CHAPTER 2: CREATING FERTILE GROUND: PROGRESS IN **PARTNER COUNTRY** ENGAGEMENT

SUMMARY

Increasingly, partner countries are taking the necessary steps to participate fully in the Aid-for-Trade Initiative as evidenced by a number of positive developments.

Almost all partner countries indicate that they have a national development strategy and the majority are also mainstreaming trade based on well-developed trade-related priorities. Although independent surveys raise questions about this positive assessment, it is, nevertheless, a clear indication of the growing awareness among partner countries that trade can play a positive role in promoting economic growth and reducing poverty. Partner countries tend to identify similar aid-for-trade priorities: network infrastructure; competitiveness; export diversification; and trade policy analysis, negotiation and implementation. The majority have operational strategies and many others are in the process of elaborating them. Nearly all partner countries discuss their trade-related financing needs with donors, through a combination of different approaches, including bilateral, regional and multilateral. However, partner countries face challenges in confirming the CRS approximation of their aid-for-trade flows; in the majority of cases, they were unable to compare the CRS proxies with their own data.

Partner countries are developing institutional arrangements to ensure sustainable and effective mainstreaming. For the majority, the trade department performs a co-ordinating role, but implementation is decentralised across ministries. Partner countries regularly engage in dialogues with the private sector and other key domestic stakeholders about the formulation and implementation of their trade strategies. The depth of private sector involvement, however, varies across partner countries.

Partner countries also affirm their commitment to mutual accountability and results-based management. They acknowledge that donors are trying to improve co-ordination and alignment. Partner countries also indicate that trade-related programmes are regularly monitored or evaluated, frequently using donor or joint donor-partner arrangements. Mechanisms to discuss the outcome and impact of trade-related programmes also operate in the majority of partner countries.

In their self-assessments, partner countries tend to identify similar priority areas where aid-for-trade effectiveness should be improved, including more capacity building and more predictable funding. Furthermore, they cite similar programmes as having been most effective at raising trade capacity; these include aid-for-trade policy analysis, trade facilitation, competitiveness and export diversification. Finally, partner countries have cited a substantial number of examples of good practice in aid for trade, affirming positive results from the mutual efforts of donors and partners to improve aid effectiveness.

Table 2.1 Partner country responses by region and income group[1]

REGION	INCOME GROUP			
	Least developed countries	**Other low income countries**	**Lower middle income countries**	**Upper middle income countries**
Europe		Moldova	Albania; Montenegro; Ukraine	Croatia; Turkey
Far East Asia	Cambodia; Lao (PDR)	Viet Nam	Indonesia; Philippines	
Middle East	Yemen (Rep. of)		Iraq; Jordan	
North and Central America		Nicaragua	Dominican Republic; Guatemala; Honduras; Jamaica	Antigua and Barbuda; Bahamas; Barbados; Belize; Costa Rica; Dominica; Grenada; Panama; St. Kitts and Nevis; St. Lucia; St. Vincent and the Grenadines; Trinidad and Tobago
North of Sahara			Morocco	
Oceania	Vanuatu		Fiji; Tonga	
South America			Bolivia; Colombia; Ecuador; Guyana; Paraguay; Peru; Suriname	Chile; Uruguay
South and Central Asia	Afghanistan; Bangladesh; Maldives; Myanmar; Nepal	Pakistan	Armenia; Azerbaijan; Sri Lanka	
South of Sahara	Benin; Burkina Faso; Central African Republic; Comoros; Djibouti; Guinea-Bissau; Lesotho; Liberia; Madagascar; Malawi; Mali; Niger; Rwanda; Senegal; Sierra Leone; Tanzania; Togo; Uganda; Zambia	Cameroon; Congo (Rep. of); Ghana; Kenya	Cape Verde; Swaziland	Botswana; Gabon; Mauritius

Source: OECD-WTO Partner Country Questionnaire

INTRODUCTION

Country-owned development is the cornerstone of aid effectiveness. To make ownership a reality, partner countries need to take the lead in designing and implementing their development strategies; and donors need to support these strategies and align their aid with partner country priorities. This chapter tracks the progress partner countries have made in mainstreaming trade into national development strategies, and in implementing their aid-for-trade priorities. It summarises key findings from 83 partner self-assessments based on a questionnaire sent to partner countries as part of the second OECD-WTO aid-for-trade monitoring exercise.[1-2] Almost three-quarters of partner countries responded[3], compared to just 7% in 2007.[4] Together with their more substantive content, these responses show that partner countries are increasingly engaged in the Aid-for-Trade Initiative.[5] Although some independent studies contrast with this positive assessment, it is, nevertheless, a clear indication of the growing awareness among partner countries that trade can play a positive role in promoting economic growth and reducing poverty.

The self-assessments are relatively evenly distributed among regions, income groups and other country groupings (see Table 2.1). Responses were received from 32 countries in Africa, 15 in Asia, 6 in Europe , 27 in Latin America and the Caribbean and 3 in Oceania. The income-group breakdown is as follows: 28 LDCs,[6] 9 other low income countries (OLICs), 26 lower middle income countries (LMICs) and 20 upper middle income countries (UMICs). Furthermore, 19 countries are land-locked developing countries (LLDCs), 22 are small-island developing states (SIDS) and 7 are economies in transition.

This chapter can only provide a summary of the wealth of information that partner countries provided in their self-assessments of their aid-for-trade strategies, donor projects and programmes, best practices and remaining challenges. More detailed country-specific information about these and other issues is best obtained directly from the self-assessment themselves (which are reproduced in full on the accompanying CD ROM).

The rest of this chapter is structured as follows: the next section discusses the progress made in mainstreaming trade into national development strategies. This is being followed by a section that highlights the challenges partners are facing in recognising aid-for-trade flows as recorded in the CRS. The implementation of trade strategies, including the structures used to operationalise strategies, implement priority projects and monitor and evaluate projects and programmes, is addressed in the subsequent section. The final section concludes.

TRADE IS BEING MAINSTREAMED

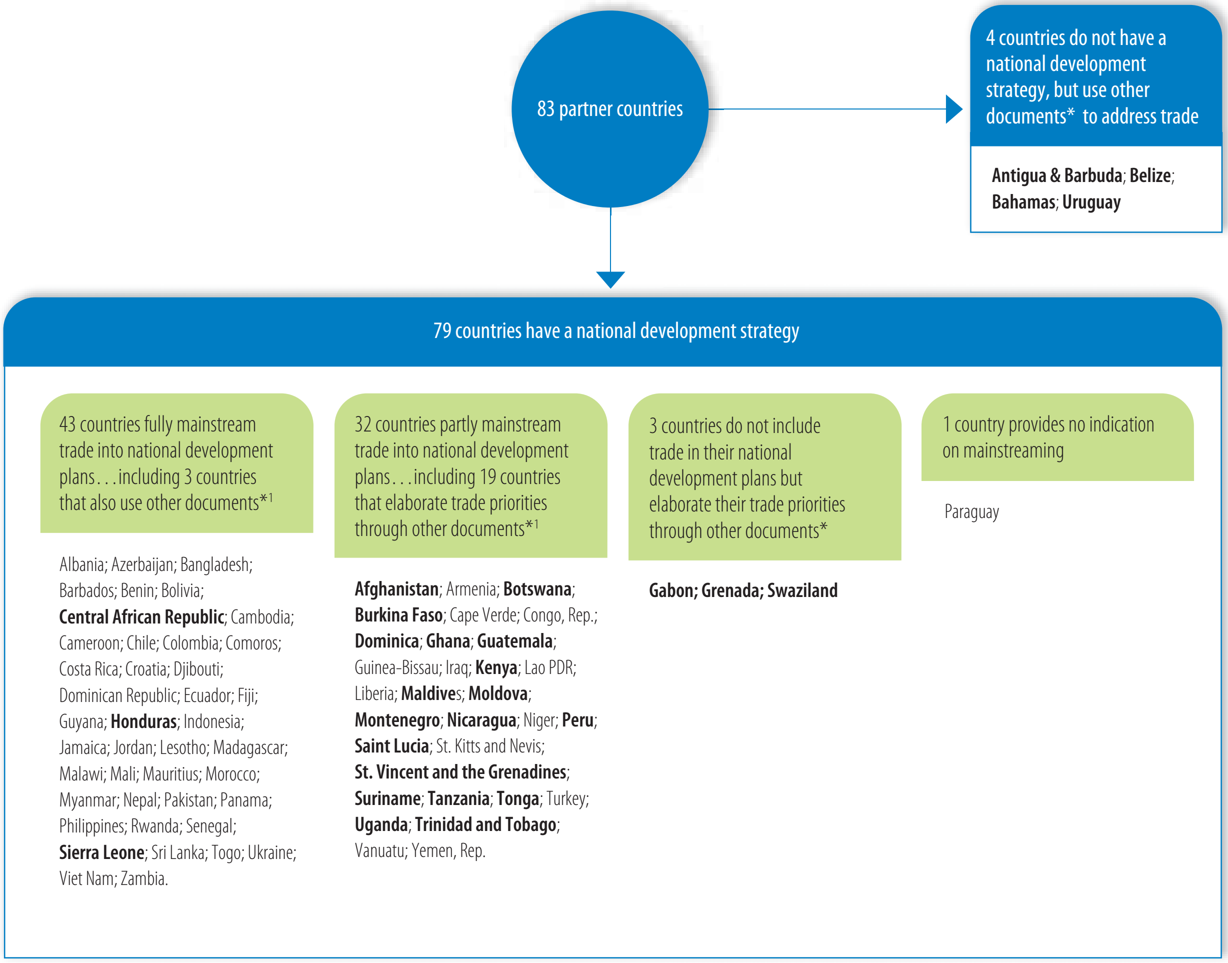
Mainstreaming trade means that trade is identified as a key priority in the national development strategies of partner countries. Effective mainstreaming requires political leadership to improve policy coherence and sequencing, to build human and institutional capacity and to involve the private sector and relevant stakeholders in support of a trade development strategy. Mainstreaming trade is an essential condition for attracting aid for trade. In the context of the current global economic crisis, it is more important than ever.

