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Can Aid Fix Trade? Revisiting the Aid for Trade Agenda

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Table of contents

1. What is Aid for Trade (AfT)?

1.1. Rationale and background

In principle, trade may be necessary for developing countries' sustained industrial development, but it is not sufficient. Trade liberalisation creates opportunities for development but incurs adjustment costs as resources are moved from one sector to another in the process of reform and whereas it may take decades for multilateral trade reform to deliver gains to developing countries, the adjustment costs are automatic and usually upfront. Developing countries lack often the necessary exporting infrastructure (e.g. efficient ports, adequate roads, reliable electricity and communications) or lack the necessary technology and knowledge to meet product standards prevailing in high value markets (sanitary measures, technical barriers, certification, etc.). To benefit from liberalisation developing countries will need to make public investments in infrastructure and institutions as well as private investment in productive capacity.

The Aid-for-Trade (AfT) initiative, launched in 2005, aims to provide a structured and enhanced approach to trade-related development assistance (WTO, 2006). It signifies an acceptance by donors that while trade is an important means to growth and development, there need to be substantial supply-side investments and complementary policy reforms to help developing countries lower the cost of trading, increase the productivity of producers, help firms diversify into new export products, and integrate into global value chains.

In 2006, the WTO defined AfT as "*activities identified as trade-related development priorities in the recipient country's national development strategies*".

The AfT Initiative aims to help developing countries overcome structural and capacity limitations that undermine their ability to maximise the benefits from trade opportunities. Upon concluding its work in 2006, the WTO Task Force on Aid for Trade stated that: "*Aid for trade is about assisting developing countries to increase exports of goods and services, to integrate into the multilateral trading system, and to benefit from liberalised trade and increased market access.*"[1]. It includes technical assistance – helping countries to develop trade strategies, negotiate more effectively, and implement outcomes. Infrastructure – building the roads, ports, and telecommunications that link domestic and global markets. Productive capacity – investing in industries and sectors so countries can diversify exports and build on comparative advantages. And adjustment assistance – helping with the costs associated with tariff reductions, preference erosion, or declining terms of trade.

1.1.1 From Hong Kong to Doha

The AfT agenda reflects the realisation that, for developing countries, the necessary investments are particularly large, and the capacity to meet them is particularly small. There is an emerging consensus that the current WTO Doha Round will require adequate trade-related assistance to mitigate the detrimental effects of trade reforms, and to enhance the trading capacity of developing countries.[2]

The explicit recognition of a WTO interest in and responsibility for aid at its Sixth Ministerial Conference in 2005, as set in the Hong Kong Ministerial Declaration[3], raised high expectations that it would now be possible to ensure that no country lost from the Doha negotiations and that developing countries would receive the assistance that they needed to take advantage of any improved access to markets. But there was also concern because of disappointment at both the limited results of the technical assistance mentioned so frequently in the Uruguay Round Agreement and the failure of the Integrated Framework[4] to guarantee that donors responded to identified needs. After considering the scope and mechanisms for Aid for Trade, and receiving submissions from both international organizations and WTO member countries, the WTO Aid for Trade Task Force submitted its recommendations to the WTO General Council of 27-28 July 2006[5].

In a nutshell, the WTO Aid for Trade Task Force argued that a global picture of aid for trade flows is important to assess whether additional resources are being delivered, to identify where gaps exists, to highlight where improvements should be made, and to increase transparency on pledges and disbursements.

Since the launch of the AfT Initiative in 2005, value chains have become the dominant feature of the global economy. By providing access to networks, regional and global markets, capital, knowledge and technology, value chains offer a path towards economic development that is easier to follow than building fully integrated production processes.

AfT plays an important role in easing the policies and trade-related binding constraints that prevent developing country firms from linking to or moving up value chains. The report emphasises that this can be done even more effectively by better engaging the private sector, improving the business environment, upgrading labour skills, creating the conditions for regional projects, targeting aid to achieve trade and development results, and using aid to mobilize productive investment[6].

- **Priority areas of intervention**

The WTO Task Force defines AfT in terms broad enough to reflect the diverse trade needs identified by developing countries, while trying to establish a boundary between aid for trade and other development assistance of which it is a part. More specifically, projects and programs should be considered as aid for trade if they have been identified as trade-related development priorities in the national development strategies of the recipient country. At the same time, clear and agreed benchmarks are necessary for reliable global monitoring of aid-for-trade efforts. Consequently, the Task Force has concluded that aid for trade comprises the following six categories:

(a) Trade policy and regulations;
(b) Trade development;
(c) Trade-related infrastructure;
(d) Building productive capacity;
(e) Trade-related adjustment; and
(f) Other trade-related needs[7].

The first two categories have traditionally been grouped under the "Trade-Related Assistance" definition in the Joint WTO/OECD database, and include:

- trade policy and trade regulation, which are aimed at ensuring effective participation of developing countries in multilateral trade negotiations and assisting these countries in the implementation of trade-related legislation;

- development of trade and the business climate, and improvement of business support services and institutions.

The four further categories has been added by the WTO Task Force but their scope has not been precisely identified: given the wide range of trade related assistance measures to developing countries the very definition of AfT may therefore raise contentious issues[8].

1.1.2. To Bali and Beyond

The push to deliver concrete AfT results, by both developed and developing countries, led to the WTO Trade Facilitation Agreement, which was approved by consensus with all 159 members of the WTO at the Bali Ministerial Conference in December 2013. Trade facilitation or assistance had been a hot topic for WTO members since the conclusion of the Uruguay round in 1993, and by 2013 virtually all parties of the WTO had long acknowledged that developing countries experience high trading costs, from technical and non-technical barriers to trade, many of which are linked to limitations in capacity and infrastructure.[9] The WTO Council on Trade in Goods was mandated to establish a working group on Trade Facilitation during the Singapore Ministerial Conference in 1996, which would "undertake exploratory and analytical work... on the simplification of trade procedures in order to assess the scope for WTO rules in this area"[10]

During the Fourth Ministerial Conference in Doha, in November 2001, ministers agreed that negotiations on trade facilitation would take place after the Fifth Ministerial Conference in Cancún in September 2003. In 2004, the WTO General Council decided by explicit consensus to commence negotiations on trade facilitation, formally beginning the process that led to Trade Facilitation Agreement in Bali. In this context, the definition of Trade Facilitation was developed as the "simplification and harmonisation of international import and export procedures (e.g. customs valuation, licensing procedures, transport formalities, payments, insurance); support to customs departments; and tariff reforms".[11]

Comprised of 13 articles and a special section dealing with special and differential treatment provisions, the Trade Facilitation Agreement addresses a spectrum of issues concerning trade measures, particularly in relation to border procedures, customs procedures, documentation etc. It is divided into two sections:

- Section I contains provisions for expediting the movement, release and clearance of goods. It clarifies and improves the relevant articles (V, VIII and X) of the General Agreement on Tariffs and Trade (GATT) 1994.

- Section II contains special and differential treatment provisions for developing and least-developed countries aimed at helping them implement the provisions of the agreement.[12]

The Agreement will be open for acceptance until 25 July 2015, but can enter into force as early as of 31 July 2014 for states which have signed.

Since negotiations began, one of the biggest challenges facing the completion of a consensus document on Trade Facilitation has been the potential costs to developing and least developed countries of implementing the provisions versus the projected benefits of reducing trading costs.[13] A substantial number of studies from various national, regional, multilateral research institutions and organisations have attempted to investigate the potential costs of implementing the Trade Facilitation agreement, either in its entirety or in parts.[14] Although there is no one definitive outcome to this analysis, there is a universal agreement that the costs of trading within developing and least developed countries are high, particularly in Africa, where they exceed those of other regions of the world, including Asia and Latin America.

The ACP Group has played a significant role in the context of Trade Facilitation, both prior to, and after the conclusion of the Agreement.[15] Two of the key concerns of the ACP Group remain the availability of support and financing for its Least Developed Countries (LDC) members to implement the Agreement, and the need for flexibility in the implementation of the Agreement for developing countries (Special and Differential Treatment or SDT).[16] The ACP institutions have raised this issue in various fora.[17]

1.2. Prioritising AfT

The prioritisation of AfT interventions is usually carried out through a needs assessment process that examines the most binding constraints countries face to participating more actively in trade. This process and its translation into AfT programming is a central determinant of the effectiveness of AfT. The means to do it can vary, and can include an extensive stakeholder consultation process, efforts to address the most binding constraints to trade and/or deliberate attempts to mitigate the impacts of preference erosion.[18] These are in turn intended to provide guidance for integrating trade into national development plans (NDPs) or poverty reduction strategy papers (PRSPs). This section examines how and by whom needs are identified, and to what extent this results in the mainstreaming of trade in NDPs/PRSPs.[19]

For LDCs, this has become more formalised through the Diagnostic Trade Integration Study (DTIS) of the Enhanced Integrated Framework (EIF) process. A DTIS is generally led by a trade expert who assesses all trade-related economic sectors in order to determine the most pressing constraints. Prioritised recommendations are provided in the DTIS action matrix. A national workshop, to which national, regional and international stakeholders are usually invited, validates the studies as well as the action matrix. However, the extent to which such workshops are more of a formality, or rather allow stakeholders to influence results and final conclusions, generally varies. Moreover, the extent to which the attendees actually represent the interests of the broader population, rather than of their specific interest group, is questionable.[20]

Non-LDCs conduct such assessments on their own or in partnership with donors, and structured external support for needs assessments (such as that available for LDCs through the EIF system) is frequently not widely available. While the DTIS process for articulating AfT needs is far from ideal, it does provide a predictable process for articulating an approximated hierarchy of AfT needs. In its absence, how well AfT needs are articulated is often determined by the availability and enthusiasm of officials and policy advisors in the recipient country's Ministry of Trade.

Once Aid for Trade needs are analysed and examined, these have to be translated into priorities. The establishment of a hierarchy of needs can inform the allocation of Aid for Trade resources. In the EIF process, the DTIS contains an action matrix that outlines the hierarchy of longitudinal needs, actors responsible for them, actions needed to address them and the monitoring process and timelines. Furthermore, the EIF process establishes an institutional mechanism to guide the setting and addressing of identified Aid for Trade priorities. These include an EIF steering committee composed of key line ministries, donors and other non-state actors, a donor coordinator, usually one of the large bilateral donors responsible for coordinating donor–recipient interactions and an EIF focal person, usually from the Ministry of Trade, responsible for the day-to-day management of the EIF process. These actors play an important role in translating the articulation of needs into priorities and actions as well as in mobilising resources around these priorities. In some countries, the needs assessment process is seen as just a project of the Ministry of Trade and donors, one that does not incorporate the crosscutting significance of these constraints for other ministries. As such, it ends up lacking the necessary cross-governmental prioritisations, and action matrices end up not being followed up on, either by the governments or by donors.[21]

The coordination and recognition of Aid for Trade needs and strategies within developing countries and between donors and recipients remains an area for concern, as pointed out in recipient country responses to the WTO/OECD Global Review 2011 survey and other subsequent studies.

1.3. Measuring and monitoring AfT

The prioritisation of AfT interventions is usually carried out through a needs assessment process that reveals the key constraints countries face to more active participation in global trade. These are intended to guide the integration of trade into national development plans. While the level of consultation and analysis varies among developing countries, this process and its translation into programming helps to determine the effectiveness of AfT (Hallaert and Munro, 2009).

Effective coordination and identification of AfT needs and strategies in developing countries and between donors and recipients remain important (WTO/OECD, 2011). In some countries, the needs assessment process is seen as owned by the Ministry of Trade and donors, and does not incorporate the cross-cutting significance of these constraints for other ministries. Ultimately, it lacks the necessary cross-governmental prioritisations and there is a lack of follow-up by governments or donors. In Cambodia, conversely, a public-private dialogue forum headed by the Prime Minister has helped improve coordination, identified constraints and mobilised action for policy reform.[22]

- **Measuring AfT**

Since 2006, the principles outlined in the Paris Declaration on Aid Effectiveness[23] have laid the foundation for how AfT should be delivered. And the first requirement to improve the effectiveness of AfT is enhanced transparency. As such, donors and recipient countries have a responsibility to report on progress and results.

