targets will be difficult to achieve unless partner countries and donors very seriously gear up their efforts. The targets of particular concern are as follows: countries operationalise their development strategies; donors use country PFM and public procurement systems; donors use co-ordinated mechanisms for aid delivery; donors co-ordinate their missions and their country studies; countries develop sound frameworks for monitoring development results; and mechanisms for mutual accountability are established at country level. Progress varies considerably by donor and by partner country, with some having gone well

beyond the Paris Declaration commitments and providing excellent examples of what can be achieved. However, there are still too many examples of persistent patterns of behaviour that undermine aid effectiveness.

Ministers of developing and donor countries endorsed the Accra Agenda for Action which identifies three major challenges that are also pertinent to the success of the Aid-for-Trade Initiative:

► **Strengthening country ownership** through: broadening country-level policy dialogue on development; developing countries strengthening their capacity to lead and manage development; and strengthening and using developing-country systems to the maximum extent possible.

► **Building more effective and inclusive partnerships** through: reducing costly fragmentation of aid; increasing aid's value for money; welcoming and working with all development partners; deepening engagement with civil society organisations; and adapting aid policies for countries in fragile situations.

► **Achieving development results and openly accounting for them** through: focusing on delivering results; being more accountable and transparent to the public for results; continuing to change the nature of conditionality to support ownership; and increasing the medium-term predictability of aid.

In addition, a number of other issues that are fundamental to improving the effectiveness of aid for trade include:

► Move from a focus on inputs and conditionality to a focus on mutual accountability for results.

► Be practical about planning. If consensus on a "perfect plan" is proving elusive, be prepared to start implementing, measuring results and improving the plan through use.

► Place capacity and institutional development at the core of sector programmes and strategies. But avoid treating technical assistance as the single solution.

► Prioritise alignment over harmonisation (of procedures) between donors.

► Promote pragmatic mechanisms for democratic ownership and stakeholder involvement.

► Focus on relevant knowledge and incentives for all actors.

As expected, commitment to the Paris Declaration principles and the Accra Agenda for Action has been underscored in the aid-for-trade self-assessment reports from both partner countries and donors.

For some multilateral agencies, such as the Agency for International Trade Information and Cooperation (AITIC), the Food and Agricultural Organization (FAO), the International Trade Centre (ITC) and the World Customs Organization (WCO), their corporate mandates are essentially their aid-for-trade strategies, as their core business is closely linked to aid-for-trade objectives. The IMF directs activities related to aid for trade in accordance with the Fund's broader mandate to promote global financial stability and orderly exchange arrangements. In particular, the IMF supports trade-related reforms and adjustment to other trade policy changes through technical assistance, financial support and policy advice.

In keeping with the commitments set out in the MDGs and the 2005 World Summit Outcome, the UN System agencies are collectively as well as independently stepping up efforts to implement the Aid-for-Trade Initiative. For instance, UNCTAD has an aid-for-trade strategy that derives from its role as the UN system's focal point for the integrated management of trade and development. UNIDO established an internal branch dedicated to trade capacity building, one of its three thematic priorities, to better respond to the challenges and needs of its partner countries. Its aid-for-trade strategy relies on forming strategic partnerships with other organisations to ensure maximum impact. UNDP's political commitment to the Aid-for-Trade Initiative is underscored in its Strategic Plan 2008-2011 and the Global Programme 2009-2011, both of which prioritise enhancing developing countries' capacities to integrate into the global economy. UNDP also co-chairs (with the UN Department of Economic and Social Affairs [DESA]) the MDG8 Gap Task Force, which reviews the progress of the global partnership in achieving the MDGs.¹⁴

Strategies of the UN regional economic commissions naturally target regional priorities and thus focus primarily on regional-level assistance. The Economic Commission for Africa (ECA) operates on the basis of its business plan, which is comprised of four pillars, two of which focus on trade capacity-building issues. Moreover, in May 2008, ECA, the AfDB and the WTO jointly set up an African Working Group on Aid for Trade to lead and co-ordinate – in consultations with the regional economic communities and countries – trade-related activities in Africa, as well as to ensure that the regional dimension of aid for trade is adequately scaled up. The Economic and Social Commission for Asia and the Pacific (ESCAP), in collaboration with the WTO, provides trade-related technical assistance to its developing members in the Asia-Pacific as part of its core thematic work on trade and investment.

Regional banks also differ in their approaches to aid-for-trade strategies. According to the AfDB, while the organisation does not have an explicit aid-for-trade strategy, about 90% of its portfolio falls under the broad aid-for-trade banner (*i.e.* infrastructure, agriculture and rural development). Aid for trade also appears as a cross-cutting issue in the AfDB's forthcoming Regional Integration Strategy. The IADB, following an organisational restructuring, has created the new Integration and Trade Sector under the vice presidency for sectors and knowledge. The Integration and Trade Sector is responsible for overseeing the Aid-for-Trade Initiative within the IADB and is guided by the following strategic objectives: i) strengthening in-house expertise on trade and integration; ii) mainstreaming trade into partner-regions' development agendas as well as the Bank's operations; iii) addressing cross-border co-operation issues via region-wide approaches; and iv) strengthening inter-institutional collaboration.

Pro-poor development is key in responding to the global downturn and achieving the MDGs

The second OECD-WTO monitoring exercise takes place at a time when the world faces its worst economic crisis in generations. ODA flows will undoubtedly be under pressure as a result of slower growth and recession in donor countries, and there is the possibility that aid budgets will be realigned to meet humanitarian needs, possibly at the expense of economic growth enhancing activities such as aid for trade (see Chapter 1). Even before the onset of the global crisis, donors were not on track to meet their Gleneagles ODA targets.¹⁵ Despite recent progress in this regard¹⁶, some suspect developed countries risk falling further behind in their commitment to shore up aid levels (which are often calculated as a percentage of national income) as national incomes decrease and governments reassess their fiscal priorities.

Notwithstanding these pressures, the message that comes across clearly in many of the donors' responses is their firm commitment to sustainable development and to supporting faster progress towards MDGs and poverty reduction. Donors also appear mindful of the potentially devastating consequences of aid shortfalls and inaction to protect the world's most vulnerable people. Accordingly, all of their strategies have a strong pro-poor focus. The overarching objective of the UNDP's

aid-for-trade support, for example, is to build partner-country capacities to leverage trade for poverty reduction and achievement of the MDGs. Member countries also recently directed UNCTAD to enhance its work on the linkages between trade, the MDGs and poverty reduction.¹⁷ The United States ensures that programmes financed by MCC enhance economic growth in a way that delivers tangible benefits for the poor by assessing *ex-ante* the programmes' economic returns, their effect on the poor and their feasibility. Japan's Development Initiative for Trade puts emphasis on supporting local entrepreneurship and job creation in rural communities through its "One Village, One Product" programme – a programme which promotes exports from LDCs and other low-income countries.

