INTRODUCTION

There is a general consensus in the economic literature that strong links exist between trade, economic growth and poverty reduction. Countries that have embraced an outward-oriented development strategy, with trade liberalisation at its heart, have not only outperformed inward-looking economies in terms of long-term aggregate growth rates, but have also succeeded in lowering poverty rates and registering improvements in other social indicators. There are many channels through which trade-induced growth leads to poverty reduction. Indeed, exports act as the conduit through which countries exploit their comparative advantage, improve their overall efficiency and productivity, and enable industries to employ their resources more efficiently and profitably. These factors expand demand, spur consumption, and reduce risks associated with reliance on the domestic market. They also increase employment in labour-intensive sectors and raise wages and standards of living. Imports permit countries to gain access to a wider range of goods and services and allow local firms to benefit from more, cheaper and newer technologies that increase productivity and competitiveness (OECD, 2011).

Although access to OECD and emerging markets could be further improved, successive rounds of multilateral trade liberalisation, regional free trade agreements, and various preferential arrangements have provided developing countries with more trading opportunities. Nonetheless, where there are capacity constraints or where trade-related infrastructure is lacking, it can be difficult for developing countries to turn trade opportunities into trade flows. Moreover, domestic trade-related constraints can limit the impact of trade expansion on economic growth and poverty. The Aid-for-Trade Initiative was launched to address these problems. The Initiative has succeeded in raising awareness among partners and donor countries about the positive role trade can play in promoting economic growth and development. Furthermore, increased resources (both concessional and non-concessional) are being devoted to alleviate binding trade-related constraints and to make trade more pro-poor.

Successive Global Reviews of Aid for Trade have shown that partner countries are getting better at articulating, mainstreaming and communicating their trade-related objectives and strategies, notably the least developed countries (LDCs). In turn, this has had a positive impact on the alignment of official development assistance (ODA), which has grown steadily since the 2002-05 base line average. The 2011 Global Review yielded a strong narrative about the results of aid for trade on the ground. The case stories presented at the Global Review suggested that aid-for-trade efforts are substantial, that they have taken root across a wide spectrum of countries, and that they are becoming more central to development strategies. Collectively they reveal in rich detail the efforts of governments and the international community to promote trade as a tool for development. Moreover, and although it is not always easy to attribute cause and effect, the case stories show clear results concerning how aid-for-trade programmes are helping developing countries to build the human, institutional and infrastructure capacity they require to integrate into regional and global markets and benefit from trade opportunities.

Since the launch of the Initiative in 2005, value chains have become an increasingly dominant feature of world trade and investment. By providing access to networks, global markets, capital, knowledge and technology, integration into an existing value chain can provide a valuable step to economic development that is easier than building a fully integrated value chain. With expansion in South-South trade flows, global value chains (GVCs) are also becoming more global in their reach and character. Developing economies can integrate into value chains by opening their markets for trade and foreign direct investment, improving their business and investment environment and strengthening their domestic supply-side capabilities.

The development landscape has also changed with the Global Partnership for Effective Development Co-operation. The Partnership was launched in 2012 to provide a new framework for strengthening efforts to help developing countries leverage and improve the results of diverse forms of development finance and ensure that all these have a catalytic effect on trade and development. At the same time, trade-related South-South co-operation and triangular co-operation have increased in importance and are contributing significantly to deliver the objectives of the Aid-for-Trade Initiative. Increasingly, the private sector is also helping low-income countries reduce their trade costs and integrate into GVCs – a trend driven by private sector bottom-line calculus. With aid budgets from OECD countries under pressure, these diverse forms of public and private trade-related co-operation will likely assume increasing importance.

The emergence of value chains also has important implications for how aid is viewed and delivered. Aid funding, national expenditures, and private investment (both domestic and foreign) increasingly need to be considered in an integrated manner. While aid for trade has been defined in terms of official development assistance (ODA), there are increasingly other sources of finance which can help build trade capacities in lower and middle income countries. For instance, other official flows (OOF) provide trade-related non-concessional loans mostly to middle income countries. And both ODA and OOF strengthen the framework conditions for facilitating foreign direct investment (FDI) and enticing the private sector to engage in trade capacity building, especially that related to skills, standards and logistics.

