

## CHAPTER 3

# AID-FOR-TRADE POLICIES, PRIORITIES AND PROGRAMMES

*Contributed by the Organisation for Economic Co-operation  
and Development*

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**Abstract:** *This chapter looks at the volume of aid-for-trade disbursements and commitments and provides details about the sectoral, geographic and income distribution. In addition, it summarises academic literature that has analysed the links between aid, trade, economic growth and poverty reduction and finds that on average these links are positive, both at the aggregate and country level. These findings are confirmed by the case stories submitted by the public and private sector about aid-for-trade programmes. Finally, the chapter assesses the outlook for aid for trade as moderately positive.*

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## INTRODUCTION

The Aid-for-Trade Initiative will celebrate its tenth birthday at the WTO's Ministerial Conference in Nairobi, Kenya on 15-18 December 2015. One of the objectives of the initiative is to secure "additional, predictable, sustainable and effective financing" for building trade capacities in developing countries. To assess additionality and assure accurate accounting, clear benchmarks at the global level were agreed. These include official development assistance (ODA) for helping developing countries elaborate trade strategies, negotiate trade agreements and implement their outcomes; build roads, ports and telecommunications networks; connect domestic markets to the global economy; support the private sector; exploit their comparative advantages and diversify their exports; help with the costs associated with trade liberalisation, such as tariff reductions, preference erosion or declining terms of trade; and other trade-related needs if identified as trade-related priorities in partner countries' national development strategies (WTO Task Force on Aid for Trade (WT/AFT/1)).

The remainder of this chapter will analyse aid-for-trade flows, programmes and priorities. The next section will present the aggregate aid-for-trade disbursements since the Aid-for-Trade Initiative became operational. In particular, the section will look at the countries that received the aid, the type of support provided and the financial conditions. The second section presents the findings of empirical work to establish the link between aid-for-trade disbursements and results in terms of trade performance and poverty reduction. In addition, the section also presents the aggregate findings from the case stories regarding output, outcomes and impacts. This is followed by a third section on the aid-for-trade priorities from donors and partner countries and particularly the importance they give to reducing trade costs. The fourth section analyses the 2013 aid-for-trade commitments in terms of recipients, categories and donors. The fifth section presents the budget and the medium term aid-for-trade outlook. The final section concludes.

## AID FOR TRADE DISBURSEMENT

A total of USD 246.5 billion has been disbursed for financing aid-for-trade programmes and projects since the Initiative was launched in 2006. This sum consists of around 250 000 projects ranging in size from USD 1 000 to just under USD 1 billion with the most occurring project value between USD 500 000 and USD 1 million. Aid-for-trade providers are made up of some 60 bilateral and multilateral donors that report their official development assistance (ODA) to the OECD DAC (Development Assistance Committee) Creditor Reporting System (CRS). Since 2006 bilateral donors have provided almost two thirds of total support and multilateral donors the rest. Over the same time period middle income countries have benefitted more than twice as much as low income countries from aid-for-trade spending. The support is equally divided between grants and concessional loans, with low income countries, specifically the least developed, receiving most of their support in the form of grants and middle income countries mostly in loans.

Geographically, 146 developing countries received aid-for-trade assistance, mainly in Asia (38.4%) and Africa (35.1%). Regional and global programmes also attracted 15.5% of total aid-for-trade disbursements. To date, more than three quarters of total aid for trade has financed projects in four sectors: transport and storage (29%), energy generation and supply (21%), agriculture (18%) and banking and financial services (10%). In terms of population, the least developed countries received USD 10 per capita in aid for trade; the highest compared to other income groups and more than double the average aid for trade per capita.

In addition, USD 190.4 billion in trade-related other official flows (these transactions are known as OOF and are made by the official sector with countries on the DAC List of ODA Recipients which do not meet the conditions for ODA eligibility, either because they are not primarily aimed at development or because they have a grant element of less than 25%) has been disbursed since 2006, of which almost 80% is from international financial institutions. Most of this non-concessional funding supported projects in economic infrastructure (47%) and building productive capacities

(52%) and almost exclusively in middle-income countries (92%). Asia is also the main beneficiary of trade-related OOF at USD 72.5 billion, or 38% of the total support. At USD 30.75 billion, Africa is surpassed by middle income countries in Latin America and the Caribbean and Europe, with USD 45.9 billion and USD 38.7 billion respectively.

The remainder of this section will look more closely at the aggregate aid-for-trade disbursements since 2006. In particular, it will examine the distribution of the disbursements among the different categories (i.e. trade policy and regulations, economic infrastructure and building productive capacity) that are used as proxies to measure the volume of aid for trade at the global level. Next, the section will look at the countries and regions which receive these aid disbursements and the donors who provide the concessional funds. Finally, the financial terms of the disbursements will be studied. Throughout this section reference will also be made to trade-related other official flows.

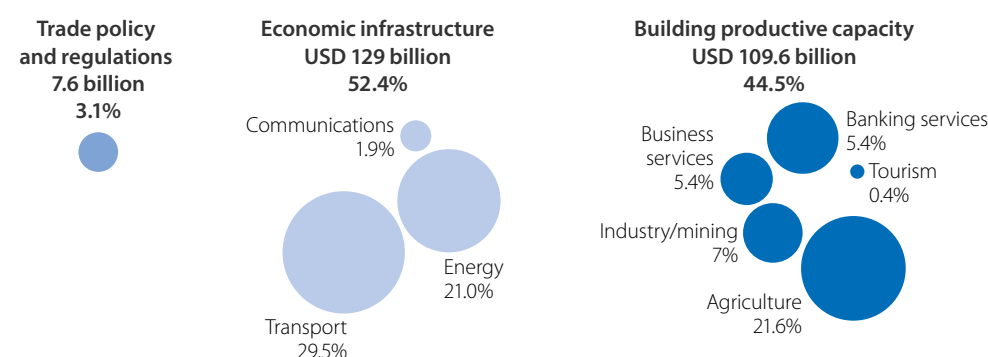
### Sectoral and geographic distribution

Between 2006 and 2013 a total of USD 128.9 billion was disbursed to support programmes and projects that are aimed at reducing the infrastructure gap in developing countries. Transport and storage projects attracted the majority of these funds (56%), followed by energy generation and supply projects (40%), while communication projects attracted relatively little concessional financing (4%). Asia was the main beneficiary with USD 58.4 billion, followed by Africa with USD 44.8 billion. Much less support was destined to the transition economies of Eastern Europe (USD 12.0 billion), Latin America and the Caribbean (USD 8.9 billion) and Oceania (USD 1.6 billion). In addition, a total of USD 89.7 billion in OOF was used to finance economic infrastructure programmes and projects, with USD 47.0 billion financing transport and storage projects and USD 37.7 billion for projects in the energy sector. These OOF were predominantly made available by multilateral developing banks and Korea for programmes that were for the most part concentrated in middle income countries, especially in Asia.

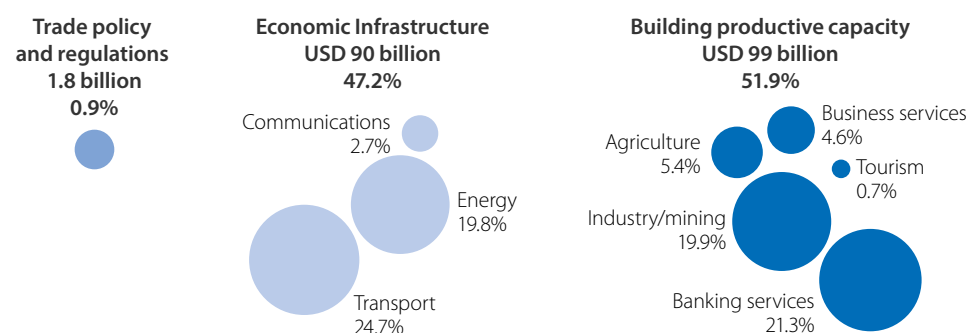
Programmes and projects aimed at building the productive capacities in developing countries received USD 109.6 billion in aid between 2006 and 2013. Improving agricultural productivity and food security was the specific objective of USD 43.8 billion. This was partly in response to the 2009 L'Aquila G8 Summit, where a number of donors (G8 members along with Australia, the EU, the Netherlands, Spain and Sweden) pledged a total of USD 22.2 billion to support food security over a three-year period. Banking and financial services as well as other business services received respectively USD 24.9 billion and USD 13.2 billion. Most disbursements for building productive capacity went to Africa (USD 39.1 billion) followed by Asia (USD 34.5 billion), Latin America and the Caribbean (USD 11.1 billion), Europe (USD 9.9 billion) and Oceania (USD 0.96 billion).

In addition, a total of USD 98.7 billion in trade-related OOF has also been made available to finance productive capacity building programmes since 2006. Addressing market failures in banking and financial services and other business services received respectively USD 40.4 billion and USD 8.8 billion, while pro-active industry specific policies in the area of manufacturing, agriculture and mining reached respectively USD 30.2 billion, USD 8.9 billion and USD 7.7 billion. The main recipients of these flows were middle income countries in Asia (38.1% of total OOF flows), Latin America and the Caribbean (24.1%) and Europe (20.4%). Relatively little went to Africa (16.1%).

Aid for trade in its narrowest sense of support for trade policy and regulation has attracted a total of USD 7.6 billion, or only 3.1% of total disbursement, since 2006. Trade policy and management, which covers technical support to trade ministries and implementation of trade agreements, including technical barriers to trade and sanitary and phytosanitary measures, attracted most of the support. This amounted to USD 4.3 billion, followed by support for trade facilitation (USD 1.8 billion), active participation in regional trade negotiations (USD 0.9 billion), multilateral trade negotiations (USD 224 million) and training and education (USD 222 million). Support for trade-related adjustments – one of the initial objectives of the Aid-for-Trade Initiative – only attracted USD 169 million. Given the technical assistance character of support for trade policy and regulations, only USD 1.8 billion in trade-related OOF was used to finance projects in this area.