Countries such as Canada, New Zealand, Norway and several EU donors, emphasise activities that aim to redress some of the inequalities of opportunity that constrain both growth and poverty reduction, or that limit the impact of growth on poverty reduction. These programmes seek to empower the most vulnerable members of society (e.g. women) to enable them to participate in global trading activities on an equitable basis. The World Bank too has refined its approach to aid for trade in response to the 2006 independent evaluation of its trade-related work¹⁸, which recommended giving greater attention to addressing poverty and distributional outcomes from trade reforms and external shocks.

For EU donors, the commitment to enhance the impact of aid for trade on poverty reduction is promoted by aligning their strategies with the overall EU strategy, which embraces pro-poor and inclusive growth as one of its five strategic objectives. It is recognised that more efforts are needed to understand better the linkages between trade, poverty and inequality, and the most effective way that aid for trade can help reduce poverty. In this context, Sweden and the United Kingdom are leading work to produce practical guidance on *Promoting Inclusive Growth and Poverty Reduction*.

Moreover, aid for trade can assist poor countries to mitigate some effects of the economic crisis and help address the underlying constraints to growth, thus facilitating an eventual recovery. Australia, for instance, argues that "continued trade liberalisation, coupled with implementation of appropriate structural reforms, will be critical to restoring confidence and growth to the global economy." IADB's Trade and Poverty Trust Fund is one such instrument that supports analysis of the distributional effects of trade integration, and the implementation of pro-poor trade and integration strategies, policies and instruments.

Multilateral channels are increasingly being used

Funding through multilateral organisations and initiatives (e.g. multi-donor trust funds, programme-based approaches) appears to be the most common delivery channel, especially among EU donors. The United Kingdom, for instance, reports that over 60% of its aid-for-trade funding is channelled through multilateral organisations.¹⁹ In an effort to support better alignment and harmonisation, some donors (e.g. Australia, Finland, Germany, Ireland, Norway, Spain and the United Kingdom) plan to increase this share in coming years. In particular, the EIF is widely regarded as an important apparatus for joint analysis and strategy development at national and global levels.²⁰ Many donors (e.g. EC and EU member states, Korea, Switzerland) highlight their increased engagement with, and budgetary contributions to, the EIF programme. For example, the EU strategy identifies the EIF as a key donor platform for promoting the mainstreaming of trade issues into the development strategies of the LDCs, and for strengthening in-country harmonisation and alignment of aid-for-trade flows.

Multilateral agencies also report a rise in the share of aid-for-trade activities being funded by non-core or extra-budgetary resources. For instance, trust funds comprised of voluntary contributions are the single most important and growing source of financing for UNCTAD's trade-related technical co-operation activities (accounting for 88% of total expenditure of these activities in 2007). The World Bank launched two trust funds: i) the Trade Facilitation Facility (TFF), a new demand-driven technical co-operation trust fund to strengthen the delivery of assistance and projects to support trade facilitation in developing countries; and ii) the Multi-donor Trust Fund for Trade and Development (MDTF-TD) which provides additional resources in support of the World Bank's trade strategy at the country, regional and global levels.²¹ IADB also launched a new multi-donor trust fund, the Strategic Thematic Fund on Aid for Trade, to support the implementation of trade-related priorities in Latin America and the Caribbean. This may help to boost IADB's financing of aid-for-trade activities through non-core, earmarked resources (presently standing at 7% of total expenditure).

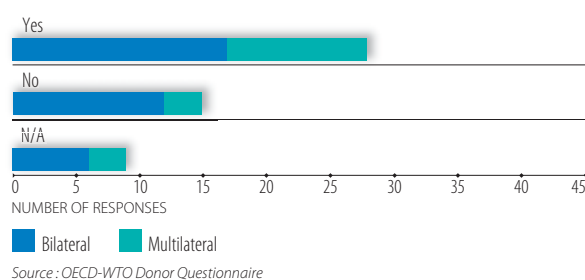
Africa is considered top priority for support

Sub-Saharan Africa is identified by most donors as their top priority for aid-for-trade support. This strong regional focus on Sub-Saharan Africa is clearly reflected in the increased flows to that region (see Chapter 3). For instance, the EU strategy, as already highlighted, puts special emphasis on scaled up support to Africa, in particular to respond to regional integration challenges. The World Bank's aid-for-trade strategy in Sub-Saharan Africa focuses on tackling the region's supply-side and competitiveness problems including investment-climate related impediments. Denmark, for example, has directly incorporated aid for trade in its regional strategy for Sub-Saharan Africa and, not surprisingly, provides the largest share of its regional support to that region. Japan is another donor bolstering its efforts in Sub-Saharan Africa. Other regions frequently highlighted by donors as priorities include Asia, as well as the Caribbean and the Pacific regions in relations to the EPA negotiations. The regional dimension of donor support is further addressed in Chapter 5.

Best practices are being articulated

Drawing on their past experiences in the area of trade-related assistance, more than half of donors have best practice guidelines, or are in the process of collecting evidence to form a clearer picture of their strengths and weaknesses in aid for trade (Figure 4.1). USAID is undertaking a broad review of its past projects to help identify best practices. At the regional level, the United States is also developing a series of best practices as part of its African Global Competitiveness Initiatives (AGCI), including the 2007 *Compendium of Trade-Related Success Stories*, which highlights specific examples of helping African countries improve their trade competitiveness. France is currently evaluating its trade capacity-building programme, *Le Programme de Renforcement des Capacités Commerciales (PRCC)*, with the objective of identifying good practices to improve and develop priority measures. The EC has several ongoing initiatives, such as updating its existing technical guidelines in different aid-for-trade areas, gathering additional best practices (partly in co-operation with EU donors) and undertaking a mid-term assessment of its assistance in Latin America, Asia and the Mediterranean countries.²²

Figure 4.1 Donors have articulated a set of best practices



Many donors also have operational guidance or evaluation policy tools that define the key principles, responsibilities and organisational arrangements to ensure best practices are implemented. Germany, for instance, established a working group on aid for trade consisting of trade experts from the ministry and key implementation agencies to share best practices and to develop tools and guidelines for specific trade-related support measures. Finland considers the sharing of best practices to be one of its key strategic objectives. As mentioned above, Sweden and the United Kingdom are leading the EU effort to produce guidance on making aid-for-trade programmes more pro-poor. These efforts are being undertaken in the context of the overall effort to improve aid effectiveness through implementing the Accra Agenda for Action.