The 4th Global Review on Aid for Trade will discuss the development benefits of value chains, examine the strategies and programmes for linking firms in developing countries to value chains (including through regional approaches), and assess the trade and development results performance of these strategies and programmes. The analysis is based on self-assessment from partner countries, bilateral and multilateral donors, and the private sector. It is complemented with aid-for-trade data extracted from the OECD Creditor Reporting System (OECD/CRS) database, findings from evaluations, case studies and stories, empirical studies, and references to the broader trade and development literature.

HOW AID FOR TRADE IS MONITORED

To assess progress towards the agreed objectives of the Aid-for-Trade Initiative, the OECD and the World Trade Organization (WTO) have jointly developed a monitoring framework. This framework links accountability at the country (or regional) level with accountability at the global level. As outlined in the Paris Declaration on Aid Effectiveness, mutual accountability is designed to build genuine partnerships and focus these partnerships on delivering results. Three elements are central in establishing mutual accountability: a shared agenda with clear objectives and reciprocal commitments; monitoring and evaluating these commitments and actions; and, closely inter-related, dialogue and review. The Aid-for-Trade Initiative is one of the clearest international examples of how these three elements create powerful incentives to carry out commitments and, ultimately, to change behaviour.

The logical framework for assessing the Aid-for-Trade Initiative is based on four main elements identified by the WTO Task Force[1]:

- demand (*i.e.* mainstreaming and prioritising trade in development strategies);
- response (*i.e.* aid-for-trade projects and programmes);
- outcomes (*i.e.* enhanced capacity to trade); and
- impacts (*i.e.* improved trade performance and reduced poverty).

The framework consists of a qualitative and quantitative monitoring exercise. The qualitative monitoring is based on self-assessment surveys completed by donors, South-South partners, and recipients of aid for trade. In line with the theme of the 2013 monitoring exercise, not only were the views of donors and South-South partners solicited, but also those of the private sector. All were asked about the binding constraints faced by the private sector in linking to value chains and how, in particular, building trade-related productive capacities (or private sector development programmes) is impacting on developing countries' trade performance, economic growth, employment and poverty alleviation. In addition, partner countries and donors were asked about the mainstreaming of trade objectives in development strategies and the funding outlook for these trade-related development programmes.

Quantitative monitoring tracks aid-for-trade flows at the global, regional and national level. The data provide detailed information about the "response" (*i.e.* the volume of aid-for-trade commitments and disbursements). These data are extracted from the OECD/CRS database following the aid-for-trade proxies that most closely match the measurement of aid-for-trade flows as agreed by the WTO Task Force, that is:

- technical assistance for trade policy and regulations;
- trade-related infrastructure;
- productive capacity building (including trade development);
- trade-related adjustment; and
- other trade-related needs if identified as development priorities in partner countries' national development strategies.

The CRS (a database covering around 90 percent of all ODA and OOF) was identified by the Task Force as the best available data source for tracking global aid-for-trade flows. The CRS aid-activity database, established in 1967, is the internationally recognised source of data on aid activities (allowing for geographical and sectoral breakdowns) and is widely used by governments, organisations and researchers to review ODA and OOF trends over time and between agencies.