A recent UNDP study (2009) suggests that effective trade mainstreaming must take place on three levels:

- **The policy level:** trade needs to be integrated into national and sectoral development strategies;
- **The institutional level:** country-specific capacity and structures are needed to facilitate policy dialogue and integration;
- **The donor-partner co-ordination level:** trade-related issues need to be a priority in the dialogue between government and donors.

The remainder of this section focuses on issues related to policy-level mainstreaming, the identification of priorities, the operationalisation of strategies and finally donor-partner dialogues.

Figure 2.1 Mainstreaming trade in the national development strategy



* **Countries highlighted in bold** use one or more of the following other documents: sectoral strategies, annual government budget and cross-sectoral document

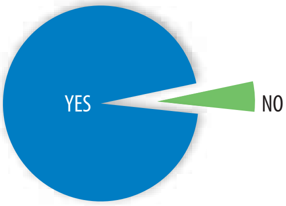
Source: OECD-WTO Partner Country Questionnaire

Almost all partners have a national development strategy and the majority fully mainstream trade.

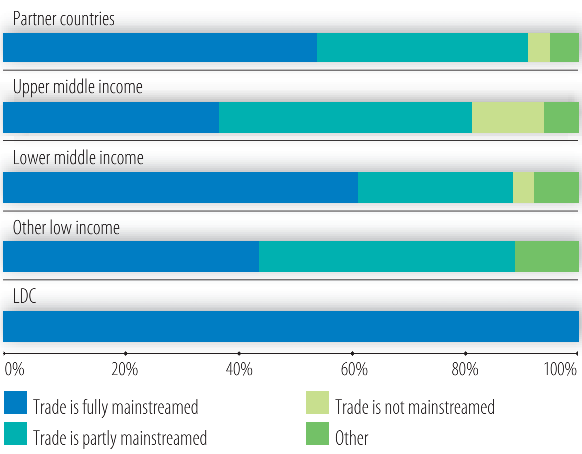
Almost all partner countries (79 of 83)[7] have national development strategies,[8] and more than half (43) *fully* mainstream trade based on identified priorities and action plans (Figure 2.1).[9] Another 32 partner countries *partly* mainstream trade – meaning that trade is mentioned in their national strategies, but that these trade strategies lack operational objectives and action plans.[10] A further 3 partner countries do not mainstream trade, while 1 did not provide information (Figure 2.2).

Partner countries have made less progress towards operational strategies – *i.e.* strategies that are outcome-oriented, with realistic priorities linked to budgets – as called for in the Paris Declaration on Aid Effectiveness. Of the 55 countries taking part in the 2008 Survey on Monitoring the Paris Declaration, only a fifth had sound operational strategies, while over two-thirds had strategies that needed improvement (OECD, 2008). One particular element of operationalisation is proving difficult to achieve; namely, linking strategies to national budgets. Until this link is established, there is no guarantee that a national strategy, however well elaborated, will have the resources needed to become operational; which in turn makes it difficult to attract donor financing.

Figure 2.2
Almost all partner countries have a national development strategy...

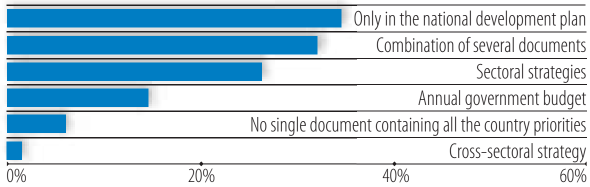


...and the majority are fully mainstreaming trade.



Source: OECD-WTO Partner Country Questionnaire

Figure 2.3 Partner countries' preferred tools to elaborate trade priorities



Source: OECD-WTO Partner Country Questionnaire

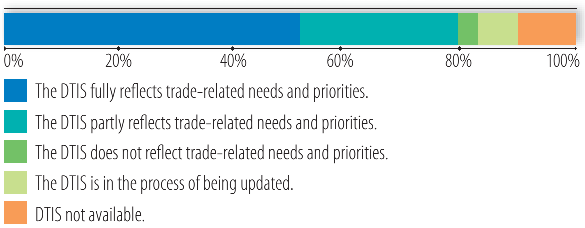
Partner countries also prioritise trade in their sectoral strategies and budgets.

Other approaches, besides national development strategies, are also used to elaborate trade priorities, including sectoral strategies, cross-sectoral strategies and annual government budgets. Among the 40 countries that do not fully mainstream trade, sectoral strategies and government budgets are the most common alternative approaches for 26 countries (Figure 2.3).[11] Of the remaining 14 countries that do not fully mainstream trade, 12 provided no information on specific approaches, while Iraq and Yemen do not prioritise trade in other documents. Overall, increased trade mainstreaming provides a clear indication of partner countries' growing awareness of the positive role that trade can play in economic growth and poverty reduction.

The majority of Diagnostic Trade Integration Studies (DTISs) fully reflect countries' trade strategies.

For LDCs, the Enhanced Integrated Framework (EIF) – and the DTISs in particular – plays a key role in trade mainstreaming. This is because the purpose of a DTIS is to help LDCs to identify their trade priorities – following government-wide and multi-stakeholder consultations – and then to integrate these priorities into national development strategies[12] or poverty reductions strategy papers (PRSPs). Most LDCs report that their DTISs accurately reflect their trade integration strategies, while several suggested that their DTISs are incomplete. Madagascar reports that it needs to update its DTIS, while Rwanda and Yemen are in the process of doing so. Togo and Afghanistan are relatively new to the EIF process, and are still in the early stages of the DTIS process. Bangladesh and Myanmar do not participate in the EIF, although the former has elaborated an action matrix and has identified trade facilitation and network infrastructure as priorities (Figure 2.4).

Figure 2.4 The DTIS reflects the trade agenda.



Source: OECD-WTO Partner Country Questionnaire

The extent to which DTISs have facilitated and improved trade mainstreaming is currently being assessed. A UNDP study (2008) concludes that in countries already committed to trade mainstreaming, the DTIS can play a useful role in improving the trade content of their development strategies or next PRSPs. However, developing a DTIS does not appear to be a necessary, or sufficient, condition for trade mainstreaming. An UNCTAD study (2008) suggests that incorporating DTIS conclusions in the trade policy-making process has not necessarily led to improved mainstreaming. This may reflect the fact that past DTISs were generally drafted in broad terms, and did not clearly prioritise and cost trade-related needs. The newly reformed EIF offers an opportunity to address these weaknesses and improve the next generation of DTISs.

Partner countries have similar priorities…

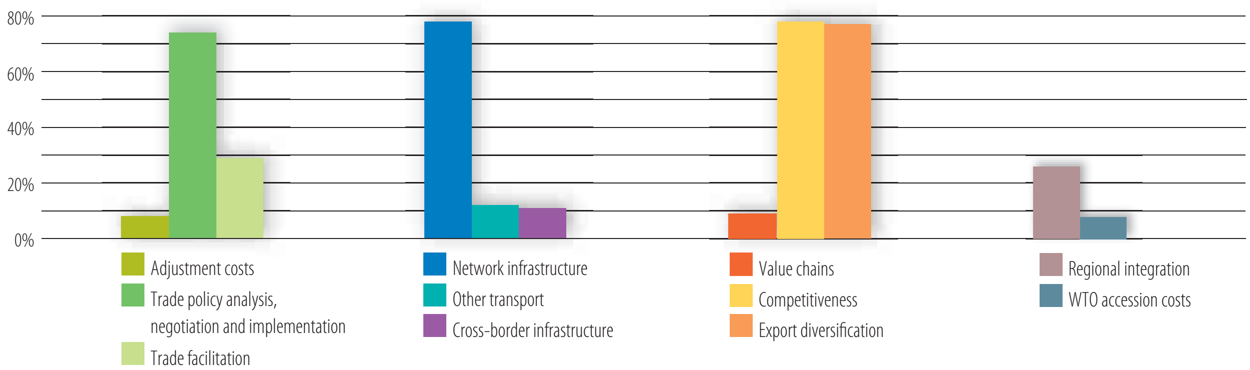
Partner countries tend to identify similar aid-for-trade priorities: network infrastructure; competitiveness; export diversification; and trade policy analysis, negotiation and implementation (Figure 2.5).[13] However, the countries' rankings of these priorities tend to vary according to income level or geographic location.