Several specialised agencies report ongoing initiatives to improve the design and delivery of aid for trade. FAO is preparing a number of aid-for-trade papers in 2009 on the design and delivery of assistance. UNIDO plans to implement a series of technical assistance pilot projects which will draw on its best practice guidelines. UNIDO also co-ordinated the compilation of the first UN-wide *Trade Capacity Building Inter-Agency Resource Guide* in 2008, a major collaborative effort among 21 UN organisations.²³ It provides a comprehensive guide to the wide diversity of specialised expertise and services in the area of trade capacity building offered by UN organisations.

Although the IMF is not a direct provider of aid for trade, the IMF's Independent Evaluation Office is currently undertaking an evaluation of the Fund's approach to international trade issues. Other agencies, such as ITC, UNDP and the World Bank, have articulated best practices in the form of sector strategies (e.g. ITC), operational manuals (e.g. UNDP's *Trade and Human Development: How to Conduct Trade Needs Assessment in Transition Economies*) and evaluation guidelines (e.g. the World Bank's *General Completion and Results Report*). Lastly, the Asia-Pacific Economic Cooperation (APEC), through a practice of regular peer reviews, tracks members' progress in achieving the recommendations set out in its Osaka Action Plan, the strategic roadmap for implementing the APEC's Bogor Goals of free and open trade and investment in the Asia-Pacific.

HOW IS AID FOR TRADE DELIVERED?

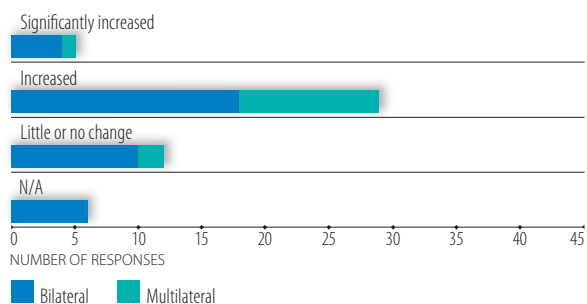
Trade is increasingly being mainstreamed into donor programmes and has become more prominent in policy dialogues with partner countries. Donors are taking measures to strengthen their capacity to respond to the increasing demand for aid for trade by scaling up aid resources, bolstering in-house expertise and raising awareness among policy-makers and practitioners at headquarters and in the field.

The following section describes how donors – both individually and collectively – are implementing their aid-for-trade strategies on the ground, and translating their commitments into actual programmes and projects. It also illustrates donor performance with respect to the operationalisation of the Paris Declaration principles.

Donors are experiencing a rising demand for aid for trade...

Over two-thirds of donors (34 of 52) report that demand from partner countries for aid for trade has increased or significantly increased (Figure 4.2). This rising demand typically falls into one or more of the following categories: i) countries of relevance to ongoing trade negotiations/agreements; ii) neighbouring countries or countries of regional proximity; or iii) countries with cultural, linguistic or historic ties.

Figure 4.2 Demand is rising



Source: OECD-WTO Donor Questionnaire

Increased demand from the Pacific Island countries, for instance, reflects a growing focus on trade issues in the context of the EPA negotiations and the Pacific Agreement on Closer Economic Relations (PACER) framework with Australia and New Zealand.²⁴ Countries such as Estonia, Latvia and Lithuania are receiving increased demands from Eastern European and Caucasus countries for support to strengthen the market economy, improve the

investment climate and promote compliance with international and EU standards. For Chile, its trade-related technical co-operation is directed towards neighbouring South and Central American countries. Portugal supports trade capacity-building activities in mainly Portuguese-speaking African countries.

The EC and EU member state donors report rising demand from the ACP countries, in part as a result of work of the Regional Preparatory Task Forces within each regional EPA group which were set up to channel information on participating countries' development needs. This finding tallies with the EU Aid for Trade Strategy (and the aid-for-trade flow trends presented in Chapter 3). It envisages that the share of funding – on the basis of the €2 billion collective EU pledge on trade-related assistance – to support the needs of the ACP countries should be “in the range of 50% of the increase” in overall resources for trade-related assistance, and that wider aid for trade should also increase in proportion to overall ODA increases.

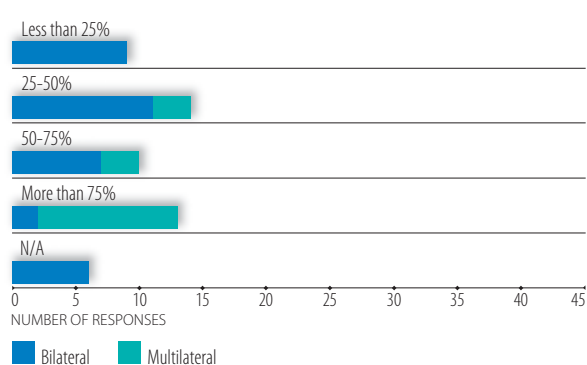
Other policy-related circumstantial factors account for the rising demand for aid for trade. Finland, for example, reports increased demand from its priority countries for bilateral assistance. Japan, following the TICAD-IV and the ensuing Yokohama Action Plan, is seeing a rising demand for aid for trade from Sub-Saharan Africa countries, especially for trade-related infrastructure and trade facilitation.

Almost all regional and multilateral donors report an increased demand for aid for trade, three of which (*i.e.* ECA, FAO and ITC) reporting a significant increase. In the case of ECA, this mainly reflects the growing needs of its African member states and regional economic commissions for help with WTO and EPA negotiations. AfDB's new operational framework, under the 11th Resources Replenishment (ADF-11), earmarks 60% of its funds for supporting infrastructure development (*e.g.* roads, dams, bridges) in low-income countries over the next three years. IADB points to the intensification of regional trade integration as the main driving force behind rising demand for trade-related technical assistance and capacity building. UNIDO also reports growing demand for aid for trade from the ACP countries in particular in the context of the EPA negotiations. UNCTAD has been increasingly responding to assistance requests from countries preparing for WTO accession. ITC attributes the rising demand to partner countries' enhanced understanding of their increasingly sophisticated trade-capacity needs.

...and trade is becoming more prominent in policy dialogues

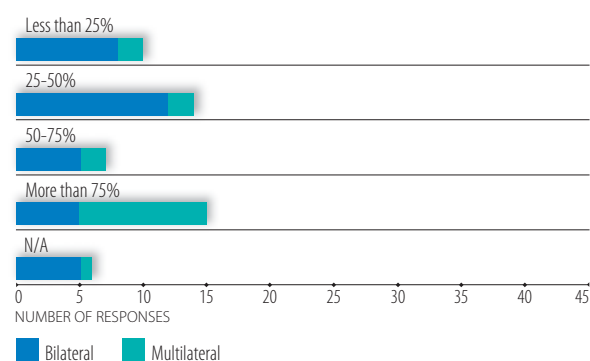
For over two-thirds of donors (36 of 52), trade-related issues form an important part of their policy dialogue with partner countries (Figure 4.3). Nevertheless, the number of partner countries with whom trade concerns are prominently discussed is higher for multilateral donors than for bilateral donors. Likewise, as Figure 4.4 shows, the share of country assistance strategies containing trade or aid-for-trade elements is higher for multilateral donors (12 of 17 estimate in more than 50% of their partner countries) than bilateral donors (10 of 35).