**Figure 3.1 Aid for Trade share by category (Total disbursements 2006-2013)**

Source: OECD-DAC/CRS aid activity database

StatLink  <http://dx.doi.org/10.1787/888933241013>**Figure 3.2 Trade-related OOF share by category (Total disbursements 2006-2013)**

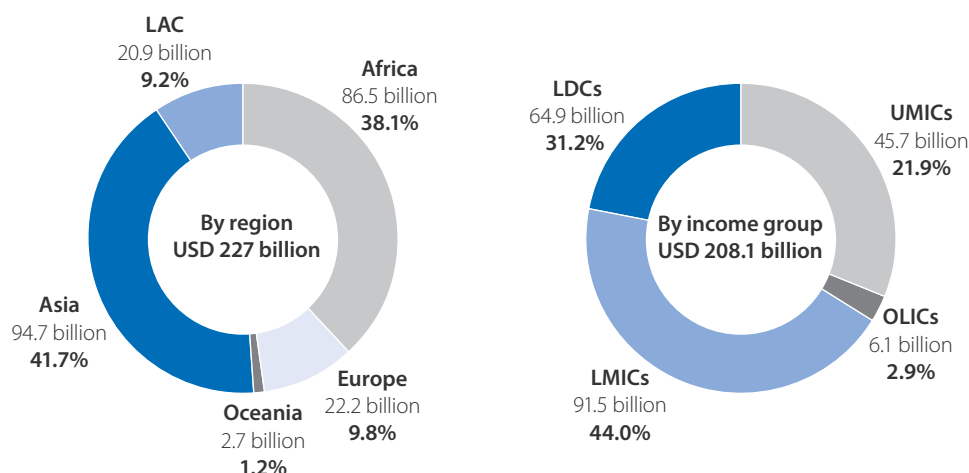
Source: OECD-DAC/CRS aid activity database

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Since 2006 Asian countries have been the main recipients of aid-for-trade disbursements (USD 94.8 billion), with an additional USD 3 billion for regional programmes. Most of these funds were destined for countries in South and Central Asia (47.7%), followed by East Asia (37%) and the Middle East (13.3%). Trade-related OOF to Asia totalled USD 72.5 billion, with USD 37 billion going to finance programmes in East Asia and USD 30 billion in South and Central Asia. Over the same period, aid for trade to Africa reached USD 86.5 billion, three quarters of which was destined to countries in sub-Saharan Africa. In addition, it also received USD 10.7 billion in disbursements relating to regional programmes. Overall, only 16.0% of trade-related OOF was disbursed to countries in Africa, less than that received by Latin America and the Caribbean (24.1%) and Europe (20.4%). In fact, trade related OOF is overwhelmingly directed to middle income countries (91.0%) and hardly to the least developed (3.2%).

The tendency to provide more concessional aid-for-trade funds than non-concessional OOF to the poorest countries is also reflected in the distribution of loans to grants. At aggregate level, the share of loans to grants has been almost equal since 2006. But low income countries have received 65.0% of their disbursements as grants, whereas middle income countries received the same share in loans. The least developed countries' share in total country-specific aid-for-trade disbursements was 31.2%, while other low income countries received 6.1%, with the remaining 62.7% going to middle income countries. However, the aid for trade per capita to least developed countries is USD 10, while other to low income countries it is USD 8.9, lower middle income USD 4.9 and the upper middle income USD 2.5.

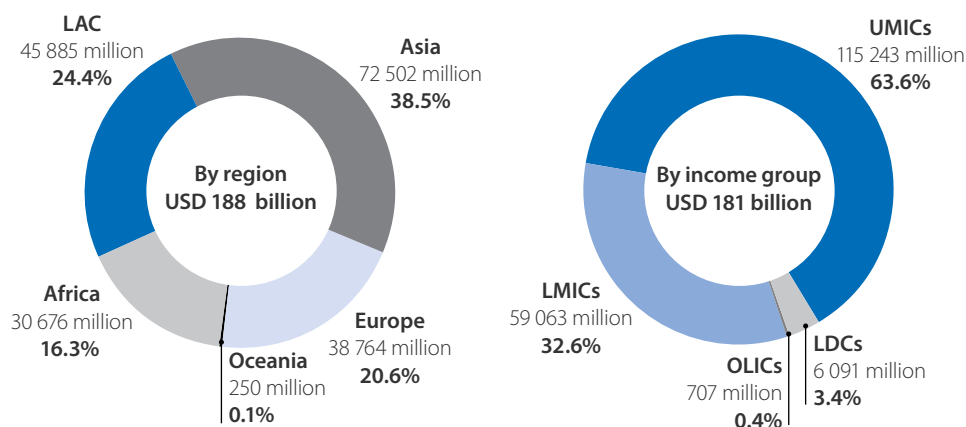
**Figure 3.3 Aid for Trade disbursements by region and income group, 2006-2013, % share in total Aid for Trade**



Source: OECD-DAC/CRS aid activity database

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**Figure 3.4 Trade-related OOF disbursements by region and income group, 2006-2013, % share in total trade-related OOF**

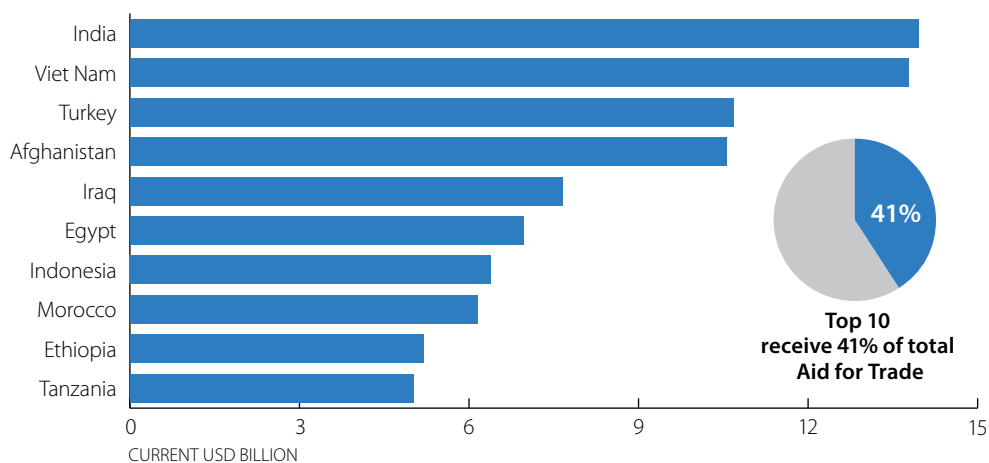


Source: OECD-DAC/CRS aid activity database

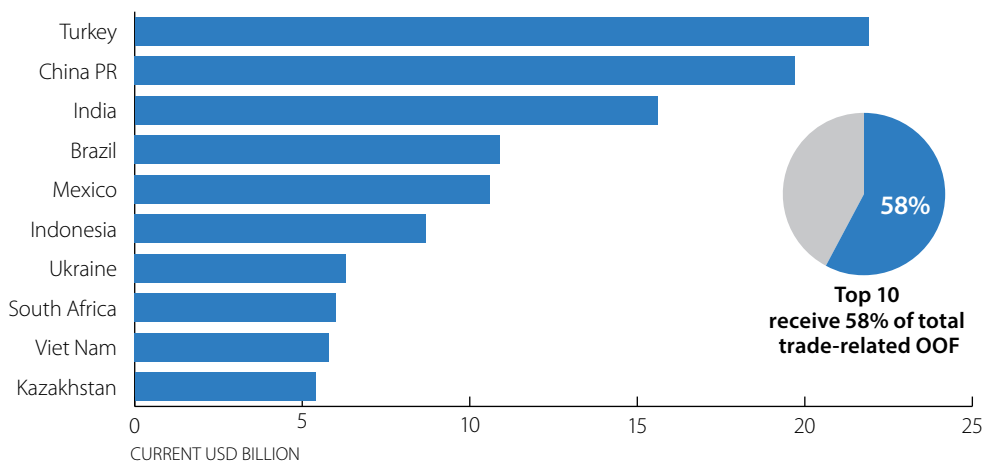
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The top ten aid-for-trade recipients have received a little over 40% (USD 86 billion) of total country specific aid-for-trade disbursements since 2006. They consist of six countries in Asia, four in Africa. Only Afghanistan, Ethiopia and Tanzania belong to the LDCs. To put the USD 86 billion in perspective, it should be noted that the total population of these top ten recipients is close to 30% of the total population of developing countries. The top ten recipients of trade-related OOF consist of five countries in Asia and two in Europe, two in the Americas and one in Africa. All top ten OOF recipients are middle income countries. Together they received 58% of total OOF.

Since 2006, bilateral donors have provided almost 63% of total aid-for-trade disbursements, with the remainder being financed by multilateral donors. Together the top donors (both bilateral and multilateral) provide over 80% of total aid for trade. For trade-related OOF, the concentration is even stronger, with the top ten donors providing over 98% of the funds.