Least-developed countries (LDCs) rank network infrastructure, export diversification and trade policy analysis, negotiation and implementation as their top priorities. These priorities were also highlighted in the February 2008 Maseru Declaration, where LDCs called for *"additional financial and technical assistance... to meet their implementation obligations, including fulfilling Sanitary and Phytosanitary (SPS) and Technical Barriers to Trade (TBT) requirements, building capacity in standards and related infrastructure, and assisting LDCs to manage their adjustment processes".* As noted in Chapter 3, donors are increasingly responding to these priorities by focussing their support for low income countries on trade-related technical assistance and infrastructure.

Upper middle income countries (UMICs) rank competitiveness, export diversification and trade policy analysis, negotiation and implementation as their top priorities. In many of these countries, network infrastructure is increasingly well developed and no longer a binding constraint to trade. Lack of international competitiveness and export diversification are now the main obstacles to maximising the benefits of trade and integration. Donors are also responding to these needs and directing a growing share of their support in UMICs to building productive capacities (see Chapter 3).

Land-locked developing countries (LLDCs) rank export diversification, network infrastructure, trade policy analysis, negotiation and implementation, trade facilitation and competitiveness as their top priorities. LLDC trade ministers highlighted these same needs in their 2007 Ulaanbaatar Declaration, emphasising in particular trade infrastructure, trade facilitation, regional projects and export diversification (the latter is a major concern of cotton-export dependent countries such as Benin, Burkina Faso, Chad and Mali).

Figure 2.5 Top aid-for-trade priorities in partner countries



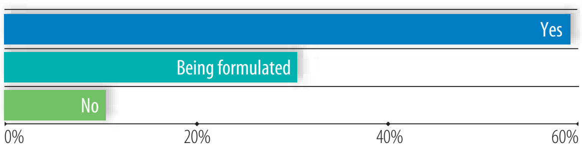
Source: OECD-WTO Partner Country Questionnaire

Small island developing states (SIDS), including the Caribbean islands, rank competitiveness and export diversification as their top priorities, reflecting the unique challenges they face in integrating into the global economy. Economic growth in SIDS can be particularly volatile as their economies typically have a small manufacturing base and are highly dependent on a few commodities fisheries and tourism. Moreover, their small size and isolated geography makes them particularly vulnerable to external economic shocks, such as the current global recession. Their involvement in Economic Partnership Agreement (EPA) negotiations with the EU also underline the need for immediate help in building trade negotiating capacity and in strengthening regional integration strategies. For example, Mauritius' 2005 *Strategy for the further Implementation of the Programme of Action for the Sustainable Development of Small Island Developing States* stressed the importance of trade policy capacity building.

…and often linked to operational strategies.

Operational strategies – including action plans, timelines and budgets – are essential for attracting donor funding. Nearly two-thirds of partner countries' "top three" priority areas have operational trade strategies (Figure 2.6).[14-15] For example, Mali has operationalised its trade priorities by developing detailed product-specific strategies for cashew nuts, sesame seeds and shea butter with the overarching aim of diversifying exports and reducing dependency on cotton. In addition to action plans and timelines, Nicaragua's trade strategy contains a detailed budget that highlights financing gaps for priority areas.

Figure 2.6 The majority of partner countries have operational strategies for their priority areas



Source: OECD-WTO Partner Country Questionnaire

Other partner countries are in the process of elaborating operational strategies for their priority areas. Dominica, like other partner countries, reports that it is in the midst of developing a national export strategy to promote priority sectors, industries and goods. As part of this strategy, a comprehensive export development programme will be formulated and implemented for each priority sector over the medium term. Dominica has also established a National Trade Facilitation Task Force as part of the WTO's current needs assessment exercise. Viet Nam is in the process of elaborating and financing a long-term regional integration strategy that reflects its priority needs. Several other countries are also finalising their strategies: Cameroon will complete its operational strategy in 2009 based on three priority areas (*i.e.* export diversification, competitiveness and cross-border infrastructure). Jamaica is close to finalising an action plan for each of its priority sectors which will include specific objectives and budgets.

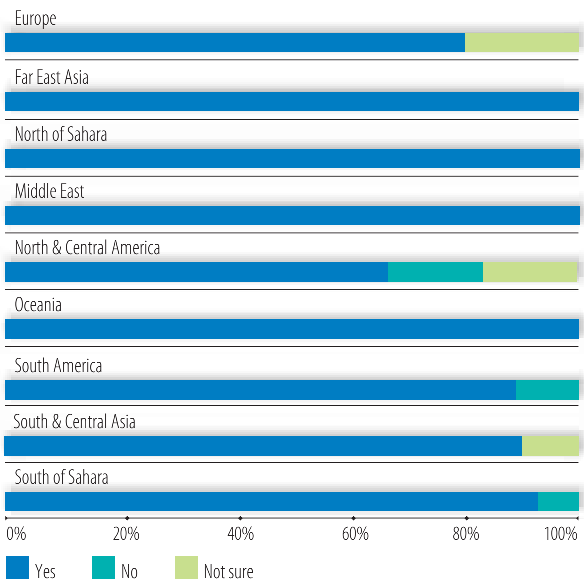
Funding is key to operationalising priority areas. LDCs are as advanced as other low income countries in operationalising strategies for their first priority area (59% versus 61%), but tend to fall behind other low income countries in operationalising their second and third priorities (42% versus 71%). The EIF makes limited seed financing available to LDCs for one or two priority projects, but additional financial support is needed in order to operationalise a longer list of priorities. For example, Benin reports that it has operational strategies for all three of its priority areas – export diversification, network infrastructure and adjustment costs – but insufficient financial resources to implement them.

Nearly all partner countries discuss financing needs with donors…

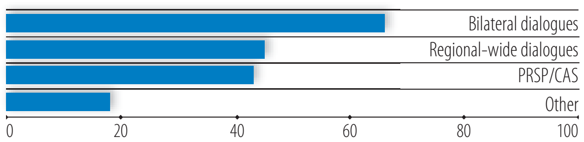
Nearly all partner countries (71 of 82) report discussing their trade-related financing needs with donors; an assessment that is confirmed by donors themselves (see Chapter 4). Only 6 countries do not engage in this kind of discussion, largely because trade capacity building is currently financed from their own resources. Bangladesh, Belize, Grenada, Moldova and Nicaragua are not in a position to answer this question (Figure 2.7).

Small countries report facing specific challenges in discussing trade-related financing needs with donors. One obvious problem is the absence of in-country donor representation in many small countries, making regular dialogue and interaction extremely difficult. It is not surprising that Barbados and Vanuatu, both SIDSs, report that interactions with donors occur sporadically and only in relation to specific projects. For this reason, many SIDS find that it is more effective to channel aid regionally, through regional entities, rather than nationally, because the donor community can interact more regularly with small countries when they are represented collectively. Fiji, for instance, points to the planned Pacific Trade and Development Facility, which is being considered within the Pacific Islands Forum Secretariat as a potential solution to this kind of problem.

Figure 2.7 Nearly all partner countries discuss their financing needs with donors...



...through a combination of dialogue platforms



Source: OECD-WTO Partner Country Questionnaire

...through a combination of dialogues...

The 71 partner countries that discuss trade-related priorities directly with donors use diverse channels, and combinations of channels. The most common approach is bilateral (80%), followed by regional (54%) and the PRSP/CAS process (52%). For instance, Sierra Leone holds quarterly development partner committee meetings with the whole of its donor community, in addition to regular bilateral discussions with individual donors. The Republic of the Congo, Ecuador, Indonesia, Jamaica, Niger, Peru, Uganda, Viet Nam and other partner countries report using a range of multilateral platforms (*e.g.* regional development banks, UNDP, WTO, etc.) to discuss their trade-related financing needs with donors. Others engage donors at the sector level. For example, Lao People's Democratic Republic (Lao PDR), the Central African Republic and Mali report frequent interaction with the donor community in sectoral roundtables under the EIF. Similarly, Panama has thematic dialogues with donors focused on the priority sectors in its national development strategy. Ghana meets with its donor community within the framework of sector-wide groups.

...or plan to do so in the medium term.

Eleven partner countries do not currently discuss trade-related priorities with donors, although six – Belize, Bahamas, Botswana, Gabon, Moldova and Nicaragua – plan to do so in the medium term. Botswana, for instance, is in the process of developing a national trade strategy and wants to involve the donor community directly in its formulation. A further five countries - Benin, Guinea Bissau, Liberia, Sri Lanka and Vanuatu - have already discussed trade priorities with donors, but want to improve these dialogues by holding them more frequently and involving more donors. For example, Benin is concerned that there is no formal group focusing on trade issues in its PRSP process and wants to rectify this omission.