Figure 4.3 Trade is becoming more prominent in policy dialogues



Source: OECD-WTO Donor Questionnaire

Figure 4.4 More country assistance strategies contain trade elements



Source: OECD-WTO Donor Questionnaire

However, it is important to put these results in context. First, many of the multilateral donors surveyed are specialised agencies whose core activities are (or are closely related to) aid for trade. Naturally for these donors, aid-for-trade concerns form the basis of their policy dialogue with many of the partner countries they support. Second, it is not surprising to find that trade concerns are less pronounced or even sidelined in donors' policy dialogues if the partner countries are post-conflict or fragile states. Similarly, some donors choose not to be active in

aid for trade because they do not have a comparative advantage in this area – in accordance with the principles of division of labour – and, thus, logically do not include trade concerns as part of their policy dialogue with the partner countries they support.²⁵

Ultimately, when trade-related needs are not prioritised by partner countries in their national development plans, some donors – in the spirit of ownership – will not include aid-for-trade components in their country assistance strategies and programmes. This point has been strongly emphasised by a number of donors (e.g. the United States, New Zealand). Put differently, prior prioritisation of trade by partner countries helps donors integrate aid for trade into their aid programmes. In the MCC compact, for example, priorities and programmes for assistance are determined and developed by the MCC's partner countries themselves. Therefore, aid-for-trade activities will only be included in the MCA programmes if partner countries have identified this as a priority.

To this end, the evidence in Chapter 2 shows that trade is indeed being increasingly mainstreamed into partner-country development strategies, some with well articulated priority actions and implementation plans. It seems likely that trade will gain greater prominence in the future donor-partner policy dialogue on development aid.

Donors are also mainstreaming trade...

As noted previously, most donors either have specific aid-for-trade strategies or have integrated trade components into their development policy or strategy documents.²⁶ Many donors use formal or informal mechanisms to ensure that trade issues are incorporated into overall aid programmes through close dialogue and co-ordination among aid policymakers, trade experts and country/regional specialists. Sweden's aid agency (SIDA), for instance, has a specific guidance paper, *Plan for Trade-Related Development Cooperation*, that sets out the framework for mainstreaming aid for trade into other sectors. Some countries have set up cross-agency working groups within governments to make the most of synergies and ensure coherence in their trade-related assistance activities. Mainstreaming efforts also take place at the executive level. For example, the Director of Foreign Assistance in the United States State Department, who serves concurrently as the head of USAID, consults closely with the United States Trade Representative (USTR) and senior representatives of other trade and development agencies to ensure that aid for trade is mainstreamed and reflected in the President's annual foreign assistance budget proposal to Congress.

As part of their overall mainstreaming efforts, other donors have undertaken – or are in the course of undertaking – measures to strengthen in-house expertise on trade. Germany, for example, has an advisor within its co-operation ministry (BMZ) whose primary task is to mainstream trade and provide support to Germany's implementing agencies. New Zealand's aid agency, too, has had a dedicated economic advisor since 2006 who focuses on trade and development issues, and on helping to increase the agency's understanding of aid for trade. Belgium set up a Centre for Trade for Development within its technical co-operation arm (BTC) with the objective of mainstreaming trade in its bilateral programmes. The institutional reform itself also helps to raise the profile of aid for trade internally and to increase coherence. In 2007, the United Kingdom merged its international trade and development departments and established a joint Trade Policy Unit with a dedicated minister for trade and development issues providing political oversight.

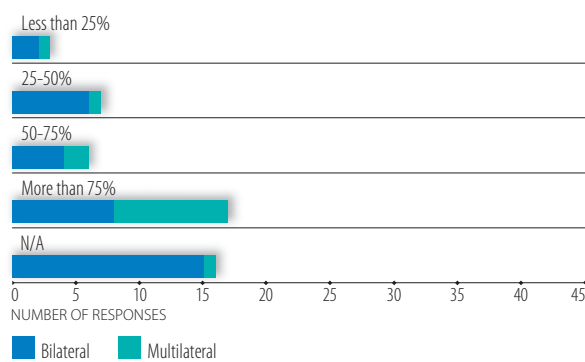
Several countries have also taken steps to increase understanding about aid for trade in their embassies and country offices and to integrate aid for trade in their policy dialogue with partner countries. Japan, for example, has directed its embassies in EIF countries to strengthen synergies between Japan's Development Initiative for Trade and the EIF programme on the ground. Finland organised a field-based training workshop in 2008 on aid for trade in Zambia for Finnish development experts working in Africa, also including experts from other EU and Nordic countries and African counterparts from Zambia.

Multilateral agencies are also implementing measures to integrate trade into their overall operations. For example, the creation of the Integration and Trade Sector at the IADB helped enhance internal co-ordination between "trade" and other sectors, enabling IADB to develop comprehensive aid-for-trade programmes for the region. UNIDO's Trade Capacity Building Branch and UNDP's Trade and Human Development Unit have been established to streamline and strengthen in-house expertise and provide support to country and regional programmes. UNCTAD, through intra-UN agency co-operation, ensures that country-level plans include trade-related policies and assistance among their priorities. At the UN system level, the Trade and Productive Capacity Cluster organised at the Staff College in Turin a training workshop on trade programming for senior field staff serving in Central Asia and the Caucasus regions. A similar workshop is planned for 2009. As for specialised agencies such as AITIC, FAO, ITC and WCO, they consider aid for trade to be part and parcel of their core activities and thus fully mainstreamed into their programmes.

...are aligning with partner country systems...

Nearly half of donors (24 of 52) report that their activities are demand-driven and aligned to partner-country development plans and country systems in more than half of the countries they support (Figure 4.5). The EIF is often cited by both bilateral and multilateral donors as an important mechanism for enabling them to align their contributions with partner-country systems. The UN agencies are also working collectively to harmonise their individual approaches to trade capacity building, with the objective of aligning them with partner-country systems. However, a large share of donors (37%), especially among bilateral donors, answered "Not sure/Not applicable" without any elaboration. This may be due to the lack of sufficiently detailed information about alignment at country level.