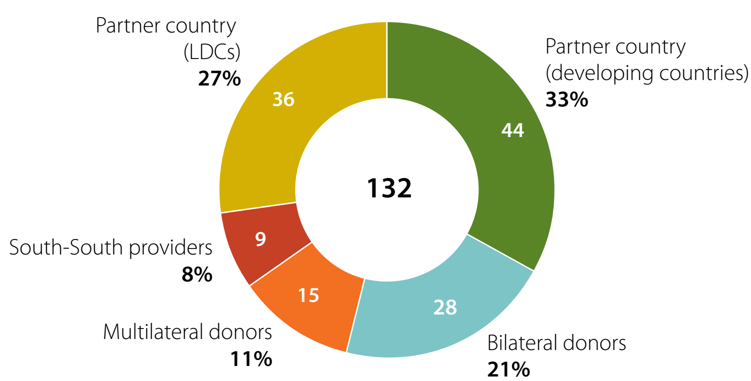
An innovation to the 2013 edition of *Aid for Trade at a Glance* is the new edition of the aid-for-trade fact sheets. These fact sheets use a results-based management approach focusing on inputs (development finance flows), outcomes (trade performance), outcomes (changes in key trade indicators and impacts (both economic and social) to seek to stimulate debate on results at the national level. The aim of the fact sheets is to compare performance in the four categories of indicators over the period 2005-10. The fact sheets are not an attempt to establish attribution at a macro level for aid-for-trade results. Methodological difficulties prevent such causality from being established. Instead, the fact sheets are a spur for further in-depth, country-based research and may provide valuable insights on where contributions may be apparent – contributions which can be critically examined in further in-depth research.

WHO PARTICIPATED IN THE 2013 MONITORING EXERCISE?

In 2013, 80 partner countries (including 36 LDCs) submitted an aid-for-trade self-assessment. This number is similar to the number of partner countries that participated in the 2011 monitoring exercise. In fact, LDC participation was considerably improved as compared with 2011, with five additional replies received to what was a more complex questionnaire. In total, these 80 partner countries received USD 22.8 billion in aid-for-trade commitments in 2011. This covers 67.4 percent of total country programmable aid for trade (excluding multi-country programmes). In 2013, 43 bilateral and multilateral donors submitted an aid-for-trade self-assessment, which is the same number as in 2011. Taken together, these agencies provided practically the totality of aid-for-trade commitments. Nine providers of South-South co-operation (including China) participated in the 2013 monitoring exercise, again similar to the 2011 exercise. South-South partners are more forthcoming with information on their programmes than in the past, but data on aid-for-trade flows remain anecdotal and harvested from secondary sources.

Figure 0.5 Self-assessments by respondent

Number of responses shown in white.



Source: OECD/WTO self-assessments and questionnaires 2013, *www.aid4trade.org*.

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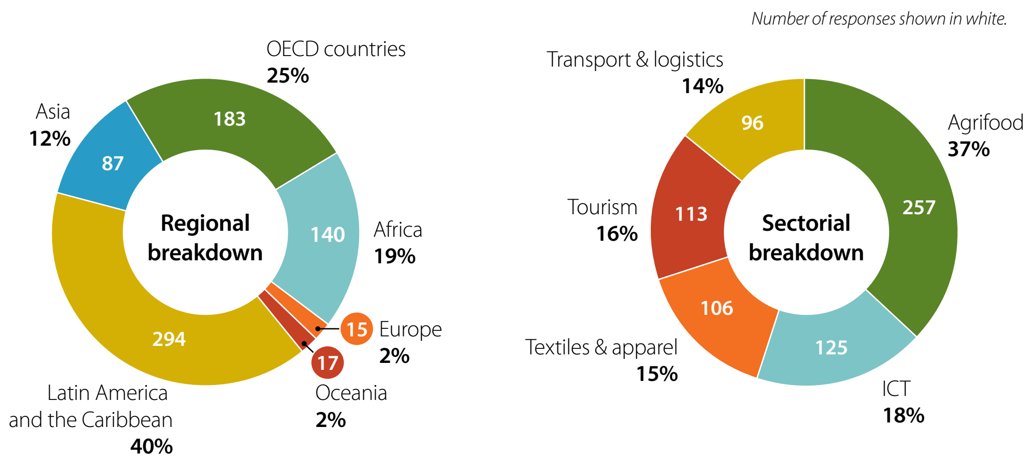
Another innovation of the 2013 monitoring exercise was to solicit the views of the private sector on linking to value chains and on how aid for trade can assist in this regard. Not only was the exercise itself an innovation, but so too were the partnerships established to undertake the exercise. In addition to the OECD and WTO, the exercise extended the monitoring partnership to Grow Africa, the International Chamber of Commerce (ICC), the International Trade Centre (ITC), the International Telecommunications Union (ITU) and the United Nations World Tourism Organization (UNWTO). By extending the collaborating organisations, firms and business associations in each of the five sectors targeted could be approached.