The self-assessments show that partner countries are increasingly engaging in dialogues with donors about their trade-related priorities, and that they employ a variety of platforms for doing so. However, success depends critically on the extent to which partner countries have mainstreamed trade into national development strategies and have operationalised trade priorities. Although most partner countries report successfully mainstreaming trade and operationalising priorities, around 40% admit that much more needs to be done. Linking trade-related priorities to an operational strategy remains a particular challenge. Without operational trade development strategies – *i.e.* without clearly prioritised, planned and budgeted demands from partner countries – it will be difficult for donors to justify and sustain increased aid-for-trade flows, especially against growing calls for more social spending in response to the current economic crisis.

FINANCING AID-FOR-TRADE STRATEGIES

The Aid-for-Trade Task Force highlighted the need for additional and predictable financing to address trade-related priorities. In response, donors have made substantial commitments to help finance the implementation of partner countries' trade strategies. Based on CRS data, these commitments grew by more than 20% in 2007. However, CRS data can only capture an approximation of the projects and programmes that are identified as trade-related development priorities in a partner country's national development strategy. In order to strengthen transparency and mutual accountability, the partner questionnaire asked countries to compare their CRS profile with national data.[16]

This effort to improve monitoring, transparency and mutual accountability is critical to aid effectiveness. In order to make the best use of trade-related assistance, partner countries need to be in a position to plan for the medium and long term, and to optimise the allocation of resources within and across sectors. Consequently, donors need to provide reliable indicative commitments over a multi-year framework, and to disburse aid in a timely and predictable manner according to agreed schedules. The remainder of this section highlights the main results of efforts to match CRS profiles with national data and suggests ways the process can be improved.

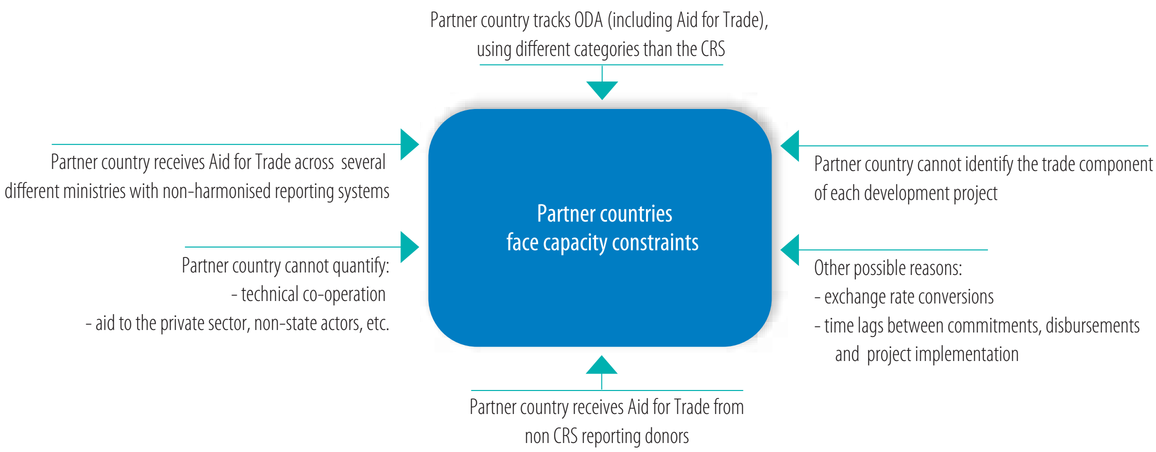
Partner countries face challenges in recognising their aid-for-trade flows and…

Less than 20% of partner countries (*i.e.* Cameroon, Colombia, Guatemala, Lao PDR, Lesotho, Madagascar, Maldives, Panama, Republic of the Congo, Rwanda, Senegal, St. Vincent and the Grenadines, Ukraine and Uruguay) recognise the donor data reported in their CRS profiles, while another 20% do not. The remaining two-thirds of partner countries are unable to respond either way.

There are several reasons why many partner countries face challenges in confirming CRS approximations of their aid-for-trade flows (see Chapter 3), including:

- Identifying the trade-related share of ODA programmes and projects is necessary before national data can be compared to CRS profiles. This complex and resource-intensive task may be a relatively low priority for many capacity-constrained partner countries.
- Applying different disaggregation approaches can make the task of comparing national data and CRS profiles difficult. For example, many partner countries disaggregate ODA data by flow type (*i.e.* grants or loans) rather than by sector. Others use sectoral classification systems that differ from CRS categories.
- Compiling national aid-for-trade data in a comprehensive way requires significant inter-ministerial co-ordination to track aid flowing through the various line ministries and to map-out different reporting systems.

Figure 2.8 Challenges in comparing the partner countries' aid-for-trade flows with the donor-reported data in the CRS



Source: OECD-WTO Partner Country Questionnaire

▶ National statistics often only track aid flowing through government, especially through aid co-ordination offices, but a growing share of aid for trade is now transferred directly to the private sector and other non-state actors.

▶ Partner countries do not always recognise the monetary value of in-kind ODA – such as technical co-operation or trainings – so these amounts are not captured in national data.

▶ Non-DAC donors contribute a growing share of many partner countries' aid-for-trade resources, but these donors do not report to the CRS.

▶ Differences in exchange-rate conversions and the time lag between commitment and disbursement can also make comparisons of national data and CRS profiles difficult.

…more work is needed to clarify the definition.

It is clear that much more effort is needed to clarify the scope and definition of aid for trade. Indeed, several partner countries – including Benin, Botswana, Liberia, Myanmar and Nepal – report that they did not receive any aid for trade. This may be because some understand aid for trade to be a new and separate vertical fund rather than additional donor funds for trade-related assistance disbursed through existing channels.

While Mauritius agrees that much of the broader trade-related assistance it receives falls under one or more of the aid-for-trade categories, it notes that this assistance is not being financed by new "aid-for-trade specific" resources. Consequently, Mauritius only reports receiving aid for trade in the form of technical assistance and capacity building.

Box 2.1 Aid information management systems

In general, countries have good information on aid flows that are channelled through their treasury. In many countries, however, a significant share of aid is not channelled through the treasury but directly through line ministries. While donors may provide information on these projects to a central policy or line ministry, countries often lack access to comprehensive data on these flows, as well as a system to consolidate this information. In some countries, particularly where flows outside the treasury are small, it may be possible to adapt the existing financial management system to record these flows. In other contexts, it is advisable to enhance or establish an aid information management system that is linked to the budget process.

AIMSs can ensure that all parts of government gain access to essential data on projects by sector, location and status. Similarly, on-line data entry by donors and other partners increases the availability of comprehensive data and provides information benefits to all users, rather than just making demands on partner countries' time.

AIMS are information technology applications, usually databases, which record and process information about development initiatives and related aid flows in a given country. AIMS have been in existence, at varying levels of capabilities and sophistication, for the past decade. Besides recording aid activities, AIMS have also proven to be extremely useful in planning and decision making.

AIMSs are not complete public financial management systems (PFMSs). Rather AIMSs provide an interface between the recipients' PFMS and information stored in donor systems.

They allow for harmonised reporting of aid provided or planned, and for reporting back to donors on how the funds have been used. They are thus a tool of mutual accountability with the potential to increase the predictability of aid and to reduce administrative burdens for recipients and donors alike.

Aid-for-trade information management systems can potentially:

▶ play a critical role in decision-making on the allocation of resources by providing an overall picture of aid flows, arranged according to customisable criteria;

▶ assist in identifying funding gaps, alerting both government and donors to upcoming financial needs;

▶ support a specific agenda, such as aid for trade, by making information relative to flows contributing to specific indicators available for cost analysis;

▶ foster transparency and accountability by recording and tracking projects and financial flows;

▶ present the international community with accurate and up-to-date information of the status of aid activities in a country through online web-based reporting;

▶ potentially, through planning and management tools, allow government to process higher levels of aid than ever before, while making aid more effective and decreasing duplication or overlap of aid-funded activities; and

▶ assist in multi-year programming through providing a clear picture of pledges and commitments juxtaposed against future needs.

For additional information see:
http://www.aideffectiveness.org

Several countries – such as Bangladesh, Cambodia, Croatia, Honduras, Peru, Sierra Leone, Sri Lanka and St. Kitts and Nevis – provided estimates of aid-for-trade flows based on their own definitions rather than on CRS categories. For example, Bangladesh provides data on aid flows from 1971-2008, using its own definitions and disaggregation approach, as well as a list of trade-related projects requiring aid-for-trade funds.

Aid information management systems (AIMSs) could help to track flows better.