Figure 4.5 More donors are aligning with partner country systems

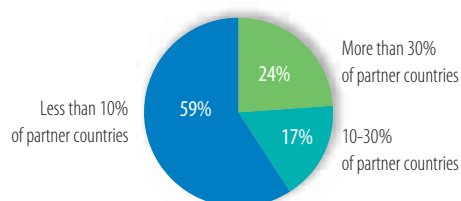


Source: OECD-WTO Donor Questionnaire

...making some progress with joint donor initiatives, and...

Regarding progress towards donor harmonisation, responses reveal that most donors still do not widely contribute to, or take part in, joint donor initiatives – *i.e.* joint needs assessment, joint aid-for-trade strategy formulation, joint aid-for-trade programmes, pooled funding, joint monitoring and evaluation and delegated co-operation. Most donors (59%) have on average undertaken joint initiatives in trade-related areas in no more than one-tenth of the partner countries they support (Figure 4.6). New Zealand, for example, notes that in Pacific Island countries, given their small economies, donors often take responsibility for providing support in different sectors to avoid overlap. Still, this tacit approach to harmonisation has yet to result in joint programming or pooled funding. There is thus room for improvement in donor harmonisation (*i.e.* more joint and less dispersed aid for trade) in line with the commitments set out in the Paris Declaration and the Accra Agenda for Action.

Figure 4.6 Some joint donor initiatives are being undertaken



Source: OECD-WTO Donor Questionnaire

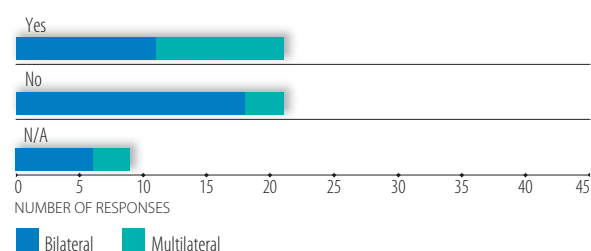
More joint donor initiatives are taking place at the multilateral level. UN agencies active in the area of trade-related assistance, for instance, have jointly set up the UN Inter-agency Trade and Productive Capacity Cluster²⁷ which aims to enhance UN system-wide co-operation and coherence (the “Delivering as One” process²⁸). This is done through, among other things, joint programming at country level. Cape Verde, Albania and Mozambique are among the initial beneficiaries of this UN co-ordinated support. In the context of the EIF process, bilateral donors and the six multilateral organisations – *i.e.* IMF, ITC, UNCTAD, UNDP, the World Bank and WTO – work together with partner countries and collectively respond to the trade development needs of LDCs, and there is scope for using the EIF mechanism to combine agency efforts on the ground in these countries.

The EC reports that more than 30 of its country delegations have recently contributed to joint monitoring and evaluation of aid-for-trade programmes. In 2006, the EC, together with France, Belgium and the United Kingdom, also carried out a joint evaluation of donor co-ordination in the area of trade capacity building in partner countries.²⁹ Furthermore, the EC is exploring with regional organisations ways to enhance donor harmonisation at the regional level and how best to utilise their respective financing instruments (*e.g.* regional funds) more effectively.

...strengthening support to South-South co-operation

Over 40% of donors (21 of 51) have a specific approach to South-South or triangular co-operation in aid for trade (Figure 4.7). Through its ‘third-country’ training programmes, Japan collaborates with emerging Asian economies, themselves once beneficiaries of Japanese aid. In particular, Japan supports Asia-Africa trilateral co-operation efforts aimed at sharing best practices from Asia with African counterparts. Two examples are Malaysia’s work with Zambia on improving the latter’s investment climate, and the promotion of private trade and investment through the Africa-Asia Business Forum.

Figure 4.7 Some donors do not have a specific approach to South-South co-operation



Source: OECD-WTO Donor Questionnaire

The United States brings host-country governments, regional organisations and the private sector together under its African Global Competitiveness Initiative to promote a range of activities, including South-South co-operation, to strengthen trade development and competitiveness. The EC is also increasingly dealing with issues related to South-South or triangular co-operation, and is beginning to engage more with emerging donors through policy dialogue. For example, in 2008, the EC published a communiqué entitled, *The EU, Africa and China: Towards trilateral dialogue and co-operation*, which included discussions on infrastructure and agricultural development.³⁰

Finland’s and Spain’s strategies emphasise strengthening on-the-ground South-South and triangular co-operation efforts in co-ordination with other donors, including regional organisations. Regional trade is a priority in Norway’s aid-for-trade strategy and is seen as a component of South-South co-operation. Sweden earmarks specific funds for promoting South-South co-operation. Australia highlights its triangular co-operation effort with the ADB and China to help the Greater Mekong sub-region countries comply with the Cross-Border Transport Agreement. Latvia, in co-operation with Canada, undertook several triangular co-operation projects in Moldova and Ukraine, covering such areas as trade policy and administrative management, as well as compliance with international and EU standards.

Most regional and multilateral organisations support South-South co-operation as part of their commitment to increased trade and integration among developing countries. The UNDP’s Special Unit for South-South Co-operation assists governments – in co-operation with other UN agencies and bilateral donors – in undertaking South-South or triangular co-operation programmes. The importance of South-South partnerships in meeting cross-border and cross-regional challenges is also highlighted in UNDP’s strategy.³¹ Both FAO and UNIDO have programmes promoting exchanges of technical expertise and

networking among developing countries, including dispatching experts from the South to other countries in the South. ITC focuses on forging business partnerships and facilitates networking among enterprises in the South to promote and generate South-South trade. UNCTAD supports the revitalisation and greater utilisation of the Global System of Trade Preferences (GSTP) among developing countries and other initiatives that stimulate South-South trade.

At the regional level, the UN regional commissions – *i.e.* ECA, ESCAP and ESCWA – promote South-South co-operation to deepen regional integration. IADB is working with member states active in South-South co-operation to establish an institutional framework to strengthen and monitor such co-operation in Latin America and the Caribbean. AfDB is a strategic partner to the NEPAD process and has forged strong partnerships with the ECA and the African Union Commission to provide extensive policy and technical support to regional economic communities (RECs) on approaches to building and strengthening regional co-operation and integration. Chapter 5 provides further discussion on South-South co-operation in the context of support to regional integration efforts.

MONITORING, EVALUATION AND MUTUAL ACCOUNTABILITY

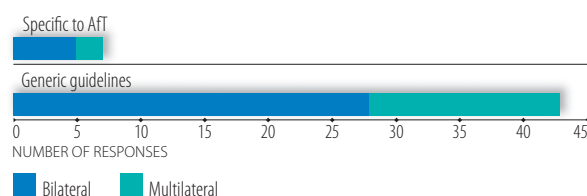
Monitoring and evaluation are an integral part of the overall Aid-for-Trade Initiative. If donor and partner-country aid “relationships” are to be transformed into aid “partnerships”, progress towards fulfilling reciprocal commitments will need to be monitored and evaluated. The survey reveals that donors systematically monitor and evaluate, both quantitatively and qualitatively, trade-related projects and programmes in accordance with their generic guidelines. Many donors are also taking steps to make their respective evaluation frameworks more results-oriented. In line with the WTO Aid for Trade Task Force’s emphasis on “the need for concrete and visible results on the ground”, most donors monitor the potential impact of their activities on trade. Moreover, most donors carry out monitoring and evaluation in a participatory manner including, wherever possible, joint initiatives with partner governments.