Country ownership has advanced the furthest and there is also evidence of broader consultations among public organisations and, increasingly, also the private sector and civil society. Donors continue to work towards harmonising their procedures and aligning their support around partner countries' trade-related objectives, priorities and strategies.

Another achievement has been the adoption of a system of mutual accountability between partner countries and donors. This system links accountability at the country (or regional) level with accountability at the global level to foster local ownership and ensure that a country's trade needs are integrated into its national development strategies. Strengthened in-country aid-for-trade structures, on the one hand, can improve local ownership and management for results, and also increase the transparency of financial flows from the commitment to disbursement of resources at the country level.

To assess progress towards the AfT Initiative objectives, the OECD and WTO have jointly developed a monitoring framework, Global Review of Aid for Trade, that helps create political incentives needed for greater transparency and strengthened scrutiny of aid-for-trade programmes at the global level. Four biennial Global Reviews have been carried out by the OECD and WTO: the first in 2007 provided a general overview of Aid for Trade worldwide; in 2009 the review focused on 'maintaining momentum' since the WTO's Hong Kong Ministerial Round in 2005, which launched the Aid for Trade agenda; the 2011 review was carried out under the theme of 'showing results' from the commitments and recommendations made under the AfT agenda; and the latest global review in 2013 was concerned with value chains connectivity in the context of AfT.[24]

The framework has two components: The first component consists of quantitative monitoring, i.e. tracking and providing trends of annual aid-for-trade flows at the global, regional and national level. The second component consists of qualitative monitoring, based on self-assessment surveys completed by both donors and recipients of AfT (including providers of South-South co-operation) to provide a more specific and detailed picture of aid-for-trade activities on the ground. In addition, as part of the 2011 monitoring exercise focused on "showing results", the OECD and WTO extended the monitoring exercise beyond self-assessments and launched a call for case stories to obtain first-hand knowledge about outcomes and impacts of AfT on the ground. These case stories about policies, processes and programmes have provided a wealth of evidence on what has worked and where AfT could work better.[25]

In 2013, the fourth and latest global OECD/WTO Aid for Trade Global Review was carried out, which also saw the launch of a comprehensive publication on the role of value chains in AfT, "Aid for Trade at a Glance: Connecting to Value Chains" (July 2013). This Global Review marked a departure from the previous reviews in that it was centred on a specific trade issue or theme, that of value chains. Previous AfT reviews had been broader and more introspective, looking at 'how developing countries, and in particular LDCs, are seeking to integrate into the global economy, how development partners are supporting this process and the efficacy of this assistance.'[26]

AfT is very much affected by global economic movements - from trade flows, to economic performance, to commodity prices - as well as by the budget situation and fiscal space in developed countries. It also involves a wide range of actors - developing countries, emerging economies and the OECD countries, supported by multilateral institutions and regional organisations.

Despite the momentum towards introducing a true performance culture in development assistance, measuring results remains intrinsically difficult. More work is needed to better understand the results of AfT in different contexts and their wider applicability as well as strengthening accountability in AfT through deepening the partnership between governments, regional organisations, the private sector, civil society and the development community at the country level.[27]

In the OCDE/WTO questionnaires carried out in 2011, partner countries identify similar aid-for-trade priorities to those identified in the 2008 survey: competitiveness, economic infrastructure, export diversification, and trade policy analysis, negotiation and implementation. However, among those countries whose priorities changed, 30% made competitiveness their first priority. For LDCs, economic infrastructure is their second priority, followed by export diversification.[28]

- **Monitoring AfT**

To assess progress towards the agreed objectives of the Aid-for-Trade Initiative, the OECD and 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:

- 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 AfT. 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[29].

2. Financial resources to AfT

2.1. General trends[30]

In 2009, aid-for-trade commitments reached approximately USD 40 billion, a 60% increase from the 2002-05 baseline period. Disbursements have been increasing at a constant growth rate of between 11-12% for each year since 2006 – reaching USD 29 billion in 2009 – indicating that past commitments are being met.

- **Africa is the largest regional recipient.**

Aid-for-trade flows to sub-Saharan Africa increased by 40% to reach USD 13 billion. Africa now receives the largest share of total AfT among the different regions. Commitments to the Americas increased by almost 60% and reached USD 3 billion. Aid-for–trade commitments to other regions declined by 18% in Asia, 34% in Europe and 28% in Oceania respectively, compared to 2008.

- **Low income countries and regional programmes increased their share.**

Driving this shift in regional distribution is the increased focus of AfT on the low-income countries, who saw their share of commitments increase by 26% in 2009. The share of middle-income countries declined by 29%, although they received 90% of all OOF. Global and regional programmes continued to grow, receiving 18% (USD 7 billion) of total commitments in 2009.

- **Many donors changed their strategies**

Multilateral and bilateral donors agree on the three most important issues in AfT - namely economic growth, poverty reduction and regional integration. Multilateral donors attach more importance to better monitoring and evaluating results, and less importance to adopting a more regional focus - which makes sense given that many regional institutions have a specific geographical focus already which is unlikely to change (e.g. the African Development Bank's focus on Africa).

- **Building human and institutional capacities delivers important benefits.**

The largest number of case stories (i.e. 66) described technical assistance programmes to build government capacities to mainstream trade into national development strategies, to improve policy formulation, to help with trade negotiations and to implement specific trade agreements, such as intellectual property regimes. These programmes, like other forms of technical assistance, cannot be easily evaluated in terms of trade results. Notwithstanding these qualifications, the case stories almost unequivocally highlight the important benefits of empowering trade negotiators and the general public with greater knowledge.

- **Environmental issues are increasingly influencing the aid-for-trade agenda**

Developing countries can shift to lower-carbon paths while promoting development and reducing poverty, but this depends on financial and technical assistance available domestically and especially from high-income countries. Indeed, there is scope for AfT and new sources of climate change finance to work together to help meet some of the expected costs of climate change.

- **There is increased demand for AfT**

Donors and South-South providers note an increase in demand for AfT and regional trade-related programmes. In fact, 60% of donors indicate that demand has increased or significantly increased. Of the seven donors that experienced significant increases, five were multilateral donors (IADB, ADB, UNECA, UNCTAD and ITC) and two were bilateral (Australia and Finland). Just over half of bilateral donors report increased demand, while over 85% of multilateral donors report increased demand, with over 30% reporting a significant increase. Most South-South partners point to increasing demand with Brazil and China indicating a significant increase in demand.

Sweden has experienced an increase in demand from several countries and regions, particularly in Africa and in relation to the EU-Africa Partnership Agreement negotiations. The requests are for all categories of AfT but most notably for trade capacity building, trade facilitation and areas related to quality infrastructure, namely SPS/TBT and other standards. Germany and France also note increased demand for AfT, especially in the context of EPAs that are currently being negotiated between ACP states and the EU, though the intensity varies across ACP countries. Benin and Kenya increasingly request support in the area of agriculture.

- **Demand for South-South co-operation is also rising...**

Both China and Brazil point to increases in demand for trade related co-operation. Brazil notes increasing demand for support to agriculture and biofuels. India reports increasing demand from African countries and LDCs for technical assistance and capacity building. Indonesia also reports increasing demand from LDCs to support capacity building in economic development. Colombia reports an increase in demand for trade-related South-South co-operation from Bolivia, Ecuador, Peru, Dominican Republic and countries in Mesoamerica. India has selected four LDCs (Zambia, Lesotho, Malawi and Ethiopia) for focused training and other assistance. India also supports Cotton 4 (C-4) countries (Benin, Burkina Faso, Chad and Mali).

- **Increased demand for regional integration programmes**

Demand has continued from the Caribbean and Africa in particular for both training in export readiness and management of trade regimes. In Africa, increased focus on regional economic integration has led to growing demand for aid supporting regional economic bodies. Denmark reports increased demand notably from the East African Community (EAC) but also increasingly from other regional bodies in Africa. Similarly, Germany notes increased demand for regional economic integration from the ECOWAS Commission to implement a customs union, as well as from SADC, EAC, CARICOM and ASEAN.

Sweden reports increases from several regions, but especially from Africa for trade capacity building, trade facilitation and areas related to quality infrastructure. The United Kingdom has scaled up its support for African regional integration with the development of the United Kingdom's African Free Trade initiative "which encompasses political support, investment and technical assistance in support of African ambition in this area". In terms of AfT, this involves the development of a flexible programme to support West African regional integration efforts, as well as flagship TradeMark programmes in southern and eastern Africa focused on support at the country and regional economic community level. Significant investments are being made to reduce transit times of goods and people across three African trade corridors by investing in trade facilitation initiatives, such as one-stop-border posts. Finland cautions that the demand for regional co-operation has increased but not really for regional integration.

Aid for Trade in the context of Regional Integration – Case Studies[31]

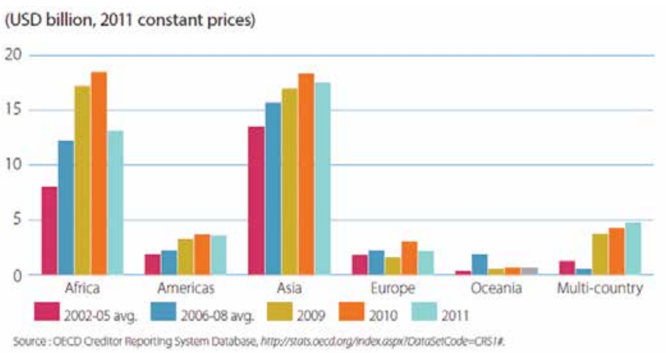
The Caribbean:

The Caribbean Aid for Trade and Regional Integration Trust Fund (CARTFund): A Mechanism for Delivering Aid for Trade Support to CARICOM and CARIFORM States (CARICOM) programme, also supported by the United Kingdom and administered by CARICOM and CARIFORUM, started in 2009 as a demand-driven mechanism to support Caribbean implementation of EPAs with Europe and the CARICOM Single Market and Economy. By 2011, 18 projects had been approved in eight CARIFORUM states, of which five were regional and 13 national projects, accounting for approximately 70 percent of available funding with demand surpassing available resources. The establishment of the fund is especially notable as it is truly a joint effort across donor and recipient regional organisations.

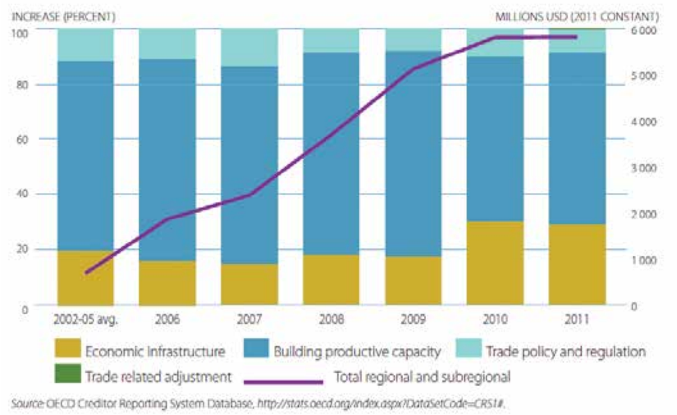
The EU-sponsored **Caribbean Trade and Private Sector Development Programme (CTPSD) – Phase II Caribbean Export Component** contributed to the Caribbean Export Development Agency ("Caribbean Export"), which is a regional export and trade promotion agency, to support the private sector in the signing of the EU and CARIFORUM Economic Partnership Agreement. The programme's aim is to work at the regional level to use regional organisations more effectively to achieve the goals of strengthening export capacities within the region. Involving Caribbean Export as a partner was deemed to be a key to the success of the programme, as it was an established regional organisation prior to the programme and already had important partnerships with public and private sector participants at the regional level.