Future collaboration among donors, international agencies and partner countries should help to clarify the scope and definition of aid for trade and improve the way aid-for-trade flows are monitored and reviewed. Partner countries that have not already done so would benefit from setting up AIMSs, compatible with international standards, or from adapting and using existing financial management systems (Box 2.1). Such systems would help countries keep track of aid received, including from non-DAC donors, and would simplify and strengthen monitoring and evaluation efforts. A number of partner countries report moving in this direction. In 2007, Malawi and Colombia used the Commonwealth Information and Monitoring System which was administered by their respective development co-operation agencies. Cambodia plans to set up a trade information gateway which will provide an important component of a government-wide aid management system. Fiji is taking steps to improve its overall aid management system, while Swaziland plans to perform an aid assessment exercise in the near future. These steps are encouraged by LDC ministers who, in the February 2008 *Maseru Declaration*, called for the *"establishment of an appropriate system or mechanism of reporting and monitoring of aid for trade which takes into account national foreign aid flow monitoring systems."*

IMPLEMENTATION

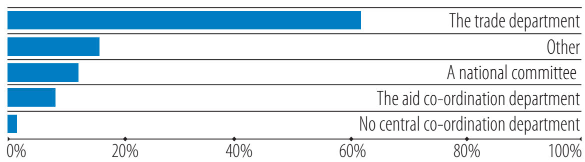
As noted previously, suitable institutional arrangements are needed in partner countries to ensure stable and effective trade mainstreaming. Co-ordination with stakeholders, as well as with the donor community, can enhance country ownership and strengthen mutual accountability. The latter is not only an objective in its own right (citizens are entitled to know how public resources are being used), but is also a way of establishing incentives to deliver resources, including aid for trade, more effectively. This section, first, describes the institutional arrangements used by partner countries to co-ordinate the implementation of trade strategies and, second, examines partner countries' commitment to results-based management and mutual accountability.

Institutional arrangements

In general, the trade ministry co-ordinates, while implementation is decentralised.

Aid-for-trade activities cut across many policy areas and sectors. This underscores the need for institutional arrangements that can effectively promote co-operation and co-ordination across government. Responses to the questionnaire show that partner countries have developed a variety of institutional mechanisms to achieve these objectives (Figure 2.9).

Figure 2.9 Preferred modalities for partner country co-ordination of trade integration strategies



Source: OECD-WTO Partner Country Questionnaire

For the majority of partner countries (51 of 82), the *trade department* performs a co-ordinating role, but implementation is decentralised across ministries. This approach can result in effective trade mainstreaming provided that the trade department also establishes adequate government-wide co-ordination mechanisms. In Cambodia, for example, the *trade department* is responsible for co-ordinating trade-related support, working through an inter-ministerial committee on private-sector development.

In a further ten partner countries, the co-ordination of trade-related support is the responsibility of an inter-ministerial body, such as a *national committee*, in order to encourage a more inclusive, government-wide process. Some countries, however, report that the national-committee approach has been less than successful due to an absence of regularised meetings (*e.g.* Rwanda), weak institutional capacity or other organisational shortcomings (*e.g.* Sierra Leone, Vanuatu).

In a further seven partner countries, the *aid co-ordination department* is responsible for overseeing trade-related support. In Guyana, for example, the trade ministry has responsibility for co-ordinating external trade policy, but the aid co-ordination department oversees all aid flows, including aid-for-trade-related activities.

Another 14 partner countries employ a variety of *other co-ordination arrangements*. In Paraguay and Ukraine, the *ministry of finance or economy* performs the co-ordinating role, while implementation is decentralised among the line ministries. In Bangladesh, Chile, Morocco, Panama and Sri Lanka, responsibility is divided between the *finance and trade ministries*. For such an arrangement to work, it is crucial that the two ministries communicate regularly and co-ordinate effectively with other government stakeholders. Finally, Afghanistan, Jordan, Liberia, St. Kitts and Nevis and Zambia have *national committee* co-ordination complemented by various *country-specific* implementation arrangements. In Zambia, for instance, ODA-funded activities are co-ordinated by the ministry of finance and national planning, while the trade expansion working group (a *national committee*) collaborates with the ministry of trade and industry in overseeing planning and implementation of trade strategies.

A national committee co-ordinates implementation of the trade strategy in most countries…

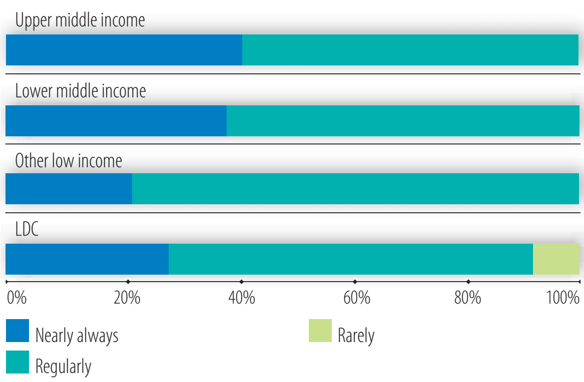
Government-wide representation on these committees is roughly similar across partner countries. In some countries, such as Liberia and Tanzania, donors are also invited to participate in the committees as observers. In Botswana, membership is extended to academics and other non-governmental organisations (NGOs) as well. The responsibilities of *national committees* vary across countries – ranging from formulating and implementing national trade strategies (*e.g.* Chile, Jordan and Maldives), to overseeing WTO issues and the EIF process (*e.g.* the Comoros), to co-ordinating resource allocation and ensuring effective stakeholder participation (*e.g.* Tanzania). In Belize, the *national committee* also plays a role in monitoring donor assistance.

While only ten partner countries currently use a *national committee* to co-ordinate their trade strategies, more than half have plans to form one. Bangladesh and Morocco both report that they also intend to establish aid-for-trade committees. The former already has a WTO-related committee, as well as thematic working groups, and wants to build upon these mechanisms, while the latter feels an aid-for-trade committee could help to increase stakeholder ownership of the process. Grenada and Tonga are setting up trade facilitation committees which they hope will raise awareness about the importance of aid for trade, and trade issues generally, in national development planning (UNDP, 2009).

… and regularly engages in stakeholders dialogue,...

Almost all partner countries regularly engage in dialogues with the private sector and other stakeholders about the formulation and implementation of their trade strategies (Figure 2.10). Sierra Leone is the only partner country that reports rarely engaging stakeholders directly in a trade dialogue, but only because collaboration already takes place under the auspices of the Sierra Leone Business Forum, a platform specifically created to encourage public-private co-operation.

Figure 2.10 Partner countries are in dialogue with stakeholders, including the private sector



Source: OECD-WTO Partner Country Questionnaire

The form these dialogues take varies significantly across partner countries – from formal exchanges at dedicated meetings and workshops (*e.g.* Trinidad and Tobago, Sri Lanka), to informal exchanges on an *ad hoc* basis (*e.g.* Albania, Republic of the Congo, Sri Lanka, Vanuatu). Sometimes specific institutions are established to help to structure regular dialogue and collaboration between the public and the private sectors. These can take the form either of government-sponsored platforms (*e.g.* Guatemala) or of inter-institutional committees co-managed by government and business (*e.g.* Uganda and Paraguay). The frequency of consultations also varies widely among partner countries – from daily or weekly meetings, to twice-yearly meetings or less. In terms of income groupings, stakeholder dialogues take place more frequently in higher-income partner countries; and in terms of geography, they are most common in Latin America.

…while the depth of private sector involvement varies.

Dialogue serves to engage the private sector and other stakeholders in the formulation and implementation of trade strategies. For example, Moldova has passed legislation that requires private-sector involvement in the development of new trade strategies. In Albania and Colombia, the conclusions reached in consultations with the private sector are systematically incorporated into national development and sectoral strategies. Indeed, Colombia has initiated a system of continuous dialogue with the private sector that feeds directly into the country's trade strategy. In several SIDS, the private sector is directly involved in developing certain sectoral negotiating positions and in implementing the resulting trade agreements, but is not always included in the formulation of broader trade policies *e.g.* Suriname). Based on partner countries' positive experiences, engaging the private sector and other stakeholders in regular trade dialogues should be added to the growing body of best practices in aid-for-trade mainstreaming.

In LDCs, the EIF focal points are generally responsible for the trade agenda.

In most LDCs (21 of 28) the EIF focal point is responsible for overseeing and co-ordinating trade-related assistance[17]; a role that the preparation of DTISs and action matrices only reinforces.[18] However, focal points are not fully operational in all LDCs. Cape Verde is at the beginning of the EIF process and is presently establishing a national implementation unit. Afghanistan is also in the early stages of the EIF process and in-country structures are not yet operational. In Tanzania, too, the new EIF focal point has been assigned responsibility for trade co-ordination, but the system is not up and running. Togo notes that its EIF focal point will soon assume the trade co-ordinating role. In Yemen, the EIF focal point oversees project implementation but not the entire trade agenda. Bangladesh does not participate in the EIF. [19]

Commitment to results-based management and mutual accountability

Partner countries clearly affirm their commitment to mutual accountability and results-based management. They also generally acknowledge that donors are trying to co-ordinate and align their efforts more effectively. And they report that trade-related programmes are regularly monitored and evaluated, frequently using donor or joint donor-partner arrangements. Mechanisms to discuss the outcome and impact of trade-related programmes also operate in the majority of partner countries.