The private sector questionnaire focused on businesses engaged in value chains in five key sectors: agri-food, information and communications technology (ICT), textiles and apparel, tourism, and transport and logistics. The large number of responses to the questionnaire is a clear reflection of the interest of the private sector in the Aid-for-Trade Initiative. The 524 responses submitted by firms and business associations in developing countries present strong views on the binding constraints they face in linking to, moving up and establishing value chains, while the 173 responses from lead firms (mostly, although not exclusively, located in OECD countries) show the obstacles they face in engaging with enterprises in developing countries. Together the 697 responses from the private sector indicate the areas that offer the greatest potential for public-private partnerships to deliver the objectives of the Aid-for-Trade Initiative.

Figure 0.6 Private sector questionnaire
(697 responses)



Source: OECD/WTO self-assessments and questionnaires 2013, *www.aid4trade.org*.

Note: Based on responses submitted from developing countries in Africa, Asia, Latin America and the Caribbean, Europe and Oceania, as well as from OECD countries (some of these categories overlap).

StatLink *http://dx.doi.org/10.1787/888932853872*

STRUCTURE OF THE REPORT

This report examines strategies and programmes for helping firms in developing countries, particularly the least developed countries, connect to value chains; how these firms can move up the value chain; and what the associated development benefits are in the context of the global debate about the post-2015 development agenda.

Chapter 1 sets out the trade and development context and how recent changes affect aid for trade. In this context, and using the responses to the OECD/WTO questionnaire the chapter examines how aid-for-trade policies, priorities and strategies are evolving. In particular, it investigates how much resonance value chains have in establishing developing country objectives, and the extent to which they are considered in the programmes of donor agencies and providers of South-South co-operation.

Chapter 2 highlights that aid funding, national expenditures, and public policies, as well as private investment, increasingly need to be examined in an integrated way. While aid for trade has been defined in terms of ODA, other sources of finance are increasingly helping to build trade capacities in lower income as well as middle income countries. Trade-related OOF provide non-concessional loans mostly to middle income countries. Both ODA and OOF strengthen conditions for facilitating FDI. The private sector has also engaged in trade capacity building.

Chapter 3 discusses the development opportunities created by value chains. Taking advantage of the opportunities offered by regional and global value chains can only be facilitated through a strong private sector. Firms trade and organise the flows of capital, labour, knowledge and technology, albeit with differing degrees of regulation. Using the public and private sector questionnaire responses and case stories, as well as other case studies, this chapter provides examples of where value chain investments are working and why. The importance of value chains is examined in five key sectors (agri-food, information and communications technology (ICT), textiles and apparel, tourism, and transport and logistics). The chapter summarises the main findings and draws conclusions from these five sectors based on the responses to the questionnaire from donors, partner countries and, in particular, the private sector. Strategic partnerships at the sectoral/thematic level with relevant international organisations aided the dissemination and completion of the private sector questionnaire.

Chapter 4 considers how regional aid for trade contributes to the development process; identifies existing challenges facing developing economies as they endeavour to increase regional integration; underscores emerging opportunities, particularly through regional value chains; and evaluates how effective regional and multi-country aid for trade has been thus far. It considers partner country strategies that can best mainstream regional aid for trade in development planning, and how donor countries can collaborate with partner countries in crafting the best possible aid-for-trade projects and programmes. Finally, it considers implementation issues, which are particularly complicated in the case of regional aid for trade, with examples of recent initiatives from Africa, Asia and Latin America and the Caribbean.