An interesting example of a more advanced developing economy sharing its experiences in order to promote best practices at the regional level is the Organisation of American States-sponsored

Aid-for-trade by region (USD billion, 2011 constant prices)



Percent share and total value



Regional and global programmes by category (disbursements)

Strengthening the Official Sanitary System of Agricultural Goods for Export Markets in CARICOM Member States programme. The Government of Chile, through the Secretariat of the OAS, shared its SPS management rules and practices with the CARICOM countries.
The success of this programme demonstrates the effectiveness of South-South co-operation

Africa:

The lack of harmonisation of standards- and conformance-related policies can impede the functioning of regional production networks, as well. The German-financed **Establishing a Regional Quality Infrastructure (QI) in the East African Community (EAC) project** is designed to improve the regional quality infrastructure in East Africa. This involves standardisation, quality assurance, accreditation and testing. The project, which runs from 2004 to 2013, began working on the establishment of a regional QI compatible with WTO requirements. A Standards, Quality, Metrology and Testing Act passed in the EAC in 2007 established the framework for harmonisation of standards and co-ordination of activities. A regional QI system was created nearly from scratch: 1 100 standards were harmonised, although they have not been fully adopted at national levels; a pool of trained assessors for the accreditation of medical, testing and calibration laboratories was created and an East African Accreditation Board was established in 2009; capacities for regional harmonisation of inspection procedures and product certification have been developed; and metrology laboratories have improved in all EAC countries.

The **COMESA-EAC-SADC Tripartite non-tariff barrier (NTB) notification and resolution system** is web-based, but has been made accessible to the entire spectrum of traders through the use of a mobile phone functionality. Furthermore, the system has been embedded solidly in regional economic community, national government and private sector institutional structures and approaches. By the end of March 2013, 73 percent of NTB complaints had been resolved, often within days or weeks rather than the lengthy periods (months and even years) experienced in the past.

The most frequently logged complaints include those related to lengthy and costly customs procedures throughout the Tripartite region; issues related to the application of rules of origin; costly road user charges; and issues related to the application of sanitary and phytosanitary standards. Lifting a ban on cross-border buses and heavy vehicles passing through the Kariba Border Post, has, among other things, boosted small-scale trade, increased the volume of cross-border trade, reduced travel and transit times, and boosted employment and clearing capacity.

The **Exports Promotion & Enterprise Competitiveness for Trade (ExPECT) Initiative**, directed by ECOWAS, was

launched in 2010 to develop and promote high export potential value chains. The EXPECT programme was designed to ensure the region's ownership and the sustainability of PACT II (Programme for Building African Capacity for Trade).
The Initiative aims to create and strengthen the technical, managerial and institutional structures and capacities to help achieve the region's trade development agenda in the area of value chains. Thus far, the project has led to a large financial commitment from the ECOWAS Commission and ICT/PACT II for implementation support for 2011-13; the development of a results-based 2011 work plan developed by ECOWAS-10; and a mango value chain analysis that involved both the private and public sectors from the region in order to develop a regional mango strategy, among others. In 2011, the programme was scaled up to include implementation of clusters to increase SME competitiveness in the EXPECT-selected value chains for mango, cashew and palm oil; validation of the regional mango strategy at the national level, and completion of the process for a second good; and the first ECOWAS Export Actors Forum to discuss priorities for export value chain development and competitiveness.

2.2. AfT flows

In 2009, aid-for-trade commitments reached USD 40 billion, up 60% compared to the 2002-05 baseline and by 31% since 2007. Since the launch of the AfT Initiative in 2006 a total USD 137 billion has been committed with 44% going to building productive capacities, 53% to economic infrastructure and the remainder to trade policy and regulations and trade-related adjustment. In 2009 a greater share went to building productive capacity, 45% of the total and slightly less to economic infrastructure (51%). Trade policy and regulations received approximately 3%.[32]

As the Aid-for-Trade Initiative matures it is increasingly important also to review disbursements, which have been increasing annually at 11-12% since 2006. In 2009 aid-for-trade disbursements reached USD 29 billion, up 40% since 2006.

Other Official Flows[33] (OOF) doubled in 2009 to reach USD 50.5 billion. This significant increase reflects the responses to the economic crisis by major international financial institutions, which boosted their non-concessional lending substantially. Furthermore, the capital base from which these operations are financed has been strengthened with capital replenishment exercises completed for the multilateral development banks.

In 2009, aid-for-trade commitments are provided half in **grants** (USD 20.2 billion) and half in **concessional loans**[34] (USD 19.9 billion). Grants have grown 67% since the 2002-05 baseline, whereas loans have grown by 53%. Grants represent 92% of funding for trade policy and regulations, 62% for building productive capacity and just 38% of economic infrastructure in 2009. These proportions are consistent with previous years.

Donors differ significantly in the financial terms of their aid-for trade support. For instance, the World Bank provides 84% of its USD 8 billion in AfT in concessional loans. In fact, the World Bank supplies 34% of all aid-for-trade loans but only 6% of total grants. While most bilateral donors provide their assistance mostly in grant form there are some exceptions. For instance in 2009, Japan provided 78% of its USD 6 billion aid-for-trade programme in the form of concessional loans. Collectively, Japan and the World Bank provide almost 60% of concessional loans in AfT. All US AfT is in grants and the vast majority of aid from EU institutions is also provided in grants. Combined they provide 43% of total grants to AfT.

There is also an increased focus by some (especially European) donors on pooling Aid for Trade funds through trust funds or multilateral agencies. Donor commitments to multilaterals have increased rapidly. The pooling of funds creates economies of scale, and helps avoid risks of fragmentation.

- **Slowdown in Aid for Trade (2010-2013)**

AfT has seen turbulent developments since 2010, particularly with regards the volume of commitments made by developing countries to support AfT. The negative development of AfT is starkly evident when the figures from 2010 to 2011 and onwards are considered. AfT commitments were at their highest in 2010, reaching USD 48.2 billion in real terms. This was very dramatically followed by a 14% fall in 2011 of the amount committed to AfT by the members of the OECD Development Assistance Committee. Bilateral AfT fared even worse, with a 19% decrease in bilateral AfT commitments. This setback is particularly challenging as bilateral donors typically account for the lion's share of AfT (64% of AfT since 2002). The OECD considers that the across the board cut in AfT by all Group of Seven (G7) members risks jeopardising the G20 pledge to maintain AfT resources beyond 2011 at 2006-2008 average levels. Other forms of AfT have also experienced downturns, with gross disbursements, declining by USD 1.3 billion in 2011, and trade facilitation which suffered a 10% decline in commitments compared to the 2010 level.[35]

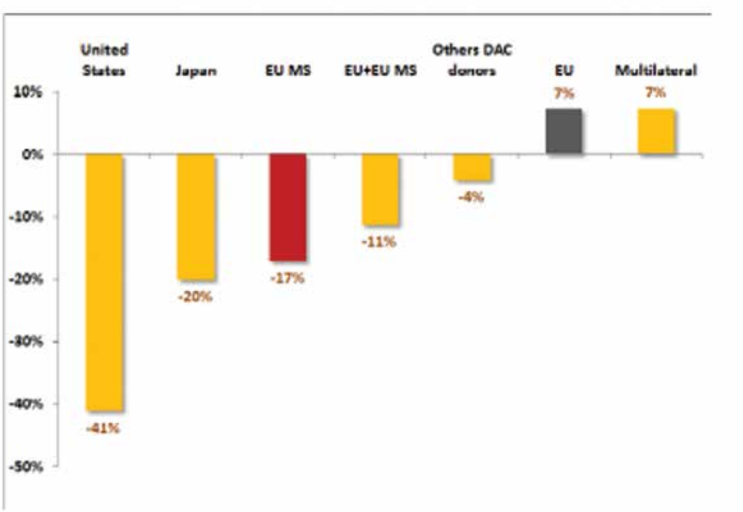
In the case of the EU and Member States, commitments for AfT showed a decrease of 11% in 2011, where 9.5 billion was committed. Other important DAC donors have also seen similar reductions in the amount they commit to AfT, such as the USA (-41%) and Japan (-20%).

Some positive outcomes can nevertheless be garnered from the most recent statistics. Firstly, the decrease in the year-on-year growth of the funds committed to AfT should not belie the fact that in absolute terms, the amount provided for AfT is now greater than it was compared to the average from 2002-2008. Secondly, in 2011, institutional commitments and provisions for AfT remained at their 2010 levels of USD 16.6 billion. As a matter of fact, when considered in isolation, there was a 7% increase in 2011 of the amount committed to AfT by the EU institutions compared to the previous year. Thirdly, commitments to AfT facilitation, a long-term priority of aid providers, have increased substantially over time – rising by 365% compared to the baseline. Support for multi-country and regional programmes also reached its highest ever level at USD 7.7 billion, as did aid to trade-related adjustment, which more than doubled from the previous year to USD 62.8 million.

2.3. Who receives aid for trade?[36]

Asia and Africa both have 10 countries each in the list of top 20 recipients which receive half of total AfT. Asia has six of the top 10 recipients, including the top 3. Vietnam is the largest recipient in 2009 with USD 2.6 billion, up 27% from 2008 with increases to energy (up USD 560 million), and industry (up USD 230 million). India is the second largest recipient, but its flows decline substantially from 2008 mostly because of over USD 1 billion less to transport and storage. Afghanistan is the third largest recipient and saw its flows decrease slightly from 2008. Nigeria is the largest recipient in Africa with USD 1.3 billion in commitments. Flows to Nigeria were up by 89% in 2009, driven by large increases to banking and financial services (up USD 500 million), mining and mineral resources (up USD 400 million) and energy (up USD 220 million).

Aid for Trade (Annual growth rates for 2011)



Sources: OECD CRS, EU, EU Accountability Report Questionnaire

Uganda's AfT has varied considerably because of large investments in energy (2007) and transport and storage (2009). Kenya saw a large increase in 2009, returning it to 2007 levels following political unrest which affected 2008 commitments. Increased support for economic infrastructure and in particular transport projects are the main reason for the relatively high position of a number of recipients - for instance, Thailand, the Philippines, Indonesia and Ghana.

Agriculture received 46% of all AfT to Mali and 41% of support for Burkina Faso. Aid to the categories most closely associated with the WTO Task Force definition trade has fallen to China since the 2002-05 baseline but still stands at USD 588 million. Iraq declined from USD 3 billion in 2008 to just over USD 400 million and is now outside of the top 20. Both Pakistan and Bangladesh saw their support decline by USD 185 million and USD 296 million respectively, with flows to Tanzania declining by USD 444 million.

- **Low Income Countries get the lion's share...**

Low Income Countries (LICs) saw their share of AfT increase significantly from the 2002 – 2005 baseline, while the share of MICs declined. In 2009, LICs received almost half of total AfT up from 39.5% in 2008, with USD 12 billion for LDCs and USD 7.4 billion for OLICs. Between 2007 and 2009 the LDCs received USD 2.5 billion in additional commitments and OLICs received USD 2 billion more. Lower Middle Income Countries (LMICs) received USD 12 billion in AfT, a decline of USD 5 billion or 30% compared to 2008. This is mostly due to significantly declining flows to India and Iraq. AfT to Upper Middle Income Countries (UMICs) declined by USD 550 million to USD 1.9 billion and this income group now account for less than 5% of total aid-for-trade flows. As noted above, however, trade-related OOFs to MICs have grown significantly since 2008.

- **with significant increases to the LDC's...**

While global AfT flows only increased by 2% between 2008 and 2009, those to the LDCs continued to increase by 20%. Consequently, the LDCs' share in total AfT has risen from 26.5% during the baseline period to 30.4% in 2009. Moreover, almost two thirds of all new commitments were provided as full grants, while this was only the case for 55% of the commitments during the baseline period.