**Figure 3.5 Aid for Trade: Top 10 recipients (Total disbursements 2006-2013)**

Source: OECD-DAC/CRS aid activity database

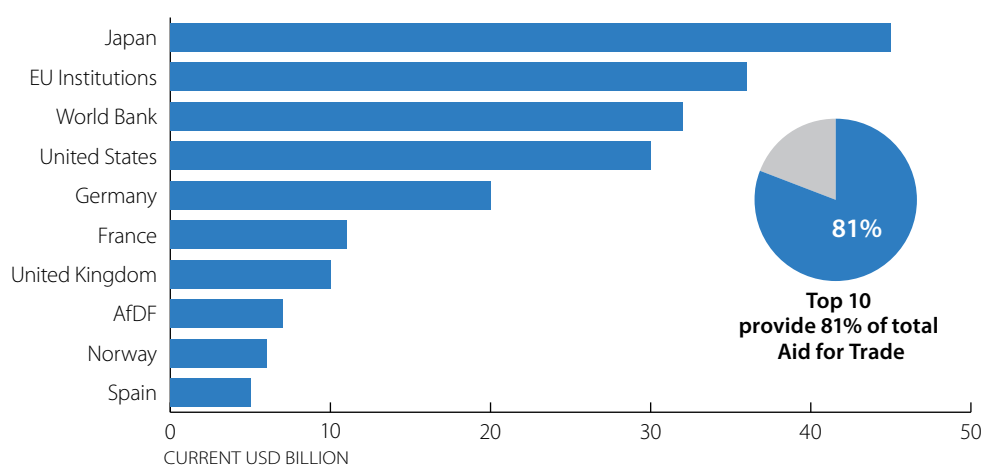
StatLink  <http://dx.doi.org/10.1787/888933241052>**Figure 3.6 Trade-related OOF: Top 10 recipients (Total disbursements 2006-2013)**

Source: OECD-DAC/CRS aid activity database

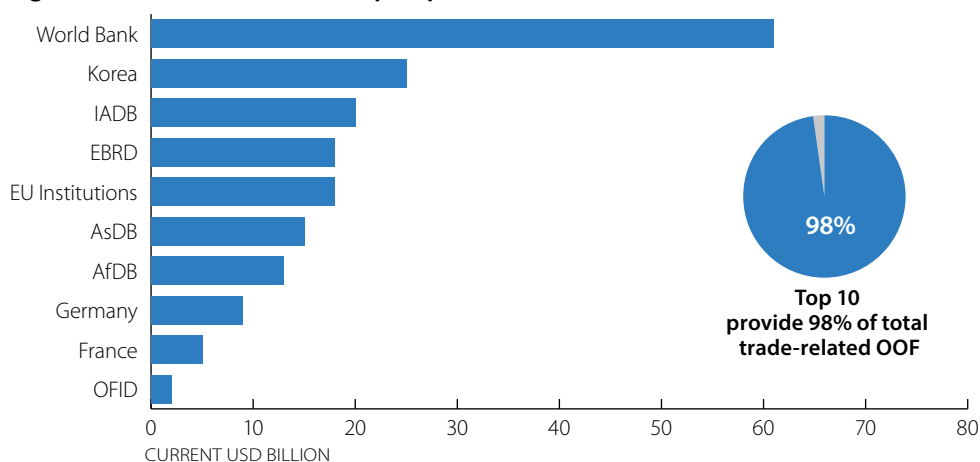
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## RESULTS FROM AID-FOR-TRADE PROGRAMMES

The significant amount of aid and OOF devoted to helping developing countries build trade capacities through improving infrastructure and invigorating the private sector should show results. The 2011 joint OECD/WTO Aid for Trade at a Glance was specifically devoted to this topic. The report painted an encouraging picture of numerous donor-supported, trade-related projects and programmes delivering a wide range of tangible results in terms of trade performance, private investment and employment creation in a large number of developing countries. Showing results is not a one-off exercise but requires continues attention. The next section will highlight some of the empirical evidence concerning the links between aid for trade, trade performance and poverty reduction. This is followed by a section presenting the aggregate findings in terms of outputs, outcomes and impacts of aid-for-trade programmes that were showcased in stories submitted in the context of the 2015 monitoring exercise.

**Figure 3.7 Aid for Trade: Top 10 aid providers (Total disbursements 2006-2013)**

Source: OECD-DAC/CRS aid activity database

StatLink  <http://dx.doi.org/10.1787/888933241076>**Figure 3.8 Trade-related OOF: Top 10 providers (Total disbursements 2006-2013)**

Source: OECD-DAC/CRS aid activity database

StatLink  <http://dx.doi.org/10.1787/888933241085>

## Empirical findings

A literature review by Basnett et al. (2012) finds that the empirical studies support the presumption that trade liberalisation reduces poverty in the long run and on average (Basnett et al., 2012). For developing countries – which tend to have scarce capital and abundant labour – increased trade allows for a higher return to labour and in turn an improvement in the income distribution towards wages and the poor. This can happen through a number of different transmission channels, including lower prices, increased competition, the creation of economies of scale and the creation of new industries and GVCs.

The impact of aid for trade on trade performance is well established. The Commonwealth-ODI (Overseas Development Institute) (2013) conclude that the empirical literature confirms that aid for trade, in general, is effective at both the micro and macro level. The impacts, however, may vary considerably depending on the type of aid-for-trade intervention, the income level and geographical region of the recipient country and the sector at which the support is directed. For example, Bearce et al. (2010) suggest that an investment of USD 1 in aid for trade from the United States would increase on average exports by between USD 42 and USD 53. Ferro et al. (2012) found that a 10.0% increase in aid to transportation, ICT, energy and banking services is associated with increases of 2.0%, 0.3%, 6.8% and 4.7%

respectively in the exports of manufacturing from the recipient countries. Cirera and Winters (2015) analysed whether aid for trade has assisted the process of structural transformation in sub-Saharan African countries and found a positive impact in reducing the time of exporting and importing but that factors other than aid-for-trade flows explain different experiences in relation to structural change.

The effects of aid for trade on reducing trade costs also have great potential. Busse et al (2011) used panel data estimation for a sample of 99 developing countries for the period 2004-09 and showed that aid for trade and aid-for-trade facilitation are closely associated with lower trade costs and therefore may play an important role in helping developing countries benefit from trade. Importantly, they found the impact was not only significant in statistical terms but economic terms as well. Cali and te Velde (2011) examined the impact of aid for trade on trade costs and exports and found that a USD 1 million increase in aid-for-trade facilitation is associated with a 6% reduction in the cost of packing, loading and shipping to the transit hub. OECD/WTO (2013) found that one dollar invested in aid for trade is on average associated with an increase of nearly USD 8 in exports from all developing countries and an increase of USD 20 in exports for the poorest countries. These effects are even higher for exports of parts and components.

### Economic infrastructure

There is now an extensive body of research that points to the importance of hard and soft infrastructure for the trade performance and trade integration of developing countries. These studies show that eliminating infrastructure constraints can facilitate the process of shifting resources to more productive sectors. Econometric analysis of aid for infrastructure has emphasised its positive impact on trade performance. For instance, a comparative study by Dollar et al. (2006) of four countries in Latin America (Brazil, Honduras, Nicaragua and Peru) and four Asian countries (Bangladesh, China, India and Pakistan) found that access to core infrastructure services is one of the key factors that explains the more rapid pace of international trade integration in the latter group of countries. Research by Mariana Vijil and Laurent Wagner also suggests that infrastructure is a highly significant determinant of export performance. Their research

#### IMPROVING INFRASTRUCTURE: RESULTS AT GLANCE

<b>Ecuador</b>	The construction of the bridge on the border between Ecuador and Colombia will increase trade and tourism between the two countries (CS 20).
<b>Kenya</b>	The Nairobi-Thika Highway Improvement Project spurred growth and created jobs, employing 3 600 unskilled personnel and 600 technical staff and engineers (CS 35).
<b>Tanzania</b>	The US Millennium Cooperation disbursed USD 386 million to improve Tanzania's road networks and upgrade the Mafia Island Airport to increase tourism and business potential. Over the next 20 years, estimated household income is projected to increase by USD 427 million as a result of these activities.
<b>Viet Nam</b>	Japan financed the construction of a 600 MW Son Coal Fired Thermal Power Plant with a USD 170 million ODA Loan. This project is categorised as one of the most important projects in the long-term power development plan for responding to increasing power demands in Viet Nam, where significant economic growth is being achieved.
<b>Afghanistan</b>	The construction of a 75 km railway at the border with Uzbekistan has increased employment by more than 10% per year since 2010 and cross border trade from USD 170 million in 2008 to USD 732 million in 2011 (CS 46).
<b>Uganda</b>	The Kalangala Infrastructure Services and Renewables Project generated USD 1 million in government revenue and created more than 300 jobs. It also empowered women by providing them with electricity and creating job opportunities for them (CS 99).
<b>Ecuador</b>	The improvement of the CEBAF-Huaquillas infrastructure will enhance control processes and contribute to the modernisation of the Border Services Centres (CS 19).

Source: OECD/WTO 2015 aid-for-trade case story.



concludes that a 10% increase in aid for infrastructure commitments per capita in developing countries leads to an average 2.3% increase in the exports over GDP ratio. These results highlight the high potential impact of aid for trade on developing countries' export performance throughout the infrastructure channel. OECD/WTO (2013) arrives at similar findings and calculated that a 10% increase in aid for infrastructure translates into a 2.3% increase in the trade-to-GDP ratio and a 0.3% increase in exports.

### Building productive capacities

To promote private sector-led inclusive and sustainable growth, donors provide support to building productive capacities. As direct forms of business support have been found to be relatively costly and prone to failure, indirect approaches have been preferred (Danish International Development Agency [DANIDA], 2009). One of them consists of improving access for SMEs to financial services by strengthening local banks. A recent evaluation of this approach

ONLINE PROGRAMMES FOR TRADE PROMOTION: RESULTS AT A GLANCE	
<b>Chile</b>	The Agricultural Market Intelligence System is a free online system that enables producers, processors and exporters to access up-to-date agricultural information (CS 25).
<b>Lao PDR</b>	As a single authoritative source for all trade-related laws, regulations, business processes and fee schedules, the online Lao Trade Portal increased export productivity (CS 31).
<b>Uruguay</b>	The creation of a national trade intelligence platform is supporting SMEs in their international expansion (CS 103)
<b>Indonesia</b>	Through a USD 1 million Murabaha trade-finance operation, coffee farmers no longer have to wait 45 days for payment but receive cash upon delivery (CS 70).
<b>Pacific Islands</b>	The Pacific Islands Micro-enterprise e-Marketing Support is providing local companies with internet training to increase bookings through online sales (CS 76).
<b>Fiji</b>	The project improved SMEs business knowledge in financing, record keeping and developing energy-saving measures in order to efficiently manage their businesses in the tourism industry (CS 78).

Source: OECD/WTO 2015 aid-for-trade case story.

employed by European development finance institutions found that these banks were better placed to sustainably offer financial services to their clients, including their SME clients. However, they continued serving a relatively small number of select SME clients and failed to develop methods for expanding credit provision to large numbers of SME customers (Horus Development Finance, 2014). Interventions that directly target actors in the private sector are in the area of capacity-building programmes, business-to-business programmes and trade promotion (i.e. import offices).