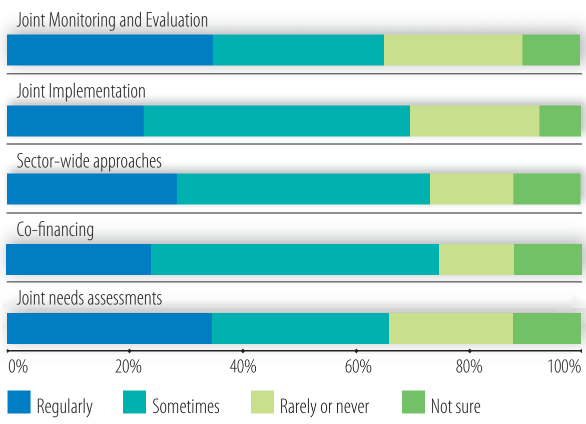
The quality of results-based monitoring frameworks generally was assessed as part of the 2008 monitoring survey of the Paris Declaration. This review focussed on three issues: (i) the quality of the information generated; (ii) stakeholder access to the information; and (iii) the extent to which the information is utilised within the country. The results indicate that while progress has been made, more needs to be done.

Partner country assessments confirm these results. This section highlights the priorities for improving results-based management, as well as the areas where it has been most effective, including good practices.

Donors are co-ordinating and aligning efforts…

Some 30% of partner countries report that, on average, donors are "regularly" engaged in co-ordination and alignment efforts. An additional 40% of partner countries report that donors are "sometimes" engaged in such efforts. Joint needs assessments and joint monitoring and evaluation are the tools most frequently employed by donors for promoting co-ordination and alignment, while sector-wide approaches are the next most common (Figure 2.11).

Figure 2.11 Donors are engaged in co-ordination and alignment efforts



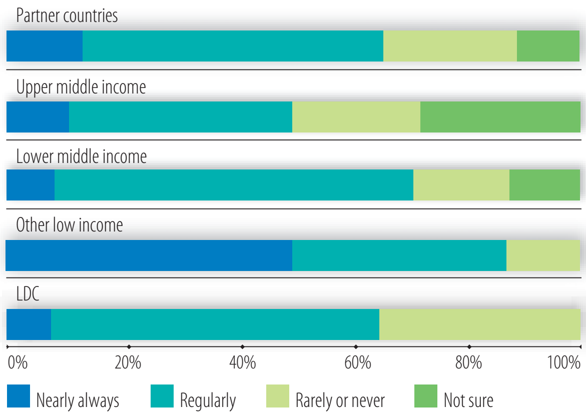
Source: OECD-WTO Partner Country Questionnaire

According to partner countries, there are cases where donor co-ordination and alignment are effective and cases where they need improvement; a conclusion that is broadly in line with donors' own assessments (Chapter 4). For instance, both partner countries and donors highlight the EIF as a successful example of efforts to align assistance with national systems. However, the United States also points out that alignment is not just a responsibility of donors. In fact, alignment is possible only when partner countries have mainstreamed trade into their national development strategies.

…partner countries regularly monitor or evaluate donor programmes...

Two-thirds of partner countries regularly monitor and evaluate their trade-related programmes (Figure 2.12)[20]. Conversely, 18 of 76 partner countries rarely or never monitor programmes. Interestingly, higher rates of monitoring and evaluation are found in low income countries than in middle income countries. Just 9 LDCs (*i.e.* Afghanistan, Yemen, Vanuatu, Nepal, Maldives, Lao PDR, Guinea-Bissau, Djibouti and Benin) rarely or never monitor, and once the EIF's new monitoring and evaluation framework is finalised, this small gap for LDCs should narrow even further. Despite these successes, there is still a need to raise awareness about the importance of monitoring and evaluation, both to assess the impact of aid for trade and to justify continued support for the initiative. This is especially urgent in the context of the current economic crisis, which will likely see a rise in demand for emergency aid and more support for social programmes.

Figure 2.12 Partner countries regularly monitor or evaluate their programmes…

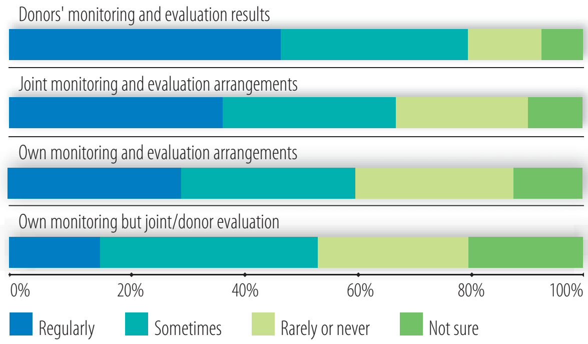


Source: OECD-WTO Partner Country Questionnaire

…using mostly donors' results or joint arrangements…

Twenty-six partner countries regularly use donor monitoring and evaluation mechanisms, while another 21 use joint donor-partner arrangements. Only 15 partner countries, including 7 LDCs, regularly employ their own systems (Figure 2.13). Even fewer partner countries employ a combination of their own systems and other systems. These various combinations of approaches underline the on-going challenge of monitoring and evaluation. There are also complications that arise when obligations to report on specific trade projects do not always mesh with broader country efforts to monitor all ODA received. Finally, it is not always clear whether partner countries treat monitoring and evaluation as separate activities or a single exercise. Consequently, further efforts are needed to assist partner countries to effectively monitor and evaluate aid for trade.

Figure 2.13 …using donors' results or joint arrangements

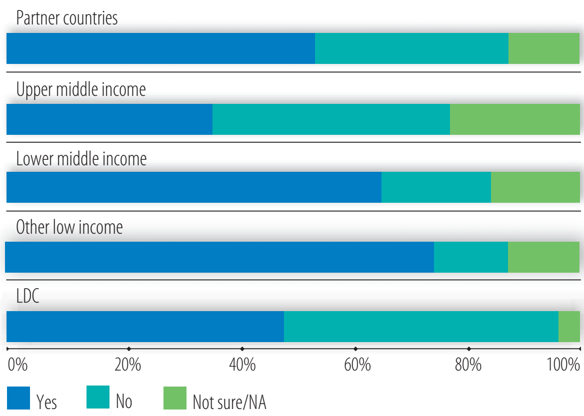


Source: OECD-WTO Partner Country Questionnaire

…to discuss outcome and impacts

Half of partner countries report having mechanisms to discuss the outcome and impact of trade-related programmes with donors. Many hold regular joint meetings with donors, and some, such as Ghana and Mauritius, make use of detailed targets and indicators to assess performance. However, 27 partner countries do not have such mechanisms, and a further 10 (Albania, Barbados, Belize, Iraq, Nicaragua, Montenegro, Saint Lucia, Tanzania, the Bahamas and Ukraine) did not provide a clear answer to the question (Figure 2.14). From the self-assessments, it is not always clear whether partner countries have provided information on aid-for-trade specific mechanisms or on mechanisms to discuss the impact of ODA overall.

Figure 2.14 The majority of partner countries have set up mechanisms to evaluate their aid for trade

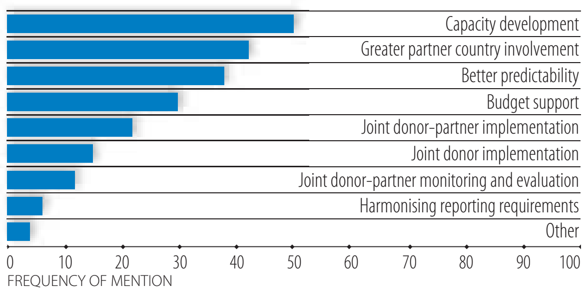


Source: OECD-WTO Partner Country Questionnaire

Priorities to improve the effectiveness of aid for trade

In their self-assessments, partner countries tend to identify similar priority areas where aid-for-trade effectiveness should be improved including: a stronger donor focus on capacity building; more ownership in the design of interventions; more predictable funding; and more use of budget support (or trade sector-wide approaches) (Figure 2.15).

Figure 2.15 Aid-for-trade effectiveness: partner countries' top priorities



Source: OECD-WTO Partner Country Questionnaire

A stronger donor focus on capacity development is a priority for almost two-thirds of partner countries.[21] Capacity-building weaknesses include: (i) initiatives are often fragmented and narrowly project-based, overlooking broader capacity needs (*i.e.* lack of alignment); (ii) initiatives tend to be targeted towards a limited audience across government; and (iii) initiatives can prove difficult to sustain if trained officials are promoted to higher positions or moved to other departments.