...particularly in Africa, which surpassed Asia...

AfT to Africa has increased every year by 20% on average since the 2002-05 baseline and now stands at over USD 16 billion. This makes Africa the largest regional AfT recipient with 41% of total aid-for-trade flows. Between 2008 and 2009, AfT committed to sub-Saharan Africa increased by almost 40%, while flows to North Africa fell by 56% in the same period. Asia now ranks as the second largest regional recipient with USD 15.4 billion (38% of total flows). Most of the USD 3.4 billion decline in 2009 can be attributed to less support for South and Central Asia and the Middle East, and in particular to India (a decline from USD 3.4 billion to under USD 2 billion) and Iraq (with energy down by USD 1.4 billion) and transport down by USD 784 million for the region as a whole. However, it should be noted that in 2008 AfT flows to Asia increased by USD 5.4 billion. The 2009 AfT commitments for Asia of USD 15.4 billion are more in line with the average flows to Asia. Aid-for-trade flows to the Americas increased by almost 60% since 2008 and reached USD 3 billion in 2009, mainly due to an additional USD 655 million in support for economic infrastructure. Flows to Europe decreased over one third to just over USD 1.4 billion, and support for Oceania also declined by 28% to USD 276 million. In both cases the decline was attributable to significantly less support for building productive capacities.

...and support for multi-country programmes also increased

In 2009, USD 7 billion was committed to multi-country programmes (i.e. global and regional); more than triple the amount allocated during the 2002-05 baseline period. Both global and regional programmes reached around USD 3.5 billion and their combined share in total AfT has doubled from roughly 9% in 2002-05 to 18% in 2009. On average, multicountry programmes focus their support on building productive capacities (65%), improving cross border economic infrastructure (24%), and providing technical assistance for trade policy and regulation (11%). In fact, almost half of all AfT for policy and regulations is provided through regional and global training programmes. This delivery mode strengthens regional co-operation and generates important economies of scale. Regional programmes in Africa increased more than fourfold to USD 2.6 billion in 2009 compared to the baseline period. This covers 22% of total aid-for-trade increases to Africa. In 2009, the European Commission put in place a facility to provide a rapid response to soaring food prices with amounts in the region of USD 900 million, while the United Kingdom significantly increased its commitments for trade facilitation and agriculture projects in sub-Saharan Africa.

- **AfT for the ACP**

Africa received much of the increases in AfT in recent years, with a 64 percent increase in commitments compared to the 2002-05 baseline but this strong growth has now been arrested. AfT committed to Africa in 2011 declined by USD 5.4 billion to USD 13.1 billion, a 29 percent drop compared to 2010. This decrease equally affected countries north (notably Egypt and Morocco) and south (among others, Ethiopia, Kenya and Tanzania) of the Sahara. The fall is caused by lower commitments to energy and transport projects. Other regions were much less affected. Asia, the largest regional recipient with USD 17.5 billion, received 5 percent less than in 2010.

Latin America and the Caribbean, the third largest regional recipient with USD 3.5 billion, was barely affected and flows remain at their 2010 level. Moreover, flows largely benefit Central America and the Caribbean, to which total flows have almost doubled (a 93 percent increase) compared to the 2002-05 baseline. The share of Central America and the Caribbean has increased to 57 percent of all AfT committed to the Americas, the highest share since tracking began. This includes USD 779 million provided to Haiti, the only LDC in the Western Hemisphere.

Oceania is the only region where AfT increased from 2010 to 2011. Commitments reached USD 644.5 million, up 12 percent compared to 2010 and 121 percent compared to the 2002-05 baseline. Kiribati (USD 110.4 million), Papua New Guinea (USD 183 million) and Tonga (USD 79 million) received 58 percent of total flows to Oceania in 2011[37].

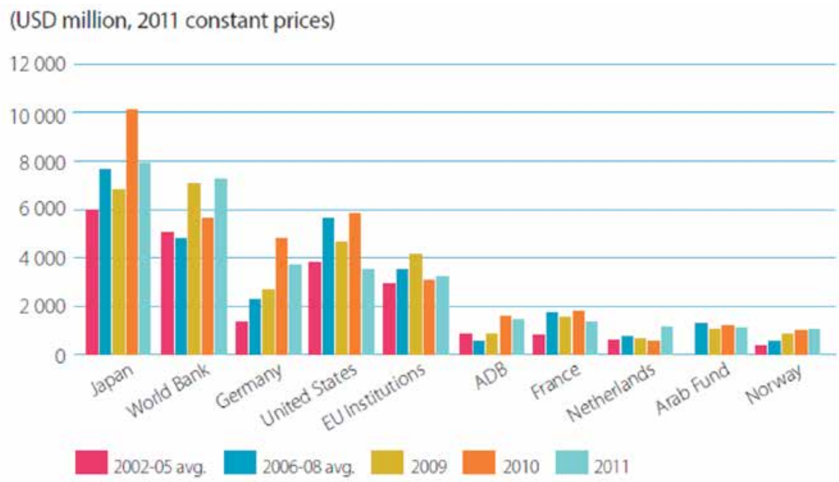
Regional Aid for Trade, particularly in the context of the EU–African, Caribbean and Pacific (ACP) Economic Partnership Agreement (EPA) negotiations, has been an area where pooled funding has been most apparent. Parallel to these negotiations (and to respond to the ACP countries' growing Aid for Trade needs), the EU (i.e. EC and EU member states) has set in motion a process to promote integration efforts in ACP regions through regional Aid for Trade packages. These aim to provide coordinated, more effective and increased EU financial support to its regional integration agendas within ACP regions, to respond to the needs and priorities imposed on the ACP countries and regions, including the implementation of EPAs agreed on or being negotiated between the EU and ACP regions (EC, 2009).

2.4. Who are the providers of AfT?

AfT commitments were reported to the CRS database by 24 DAC donors, 3 Non-DAC donors and 20 multilateral institutions. In 2009, the top 10 reporters account for 82% of total aid-for-trade commitments. For total ODA, the top 10 donors provide 74% of the total volume indicating that AfT is relatively more concentrated among a smaller number of donors. The European Union (EU) plus its Member States is the largest donor with USD 14 billion per year, an increase of 70% in real terms since the 2002-05 baseline. EU Member States provide USD 9.7 billion a slight decrease of 2% compared to 2008 and the EU institutions provide an additional USD 4.2 billion, up 14%. Whereas the World Bank Group increases its AfT by almost 50% to USD 8 billion, other major donors such as Japan and the US reported significant declines of 37% and 31% respectively (down by USD 5.5 billion collectively). In fact, of the five largest bilateral donors four declined by an average of 28% (France down by 38%, Germany down by 9%).[38]

In 2011 **multilateral donors** maintained aid-for-trade resources at 2010 levels (USD 16.6 billion, or 40 percent of total AfT).The World Bank is the largest multilateral donor and the second largest donor overall at USD 7.3 billion. The Bank increased its provision of AfT by 46 percent compared to the baseline and by 29 percent (USD 1.6 billion) compared to 2010. The Asian Development Bank Special Funds committed USD 1.45 billion in 2011, a decline of 10 percent after a significant increase

Top 10 providers of aid for trade



Source : OECD Creditor Reporting System Database, http://stats.oecd.org/index.aspx?DataSetCode=CRS1#.

in 2010. The increase in AfT from the World Bank offset declines from other multilateral donors including the African Development Fund (down USD 851 million) and the Arab donors, specifically the Kuwait Fund For Arab Economic Development (down USD 540 million) and the OPEC Fund for International Development (down USD 194 million). The Arab Fund for Economic and Social Development has consistently provided over USD 1 billion per year since 2008.

Bilateral donors that showed strong increases in 2009 include the United Kingdom (up 18% to USD 1.9 billion), Korea (up 67% to USD 935 million), Norway (up 29% to USD 775 million), Belgium (up 74% to USD 542 million) and Finland (up 87% to USD 356.5 million). Among the bilateral donors, Korea now has at 67% the highest share of AfT in total sector allocable ODA. There is also better coverage in 2009 with United Arab Emirates (USD 473.5 million), Turkey (USD 28.9 million) and the Czech Republic (USD 0.1 million) reporting for the first time to the CRS database. Contributions by bilateral donors to multilaterals also increased. The German Federal Ministry for Economic Cooperation and Development (BMZ) published a new AfT Strategy in 2011.[39] The priority goal of Germany's trade-related development policy is to assist partner countries in successfully integrating themselves into the global economic system and regional economic communities, diversifying their economies and exports, and using trade in goods and services and foreign direct investment to reduce poverty more effectively in the context of sustainable development. The new priority areas are: regional economic integration; trade facilitation; quality infrastructure; and integrating into regional and international value chains (agricultural and non-agricultural sectors, including trade in services).

In addition to their direct, bilateral support for AfT, DAC members also provide significant assistance through contributions to multilateral development agencies.

- **Most providers of South-South co-operation have also increased their support...**

China, India, Brazil, Argentina, Indonesia and Mexico all report an increase in trade-related co-operation. China has increased spending on infrastructure construction and training in Asia and Africa. Brazil has focused resources on agriculture in Africa. Argentina has a focus on Latin America in the areas of institutional strengthening and sustainable development. Mexico increased support in cargo logistics and sustainable transport as part of the Mesoamerica Project. Indonesia has increased coverage in Africa and the Pacific. India has regularly conducted special courses on trade issues under its Technical and Economic Cooperation Programme for developing countries, in particular LDCs, including for countries which are at various stages of accession to the WTO.

China and India, on top of their non-concessional support, doubled their ODA-like assistance in 2011 to USD 2.4 billion and USD 730 million respectively. South-South trade-related support is becoming increasingly an important complement to AfT.

3. AfT in the agricultural sector

In 2009, AfT to Africa increased USD 2.7 billion – most of it concentrated in agriculture (up USD 0.9 billion), banking and finance (up USD 0.7 billion), mining and energy (up USD 1 billion). Increases in these sectors are likely a response to the food and financial crises, as well as energy- and commodity price spikes.

In 2009, total aid to building productive capacities continued to increase, while support for economic infrastructure declined because of moderately less aid for transport and energy generation. The increases in building productive capacity were mostly in agriculture, banking and finance. Aid to agriculture has increased by 105% since the baseline and 28% since 2008. Aid to the banking and financial services sector has increased by 140% since the baseline and 19% since 2008. Combined these three sectors are attracting 71% of aid flows to building productive capacities.[40]