Brenton and von Uexkull (2009) evaluate whether technical assistance in export development programmes has been successful and, in general, find that these programmes induced a stronger export performance in the targeted sectors. However, they qualify this by saying these programmes appear to be more effective where there is already significant export activity, and that there are concerns that the support may be channelled to sectors that would have prospered anyway. PricewaterhouseCoopers (2009) shows that business organisations in Kenya, Uganda and Tanzania were able to contribute to the aid-for-trade process. These organisations are formed through collective action and although they bear risks (e.g. rent-seeking), they come with a series of positive characteristics, such as their networking and intermediary function and serve both as potential beneficiaries as well as multipliers and facilitators of aid-for-trade actions. However, the organisations face a variety of constraints in the areas of human resources as well as organisational and financial management preventing them from exerting their potential role.

## Trade policy and regulations

Most empirical studies in the area of donor support to trade policy and regulations have focused on aid-for-trade facilitation. OECD (2013) calculated that fully implementing the WTO Trade Facilitation Agreement could reduce global trade costs by between 12% and 15%, noting that a 1% cost reduction would increase worldwide income by more than USD 40 billion, almost two-thirds of which would accrue to developing countries. An econometric analysis by Massa (2013) provided new insights into the determinants of aid-for-trade facilitation effectiveness. The study found that aid-for-trade facilitation on its own is important for fostering exports, but it is its combination with good quality institutions in recipient countries that allows aid-for-trade facilitation disbursements to unfold their positive effects.

Subramanian, Anderson and Lee (2012) estimated the effect of reducing trade transaction times on exports. Their results show that reducing the time to export could potentially increase trade by 0.6% on average for sub-Saharan African countries. Furthermore, Djankov et al. (2010) collected data from 98 countries on the number of days it takes to

### TRADE FACILITATION: RESULTS AT A GLANCE

<b>Global</b>	AIM for Results assisted 50 trade support institutions to address their managerial and operational weaknesses, thus helping SMEs to connect to GVCs (CS 49).
<b>Asia</b>	GIZ (Gesellschaft für Internationale Zusammenarbeit) provided capacity building for local governments and for the Greater Tumen Initiative, organising dialogue events and conducting sector studies to foster trade between border regions on a sub-national level (CS 66).
<b>Pacific Islands</b>	PHAMA (Pacific Horticultural Agricultural Market Access Program) provided a structured strategic approach to Pacific Island Countries (PICs), allowing them to access key markets for selected high-value primary products (CS 55).
<b>Vanuatu</b>	The Pacific Agreement on Closer Economic Relations Plus – currently negotiated between 14 Pacific Island Countries, Australia and New Zealand – will improve efficiency and lower the cost of doing business in PICs (CS 41).
<b>Central Asia</b>	Trade facilitation programmes enabled the Central Asia Regional Economic Cooperation (CAREC) to achieve a fivefold increase in interregional trade value, a 30% increase in travel speed along the CAREC corridor and a 20% decrease in costs incurred at a border crossings (CS 60).
<b>West Africa</b>	An USAID-supported Borderless Alliance increased trade across West Africa and facilitated the free movement of persons, goods and vehicles within the Economic Community of West African States (ECOWAS) (CS 65).
<b>West Africa</b>	The West Africa Joint Border Post Programme undertook border management and the construction of modern joint border posts to reduce trade costs by 20% and enhance intra-regional trade and increase revenues (CS 38).
<b>East Africa</b>	The East African Community (EAC) Secretariat improved the EAC integration process, advancing the implementation of the core areas of the common market and taking into account the interests of non-governmental actors (CS 67).
<b>East Africa</b>	The Project on Capacity Development for International Trade Facilitation enhanced the compliance levels and improved the efficiency of border clearance, fuelling poverty reduction (CS 7).
<b>Tunisia</b>	The Single Window of Information and Communication Technologies simplified the telecommunications imports, reducing clearance time (CS 10).
<b>Uganda</b>	The Customs Business Systems Enhancement Project decreased the average time to clear goods from 18 to 4 days, allowing businesses to save USD 373 million per year and increase trade volumes (CS 6).
<b>Peru</b>	Focusing on security requirements and partners' skills, the customs Authorized Economic Operator programme improved trade promotion, trade facilitation and decreased technical barriers (CS 12).

Source: OECD/WTO 2015 aid-for-trade case story.

## ADOPTING STANDARDS TO GROW: RESULTS AT A GLANCE

<b>Cambodia</b>	The introduction of food safety procedures and the promulgation of the internationally recognised Cambodian Rice Standards doubled the export volume of rice in three years (CS 15).
<b>Ecuador</b>	Ecuador, through the harmonisation of foot-and-mouth programmes at the regional level, has been without new outbreaks for 41 months (CS 18).
<b>Honduras</b>	The creation of a national system for phytosanitary inspection and certification of agricultural export products will strengthen the framework of Honduras' National Agricultural Safety Service. (CS 30).
<b>Pakistan</b>	Once Pakistani companies obtained the CE conformity marking, its exports increased. For instance, Suntex, a manufacturer, saw its exports increase by 20% and expects them to rise by an additional 30% by the end of 2015 (CS 75).
<b>Papua New Guinea</b>	The four-year-old bilateral trade agreement between Papua New Guinea (PNG) and the European Union resulted in a EUR 987 million increase in PNG exports to the EU in 2012 and the creation of 40 000 jobs in the fisheries sector alone.(CS 44)

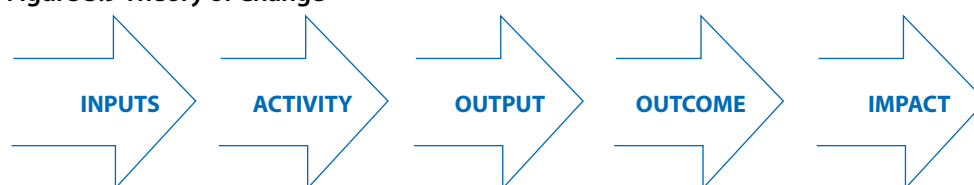
Source: OECD/WTO 2015 aid-for-trade case story.

move standard cargo from the factory gate to the port and found that each additional day that a product is delayed prior to being shipped reduces trade by more than 1%. The study also found that delays have an even greater impact on exports of time-sensitive goods, such as perishable agricultural products.

### Aggregate case story findings

These empirical findings are confirmed by the anecdotal evidence which can be gleaned from 117 case stories that were submitted by the public sector, private sector, academics and NGOs in response to the 2015 call for these studies. The case stories were analysed for references to outputs, outcomes and impacts, which together with the inputs and the activities form the basis of the results chain which underlies the Theory of Change of most donors. A results chain shows how changes happen to achieve the desired objectives, starting with inputs, moving through activities and outputs and culminating in outcomes and impacts. (see Figure 3.1) This process is centred on a strong notion of causality, but at any point in this chain other, possibly more powerful, intervening causal variables may affect the next stage positively or negatively, complicating the attribution of outcomes to the project intervention (OECD, 2011).

**Figure 3.9 Theory of Change**



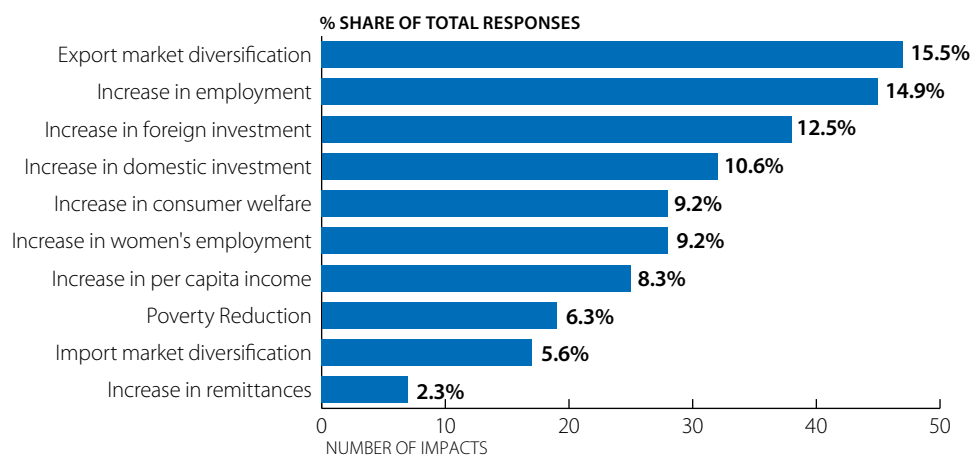
Any conclusion from the collection of case stories must be tempered by the awareness of its limitations. First, the stories are written by the participants, who include governments, donors or consultants working on the project. This introduces two selection biases: respondents are less likely to report on failed projects and self-evaluations are likely to be somewhat more forgiving and less objective than outside evaluations of any given project. Second, the intentional call for heterogeneity is a virtue if the exercise is intended to elicit broad participation, but can also be a vice insofar as it renders comparisons unsystematic. Third, the level of abstraction from a particular intended outcome differs widely, from global stories to project-specific stories. Both present difficulties in evaluating attribution (OECD/WTO, 2011).

From the case stories submitted by the public sector (94), 377 outputs were reported. Almost 60% of all the outputs reported were related to facilitating trade at the border, including new customs procedures (57 times) or the introduction of a single window (27 times). The adherence to standards was ranked 66 times as an output, followed by the training of officials (54 times). Significantly, reforms in tariffs and other fees were mentioned less often (18 times). The remainder of the outputs from public sector case stories covered issues such as new service skills (16 times), new infrastructure (12 times), new laws (11 times) and improved storage (10 times). From the case stories submitted by the private sector, 17 listed a total of 50 outputs with a similar distribution, e.g. facilitation of trade at the border was detailed a total of 12 times and standards a total of 14 times.