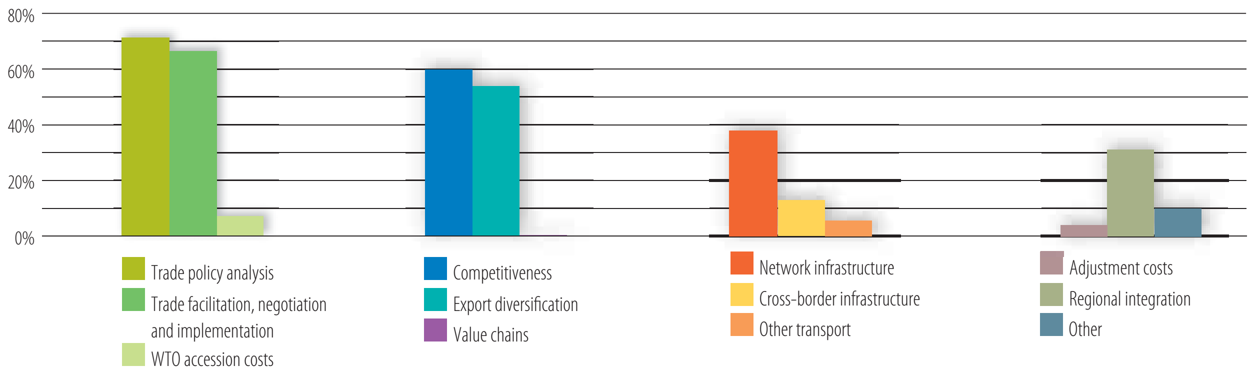
Partner countries highlight successful capacity building as a key prerequisite for improving aid-for-trade effectiveness. Moreover, they suggest that capacity building should address: both institutional (Peru and Bangladesh) and human (Ecuador and the Comoros) capacity constraints[22]; promote the transfer of knowledge and best practices (Indonesia); strengthen country ownership (Zambia); ensure improved alignment and aid absorption (Yemen); enhance aid performance and predictability (Kenya and the Comoros); and promote programme sustainability (Uganda and Belize).

A greater say in the design of interventions is a priority for half of partner countries, including two out of three LDCs. This emphasis underscores their fundamental commitment to the principle of country ownership. For example, in the February 2008 *Maseru Declaration*, LDC ministers gave a *"high priority and importance to national ownership by LDCs of the EIF as an effective tool to enhance economic development"* (27-29 February 2008). Tanzania, Dominica, Saint Lucia, Senegal and Colombia emphasise that improved country ownership is crucial to ensuring that donors direct their assistance towards the actual aid-for-trade priorities of partner countries.

More predictable funding is a priority for almost half of partner countries. Suggestions for improvement include: binding donor commitments to ensure timely disbursements (Tanzania) and setting out indicative forward spending plans (*e.g.* Zambia, Belize). St. Vincent and the Grenadines point out that stronger public finance management systems, by providing a better overall picture of aid flows, could increase predictability, improve planning and strengthen accountability. Panama notes that effective information and resource management systems could also help to optimise co-operation processes and facilitate access to information.

More extensive use of budget support (or trade sectoral wide approaches) is ranked by more than a third of partner countries as a priority. According to Uganda, budget support is the most direct and effective way of allowing partner countries to allocate resources to national priorities (*i.e.* alignment) and to monitor whether resources are being used for their intended purposes. Guyana suggests that budget support is even more important in light of the current economic downturn and the uncertain prospects for ODA. Moldova argues that budget support reinforces the use of national systems which, in turn, is critical to achieving greater aid effectiveness.

Figure 2.16 Aid for trade is most effective in the areas of...



Source: OECD-WTO Partner Country Questionnaire

Improved alignment is seen as important by several partner countries (although it is not listed as a priority). Madagascar emphasises that ODA should be aligned with aid-for-trade priorities as expressed in national development strategies. According to Malawi, partner countries should identify their capacity needs and donors should align their support with those priorities. Bangladesh and Colombia suggest that donor-led initiatives to enhance capacities are often designed without sufficient regard to actual country needs, programme sustainability, or local conditions.

Other areas where aid-for-trade effectiveness can be improved include: removing conditionalities so that disbursements can be accelerated (Cameroon); ensuring that partner countries establish priorities for donor approval, and not *vice versa* (Malawi); implementing national action plans in the context of regional integration; and strengthening aid implementation agencies (Viet Nam).

Effective aid-for-trade programmes

In their self-assessments, partner countries generally agree that the following four aid-for-trade programmes have been most effective: (i) trade policy analysis, negotiation and implementation; (ii) trade facilitation; (iii) competitiveness; and (iv) export diversification (Figure 2.16). Perceptions about the effectiveness of aid-for-trade programmes also differ according to partner countries' income levels: UMICs tend to view competitiveness as the area where aid for trade had been most effective, while LMICs, OLICs and LDCs see trade policy analysis, negotiation and implementation, as well as trade facilitation, as the areas where aid for trade has worked best.

While network infrastructure is identified as a priority by many partner countries, they do not see it as an area where aid for trade has been most effective. Given the likelihood of increased resources being channelled to network infrastructure in the future, this should be a cause for concern. These less positive assessments of the effectiveness of network infrastructure projects also contrast sharply with the generally positive view of regional infrastructure projects (highlighted in Chapter 5). The disconnect between priorities and aid effectiveness merits further study and shows the need to go to the country level.

Trade policy analysis, negotiation and implementation is the most frequently identified area where aid for trade is thought to be most effective. The Philippines suggests that training and workshops have been particularly useful in helping its officials to understand better the function, structure and rules of the multilateral trading system. Sri Lanka reports that WTO technical assistance has been useful in helping to train trade negotiators, but it also worries that by focusing too narrowly on rules, rather than development policy, WTO programmes risk turning officials into "rule takers" rather than "rule makers". Tanzania also highlights the effectiveness of trade-related training and workshops.

Trade facilitation is the second most frequently identified area where aid for trade is seen as effective. Simplification of customs procedures and improvements to port authorities are considered particularly important and useful (*e.g.* Ghana, Kenya and Malawi).

Competitiveness is the third most frequently identified area where aid for trade has been effective. Belize, for example, reports that the EU-funded Banana Special Framework of Assistance, which provided technical assistance, supplies, infrastructure, schools and teacher training, played a significant part in improving the competitiveness of its banana industry.

Export diversification is the fourth most frequently identified area where aid for trade is seen as effective. Zambia, for instance, reports that European-Development-Fund supported projects were instrumental in helping to increase the export capacity of its horticulture and floriculture sectors.

Sharing examples of good practices in aid for trade

In their self-assessments, partner countries also cite a number of examples of good practice in aid for trade, affirming positive results from the mutual efforts of donors and partners to improve aid effectiveness, and helping other countries in similar situations learn more about what approaches and models work.

- **Programmes leading to improved trade policymaking** are cited by 13 countries as good practice in aid for trade. The effectiveness of WTO training and technical assistance programmes, especially regarding accession, are emphasised by Azerbaijan, Costa Rica, Ecuador, Mali, Montenegro, Philippines and Viet Nam. The Dominican Republic, Ecuador and Peru report that the IADB's External Trade Support Programme was instrumental helping to strengthen their institutional capacity and formulate more effective trade policies. Grenada and Swaziland point to various initiatives aimed at developing national export strategies. In Grenada's case, the initiative brought together the public and private sectors, as well as NGOs, to design a broad strategy for increasing and diversifying exports. Uganda praises the assistance it received in establishing a successful public-private consultative and co-ordination mechanism for trade policy development.
- **Productive capacity-building programmes and projects** are identified by eight countries as good practice in aid for trade. Panama describes a number of successful projects that arose out of the "Compite Panama" programme. Uruguay highlights the value of an IADB-funded business development programme for its software industry. The Dominican Republic notes the success of various IADB-fund projects under the technical capacity-building framework of the Dominican Republic – Central America Free Trade Agreement (DR-CAFTA); in particular, a project aimed at supporting adjustment in the agro-food sector. St. Kitts and Nevis describes the valuable assistance it received to build specialised fishing vessels and improve landing facilities. Jordan lists various successful EU or US-funded capacity-building programmes aimed at fostering small and medium-sized enterprises (SMEs). Kenya's Revenue Authority received support for successfully computerising its various services. Tanzania's Business Sector Programme has upgraded national standards laboratories, established an SME competitiveness facility and trained approximately 50 trade experts to a post-graduate level. Mali also cites a number of successful aid-for-trade projects to strengthen its business sector.
- **Trade facilitation and certification projects** are mentioned by five countries as good practice in aid for trade. Paraguay participates in a valuable trade facilitation mechanism called VUE, aimed at simplifying and speeding up customs procedures through the creation of a "single export window". Lesotho has established a similar "One-Stop-Shop" to simplify customs procedures and facilitate trade. Pakistan has benefited from SPS-related technical assistance and capacity building, funded by the EU and implemented by the United Nations Industrial Development Organization (UNIDO), which has resulted in 18 testing laboratories being internationally accredited. Malawi reports on the success of a capacity-building programme for Malawi Bureau of Standards under the EIF. Indonesia highlights the value of the EU-financed trade support programme which has helped to upgrade standards and streamline import/export processes.
- **EIF processes and tools** are highlighted by five countries (*e.g.* Cambodia, the Comoros, Mali, Senegal and Zambia) as good practice in aid for trade. For example, the Comoros notes that its DTIS was a highly effective tool for identifying and prioritising aid-for-trade needs. Cambodia reports that it used the EIF process to develop a Trade SWAp and other projects.