The following section describes the various measures taken by donors in the area of monitoring and evaluation – at institutional and/or field level – with the objective of improving the quality of their aid-for-trade programmes and projects.

Generic evaluation guidelines are mainly used and...

Some 86% of donors (43 of 50) monitor and evaluate their aid-for-trade programmes in accordance with generic evaluation guidelines or with specific guidelines for themes and sectors falling under aid for trade (Figure 4.8). The United States, for example, notes that the MCC monitors and evaluates aid for trade in the same way it monitors and evaluates all of its funded development programmes, *i.e.* against output and outcome targets based on rigorous benefit-cost analysis. USAID is implementing a Cluster Evaluation Methodology in order to develop a simple and effective evaluation framework, and to monitor progress across all the different activities that collectively constitute aid for trade. The EU’s strategy includes a monitoring framework for assessing progress in implementing the strategy on an annual basis.

Figure 4.8 Donors use generic guidelines



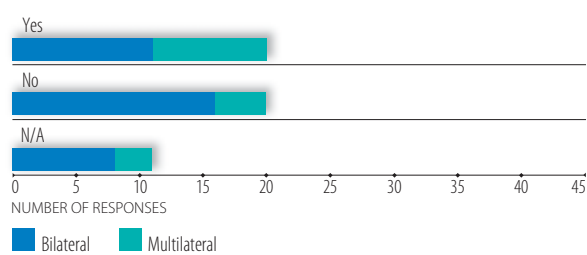
The United Kingdom is currently developing a methodology for monitoring and evaluation in the context of its aid-for-trade strategy. Denmark highlights its involvement in joint evaluations of the organisations that implement its aid-for-trade programmes (*i.e.* ITC and AITIC), as well as in the EIF’s ongoing work to improve its monitoring and evaluation framework (due to be finalised and made operational in 2009). Ireland also regularly conducts desk evaluations of – and makes annual programme visits to – the multilateral organisations that implement Ireland’s multilateral aid-for-trade contributions.

...potential impact on trade is regularly assessed

Over 40% of bilateral and multilateral donors (21 of 51) regularly monitor the potential trade impact of their aid programmes/projects, while 37% (19 of 51) do not (Figure 4.9). Those donors that monitor and evaluate their projects and programmes do so at different stages of the project cycle (*e.g. ex-ante, mid-term, completion and ex-post*) but vary in their choice of when to do them.

All World Bank activities, including trust funds, go through rigorous monitoring and evaluation procedures. Project outcomes and performance are assessed at various levels including by the implementing staff, the Quality Assurance Group, and the Independent Evaluation Group. Although the IMF does not finance specific aid-for-trade projects, it does examine the potential trade impact of its programmes as this is an important benchmark in determining how well the programmes are addressing a member country's balance of payments situation. IADB recently conducted an evaluation of its two key trade-related programmes, the Initiative for Integration of Regional Infrastructure in South America (IIRSA) and the Plan Puebla Panama (PPP). The European Bank for Reconstruction and Development (EBRD) regularly monitors project-specific contributions to enhancing markets and market-based institutions and to strengthening of the private sector, although it does not capture the trade impact specifically. The UN Evaluation Group is currently evaluating the impact of country-level joint programming in eight pilot countries under the UN Inter-agency Trade and Productive Capacity Cluster. AfDB plans to monitor the trade impact of its activities in 2009.

Figure 4.9 Donors regularly monitor the potential trade impact



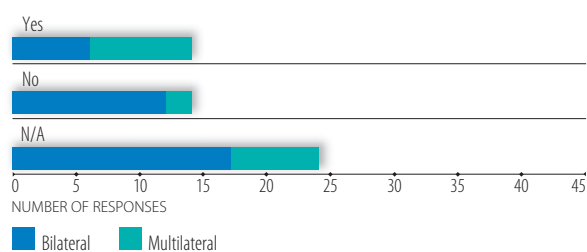
Source: OECD-WTO Donor Questionnaire

Most donors monitor and evaluate success against the original programme objectives, although identifying and measuring trade-related outcomes can be challenging. New Zealand, on the one hand, argues that unless trade-related outcomes are identified and incorporated in the original programme objectives, it is often difficult to measure (and attribute) the potential trade impact of an individual activity. The EC, on the other hand, whose monitoring effort focuses on outputs and outcomes, argues that monitoring and evaluating the trade impacts of specific aid programmes is unfeasible given the multitudes of external factors that influence trade (the classic problem of attribution).

Moreover, when setting objectives and time-frames for aid-for-trade interventions, it is important to consider that many of the challenges developing countries face in taking advantage of trade opportunities take time to address. Australia, when developing or updating country strategies, conducts a country-situation analysis, looking at the broader context and implications of a proposed aid programme, including any relevant trade impacts.

Moreover, donors were also asked to assess whether they plan to carry out impact assessments of their aid-for-trade programmes in the foreseeable future (Figure 4.10). While almost three-quarters of donors (38 of 52) responded negatively or were unable to respond, some EU donors noted plans to carry out impact assessments of their aid-for-trade programmes in the coming months (e.g. Ireland in June 2009, Sweden in December 2009, Norway in 2009, Germany in March 2010 and the United Kingdom in 2010). The World Bank, ITC and AfDB completed an impact assessment of their aid-for-trade programmes in 2006, 2007 and 2008 respectively. The United States' MCC has taken several measures to strengthen its impact-assessment strategy, including the creation of a separate budget for carrying out impact assessments, overseen by the chief economist and outside the management of programme implementation, to ensure the transparency and independence of MCC's evaluation process.

Figure 4.10 Some impact assessments have been carried out



Source: OECD-WTO Donor Questionnaire

Evaluation frameworks are being strengthened and...