Almost 40% of the 366 outcomes that were listed in the public sector case stories focused on the reduction of trade costs in terms of a reduction in customs/border clearance times (57 times) or the cost of customs/border clearance (39 times). Increased trade – both the import and export of merchandise goods and services – was the other main outcome which was mentioned a total of 120 times. Other results reported cited a reduction in informal payments (15 times) or requests for informal payments (8 times). These findings were also reported in the private sector case stories, which highlighted an increase in service and merchandise exports and tariff revenue, plus a reduction in the cost of trade finance, customs clearance and customs rejections.

In 94 public sector case stories 299 impacts were mentioned. The most important ones were a reduction in poverty, an increase in welfare (69 times) and an increase in foreign and domestic investments (also 69 times). These impacts were closely followed by a rise in employment, including for women (65 times), and diversification of imports and exports (63 times). Again, similar impacts were reported in the private sector case stories (see graph 3.10).

**Figure 3.10 Aggregate findings (impacts) from the public and private sector case studies**



Note: 111 case results - multiple impacts were allowed.

Source: OECD/WTO 2015 case story.

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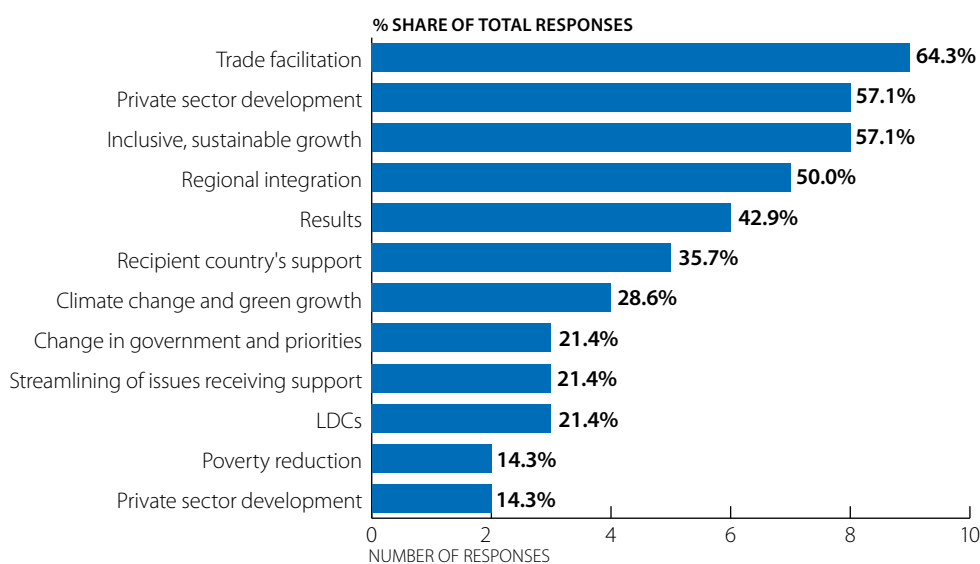
## AID-FOR-TRADE PRIORITIES

One of the recommendations of the task force on aid for trade was that donors and developing countries should pay more attention to trade issues in their aid and development strategies. Successive monitoring exercises have shown that both donors and recipient countries did indeed respond to this suggestion and developed specific strategies for the delivery of aid for trade. Based on the responses to the Joint OECD/WTO Aid for Trade monitoring exercise, 2015, the remainder of this section discusses the priorities highlighted in the aid-for-trade strategies of donors and the development strategies of partner countries.

## Donors

Two-thirds of the donors that have participated in the survey have a specific aid-for-trade strategy. Since 2012, they have revised their strategies to focus their support more on trade facilitation (9 donors), inclusive and sustainable growth (8 donors), private sector development (8 donors) and regional integration (7 donors). Less important were issues such as more focus on poverty reduction and private sector development (see Figure 3.11). The Australian government is considering a new aid-for-trade strategy to assist developing countries with: 1) improving their regulatory environment; 2) increasing their infrastructure investments; and 3) improving the productive capacity of their private sector. New Zealand added trade as a new sector priority to its aid programme in 2014, with the aim of supporting Pacific Island Forum countries in building their capacity to trade, including through implementation of the Pacific Agreement on Closer Economic Relations (PACER). An evaluation of the German aid-for-trade strategy recommended a revision to reflect better: 1) the inclusion of current topics such as green and inclusive growth, social standards, investment and coherence between trade and development policies; 2) the potential synergies between domestic trade and trade-related development; and 3) highlight the importance of trade promotion for German companies and for the development of partner countries to help raise awareness of the Aid-for-Trade Initiative (German Institute for Development Evaluation, 2015).

**Figure 3.11. Donor aid-for-trade priorities**



Note: 14 respondents - multiple responses were allowed  
Source: OECD/WTO 2015 case story.

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In recent years, UNCTAD has focused on capacity building, which in selected LDCs has included projects on mainstreaming trade into national development. In addition, UNCTAD promotes building productive capacity (investing in industries and sectors so that countries can diversify exports and build on comparative advantages) and policies that are conducive to stable economic growth and sustainable development. UNDP's Strategic Plan for 2014-17 aims to help countries eradicate poverty and significantly reduce inequalities and exclusion. UNDP articulates its contribution around seven outcomes, including three under which most of UNDP's aid-for-trade support falls: 1) growth and development are inclusive and sustainable, incorporating productive capacities that create employment and livelihoods for the poor and excluded; 2) faster progress is achieved in reducing gender inequality and promoting women's empowerment; and 3) development debates and actions at all levels prioritise poverty, inequality and exclusion.

The World Bank Group's aid-for-trade priorities are aimed at systematically strengthening its engagement in the trade and competitiveness issue in pursuit of the twin goals of ending poverty and boosting shared prosperity. The strategy charts the way forward for a newly constituted Trade and Competitiveness Global Practice to respond better to the

demands of clients in lower and middle income countries and fragile and post-conflict affected states. It also aims to scale up support for policies, institutions and catalytic initiatives that boost the volume and value of trade, improve the investment climate, promote competitiveness and foster innovation and entrepreneurship.

The Inter-American Development Bank (IDB) is updating its institutional strategy, and aid for trade will become one of the three institutional priorities. Under the heading Productive Integration, the strategy aims to increase the participation of Latin American and Caribbean firms in regional and global value chains. The focus will be on how to further reduce trade costs to increase the competitiveness of firms and create better quality jobs aimed at unleashing a new growth process in the region that can further reduce poverty. This is to be achieved through simultaneous investments in trade software and hardware, with a strong regional approach aimed at generating regional public goods.

The Ten Year Strategy adopted in 2013 by the African Development Bank (AfDB) sets out how to leverage recent African growth performance into a more profound transformation of the economy. The bank will continue to help link Africans from Cape Town to Cairo into a single economic space. One of the ways in which this will be achieved is through regional transport corridors to lower the costs of trade and enable African producers to become more competitive while helping adjacent rural areas to access markets and services. In addition, the bank launched the USD 2 billion Africa Growing Together Fund, and the Africa Trade Fund was created to modernise customs systems, reduce the incidence of non-tariff barriers and enhance standards capacities.

The International Islamic Trade Finance Corporation (ITFC) has initiated an Aid for Trade Initiative for the Arab States together with the League of Arab States, five UN agencies and seven donors. The joint initiative aims to achieve the following: 1) enhance regional competitiveness through trade reforms; 2) strengthen trade supply side and value chain integration; and 3) strengthen regional and sub-regional organisations' capacity to foster trade integration.

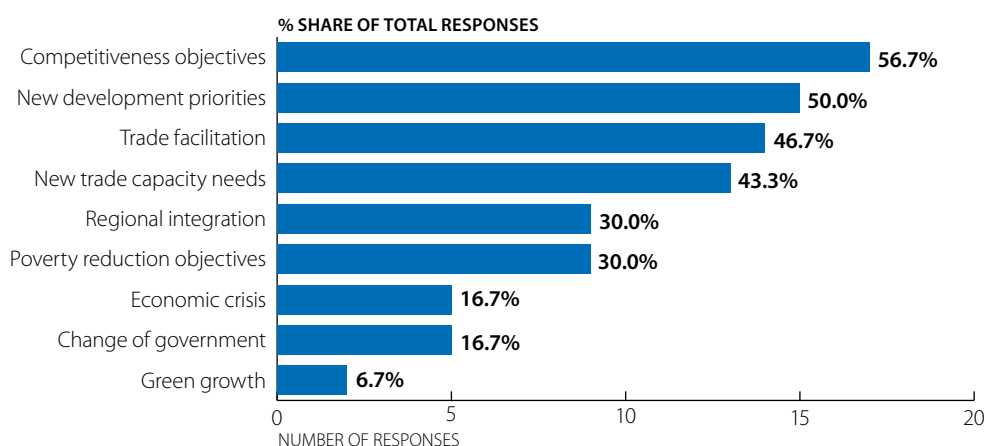
### Partner views

Partner countries that participated in the survey reported in most cases that their responses had been co-ordinated with other government departments and agencies, such as the prime minister's office, the ministries of finance and planning, agriculture, infrastructure, rural development, the customs office, the chamber of commerce and industry, the federation of small and medium size enterprises, etc. Partner countries answered overwhelmingly (93%) that they had formulated specific aid-for-trade priorities. Trade facilitation was ranked 44 times among the top three priorities and is highlighted as a priority in almost all (93%) regional, national or sectoral trade development strategies. This is followed by competitiveness and trade policy analysis and negotiations and implementation, which are both ranked 35 times as a priority. As has been the case in previous surveys, little importance was accorded to trade adjustment costs, (4 times) and WTO accession (8 times), which is becoming less of an issue with the increasing WTO membership.

Bangladesh suggested regional integration and cross border infrastructure are among their top priorities. Chad highlighted their priorities were analysed and identified in the DTIS (Diagnostic Trade Integration Study) 2 report and approved in November 2013. Sierra Leone noted the lesson learned from the implementation of the 2006 DTIS and the second PRSP (Poverty Reduction Strategy Paper) 2008-12 is a holistic approach is needed to ensure trade related strategies and investments achieve their objectives. This entails that investments and trade strategies are underpinned by institutional reforms and the capacity to fully implement, which requires careful planning and sequencing. Sierra Leone reported this was unfortunately not yet the case and therefore the full benefits of progress made in areas like building infrastructure and adopting trade-related national strategies did not translate into lower trade costs, increased value-added exports or reliable supply chains. As the country makes the transition from the *Agenda for Change* to the *Agenda for Prosperity*, with aspirations to achieve middle income status by 2035, it becomes more important than ever to overcome both supply-side and institutional impediments to trade and boost the overall competitiveness of the country.