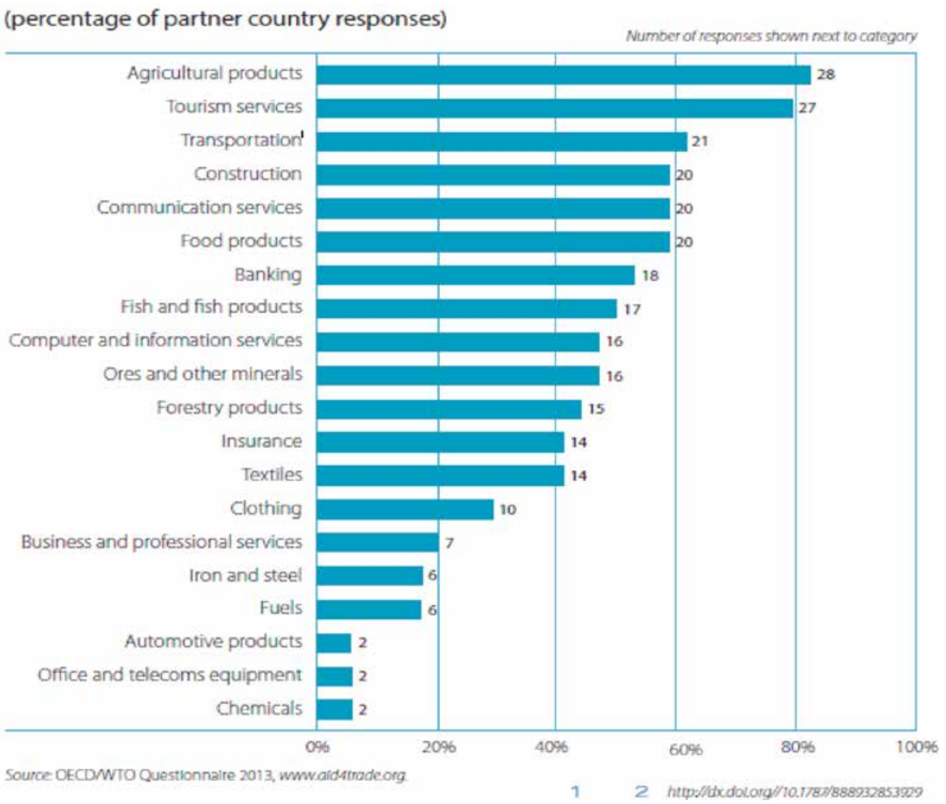
The OECD/WTO 2013 Global Review on Aid for Trade, focusing on value chain connectivity, provided a unique analysis of how the agricultural and agri-food sectors can act as potential pathways for developing countries and LDCs to enter, and be more deeply integrated into, global value chains. As key vectors for economic growth and development, value chains represent one of the most important challenges and opportunities for the development community to address if the core goals of the Aid for Trade agenda are to be achieved, such as increasing exports of goods and services, integration into regional and global trading systems and decreasing the costs and barriers to trade. As a matter of fact, both multilateral and country donors had the strongest levels of experience in value chains development under the agriculture and foods sectors.[41]

Agriculture has regained its position as a priority sector for many developing countries since the 20st century. In Africa, countries pledged to commit 10% of their national budgets to agriculture under the African Union 2003 Maputo Declaration. This pledge is implemented through the Comprehensive African Agricultural Development Programme (CAADP) which is periodically reviewed by the New Partnership for Africa's Development (NEPAD). Figures show that there have been both advancements and hurdles to the full achievement of the Maputo Declaration: 30 countries have signed agreements to develop and implement national agriculture investment plans (compacts), but only 13 out 15 of the countries providing data had managed to achieve one of the Maputo goals, namely an annual agricultural growth of 6% or more, and more worringly, only four out of 19 countries are spending 10% of their national budget on agriculture.[42] In the context of CAADP, initiatives with the aim of expanding agricultural trade are already overseen through the AU Action Plan for Boosting Intra-African Trade and other AU frameworks. However, developed country partners and other institutions have increasingly played an important role in supporting African countries to increase their agricultural capacity and trade.[43]

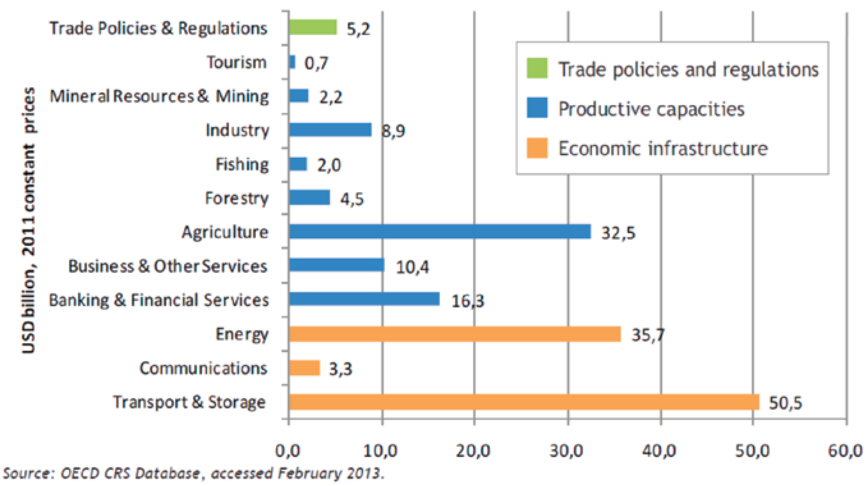
Aid for Trade sectoral allocation (constant prices, 2011, $ millions)

Source: Authors' calculation based on OECD CRS disbursement data (downloaded November, 2013)

Sectors and subsectors identified as sources of growth in least developed countries' national development strategies (percentage of partner country responses)



Aid for Trade: sectoral distributions 2006-2012



Africa is not unique in its targeting of the agricultural sector for structural transformation and AfT. Taking into account the fact that agriculture is the main source of income and employment for the 70% of the world's poor who live in rural areas, the development community had stressed the fact that agricultural development will play a key role in achieving poverty reduction. The imperative to address agriculture is all the stronger due to the food price shocks of 2007-2008. In purely economic terms, agriculture plays a key role in the growth of developing countries: over a third of export earnings in almost 50 developing countries derive from agriculture, and in 40 of these countries, it actually provides more than half of export earnings. The potential for expansion is also notable, as between 2008-2010, around 60 billion of EU agricultural products imports were from developing countries.[44] Agricultural value chains constitute a strong candidate for intervention under AfT, both due to the recognition by developing countries that agricultural value-addition should be a priority, and also due to the presently low level of capacity in this area of agricultural production.

Identifying the priority areas for intervention for the agricultural sector of developing countries is clearly important, regardless of whether the type of intervention is trade oriented or not. In a survey undertaken by the OECD, Grow Africa and the WTO, it was found that infrastructure was by and large the most critical binding trade related constraining in connecting suppliers from developing countries to value chains considered infrastructure. Private sector respondents to the survey differed from their public sector counterparts in also identifying trade barriers as another key constraint. Access to finance was also singled out by a substantial number of developing country suppliers as a powerful constraint.[45]

AfT in agriculture is characterised by two challenges, both of which make it difficult to comprehensively calculate its size relative to other forms of aid or assistance. The first is that donor support for the agricultural sector of African countries does not often clearly identify the trade related dimensions of programmes. The second is that African countries themselves have either not established domestic policies on their approach to AfT, or they have not emphasised the trade dimension of ongoing programmes related to agricultural capacity building. Subsequently, analysts find it a challenge to get a clear picture of the scale of AfT flows in the agricultural sector, and to demonstrate successful interventions. This effort is hampered all the more by the general vacuum of comprehensive trade related data for African economies, especially in the semi-formal or informal sectors.[46]

Defining AfT in agriculture can also presents some additional challenges for analysts, as it involves a broad range of activities: technical assistance for trade policy and regulations, economic infrastructure, productive capacity building, trade-related adjustment and so on.[47] Furthermore, interventions in agriculture can also overlap with those in other sectors, such as microfinance, services, economic integration and tourism.[48]

There are also numerous approaches to implementing AfT in developing countries, which can either focus on support on a country-by-country basis, focusing exclusively on national needs and markets, or else support can follow the 'regional corridors approach', which addresses regional supply chains. The boundaries between national and regional approaches can often be blurred, both at the planning stage and the implementation phase. There are often spillovers from one approach to another, and a successful national initiative may also be scaled-up to the regional level. Within the context of regional AfT support, which has gained greater prominence as a result of the ongoing regional integration efforts within the African continent, the corridors approach seeks to 'link countries and create regional supply chains, particularly in Sub-Saharan Africa, with AfT playing an important role. This approach emphasises tackling regional barriers to trade in an integrated and coherent manner, complementing liberalisation commitments with a combination of physical and 'soft' infrastructure investments to lower the costs of trading across borders. Increasingly, this approach also goes beyond infrastructure to promote investment and clustering in sectors such as agriculture to boost productive capacity.'[49] This approach also fits in with the increasing attention of donor countries to value addition in their interventions and improving effectiveness of aid delivery.[50]

Regional AfT strategies in Sub-Saharan Africa

Region	Regional AfT strategy progress and key features
COMESA	The COMESA AfT strategy was developed in September 2008 and adopted by the region in 2009, with a revised version adopted in late 2012. It outlines an approach to AfT detailing objectives, key results, interventions and activities. According to a review by the European Centre for Development Policy Management (ECDPM), the main value-added of the document lies in its regionally endorsed commitment to an approach to AfT along with the limited set of specific, achievable goals it outlines. It is intended to facilitate coordination at various levels – between COMESA-level programmes, between the COMESA Secretariat and its member states and with development partners. According to the review, there has been progress on some of the goals, most notably in developing integrated packages of AfT support (for example along the North–South Corridor) and in mainstreaming the 'corridor approach', as well as in creating programmes to assist countries to adjust to trade liberalisation. Development partners also appear to see value in the strategy to guide their approach.
UEMOA	The UEMOA AfT strategy is based on priorities outlined in the Regional Economic Plan along with other programmes such as the EIF, and was developed through a thorough consultative process. The general objective is to help UEMOA member states increase their exports of goods and services; there is also a logical framework, which identifies specific actions, objectives, results and projects and categorises programmes against AfT categories. There are a number of institutional coordination mechanisms to implement and oversee the strategy, including national trade committees (usually based in ministries of trade) with sector focal points.
ECOWAS	ECOWAS is in the latter stages of developing a regional AfT strategy, and is currently assessing different options. It seems likely that any strategy will seek to serve a number of purposes including to provide a common framework for the ECOWAS Commission, the member states and its institutions as well as external partners to cooperate around AfT issues and enable a more focused approach towards the formulation and implementation of AfT projects and programmes across partners; to serve as a tool for decision making and resource allocation; and to contribute to increasing knowledge on AfT and raising awareness of AfT priorities of the region. The strategy will provide an approach to AfT priorities affirming the Commission's goals on AfT. It should focus on key areas of AfT where a regional approach is expected to bring value, added to the ongoing initiatives at the national level – for instance, where a regional approach to AfT design, implementation and monitoring and evaluation (M&E) are expected to complement national approaches.
SADC	SADC are currently in the process of developing a regional AfT strategy, with a draft version due soon. A high emphasis is placed on seeking value-added for coherent regional approaches to AfT-related investment, while also ensuring coherence with existing regional policy frameworks such as the Regional Indicative Sustainable Development Programme (RISDP) and the SADC Resource Mobilisation Strategy, as well as the Tripartite process. Any draft strategy will need to be submitted to consultations with member states before being adopted by the SADC Council.
Central Africa	Central Africa is understood to be looking at this stage to develop some form of regional AfT strategy or project identification document, potentially along the same lines as the ECOWAS EPADP.

Source: Lui and van Seters (2012); Saana Consulting (2012b

Various figures show that the agriculture sector is one of the fastest growing beneficiaries of AfT in developing countries, although it also has not escaped the sudden drop in commitments which commenced in 2011. According to the OECD and WTO, commitments in this sector have doubled between 2002 and 2010, with Africa receiving around 60% of this volume, and 27% going to Asia.[51] Notably, aid support for increasing productive capacity actually saw a rise of USD 171 million in 2011, with agriculture, fisheries and forestry receiving the bulk of this support (60%).[52] This and other figures reflect the prioritisation by donor countries of the private sector as a primary beneficiary of trade-related aid and support.