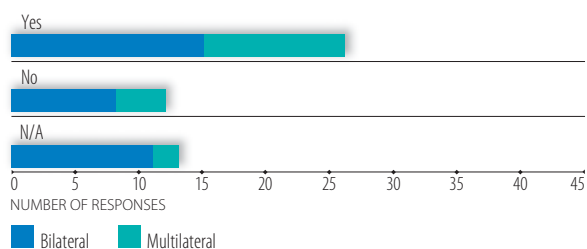
Many donors report that they are implementing, or planning to implement, measures to enhance the quality and rigor of their respective aid-for-trade evaluation frameworks. Australia and Japan, for example, regularly review and upgrade their capacity and methodologies for evaluating development co-operation projects, including in the area of aid for trade. Switzerland, in co-operation with UNIDO, is developing a standard logical framework for each of its activity categories (e.g. export promotion, competition and consumer protection policy) as part of its effort to strengthen result-based management. Over the last two years, New Zealand has increased the resources allocated to strengthening monitoring and evaluation across all programming. ITC is also strengthening monitoring and evaluation by increasing the number of dedicated staff.

As part of the ongoing evaluation of its trade capacity-building programme (PRCC), France has launched a study of ways to improve the quality of different aid-for-trade activity evaluations. Finland and Sweden plan to strengthen their monitoring and evaluation systems by developing specific indicators, covering also (in the case of Finland) cross-cutting themes such as gender. Germany is looking at ways to design a mechanism, including impact chains and indicators, for monitoring the implementation of EPAs and plans to pilot the mechanism in an ACP country. Ireland and Spain will review their monitoring and evaluation frameworks in the context of their new strategies. To ensure effective implementation of its new aid-for-trade strategy, the United Kingdom monitors progress on an annual basis, and will conduct evaluations at mid-term (2010) and at final year (2013).

...partner country stakeholders are taking part, while...

In keeping with their commitment to strengthen mutual accountability, half of donors (26 of 51), including all the largest, involve partner-country stakeholders in carrying out monitoring and evaluation of their aid for trade (Figure 4.11). For example, Switzerland adopted the peer review method during the evaluation of its trade co-operation programme in Peru, whereby national stakeholders prepared a self-evaluation of each programme component and reported on the outcomes at a joint peer review workshop.

Figure 4.11 Donors involve partner country stakeholders



Source: OECD-WTO Donor Questionnaire

Belgium, Canada and Finland report that indicators for projects and programmes are regularly developed in co-operation with all relevant stakeholders. Sweden has chosen to work through the EIF when monitoring and evaluating aid-for-trade activities at the country level. New Zealand intends to involve partner-country stakeholders when it improves its performance measurement systems. World Bank operations have

established joint monitoring and evaluation procedures with partner-country stakeholders both at the macro (lending) and the micro (project) levels. Country programmes under the UN Development Assistance Framework are jointly developed and agreed between the UN country team and the partner-country government in consultations that also include civil society and the private sector.

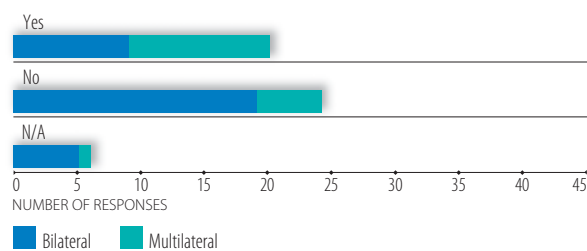
In its response to the donor questionnaire, the United States emphasises that, first and foremost, partner-country governments must take charge of defining trade priorities and articulating them in their development strategies before any assistance can be provided in support of their trade-capacity needs. Countries eligible to apply for funding from the MCA, for instance, are not only responsible for developing and implementing their own MCA programmes, but they are also responsible for quarterly and annual reporting on the performance of their programmes and evaluating their impacts. Hence, as part of the programme design process, indicators at the output and outcome level, along with baselines and monitoring targets, are jointly developed between MCC and partner-country stakeholders.

ITC also points to strong partner-country ownership as critical to the success of its aid-for-trade projects. Granting an instrumental role to beneficiaries in defining success criteria during the designing stage, can instill a strong sense of ownership among all partners.

...joint monitoring and evaluation is being undertaken

Some 40% of donors (20 of 50) have undertaken joint evaluations of their aid-for-trade programmes with partner countries (Figure 4.12). Although nearly half of donors (24) have yet to undertake any joint evaluation, most report that all monitoring of their aid activities is done in close co-operation and consultation with partner-country stakeholders.

Figure 4.12 Some joint evaluations with partners have been undertaken



Source: OECD-WTO Donor Questionnaire

Japan undertook a joint evaluation with Viet Nam of an infrastructure development project implemented between 2005-2006 in the Red River Delta region.³² Japan has also assisted partner-country governments in carrying out evaluations of projects (e.g. assessing the impact of the development of roads and bridges on Sri Lanka's economic and social development; evaluating the development of infrastructure, distributional bases and manufacturing sectors in El Salvador's eastern region). Similarly, Australia, New Zealand and the Pacific Island Forum Secretariat undertook a joint review of the Pacific Regional Trade Facilitation Programme in the first half of 2008, the conclusions of which were then discussed at the annual meeting of the region's trade ministers in July 2008. Germany, in co-operation with several partner countries, is currently undertaking a study assessing the strengths and weaknesses of German aid-for-trade programmes. The World Bank requires all project completion reports – the first level of evaluation – to be prepared jointly with partner-country governments. IADB's evaluation group conducts country programme evaluations in close co-ordination with partner-country stakeholders as well.

CONCLUSIONS

Despite the global financial and economic crisis, donors have reaffirmed their commitment to sustaining aid flows in line with their aid pledges. Donors' responses to the second Aid for Trade Monitoring Survey demonstrate how the Aid-for-Trade Initiative, thus far, has been able to galvanise political support and raise additional financial resources. Progress, too, has been achieved in the delivery of aid for trade, including mechanisms to improve aid effectiveness. However, given that the crisis has already reduced trade and growth in most developing countries, and given that their good economic performance prior to the crisis was heavily dependent on external factors, maintaining aid-for-trade momentum is of paramount importance.

Indeed, the current crisis reinforces the rationale for giving aid for trade a high priority in the coming years, a point made by several donors in their responses. Enlightened self-interest, on both sides, supports this argument. As Jeffrey Sachs argues, "this is a critical moment to finance and build roads and ports in regions such as Sub-Saharan Africa because the countries who would provide the technology have factories working at half capacity. You could get the triple benefits of stimulus, development and sustainability."³³ High and sustained levels of growth are indispensable to achieving the MDGs, as highlighted in the 2008 Commission on Growth and Development report. In this context, aid for trade must play a key role in assisting poor countries to continue to use trade as an important means to self-sustained growth and poverty reduction.

Maintaining the momentum requires, more than ever before, the explicit prioritisation of trade-related needs in the policy dialogue between donors and partner countries. To this end, the Chapter 2 findings that prioritisation is indeed taking place in many partner countries provides an encouraging outlook for the improved effectiveness of aid for trade in the coming years. ■

NOTES

1. Argentina, Brazil and China responded to a specially tailored questionnaire for the providers of South-South co-operation the results of which are discussed in Chapter 5 on the Regional Dimension. India filled out the South-South questionnaire after the deadline. Chile, on the other hand, responded to all three questionnaires: donor, partner country and South-South co-operation and is highlighted in the respective chapters. All of their questionnaire responses can be found on the CD-ROM.