The aid-for-trade priorities have not changed in 31 developing countries since 2012, whereas they did in 29 countries. The top three factors driving this change were new competitiveness objectives (17 countries), trade-facilitation capacity needs (14 countries) and new trade-capacity building needs (13 countries). Costa Rica reported that the promotion of trade and foreign investment are a fundamental part of its development strategy. Through trade facilitation, infrastructure investment and programmes to increase production chains, Costa Rica seeks to promote the benefits of trade and investment in all regions of the country. In nine out of ten countries these new priorities have been reflected in an updated development strategy, and in eight out of ten cases they were also raised in the dialogue with donors. The majority of partner countries (80%) consider that since the launch of the Aid-for-Trade Initiative alignment of donor support around national priorities has improved due to better dialogue with donors (43 countries), the private sector (35 countries) and regional partners (31 countries). (see Figure 3.12).

**Figure 3.12 Partner priorities**



Note: 14 respondents - multiple responses were allowed  
Source: OECD/WTO 2015 case story.

StatLink  <http://dx.doi.org/10.1787/888933241114>

Three South-South trade-related assistance providers – Chile, China and Indonesia – responded to the monitoring survey. Indonesia noted that its budget for trade-related assistance had increased by 10% since 2012 and expects an additional 10% in the next five years, with a focus on the LDCs and private sector development while streamlining issues and countries that are receiving support. China also expects to focus more on the LDCs and the reduction of poverty. Chile expects a greater focus on trade facilitation and regional integration, with greater involvement of the private sector and alignment around the SDGs (sustainable development goals). The issue of trade costs is specifically addressed in the aid-for-trade strategy of China and Indonesia.

Since 1981, Indonesia has launched many initiatives for South-South co-operation, including training programmes on SMEs, investment, agriculture and food security, microfinance, women's empowerment, renewable energy, governance, disaster management and poverty alleviation. Indonesia's South-South and triangular co-operation activities are coordinated by the National Coordination Team, which was established in 2010. The team mainly consists of four core ministries, namely the Ministries of National Development and Planning, Foreign Affairs, State Secretariat and Finance. For the period of 2000-14, Indonesia carried out more than 404 programmes and activities, with total funding of at least USD 56 million. Chile provided technical expertise on market intelligence and established an online system, enabling producers, processors and exporters, among others, to access detailed and up-to-date agricultural information and publications, such as technical guides, planting projections and statistics on exports and price. The web platform offers comprehensive information about domestic and international market performance and access is free.

## Reducing trade costs

Increasingly, trade costs are recognised as an important factor in determining the competitiveness of firms and the trade performance of countries. As set out in Chapters 1 and 2, producers in developing countries are often competitive at factory and farm gates but are limited in their capacity to expand their business by high trade costs. This section looks at the extent to which the reduction of trade costs is a priority for donors and how donors track trends in trade costs.

### Trade costs: An aid-for-trade focus

The issue of trade costs are specifically addressed in almost 60% of donor's aid-for-trade strategies. In most cases this is done through in-country programmes and projects (73%), regional programmes and projects (64%), and thematic programming (64%). For instance, Germany, through its implementing agencies, operates trade facilitation and trade cost reduction projects on a country as well as regional level. Finland addressed trade costs through three programs: the WCO-implemented programme on customs modernisation in East and Southern Africa; the UNDP-implemented aid-for-trade project in Kyrgyz Republic, Tajikistan and Uzbekistan; and via the multi-donor programme TradeMark East Africa. In line with the UK Economic Development Strategic Framework, operational plans prioritise delivering programmes that reduce trade costs through reducing cross-border red tape and complex regulations that prevent businesses from trading and supply chain upgrading. For example, the regional Trade Facilitation Facility project helps developing countries reduce the transaction costs associated with trading across

The ADB (Asian Development Bank) has developed a process-based corridor performance measurement and monitoring (CPMM) methodology to capture data on the time and cost of moving freight within the CAREC region, particularly at border crossing points (BCPs) astride six CAREC transport corridors. The methodology, which is based on internationally accepted tools for monitoring and measuring the performance of transport movements and trade flows, is a process-based measurement tool that can aid policy reform efforts, particularly by identifying viable, cost-effective ways to circumvent or mitigate impediments to the movement of goods and people along CAREC corridors and throughout the region. CPMM data are provided by national associations of carriers and forwarders from each of the ten CAREC countries. Together they have established a regional federation to ensure that private sector concerns and analyses based on CPMM data are presented coherently and consistently to policy makers (ADB, 2014).

## AID-FOR-TRADE COMMITMENTS

Aid-for-trade commitments are firm obligations, expressed in writing and backed by the necessary funds, undertaken by an official donor to provide specified assistance to a recipient country or a multilateral organisation. As such commitments are an expression of the current priorities of the recipient and donor. The commitments are recorded in the full amount of the expected transfer, irrespective of the time required for the completion of disbursements, which in some cases, such as those for economic infrastructure, may take many years. The remainder of this section provides an analysis of the aid-for-trade commitments up to 2013, the latest year for which detailed information is available. The section will highlight the sectoral, regional and income distribution, the donors and the financial terms of the support committed.

### Budgets

In 2013, aid-for-trade commitments reached USD 55.4 billion; an increase of USD 1.8 billion in real terms compared to 2012 and an additional USD 30.1 billion compared with the 2002-05 baseline average. This is a 119% increase in real terms. Trade related OOF increased by more than USD 10.0 billion to reach USD 48.8 billion in 2013 compared to 2012 and more than doubled compared to the 2002-05 baseline average of USD 17 billion.



According to responses to the Joint OECD/WTO Aid for Trade monitoring exercise, 2015, only four donors reported a decrease in their aid-for-trade allocation since 2012. No change was reported by nine donors, while 12 donors augmented their spending by more than 10.0%, and another seven donors less than 10.0%. The average annual increase of aid-for-trade commitments of almost 15.0% has resulted in a significant rise of almost six percentage points in the share of aid for trade in total sector allocable aid from 32.5% during the baseline to 38.4% in 2013. It appears that the Aid-for-Trade Initiative has contributed to reversing the trend that started in early 1980 of a declining share of ODA devoted to promoting economic growth.

### Sectoral distribution

In 2013, aid commitments for economic infrastructure reached USD 33.4 billion, up 10.0% compared to 2012. Most of the increase was in the area of transport and storage, which rose USD 3.0 billion compared to 2012 and has almost tripled in volume since the 2002-05 average baseline. Commitments to Information Technology and Communications (ICT) also grew by 37.0% in 2013 to USD 1 billion, Support for energy generation and supply decreased USD 426.0 million to USD 13.7 billion, the first decline since the 2002-05 baseline average of USD 5.5 billion. The share of commitments to economic infrastructure in total commitments now stands at 60.4%, up 8.2 percentage points since the 2002-05 baseline average. Trade-related OOF for economic infrastructure also increased in 2013, reaching USD 24.6 billion. Most of the 16.0% increase compared with 2012 was in support of transport and storage, which rose by USD 3.3 billion to USD 13.8 billion.

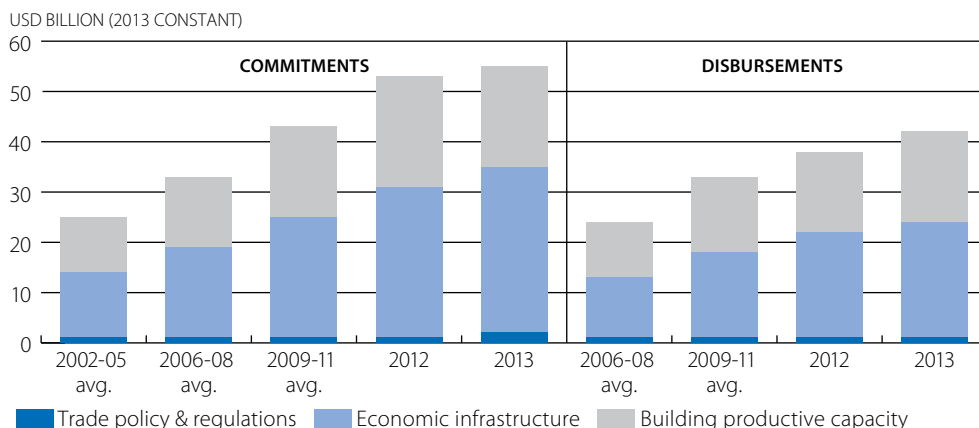
In 2013, commitments for building productive capacities dropped slightly by USD 1.5 billion and now stand at USD 20.3 billion. This drop is the first since the start of the initiative when support for the category only reached USD 11.2 billion. The largest share of support is directed at agriculture, which attracted USD 9.1 billion in commitments, USD 1.1 billion less than in 2012. Commitments to banking and financial services remained stable at around USD 5.0 billion, while those to business services increased 25% to USD 1.8 billion. Commitments to industry and to mining fell respectively to USD 2.2 billion and USD 0.4 billion, while fishing and tourism rose to USD 0.4 billion and USD 153.0 billion. Although commitments to building productive capacities declined by 6% in 2013, the trade development marker continued to grow, reaching USD 5.4 billion. This marker was introduced to identify those activities in the category of productive capacity building that contribute “principally” or “significantly” to the development of trade. In 2013, this was the case for 26% of all support to the private sector and concentrated in the area of business services, industry and tourism. Commitments to trade-related OOF for building productive capacities rose from USD 16.0 billion in 2012 to USD 22.0 billion in 2013. In volume terms the main increases were in banking and financial services, up USD 3.5 billion, and industry, up USD 1.8 billion.