Other examples of good practice in aid for trade are:

- In Guatemala, donors have carried out successful trade facilitation and trade promotion-specific evaluations, the results of which justify further activities in 2009;
- Ghana describes how its Multi-Donor Budget Support Programme has helped to ensure timely disbursements of funds. In particular, a pooled fund for its Private Sector Development Strategy stands out as a model of successful alignment and harmonisation in aid policy;
- St. Kitts and Nevis highlights the success of its new National Steering Committee – formed as part of the Trade Facilitation Capacity Building Project – which institutionalises government and private-sector policy dialogues;

- Mauritius highlights the tools it has developed to monitor and evaluate its reform programmes. In addition to creating a comprehensive Performance Assessment Framework, Mauritius has institutionalised several forums for encouraging dialogue with the donor community, including the Joint Country Program Review (JPCR) meeting, which helps officials and donors to explore ways to improve the co-ordination and delivery of assistance.

Afghanistan and Guyana provide several examples of best practice in building institutional capacity and creating a more "business friendly" environment. Guyana highlights efforts to update government procurement legislation and regulations, as well as to establish a Guyana Revenue Authority and National Procurement and Tender Administration Board; reforms that have underpinned a new policy of mandatory open tendering and have strengthened transparency and accountability in procurement. In Afghanistan, a number of aid-for-trade programmes have delivered important results - from drafting a new trade law, to setting up a telecommunication network, to developing new banking resources (vital for financing trade).

This review of the partner questionnaire responses makes it clear that, overall, partner countries have a positive view of the results of past and present aid-for-trade activities. Donor support is seen to have translated into innovative ways to develop not only effective national strategies, but also effective processes for co-ordinating, implementing and monitoring and evaluating these strategies.

CONCLUSIONS

The improved partner country questionnaire response rate in 2009, compared to 2007, and the more substantive submissions, demonstrate how the Aid-for-Trade Initiative is raising the profile of trade-related issues in development planning, strategies and implementation. From the responses, it is clear that next steps should be directed towards more clearly articulating trade-related needs at the country level, and further strengthening the dialogue between donors and partner countries about national development strategies and their implementation.

Partner countries report that they are actively engaged in improving the quality of aid in general, and aid for trade in particular, and that they are doing so with the support of the donor community. Trade mainstreaming into national development strategies is materialising at the policy-level in the majority of partner countries; a process which is being facilitated by new co-ordination structures and by the regular involvement of donors. Overall, these results are encouraging in light of the directions laid out in the Paris Declaration's aid effectiveness principles and reiterated in the recent Accra Agenda for Action.

Challenges remain in tracking aid flows and in determining the contribution of aid for trade to trade development. The responses to the questionnaire indicate that a number of partner countries face important challenges in recognising aid-for-trade flows in their monitoring systems, often due to a lack of capacity to centrally track aid flows and to disaggregate the various trade-related components. Some partner countries indicate a need for additional support to carry out effective monitoring and evaluation.

To prepare for the next steps in the Aid-for-Trade Initiative, partner countries are moving to identify and articulate their needs more clearly. Although specific needs vary across partner countries, many see network infrastructure, competitiveness, export diversification and trade policy analysis, negotiation and implementation as their top priorities. Because donors and partner countries agree that aid for trade should be demand driven, these priorities should have substantial weight in shaping future aid-for-trade efforts and flows (see fact sheets for individual partner country priorities).

In terms of implementation, partner countries underscore the need for strengthened capacity building, improved ownership and more predictable funding. The importance of results-based management and mutual accountability are also highlighted. Partner countries increasingly see implementation issues as playing a key role in determining the effectiveness of aid for trade. Moves to address these issues – and to maximise the effectiveness of aid for trade – are taking on an even greater importance against the backdrop of the current global economic crisis. Further study should be pursued at the country level to unravel the nature and extent of the binding constraints that are presently preventing partner countries from fully realising the benefits of trade. ■

NOTES

1. The original analysis was undertaken on the basis of 83 questionnaire responses. Two respondents later withdrew their questionnaires and while it was too late to change the aggregate analysis, direct references to them have been removed from this publication. Six additional countries (Angola, El Salvador, Haiti, Namibia, Samoa, Seychelles) sent their responses after the deadline and were not included in the following analysis. Their responses to the questionnaire can be found on the CD-ROM.

2. In most partner countries, the Ministry of Trade or Finance was best placed to provide a whole-government view in the self-assessment by co-ordinating inputs from other ministries.

3. Based on an estimation of 112 partner countries receiving the questionnaire.

4. In 2007, only eight partner countries responded to the questionnaire (Cambodia, Colombia, Malawi, Mauritius, Panama, Peru, Philippines and Uruguay). These same countries have also responded to the 2009 questionnaire.

5. Additional information regarding the reasons for this major progress, in particular the process of redesigning the questionnaire, is available in the annex on methodology.

6. Of the 40 LDCs that received the aid-for-trade questionnaire, 28 sent back their responses before the deadline and are included in this analysis. 2 more were received after the deadline and can be found on the CD-ROM. This response rate illustrates the LDCs' engagement in the Aid-for-Trade Initiative.

7. The four countries that do not have such a strategy are upper middle income countries in Central and South America (*i.e.* Antigua and Barbuda; Bahamas; Belize and Uruguay). These countries (excluding Uruguay) are small-island developing states (SIDS), whose capacities are constrained by size. All four countries noted that they use the annual government budget to present their trade concerns.

8. Poverty Reduction Strategy Papers (PRSPs) are used as a national development strategy statement in 12 of the 43 countries that have fully mainstreamed trade (*e.g.* Bangladesh, Benin, Mali, Pakistan, Rwanda, Senegal). In Mali's case, the PRSP contains a prioritised approach to trade and economic growth, which prompted the release of an accelerated growth strategy in October 2008.

9. In addition to fully mainstreaming trade in their national development strategies, three countries elaborate their trade priorities through additional tools such as sectoral strategies or the annual government budget (*i.e.* the Central African Republic [CAR], Honduras and Sierra Leone). Sierra Leone is elaborating its trade priorities in its second PRSP. Several of its sectoral policies (*e.g.* rural development, private sector development) also include the trade dimension.

10. A partner country has fully mainstreamed trade if it gives a key priority to trade in its national development plan and the plan includes well developed trade-related priorities and implementation actions. A partner country has partly mainstreamed trade in its national development plan if it mentions trade but the plan does not include operational objectives and action plans. The country may elaborate its trade priorities in other documents. For the purposes of this chapter's analysis, it was necessary to assign several partner countries to one of the above categories according to their written responses.

11. Cross-sectoral strategies are employed by Antigua and Barbuda, Guatemala, Kenya, the Maldives, Peru and Uganda.

12. Cape Verde is not an LDC, but in view of its recent graduation from LDC status and its active participation, it will benefit from the EIF.

13. Partner countries were asked to identify their top three priorities from a list of 12 categories in the area of trade promotion and integration. This list was compiled in consultation with partner countries to be broad and easy to understand, and thus, does not follow the exact breakdown of the CRS data.

14. Partner countries were asked to specify the state of implementation for each of their top three priorities. This statistic is calculated as a simple average of responses for the three priorities across partner countries.

15. While 59% of countries have operational strategies for one or more of their top priorities, only 52% of the countries indicate that they have fully mainstreamed trade in their national development plans with well developed trade-related priorities and implementation plans.

16. In spite of sending the CRS profile to the Geneva-based missions, a number of countries did not receive the CRS profile and therefore these countries were not in a position to answer the question.

17. Of 28 LDCs, 27 answered this question (Myanmar, which does not participate in the EIF, is the 28th LDC). Cape Verde has recently graduated from LDC status but is an EIF country.

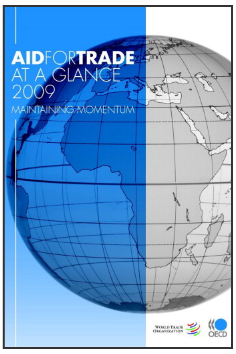
18. In Lesotho and Rwanda, the focal point is responsible for co-ordination of trade issues although the DTIS is not updated. Rwanda is in the process of updating its DTIS. In contrast, in Burkina Faso, although the DTIS fully reflects trade priorities, the focal point does not co-ordinate the trade strategy.

19. Burkina Faso does not provide any additional information.

20. 8 countries responded that they are not sure if they monitor or evaluate donor supported trade-related programmes.

21. Each partner country was asked to identify three top priorities.

22. This demand for improved institutional/human capacity is in line with the prioritisation of trade policy analysis, negotiation and implementation by the majority of countries.



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