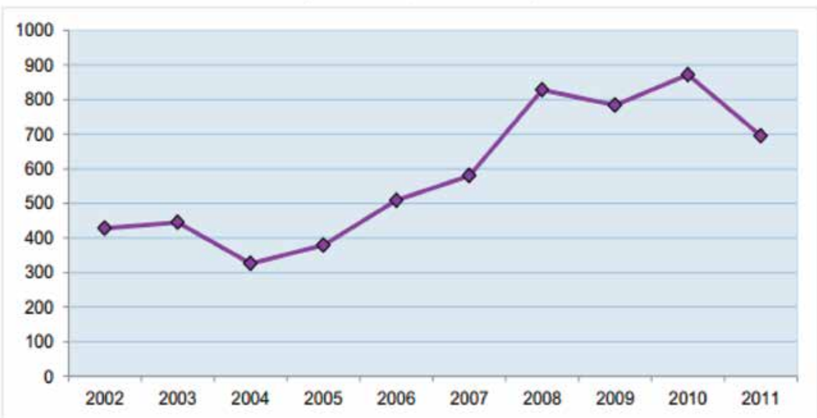
Some recent trends could have important ramifications for agricultural AfT. Agriculture in general, and its commercial potential in particular, have gained prominence in national and regional African policy forums.[53] Development partners are increasing pivoting away from 'hard' infrastructure-related support towards a 'soft' infrastructure building approach. AfT can therefore play a role in bridging the capacity deficit of the agricultural sector which is a one of the prerequisites for African economies to become more integrated, efficient, productive and sustainable. This does not belie, however, the challenges and criticisms that are levied towards AfT generally, and in the agricultural sector in particular. The most pronounced of this concerns the difficulty in evaluating the outcomes and impact of AfT, and the historical deficiency in reporting of Aid to Trade flows by beneficiary countries, and to a lesser extent, donor countries.[54] A longer-term concern is the potential instability that is created by the decrease in infrastructure spending under AfT, whilst at the same time, inadequate infrastructure comes up time and time again as the number one challenge faced by the developing countries, the private sector, investors and donors in integrating developing countries into global value chains.[55]

- **Case Study & Analysis: Ghana Agricultural Aid for Trade**

Ghana receives a significant amount of aid by African standards. Except for the years 1995, 1998, 2002, 2003 and 2005 the agriculture sector received at least 50 percent of aid into building productive capacity It received a high of 93.6 percent of the total flows into building productive capacity in 2007.

There is significant donor presence in the agriculture sector of Ghana. Both bilateral and multilateral are involved. The United Kingdom, the United States, Denmark, Canada, Germany France, Netherlands, and Japan are among Ghana's most important bilateral donors. Multilateral assistance comes from institutions like the World Bank, the EU, the African Development Bank and United Nations agencies

Evolution of aid-for-trade commitments in the agrifood sector (USD million, 2011 constant)



Source: OECD/CRS

like IFAD, WFP and FAO as well as international NGOs.

Most of the projects and programmes by donors are aligned with the country's development objectives in agriculture. However examination of their activities shows that only a few of them focus explicitly on activities with a trade element. For example, the German GIZ is engaged in what is called the Market Oriented Agriculture Programme (MOAP), which is aimed at agricultural producers and other actors in the agriculture sector involved in processing and trade. The project's objective is to improve their ability to compete in national, regional and international markets. Components of the programme are: a) promotion of selected value chains; b) strengthening of private sector organisations; and c) improving service delivery of public sector institutions. Similarly, the USAID's Agricultural Development and Value Chain Enhancement (ADVANCE) programme, which aims to transform Ghana's agricultural sector through increased competitiveness in domestic, regional and international markets. The ADVANCE has as its components a) value chain competitiveness; b) market access and development; and c) access to financial services. The AfDB is also engaged in the Export Marketing and Quality Awareness Project. The project has the goal of increasing export earnings of non-traditional agricultural products. Components of the project are: a) production and productivity enhancement; b) export marketing promotion and infrastructure improvement; c) capacity building; and d) project management and coordination.

Currently many other donors both bilateral and multilateral including CIDA, USAID, GIZ, AFD, JICA, the World Bank, IFAD, amongst others are engaged in various programmes and projects to support to the agriculture sector to meet both domestic and international objectives, such as food security, poverty reduction, and ability to compete in national, regional and international markets.

Ghana receives substantial amounts of aid into the agriculture sector which can go a long way in improving productive capacity of the sector in order to be able to achieve both domestic and international market objectives of the sector. Improving export competitiveness and diversifying and increasing exports and markets is one such international market objectives. Thus trade is mainstreamed in development policy. The country currently does not have coherent aid-for-trade strategy in place to ensure that aid flows into the agriculture sector have the desired impact on Ghana's agricultural trade and that the impacts and outcomes can be adequately ascertained.And while there is a significant donor presence in the agriculture sector of Ghana and many of the projects and programmes seem to be aligned to the country's development objectives in agriculture as contained in the Ghana Shared Growth and Development Agenda /Food and Agriculture Sector Development Programme documents, examination of these activities however indicates that only a few donors focus explicitly on activities with a trade element.

Source: Sendza, B. and Amarque Layrea, A.D., OECD 2012. Managing Aid for Trade and Development Results: Ghana Case Study

- **Case Study: Uganda Fair-Trade, Sustainable Trade**

A Danish-funded project has helped a fl ourishing Ugandan producer of organic fruit and vegetables to export its produce to the European Union. One of the companies to benefit from the growing market for organic produce is the Ugandan company African Organic,which is based on a farm to the north of Kampala. Together with 154 smaller farmers as suppliers, the company produces a wide range of fruit, vegetables and herbs, from aubergines, avocadoes and jackfruit to mangoes, papaya and sweet potatoes. Certified as an organic and Fairtrade producer, African Organic set up a partnership with the Danish wholesale company Solhjulet in an attempt to increase sales of its produce in Europe. The Danida Business to Business Programme has funded the partnership's development since 2006, providing around €400,000 of support.

The supply chain and the African Organic business are now self-sustaining and enjoying growth and a diversifi cation of the products produced, processed and shipped to Solhjulet.

The programme fulfils the EU's Aid for Trade strategy of helping

developing countries develop greater capacity for trade and supporting entrepreneurialism, especially among small and medium sized enterprises. It is also in line with AfT goals of helping small-scale farmers, promoting the position of women and promoting sustainable and fair trade.

The partners' trade has steadily increased and using the Danish company's knowledge of trends in European consumer markets, is now worth around €1.3 million a year.

Source: European Commission, 2011 Aid for Trade: Delivering on EU's Commitments

- **Case Study: Côte d'Ivoire Quality Standards**

Public-private partnership boosts productivity and incomes for cocoa farmers in the Côte d'Ivoire. Cocoa is one of the most important agricultural commodities traded worldwide but the cocoa market is notoriously volatile because of weather-related production fluctuations and price speculation. This instability particularly affects Côte d'Ivoire, which accounts for over a third of total world cocoa production. The crop is the backbone of the country's economy, providing an income for some six million people. But the industry has been dogged by low wages for many cocoa farm workers and instances of child labour and child trafficking. In addition, cocoa farmers in the country face a number of challenges including low productivity, pests and diseases and quality problems due to inadequate processing.

A project aimed at tackling these problems through the production of sustainable "Rainforest Alliance Certified" cocoa has been judged such a success that its model has been rolled out to Ecuador, Ghana and Nigeria. Designed as a public-private partnership between the multinational Kraft Foods, the cocoa trader Armajaro and the US and German development agencies, the project was the first to introduce sustainability standards to the cocoa produced by small farmers and to bring certification into mainstream cocoa production. It did this by creating a supply line of certified cocoa for Kraft Foods and pioneering sustainable cocoa production for the international market. Kraft Foods now uses this certified cocoa in its premium chocolate brands Côte d'Or and Suchard, which are widely available in Europe and North America.

The private partners involved in the project had committed themselves in advance to purchase all cocoa, provided it was of the required quality. This gave farmers the security to invest their time and money in improved production technology. Over the three years of the project, from 2006 to 2009, some 5600 farmers from six cooperatives were trained and delivered some 6000 tonnes of certified cocoa. Average cocoa production for farmers using sustainable practices was markedly higher at 761 kilogrammes per hectare compared to 509 kg/ha for those using conventional methods: an increase in productivity of 49.5 %.

The introduction of integrated pest management methods and improvements in crop management and tree pruning raised the quantity and quality of the cocoa. More of the cocoa marketed was of a better grade and thus received a higher price, which in turn meant a higher income for farmers.

Source: European Commission, 2011 Aid for Trade: Delivering on EU's Commitments

4. AfT in the context of EU-ACP relations

4.1. Background to EU Aid for Trade

The EU is the leading global advocate of AfT and the world's biggest source of AfT.[56] In December 2005 the EU made an overall commitment to increase its collective annual spending on trade-related assistance (one component of the overall AfT budget) to EUR 2 billion every year by 2010. 1 billion of this is to come from the European Commission and another EUR 1 billion from EU Member States. In 2007, total AfT from the EU amounted to EUR 7.2 billion, and specific commitments on trade-related assistance reached EUR 1.98 billion, reflecting substantial EU progress towards reaching its target.[57]

In view of the WTO General Council on 21 November 2007, the European Union adopted a Joint Strategy on AfT on 15 October 2007 that brings together the Commission and the Member States in an overall policy strategy that can be summarized in one simple sentence: 'More, better and quicker AfT'.

This EU joint strategy on Aid for Trade also includes the pledge on trade-related assistance made in 2005. As part of the Strategy, the European Commission also produces an annual monitoring report on EU Aid for Trade spending.[58]

Firstly, more aid: the EU has pledged to increase its trade related assistance to a total of EUR 2 billion per year by 2010. In 2006, the European Commission financed trade related projects worth approximately EUR 960 million, and 880 million on average per year since 2001. In the same period, Member States financed an annual average of EUR 370 million, and they will increase their spending significantly in line with their commitments. In addition, the European Commission will strengthen its support to the wider AfT agenda. Most importantly, the EU already gives more than EUR 2 billion per year to infrastructure.

The second element of the EU strategy is better and quicker aid. How to achieve this?

(i) <u>ownership</u>: the EC value the prime responsibility of developing countries in defining what is best for them and what they need to achieve with our support. To that end, EU donors will enhance efforts to support integration of trade policies and AFT priorities in national development strategies and implementation plans of developing partners.

(ii) <u>coordination and collaboration</u>: in order to make the best use of our resources, inconsistencies between donor policies should be minimized. Therefore, EU donors will collaborate closely when assessing and responding to partner needs, and will encourage other donors to join in.

(iii) <u>effectiveness and alignment</u>: it is essential to minimize transaction costs for developing countries. For this, EU donors will apply modern delivery approaches which reinforce partner countries ownership and control of efforts undertaken. Budget support is a particularly effective tool to address trade adjustment costs such as tariff revenue losses[59].

As far the European Union is concerned, as set out in the European Consensus on Development, increased and more effective AfT is needed to enable all developing countries, particularly LDCs, to better integrate into the multilateral, rules-based trade system and to use trade more effectively in promoting the overarching objective of poverty eradication in the context of sustainable development.[60] As a follow up of the 2006 WTO AfT Task Force, the European Council has adopted Conclusions on EU strategy on 'Aid for Trade: Enhancing EU support for trade-related needs in developing countries[61] spelling out that the EU AfT strategy aims at delivering effective response to developing countries own trade-related priorities in the context of their poverty reduction strategies and that it will help the EU to achieve better policy coherence in the areas of development and trade. On a global trade perspective, it has been recognised that AfT is a complement, but not a substitute, to a successful outcome of the WTO DDA negotiations amplifying the benefits from the negotiations for developing countries. However, delivery of AfT should not be conditional upon the speed of progress in the Round.

Moreover, the Council has recognised that one aim of the EU AfT Strategy is to support the ACP countries and regions to take full advantage of the increased trading opportunities, including those provided by future EPAs, while the EU delivery of AfT does not depend on the outcome of such negotiations.[62]

In 2007, it has been underlined the Community and Member States' commitment to increase their trade-related assistance and it has been expressly stated that almost 50% of this increase will be available for needs prioritised by ACP countries. To increase the volume of aid, the Commission has recommended that:

- the Member States reach a level of EUR 600 million per year by 2008, in order to attain the 1 billion target set for 2010;

- a significant share of the increased aid should be allocated to the ACP countries in support of regional integration and Economic Partnership Agreements (EPAs). In particular, the ACP countries must be given guidance on the actual amounts involved.

In addition, in all the developing countries, it is necessary to develop effective approaches to trade needs assessments at regional level and to ensure that these needs will be taken into account in the national development strategies of the partner countries. In particular, the EU should endeavour to apply effectively the instrument of the Integrated Framework used with the LDCs and to extend the same type of approach to non-LDCs.