Chapter 5 focuses on the results of aid-for-trade projects and programmes. It reviews how aid for trade, in the context of broader development finance flows, has contributed to the trade performance of developing countries and discusses ways in which aid for trade can most appropriately and efficiently address the diverse challenges of developing countries at different levels of development. This chapter provides an update on relevant empirical studies, impact assessments and recent evaluations relevant to aid for trade, with a focus on how aid for trade has contributed to value chains (including sectoral and private sector development evaluations). The chapter suggests ways in which partner countries and donor agencies can better track progress and manage resources to achieve trade and development results.

Chapter 6 emphasises the promise of aid for trade. Aid for trade has succeeded in raising the profile of trade in development strategies. It has helped developing countries to overcome supply-side constraints and has helped firms connect to value chains. Regional approaches and ways of managing aid to achieve trade and development objectives are improving, and aid for trade continues to show results. However, there are challenges ahead, aid budgets remain under pressure, and the effectiveness of aid will be compromised if donors and South-South partners tie the assistance they provide. The international community must continue to make a strong case for more and better aid for trade. This chapter concludes the report, comments on the future of aid for trade, and suggests a way forward to ensure that the Initiative remains relevant in a changing trade and development environment.

The remainder of the report contains the aid-for-trade country fact sheets and all the aid-for-trade data used in the analysis.

Finally, all the information used in the report is available on the joint OECD/WTO Aid for Trade website: *www.aid4trade.org*. ■

Table 0.1 Responses to the aid for trade questionnaire

	Overall Total	Partner Country	LDCs	Donors (including IGOs)	South-South
Responses 2013	133	80	36	43	9
Responses 2011	146	84	31	43	10

Table 0.2 Partner country responses to the aid for trade questionnaire

Region	Responses to questionnaire 2013	Responses to questionnaire 2011
Africa (38)	Benin; Botswana; Burkina Faso; Burundi; Cape Verde; Central African Republic; Chad; Comoros; Congo, Dem. Rep.; Côte d'Ivoire; Djibouti; Ethiopia; Gabon; Gambia; Ghana; Guinea; Kenya; Lesotho; Liberia; Madagascar; Malawi; Mali; Mauritania; Mauritius; Morocco; Mozambique; Niger; Nigeria; Rep. of Congo; Rwanda; Senegal; Sudan; Tanzania; Togo; Tunisia; Uganda; Zambia; Zimbabwe	Angola; Benin; Botswana; Burkina Faso; Burundi; Cameroon; Cape Verde; Central African Republic; Chad; Comoros; Congo, Dem. Rep.; Côte d'Ivoire; Ethiopia; Gabon; Gambia; Ghana; Guinea; Kenya; Lesotho; Madagascar; Malawi; Mali; Mauritius; Morocco; Mozambique; Niger; Nigeria; Rep. of Congo; Senegal; Sierra Leone; Swaziland; Togo; Uganda; Zambia; Zimbabwe
Arab and Middle East (3)	Jordan; Oman; Yemen	Jordan; Lebanon; Yemen
Asia and Pacific (12)	Bangladesh; Bhutan; Cambodia; Fiji; India; Indonesia; Nepal; Pakistan; Papua New Guinea; Samoa; Tuvalu;[2] Vanuatu	Bangladesh; Fiji; India; Indonesia; Lao, PDR; Maldives; Mongolia; Nepal; Pakistan; Solomon Islands; Sri Lanka; Tonga; Tuvalu[3]
Central and Eastern Europe and Central Asia (2)	Afghanistan; Turkey	Afghanistan; Azerbaijan; Croatia; Kyrgyz Republic; Serbia
Latin America and the Caribbean (25)	Antigua and Barbuda; Bahamas; Barbados; Belize; Colombia; Costa Rica; Dominica; Dominican Republic; El Salvador; Grenada; Guatemala; Haiti; Honduras; Jamaica, Mexico; Nicaragua; Panama; Paraguay; Peru; St. Kitts and Nevis; St. Lucia; St. Vincent and the Grenadines; Suriname; Trinidad and Tobago; Uruguay	Antigua and Barbuda; Bahamas; Barbados; Belize; Chile; Colombia; Costa Rica; Dominica; Dominican Republic; Ecuador; El Salvador; Grenada; Guatemala; Guyana; Haiti; Honduras; Jamaica; Mexico; Nicaragua; Panama; Paraguay; Peru; St. Kitts and Nevis; St. Lucia; St. Vincent and the Grenadines; Suriname; Trinidad and Tobago; Uruguay
LDCs (36)	Afghanistan; Bangladesh; Benin; Bhutan; Burkina Faso; Burundi; Cambodia; Central African Republic; Chad; Comoros; Congo, Dem. Rep.; Djibouti; Ethiopia; Gambia; Guinea; Haiti; Lesotho; Liberia; Madagascar; Malawi; Mali; Mauritania; Mozambique; Nepal; Niger; Rwanda; Samoa; Senegal; Sudan; Tanzania; Togo; Tuvalu; Uganda; Vanuatu; Yemen; Zambia	Afghanistan; Angola; Bangladesh; Benin; Burkina Faso; Burundi; Central African Republic; Chad; Comoros; Congo, Dem. Rep.; Ethiopia; Gambia; Guinea; Haiti; Lao, PDR; Lesotho; Madagascar; Malawi; Maldives; Mali; Mozambique; Nepal; Niger; Senegal; Sierra Leone; Solomon Islands; Togo; Tuvalu;[4] Uganda; Yemen; Zambia