2. The bilateral donors are: Argentina, Australia, Austria, Belgium, Brazil, Canada, China, Chile, Chinese Taipei, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Korea, Latvia, Lithuania, Luxembourg, the Netherlands, New Zealand, Norway, Poland, Portugal, Qatar, Singapore, the Slovak Republic, Spain, Sweden, Switzerland, the United Kingdom and the United States.

The regional and multilateral organisations are: the AfDB, the Agency for International Trade Information and Cooperation (AITIC), the Asia-Pacific Economic Cooperation Secretariat (APEC), the European Bank for Reconstruction and Development (EBRD), the Economic Commission for Africa (ECA), the Economic and Social Commission for Asia and the Pacific (ESCAP), the Economic and Social Commission for Western Asia (ESCWA), the EC, the EIF secretariat, the Food and Agriculture Organization of the United Nations (FAO), the IADB, the IMF, the International Trade Centre (ITC), UNCTAD, UNDP, UNIDO, the World Bank, the World Customs Organization (WCO) and the WTO.

3. See Chapter 2 of the OECD-WTO Aid for Trade at a Glance: 1st Global Review, 2007.

4. 38 bilateral donors responded to the second survey compared to 29 in 2007. In addition to the 22 DAC member countries, 6 OECD member countries that are not members of the DAC and 10 non-OECD member countries (e.g. Brazil, Chile, China and Estonia) participated in the monitoring exercise. More multilateral donors took part in this survey also (19 organisations compared to 14 in 2007).

5. http://www.usaid.gov/our_work/economic_growth_and_trade/eg/eg_strategy/eg_strategy_v4_final.pdf

6. The Yokohama Action Plan adopted at TICAD-IV specifies an action to “scale up ‘Aid for Trade’ to increase the global competitiveness of African countries by accelerating assistance including through Japan’s ‘Development Initiative for Trade’”. To achieve this, Japan pledged to double ODA (excluding debt relief) to Africa by 2012, including a doubling of grant aid.

7. http://trade.ec.europa.eu/doclib/docs/2008/november/tradoc_141470.pdf

8. The EU strategy itself builds on the principles set out in the 2007 *EU Code of Conduct on Complementarity and Division of Labour in Development Policy* and the 2005 *European Consensus on Development*.

9. Although aid for trade is not conditional to the conclusion of an EPA, the EU Aid for Trade Strategy sets out actions to respond to specific trade-related needs of the ACP countries, as the EU formally decided (i.e. 2006 Conclusions on Aid for Trade of the Council of the European Union) to address EPA-related adjustment needs within the broader framework of aid for trade.

10. In addition, some countries are using more delegated co-operation and shadow partnership where applicable. The United Kingdom, for instance, is operating delegated co-operation arrangements in 29 countries.
11. <http://formin.finland.fi/public/default.aspx?contentid=137494&nodeid=15457&contentlan=2&culture=en-US>
12. http://www.dfid.gov.uk/pubs/files/Aid_for_trade.pdf
13. These include the need to: i) improve market access through trade agreements and by helping partner countries meet trade requirements; and ii) improve the domestic environment to trade through structural reform and the development trade-related infrastructure.
14. Trade-related technical assistance and capacity building is a fundamental pillar of the global partnership as agreed in the UN Millennium Development Goal Number 8 to develop “*an open, rule-based, predictable, non-discriminatory trading and financial systems.*”
15. OECD/DAC (2008), *Aid Targets Slipping Out of Reach*.
16. In 2008, total ODA from the DAC donors rose by 10% in real terms to USD 119.6 billion, representing 0.30% of DAC donors’ combined GNI.
17. The Accra Accord, adopted at UNCTAD-XII in 2008.
18. http://siteresources.worldbank.org/EXTASSWBSUPTRA1987/Resources/trade_evaluation.pdf
19. See the United Kingdom’s report on aid-for-trade activities in 2006 and 2007 at the multilateral level which is included on the accompanying CD-ROM.
20. The EIF is scheduled to become fully operational in early 2009. It is designed to provide: i) increased, additional, predictable financial resources to implement Action Matrices; ii) strengthened in-country capacities to manage, implement and monitor the IF process; and iii) enhanced IF governance.
21. MDTF-TD is funded by Norway, Sweden and the United Kingdom with a total contribution of approximately USD 30 million over 2007-2010.
22. The EC highlights aid for trade as one of the priorities for the next generation (for the 2011-2013 programming cycle, to be adopted in 2010) of national and regional multi-year indicative programmes for these countries.
23. FAO, IAEA, ICAO, ILO, IMO, ITC, UNCTAD, UNDESA, UNDP, UNECA, UNECE, UNESCAP, UNECLAC, UNEP, UN-HABITAT, UNIDO, UNRWA, the World Bank Group, WHO, WIPO and WTO.
24. Australia and New Zealand jointly with the World Bank and the ADB have established the Pacific Regional Infrastructure Facility, a multi-donor trust fund.
25. Germany, for example, has limited its engagement to a maximum of three sectors per partner country and moved out of economic sectors altogether in certain countries of Asia and Latin America. Austria, on the other hand, notes that the principles of complementarity and division of labour limit the possibility of, and leave fewer entry points for, Austria to enter into dialogue on aid for trade with partner countries.
26. Norway highlights that the process itself of developing their aid-for-trade strategy helped raise awareness of aid for trade within the government.
27. The UN Cluster on Trade and Productive Capacity was formally launched at the Twelfth

UNCTAD conference, held in Accra, Ghana in April 2008. It comprises FAO, ITC, UNCTAD, UNDP, UNIDO, WTO and the UN regional commissions. Furthermore, key UN agencies active in the field of aid for trade recently collaborated (lead by UNCTAD and the UN University) on a report about regional integration, *Aid for Trade: Global and Regional Perspectives*.

28. <http://www.un.org/events/panel/resources/pdfs/HLP-SWC-FinalReport.pdf>

29. The evaluation report is available at:

http://ec.europa.eu/europeaid/how/evaluation/evaluation_reports/2006/727_docs_en.htm.

30. http://ec.europa.eu/development/icenter/repository/COMM_PDF_COM_2008_0654_F_COMMUNICATION_en.pdf

31. UNDP recently undertook an evaluation of its contribution to South-South co-operation (2008).

32. The evaluation report is available at:

<http://www.mofa.go.jp/policy/oda/evaluation/index.html>.

33. *Financial Times*, 10 March 2009.



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