4.2. Status of EU Aid for Trade[63]

In 2011, the EU and its Member States were the largest providers of AfT in the world, accounting collectively for 32% of total AFT (OECD DAC donors). The EU has focused in particular on trade related assistance (TRA), where it increased its commitments by 7.9% in 2011 (after a decrease of 7.5% in 2010), reaching a total of EUR 2.8 billion for the EU and Member States. This exceeded the EUR 2 billion target to which they committed in the 2007 joint EU AfT Strategy. Furthermore, the EU and its Member States remain the major providers of TRA in the world, with 71% of total TRA commitments (60% in 2010).

Nevertheless, EU AfT has faced some turbulence following the global economic crisis and the Eurozone Crisis since 2009. Although there was a 7% increase in 2011 of the amount committed to AfT by the EU institutions compared to the previous year, figures of the combined EU and Member States commitments to for AfT show a decrease by 11% in 2011, where €9.5 billion was committed.

Even beyond the volatility in terms of the shifts in funding and commitments, the AfT sector has also witnessed dramatic changes for the rankings of beneficiaries of AfT. The ACP group of countries have seen their share of the total combines EU and Member States AfT increase for both EU (from 39% in 2010 to 49% in 2011) and its Member States (27% to 29%). Furthermore, 2011 saw a change in the fortunes of LDCs, whose share of EU and Members States AfT had historically been low. It now stands at 19% now compared to 16% in 2010.

The primary providers of AfT are Germany, France, UK, Spain, the Netherlands and EU institutions. In fact, almost 60% of EU AfT is provided by Germany and EU institutions combined. The two most important donors, concentrating almost 60% of EU collective AfT in 2011, are Germany (EUR 2.7bn) and the EU (EUR 2.7bn).[64]

4.3. Trade Related Assistance

The main pillar of the EU's Aid for Trade activities is Trade Related Assistance (TRA), which the EU defines as support for: trade policy and regulation (category 1: training, explaining rules and regulations), trade development (category 2: investment promotion, analysis/institutional support for trade, market analysis and development) and other trade related needs (category 6: other trade related support identified as such by beneficiaries and not captured under the categories above).

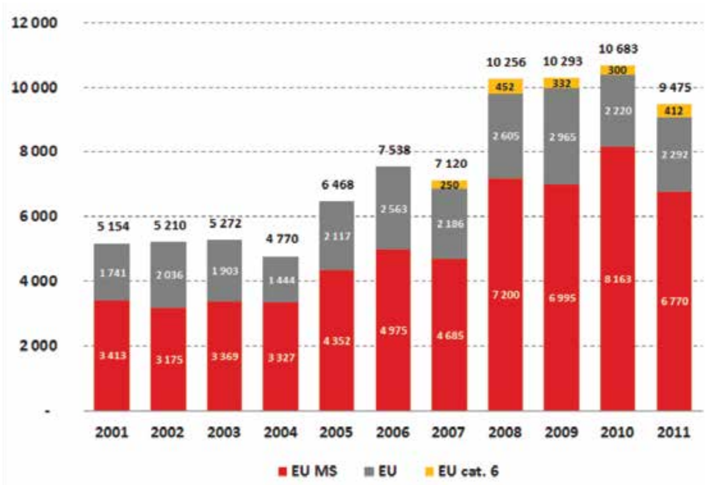
Since 2010, the EU has been committed to spending €2bn a year on TRA, including €1bn from EU institutions and €1bn in bilateral aid from EU Member States. The EU comes first globally in TRA commitments, providing more than 70% of the committed funding for TRA in 2011.

The most important growth in EU TRA commitments was with Africa, where TRA increased by 50% between 2010 and 2011.

Three EU countries – Germany, Spain, and the UK – contribute the lion's share of the combined total of EU and member States TRA. If the EU institutions are included, their TRA commitments represent 80% of all combined TRA commitments, with Germany alone making up 31% of the share of combined TRA commitments.

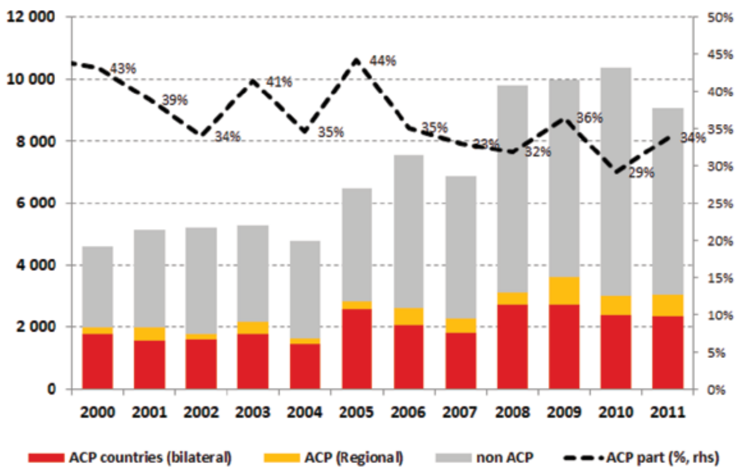
Both the EU Member States and the EU itself have been a strong supporters of Trade Facilitation during the negotiations of the Agreement. One of the biggest challenges during the negotiation of the Trade Facilitation Agreement and since its adoption, has been the potential implementation costs for developing countries. In this regard, the EU has pledged financial support to help developing countries implement the Agreement. Accordingly, the EU will aim to maintain at least its current level of support to trade facilitation over a five-year period starting from the signature of the Trade Facilitation Agreement, namely €400 million over five years.[65] The funding will be disbursed through the EU's existing channels of aid delivery. Furthermore, the EU has expressed willingness to contribute up to €30 million to a dedicated international trade facility dealing with urgent aspects of trade facilitation.[66] Trade Facilitation will be applied and implemented through the existing EU Trade Related Assistance programme, and in this regard it's support to infrastructure and hardware (ports, airports, motorways) in beneficiary countries will be limited, and the emphasis will be on 're-engineering of management techniques, better training and conditions' for trade related services (e.g. customs).[67] What is not clear about the EU funding is whether it is additional to the funding already committed to developing countries under the EDF and also how it will relate to other trade adjustment-related initiatives (e.g. accompanying measures for bananas; West Africa EPA Development Programme (PAPED).

Aid for Trade (EU and Member states, in EUR million)
Sources: OECD CRS, EU, EU Accountability Report Questionnaire



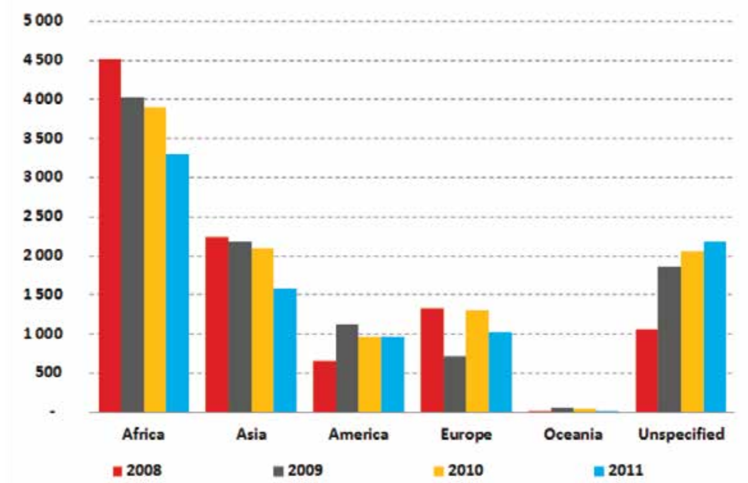
Aid for Trade – ACP countries (EU and Member states, in EUR million)

Source: OECD CRS



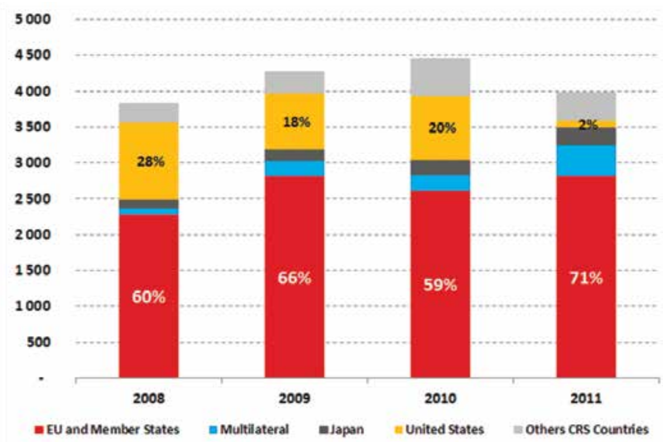
EU AfT by Region (EU and Member states, in EUR million)

Source: OECD CRS



Trade Related Assistance (in EUR million)

Sources: OECD CRS, EU, EU Accountability Report Questionnaire



4.4.EU Aid for Trade Case Studies

1. West Africa EPA Development Programme (PAPED),

The West Africa EPA Development Programme (PAPED), was developed in the context of the EPA negotiations and represents a framework through which resources for trade-related adjustment may channeled further to their identification. The original estimates of the costs needed for PAPED to adjust to the EPA implementation process were in the region of €8.5bn. The region put most emphasis on infrastructure in terms of funding priorities; in comparison, the European Commission estimated costs to be in the region of €6.5bn, with a reduced emphasis on infrastructure.4 Some have argued that the distribution of AfT resources between recipients in West Africa shows a clear divide between AfT "darlings" and "orphans". For example, €875million was estimated as necessary in Cape Verde compared to €373million in Liberia, despite the clear differences in economic structures between these two economies and therefore trade-related adjustment needs. Concerns have also been raised as to the extent to which existing donor commitments alongside EPAs may have been repackaged as new and additional aid for trade resources. Although some donors have pledged new and additional AfT resources the breakdown of these resources are not currently clear. PAPED will continue without the signing of EPAs, but one of the main categories of the project is EPA implementation. Given that most resources for PAPED are coming from EDF, this suggests that non-signatory countries could receive less EDF, as well as AfT, unless the monitoring of resources disbursed suggests otherwise.

Source: ODI 2011, AfT and Trade Related Adjustment - Economic Partnership Agreements, West Africa and AfT and Trade Related Adjustment in the context of Climate Change
http://www.oecd.org/aidfortrade/48288694.pdf

One of the EU's flagship Aid for Trade programmes in the Infrastructure Trust Fund (ITF), which it established jointly with the African Union and launched in 2007. Its aim is to encourage the financing of infrastructure programmes which facilitate interconnectivity and regional integration on the African continent. Since its creation in, the ITF has helped to finance €2.4 billion of infrastructure projects in Africa by using relatively small grants to leverage in larger loans and other forms of finance. As an instrument, the ITF is a mechanism which blends grants from EU donors with long-term loan finance from the European Investment Bank and other European development finance institutions[68].

2. Rehabilitation of the port of Beria and the Sena railway line, Mozambique

Mozambique's Beira corridor is the main transport link between the port of Beira and the interior of the country as well as to the neighbouring landlocked countries of Zimbabwe, Zambia and Malawi. As an important gateway for cargo transport in the region, extensive refurbishment of the corridor was undertaken in the 1980s and 90s. But the improvements have not been maintained and the port and access to the port have become a major bottleneck for regional transport and trade. rehabilitation of the Beira transport corridor and the restoration of the Beira port access channel to its original depth is currently underway as is an upgrade of 665 km of the sena railway line, which links the rich untapped moatize coal fields to the port of Beira and is seen as vital for coal exports. The railway line was closed in 1983 due to civil war and was reopened in 2010 with capacity for transporting 7 million tonnes of freight a year. The cost of the entire project is estimated at €190m. Works started in December 2008 and were expected to be completed by mid-2011. The ITF grant of up to €29m highlights the project's strategic importance and its positive regional impact on the transport links across southern Africa.