Table 0.3 Donor country responses to the aid for trade questionnaire

	Responses to questionnaire 2013	Responses to questionnaire 2011
Bilateral (28)	Australia; Austria; Belgium; Bulgaria; Canada; Czech Republic; Denmark, EU; Finland; France; Germany; Greece; Ireland; Italy; Japan; Korea; Lithuania; Netherlands; New Zealand; Norway; Portugal; Singapore; Spain; Sweden; Switzerland; Chinese Taipei; UK; US	Australia; Austria; Belgium; Canada; Czech Republic; Denmark; EU; Finland; France; Germany; Hungary; Ireland; Israel; Italy; Japan; Korea; Lithuania; Luxembourg; Netherlands; New Zealand; Norway; Portugal; Singapore; Spain; Sweden; Switzerland; Chinese Taipei; UK; US
Multilateral (15)	AfDB; EBRD; EIF; FAO; IaDB; IMF; IsDB; ITC; UNCTAD; UNDP; UNECA; UNECE; UNIDO; World Bank; WTO	AfDB; EBRD; FAO; IaDB; IMF; IsDB; ITC; UNCTAD; UNDP; UNECA; UNECE; UNIDO; World Bank; WTO

Table 0.4 Providers of South-South co-operation responses to the aid for trade questionnaire

Region	Responses to questionnaire 2013	Responses to questionnaire 2011
(10)	Chile; China, Colombia; Costa Rica; Indonesia; Mauritius; Mexico; Morocco; Oman.	Agentina; Brazil; Chile; China; Colombia; Ecuador; India; Indonesia; Mexico; Oman

Table 0.5 Private sector responses to the aid for trade questionnaire

Sector	Total	Lead firm*	Developing country supplier*
Agri-food	257	83	163
ICT	125	44	80
Textiles & apparel	106	37	63
Tourism	113	23	86
Transport & logistics	96	32	63
TOTAL	697	219	455

** Some of these categories overlap*

NOTES

1. WT/AFT/1(2006).
2. Neither WTO member nor observer.
3. Neither WTO member nor observer.
4. Neither WTO member nor observer.

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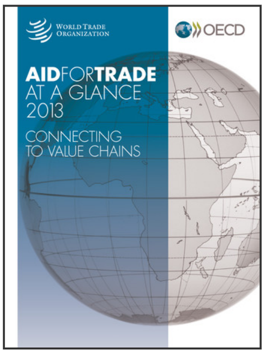

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