Aid for trade in its narrowest sense of support to trade policy and regulations attracted USD 1.6 billion in 2013, up USD 0.3 billion compared to 2012. Aid to trade policy management and regional trade agreements both increased by USD 35 million and USD 73 million respectively. The largest increase was for trade facilitation up by USD 210 million to reach USD 673 million in 2013. In fact, support to trade facilitation has increased seven fold since the 2002 – 2005 baseline average of USD 76 million (see also Chapter 6). Trade-related OOF commitments reached USD 1.5 billion in 2013 almost double its 2012 level.

### Regional distributions

In 2013, most of the aid-for-trade commitments were destined for Asia, which recorded a total of USD 22.6 billion in commitments, an increase of USD 5.6 billion compared to 2012. Commitments to South and Central Asia were up USD 3.5 billion and to East Asia USD 1.9 billion. The rise in commitments also increased the share of Asia in total aid for trade to 40.9% in 2013, compared to 31.7% in 2012. However, it should be noted that the share of Asia in total aid for trade fluctuates significantly from one year to the other. This is caused by large biennial commitments from Japan and the ADB in the area of economic infrastructure.

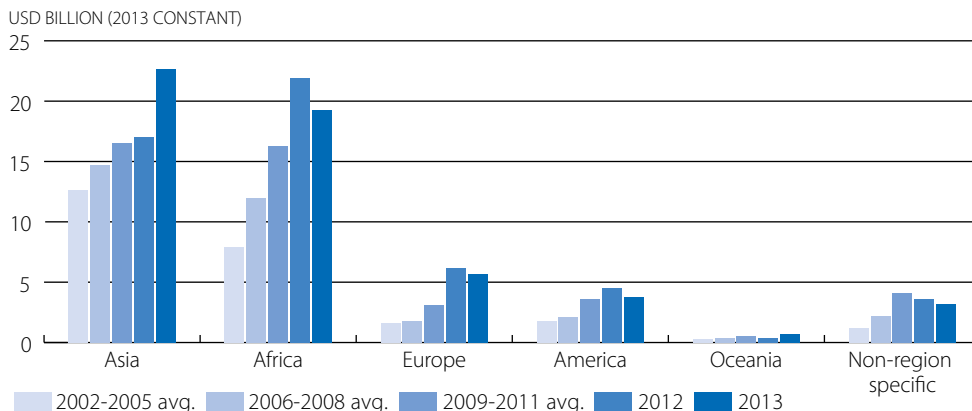
**Figure 3.13 Aid for trade by category**



Source: OECD-DAC/CRS aid activity database

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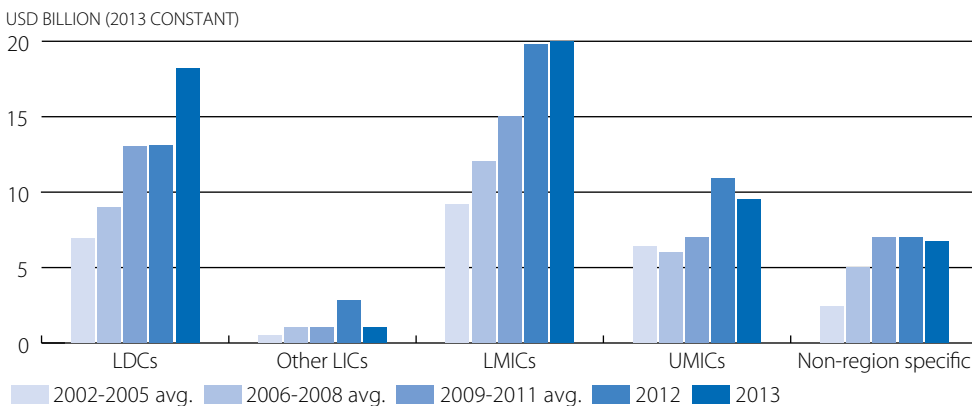
**Figure 3.14 Aid for trade by region, commitments**



Source: OECD-DAC/CRS aid activity database

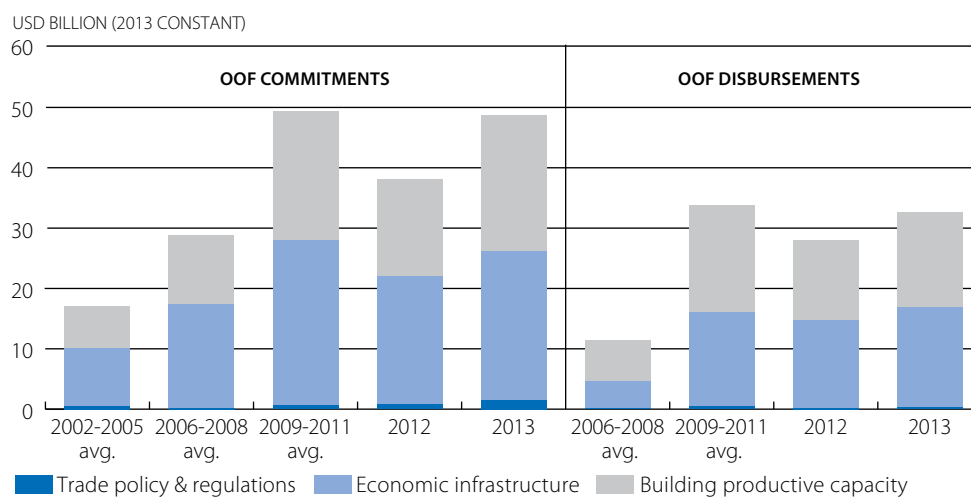
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**Figure 3.15 Aid for trade by income group, commitments**

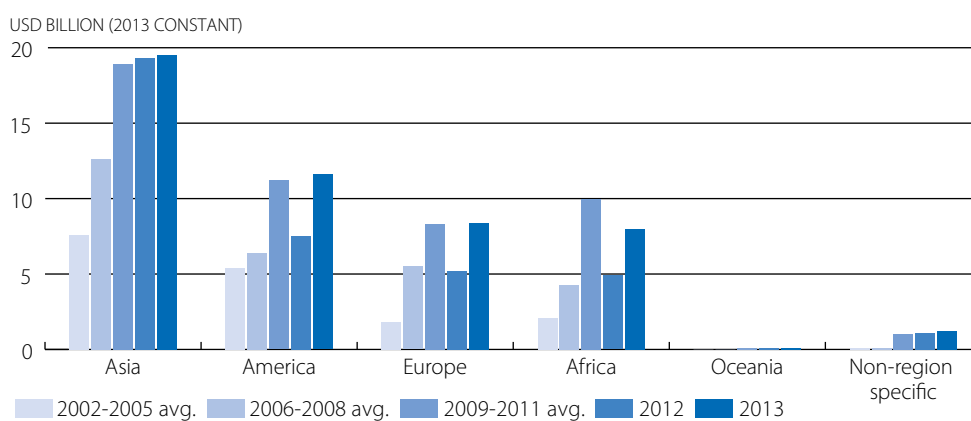


Source: OECD-DAC/CRS aid activity database

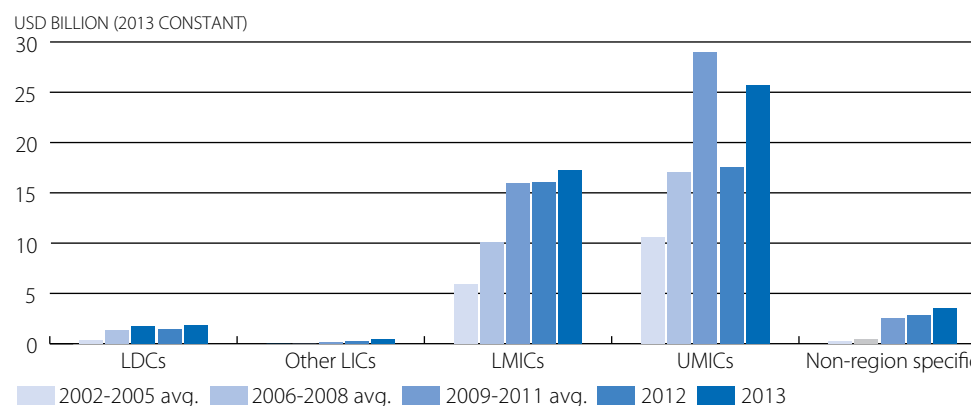
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**Figure 3.16 Trade-related OOF by category**

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**Figure 3.17 Trade-related OOF by region, commitments**

StatLink <http://dx.doi.org/10.1787/888933241169>

**Figure 3.18 Trade-related OOF by income group, commitments**

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Commitments to Africa declined in 2013 by USD 2.6 billion to USD 19.3 billion compared to 2012, a year of exceptionally high commitments, especially to North African countries. Consequently, the decline was particularly pronounced for these countries, amounting to a drop of USD 1.7 billion, while those destined for programmes to sub-Saharan Africa only declined by USD 0.8 billion. Commitments to Europe and Latin America and the Caribbean also declined by USD 0.5 billion and USD 0.7 billion respectively, while those to Oceania increased USD 0.3 billion.

Aid-for-trade regional and global programmes were allocated USD 6.7 billion in 2013. This is almost a threefold increase compared to the 2002-05 baseline average, but it is a USD 0.75 billion drop compared to its highest 2011 level of USD 7.4 billion. Regional aid for trade offers great potential as a catalyst for growth, development and poverty reduction, but projects are often difficult to realise. While regional aid for trade faces many practical implementation challenges, experience has shown that associated problems are not insurmountable but do require thorough planning, careful project formulation and prioritisation on the part of policy makers (OECD, 2014).

Most of the 2013 trade-related OOF was destined for middle income countries in Asia (40.0%), followed by Latin America and the Caribbean (23.7%), Europe (17.3%), Africa (16.4%) and Oceania (0.2%). Regional and global programmes only attracted 2.4% of total trade-related OOF commitments in 2013.

### Income distribution

Aid-for-trade commitments to the LDCs increased in 2013 by USD 5.1 billion to reach USD 18.2 billion. Other low income countries saw their support cut by USD 1.8 billion to USD 1.0 billion. Together the share of commitments to the low income countries reached 34.6% of total aid-for-trade flows in 2013, compared to 29.6% in 2012. With a commitment of USD 20 billion, the lower middle income countries are the largest aid-for-trade recipients in 2013. The upper middle income countries saw their commitments drop with USD 1.4 billion to USD 9.5 billion.

### Donors

Bilateral donors provided USD 31.5 billion to total aid-for-trade commitments, the largest contribution. Japan is the largest donor, with commitments of USD 10.3 billion destined to a large extent for building infrastructure in Asia. Germany is the second largest bilateral donor, with USD 5.0 billion, followed by the United States, with USD 3.8 billion and France with USD 2.4 billion. The United Arab Emirates are also becoming important aid-for-trade donor, with commitments in 2013 reaching USD 1.8 billion, followed by Kuwait with USD 832 million. Most bilateral donors provide the majority of their support in the form of grants, with the exception of Japan and Germany, who also provide a large share in loans.

Meeting at the Seoul Summit on 11-12 November 2012, the assembled leaders of the Group of 20 pledged to at least maintain aid-for-trade levels that reflected the average of the period 2006-08 beyond 2011. They tasked the OECD and WTO to monitor the pledge. The G20 average for the period 2006-08 stood at USD 22.6 billion, reaching USD 34.8 billion in 2013, which is an increase of 53.8%. Commitments of all G20 members increased, with the exception of Italy (down USD 168.0 million), Spain (down USD 669.0 million) and the United States (down USD 1.9 billion).

The OECD also prepares estimates for nine bilateral providers of development co-operation with whom it collaborates but do not report to the OECD-DAC. They are based on publicly available information and, to the extent possible, are calculated according to the ODA definition. It should be stressed that the information presented here from these countries may not cover all grants and concessional loans that could be eligible as ODA. As a result, the estimates presented in Table 3.1 should be treated only as an indication of the volume of the development co-operation provided by these nine countries and would tend to be a low estimate.

**TABLE 3.1 Estimates of development co-operation flows: bilateral providers of development co-operation that do not report to the OECD-DAC (gross, USD millions, current prices)**

Country	2010	2011	2012	2013	Source
<b>Brazil</b>	500	...	...	...	Institute of Applied Economic Research (IPEA) and Brazilian Co-operation Agency (ABC)
<b>Chile</b>	16	24	38	44	Ministry of Finance
<b>China</b>	2 561	2 776	3 114	3 009	Fiscal Yearbook, Ministry of Finance
<b>Colombia</b>	15	22	86	95	Strategic institutional plan 2013, Presidential Agency of International Co-operation
<b>India<sup>1</sup></b>	709	788	1 076	1 257	Annual Reports, Ministry of Foreign Affairs
<b>Indonesia</b>	10	17	27	12	Ministry of National Development Planning
<b>Mexico</b>	...	99	203	...	Mexican Agency for International Development Co-operation (AMEXCID)
<b>Qatar</b>	334	733	543	1 344	Foreign Aid reports, Ministry of Foreign Affairs
<b>South Africa<sup>1,2</sup></b>	151	227	188	183	Estimates of Public Expenditures 2013, National Treasury

... = not available.

Note 1) Data includes only development-related contributions. This means local resources, financing from a country through multilateral organisations earmarked to programmes within that same country, are excluded. Moreover, as for reporting countries, coefficients are applied to core contributions to multilateral organisations that do not exclusively work in countries eligible for receiving ODA. These coefficients reflect the developmental part of the multilateral organisations' activities. 2) The flows channelled through multilateral organisations is (partly) based on websites of multilateral organisations, [www.aidflows.org](http://www.aidflows.org) and data from UN Department of Economic and Social Affairs (DESA), except for Brazil and India.

1) Figures for India and South Africa are based on their fiscal years. For example, 2012 data correspond to fiscal year 2012/13.

2) The decrease in South African development co-operation from 2013 onwards reflects exchange rate fluctuations.

The majority of China's foreign assistance projects are spent on economic infrastructure, followed by industry, energy and resource development and agriculture. Grants, concessionary loans, and assistance for joint ventures are the primary forms of financing, which are used in concert with its investment and trade policies in order to leverage greater investment from the commercial sector (Institute of Development Studies, 2014). India uses mainly lines of credit to provide finance on concessional terms with the objective of promoting trade with a partner country. In the case of Brazil, bilateral co-operation is focused on agriculture, education, health and human rights. Brazil's support related to international trade is done mainly through export credits (IDS, 2014). Russia's co-operation concentrates on energy, health and education, and South Africa's co-operation is focused on peacekeeping, security and governance.

The multilateral donors committed together USD 23.9 billion, a drop of USD 3.8 billion compared to 2012 but still significantly above their commitment in all other years since the inception of the Aid-for-Trade Initiative. The EU institutions are the largest multilateral donor, with USD 10.1 billion in commitments, followed by the multilateral development banks, i.e. the IBRD (USD 6.4 billion), the AsDB (USD 2.2 billion), the AfDB (USD 1.3 billion), the Arab Fund (USD 986 million), the IADB (USD 600 million) and the IsDB (USD 157 million) The multilateral donors provide two-thirds of their support in the form of concessional loans. In addition, they also provide non-concessional loans to the amount of USD 41.1 billion

## Aid-for-trade outlook

The medium-term prospects for continued increases in aid-for-trade allocations look positive, with 21 donors reporting increases and only one donor a decrease, while seven donors are unsure what the future will bring. The International Trade Centre plans to grow the organisation's spending by 20% over the next three years. The AfDB also expects a significant increase in their aid-for-trade financing through a number of financing instruments that are currently being developed, such as the Africa 50 Fund, the Africa Trade Fund and the Africa Growing Together Fund. France is committed to continue providing support for trade, but in a tight fiscal environment funding for official development in 2015 will remain similar to that in 2014. Switzerland's development co-operation for the period 2017-20, including the share focused on economic development, is currently being prepared, with aid-for-trade spending expected to increase.

Looking ahead, 29 donors expect that in the next five years their aid-for-trade strategy will align with the post-2015 development agenda. Almost all of these donors also consider that working with the private sector will be essential to achieving the sustainable development goals. This engagement of the private sector in delivering inclusive and sustainable growth will be achieved more easily when trade is facilitated. This is an explicit objective for 20 donors, with the implementation of the Trade Facilitation Agreement mentioned by 18 donors. As OECD (2013) highlights, facilitating trade is often most cost-effectively achieved through regional programmes, a priority for 19 donors. For instance, the EU will deliver most of its aid for trade through regional programmes from 2014 onwards. As was the case with recent shifting priorities, donors expect little effect from budgetary changes or streamlining of priority issues or recipients. Also, little impact is expected from focusing on gender or green growth issues, new priorities from developing partners or focusing on the least developed countries.

## CONCLUSIONS

Since the Aid-for-Trade Initiative was launched in 2006, a total of USD 246.5 billion has been disbursed for financing aid-for-trade programmes and projects, mainly in Asia (38.4%) and Africa (35.1%). To date, more than three-quarters of total aid for trade has financed projects in four sectors: transport and storage (29.0%), energy generation and supply (21.0%), agriculture (18.0%) and banking and financial services (10.0%). In addition, USD 190.4 billion in trade-related OOF has been disbursed since 2006, of which almost 80.0% has been provided by international financial institutions. Most of this non-concessional funding has supported projects in economic infrastructure (47.0%) and building productive capacities (52.0%), and this has been almost exclusively in middle income countries (92%).

The significant amount of aid and OOF devoted to helping developing countries build trade capacities through improving infrastructure and invigorating the private sector is showing results. Empirical studies support the presumption that trade liberalisation reduces poverty in the long run and on average and confirms that aid for trade, in general, is effective at both the micro and macro level. But the impacts may vary considerably depending on the type of aid-for-trade intervention, the income level and geographical region of the recipient country and the sector at which the support is directed.

These empirical findings are confirmed by the anecdotal evidence which can be gleaned from the 117 case stories that were submitted by the public sector, private sector, academics and NGOs in response to the 2015 call for these studies. The case stories paint an encouraging picture of numerous donor-supported trade-related projects and programmes delivering a wide range of tangible results in terms of trade performance, private investment and employment creation in a large number of developing countries.

Increasingly, trade costs are recognised as an important factor in determining the competitiveness of firms and the trade performance of countries. Producers in developing countries are often competitive at the factory and farm gates but are limited in their capacity to expand their business by high trade costs. Both partner countries and donors prioritise trade costs in their development strategy and focus trade efforts on facilitating trade.

In 2013, aid-for-trade commitments reached USD 55.4 billion, an increase of USD 1.8 billion in real terms compared to 2012 and an additional USD 30.1 billion compared with the 2002-05 baseline average. Since the baseline period, aid-for-trade commitments have increased by 118% in real terms, while trade related OOF has increased by more than USD 10 billion to reach USD 48.8 billion in 2013 compared to 2012. Meeting at the Seoul Summit on 11-12 November 2012, the assembled leaders of the Group of 20 pledged to at least maintain aid-for-trade levels that reflected the average of the period 2006-08 beyond 2011. They tasked the OECD and WTO to monitor the pledge. The G20 average for the period 2006-08 stood at USD 22.6 billion, reaching USD 34.8 billion in 2013, which is an increase of 53.8%.

The medium-term prospects for continued increases in aid-for-trade allocations look positive, with 21 donors reporting increases and only one donor a decrease, while seven donors are unsure what the future will bring. Looking ahead, 29 donors expect that in the next five years their aid-for-trade strategy will align with the post-2015 development agenda. Almost all of these donors also consider that working with the private sector will be essential to achieving the sustainable development goals.

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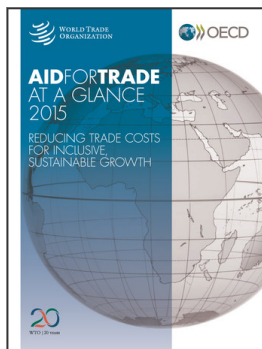
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