Source: EC http://ec.europa.eu/europeaid/documents/2012/ec_aid-for-trade_en.pdf

3. By-pass and access to the port of Douala, Cameroon

Another project seen as key to promoting regional integration is a plan to build a by-pass and improve access to the port of Douala in Cameroon. For years, heavy good vehicles bound to or from the port of Douala have had to pass through the centre of the city, which has become a transport bottleneck. By building a by-pass avoiding the city centre, the project is expected to boost trade and regional integration, ease social problems as well as improve the environment. As part of the scheme, the access road to Douala will be refurbished to become a three-lane dual carriageway, facilitating access to the port and industrial areas for heavy traffic and improving road links to residential areas. A €5.7m grant from the ITF will be used to subsidise the interest rate to be paid by the borrower, the Cameroon ministry of Public Work.

Source: EC http://ec.europa.eu/europeaid/documents/2012/ec_aid-for-trade_en.pdf

4. Rebranding Caribbean Rum for a global market

An EU programme to help Caribbean rum producers adapt to a liberalised global trading regime has led to a doubling of sales. Since the 1970s, Caribbean rum had enjoyed preferential access to the EU market free of custom duty and this had encouraged most rum producers in the region to concentrate their efforts on producing low-priced bulk rum. But in 1997 the EU started liberalising imports of rum from around the world and this led to customs preferences and import quotas being phased out by the end of 2002. Caribbean manufacturers were poorly positioned to face the abrupt change which required them to become competitive in a global market. The industry's problems were compounded by high workforce and energy costs as well as the high cost of importing raw materials to island communities and this led to several rum manufacturers reducing production and staff.

As many of the rum producers in the region were based on small islands with limited development potential for other sectors than tourism, the EU embarked in 2002 on a project to provide the struggling industry with transitional support to adapt to its new circumstances. The project, which is in line with the EU's Aid for Trade strategy of helping developing countries develop greater capacity to trade, was originally intended to run for four years to 2006 but was later extended to 2010. The stated aim of the €70 million programme was to enhance the competitiveness and profitability of Caribbean rum producers by helping them to make the transition from the export of bulk rum to the export of high-quality and high-value branded rums. This was carried out through a marketing campaign aimed at promoting the Caribbean as the original birthplace of rum, as well as creating the "Authentic Caribbean Rum" label.

The programme was also used to improve environmental protection, through the building of new effluent control systems, to pay for market studies on new EU member states as potential markets for Caribbean rum, the strengthening of the industry association, restructuring and the modernisation of distilleries.

More than 25 new brands and variants of Caribbean rum were created as a result of the project and the Caribbean Rum Marque was being used by at least eight brands at the end of the project. In addition, new distribution channels in local and EU markets were helped into being. Sales of Caribbean rum increased two-fold over the course of the programme.

Twenty companies received funds for the building of new distilleries, the installation of new bottling and blending equipment, the expansion of rum aging facilities and improving energy efficiency.

http://ec.europa.eu/europeaid/documents/2012/ec_aid-for-trade_en.pdf

5. The way forward

Much has been achieved since the start of the Aid-for-Trade Initiative in 2005.

AfT has become more and more de-linked from the stalled Doha Round negotiations, with trade capacity building becoming a growing priority for development cooperation, aid and, increasingly, private sector finance. The ongoing global economic crisis means that, in times of fiscal austerity, donors are facing an increasing need to justify large aid flows and show that taxpayer funds are spent effectively and there is 'value for money'. Moreover, according to the latest 2011 Aid for Trade Global Review, roughly half of donors have changed their strategy since 2008, with an increased focus on economic growth and poverty reduction as key goals. For developing countries, the crisis has also made increasingly visible the importance of improving trade performance, and the role AfT can have in this. For one, AfT can play a highly significant role in supporting countries to diversify and reduce output volatility – particularly in times of uncertain export demand and fluctuating commodity prices. It can further play an important role in improving productivity by addressing many of the market, coordination and governance failures.[69]

Many donors, in spite of fiscal consolidation, have reconfirmed their commitment. South-South actors are scaling up their activities and providing qualitative information on their programmes.[70]

AfT is also increasingly being used to leverage private sector funds. Particularly blending schemes (such as the European Union (EU)–Africa Infrastructure Trust Fund) can leverage in up to 15 times the initial investment through other sources of finance (ETTG, 2011). Similarly, development finance institutions (DFIs) can help mobilise additional capital for infrastructure projects, especially private investment.

The lack of progress in terms of concluding the Doha Round of the WTO has meant that Aid for Trade has increasingly become divorced from progress in the Doha Round, and one of its central rationales – adjustment support for preference erosion – has become secondary. However, given the proliferation of regional and bilateral trade agreements, preferences continue to be eroded and there is a strong – and frequently neglected – role for AfT in helping countries exploit potential gains from regional integration, alleviate the negative impact of trade diversion from other countries' free trade agreements (FTAs) and effectively negotiate with numerous partners on a large number of issues at the same time.

There is growing empirical evidence that reduced trade costs have led to welfare gains. However, the effectiveness of AfT is subject to the choice of instruments, the sectors targeted and the country context, among other factors.[71]

One of the key outcomes of the fourth global review on Aid for Trade, which looked at integrating developing countries into global value chains, was a stronger appreciation of the role of other stakeholders in the Aid for Trade agenda. The private sector and investors/financers were singled out as essential partners in the delivery and success of aid for trade interventions. Donor institutions/counties, as well as beneficiary countries, whether in the context of North-South or South-South AfT, engaged with the private sector to varying degrees in the development and/or implementation of their AfT strategy and/or interventions. Agriculture, a sector which has traditionally benefited from Public-Private Partnerships (PPPs) as a means of delivering development cooperation, has seen the same trend continue in the context of Aid for Trade. However, the 2013 Global Review also points out the lack of expertise and skills to develop and manage PPPs as a key challenge in this regard.

- **Better accounting systems are needed**

Most ODA is delivered to public-sector institutions. In the case of aid for trade, DAC donors use this channel for more than three quarters of their commitments, while only about 6% is delivered through NGOs. Public-private partnerships are an even more minor destination representing less than 1% of flows.

Thus, multiple agencies need to be involved in tracking ODA flows and these efforts need to be combined and tabulated. However, little is known about the extent to which the partners attempt to collect information about the totality of ODA as reported by donors to the CRS. In Madagascar, the Central Bank and the National Institute of Statistics carry out biannual surveys of NGOs. Ethiopia keeps track of concessional financing, but not of ODA, to local NGOs (a major destination of funds from the United States) or to private associations, such as chambers of commerce.[72]

There is much to gain from working together to develop aligned approaches to measure progress towards partner countries' trade and development targets based on trade-related indicators. This can strengthen country ownership - the critical factor in ensuring the aid-for-trade programmes and projects enhance trade capacity and promote economic growth and development. Active knowledge-sharing should also be encouraged through strengthened in-country dialogue among stakeholders. These discussions should not only focus on bridging "demand" and "response" but increasingly on the broader question of how best to demonstrate that AfT is a worthwhile investment for improving trade performance, generating economic growth and reducing poverty. It is about strengthening accountability in AfT.

Further attention needs to be given to the following areas:

- Resource mobilisation must remain at the core of the Initiative.

- The complexity of trade and its interdependence with a country's overall development strategy makes mainstreaming trade in development policy essential. Progress has been made in mainstreaming trade into national and regional development strategies. Here, the issue is one of coordination within the country, in relation to the different line ministries, the private sector, civil society and the research community.

- The Initiative must continue to engage the private sector, both in terms of implementation on the ground and as a potential source of financing. So while donors need to continue directing their support to partner country governments, it is equally important for them to help these countries create a better business environment and attract private investment. After all, AfT is about generating investment for trade.

- The Paris principles on aid effectiveness need to be featured more centrally in AfT and they need to be adhered to in designing and implementing effective projects and programmes. In particular, confidence in the systems used to report results - notably through the more systematic use of results-based management and new methods such as impact evaluation - needs to be strengthened. At the same time, pragmatism is of the essence, as is monitoring and evaluation that focuses on national and regional development priorities.

- South-South co-operation needs to be taken to a higher level. South-South partners have a good record to show but more can be done in showcasing what they are doing, including in knowledge-transfer, sharing skills and their impact on the ground. Regional integration has also emerged as both an area of success and an ongoing challenge. It should be prominently featured in the future.

"Intersections" of trade with development will also be explored in areas that have been previously identified, notably intellectual property, services, standards and trade finance, as well as links with the broader sustainable development agenda, in particular food security, gender empowerment, climate change adaptation and energy.[73]

Reconciling the donor community's shift away from infrastructure support and funding as a priority under AfT and the continued infrastructural deficit of many developing and most least developed countries will remain a key challenge moving forward. Addressing this issue is all the more pressing as the global trading and development communities are seeking, through the WTO, to enhance the legitimacy of the AfT agenda, yet they cannot ignore the fact that infrastructure development support comes first amongst the forms of AfT considered as "very effective" by partner countries (developing countries and LDCs).[74]

Some critical gaps in knowledge on Aid for Trade remain, meaning further research is necessary to better inform policies. Some of the following areas could help close the knowledge gap and improve the Aid for Trade initiative.

- How Aid for Trade can best be used to work with the private sector through promoting global value chains relevant to development;

- How Aid for Trade can improve agricultural production and trade (and hence food security) through the provision of the right type of infrastructure;

- Whether aid to trade facilitation (and, where appropriate, different types of Aid for Trade) can lead to results for trade, growth and the investment climate, based on new econometric research that also aims to account for host country conditions.

There is also a need to learn from the experience of the emerging economies, such as China, India, Brazil and South Africa, as well as newly emerging MICs like Vietnam. In particular, we should look at what strategies and policies these countries have used and how they have supported these in
1) providing trade infrastructure;
2) integrating themselves into the global value chain and promoting the private sector in exports and imports; and
3) improving trade facilitation.

Glossary

Adjustment cost

It is the cost accounting to retribute or financially compensate the potential downside effects of trade liberalisation, such as preference erosion, higher food prices or loss of government revenue. It an important component in the Aid for Trade.

Aid Harmonisation

Is the process wherein aid process, procedures and practices would be streamlined such that aid coming from different sources will have common arrangements, simplified procedures and at the same time shared information for aid utilization and disbursement.

Aid Alignment

It is another principle of making effective aid delivery and streamlining the required assistance with the priorities with result oriented strategies. This would entail lining of systems in a way that donor agency would find it easier to route the funds through recipients own system of building capacity to trade.

Bilateral Aid

Official aid and official development assistance (ODA) delivered by a donor country government to more than 100 developing countries and transition economies as listed by the Development Assistance Committee (DAC). Resources are channeled via the development ministry, associated agencies or other institutions working with recipient countries, mostly based in the donor country.

Commitment

A commitment is a firm obligation, 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. Bilateral commitments are recorded in the full amount of expected transfer, irrespective of the time required for the completion of disbursements. Commitments to multilateral organisations are reported as the sum of (i) any disbursements in the year reported on which have not previously been notified as commitments and (ii) expected disbursements in the following year.

Creditor Reporting System (CRS)

OECD database capturing aid flows that will be used for monitoring Aid for Trade along with the database of the Development Assistance Committee (DAC). The CRS has data on donors, geographical areas and sectors targeted by aid. It also provides information on aid policy issues.

Development Assistance Committee (DAC)

Forum at the Organization for Economic Co-operation and Development (OECD) among 22 donor countries and the European Commission. At the DAC, members consult on aid delivery methods and ways to raise aid flows and ensure effectiveness. Members are: Australia, Austria, Belgium, Canada, Denmark, European Commission, Finland, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, UK and United States.

The work of the Development Assistance Committee (DAC) on trade and development aims to help developing countries integrate effectively in the global economy and generate sustainable, pro-poor growth, through improved market access and enhanced trade capacity.

DAC Members' websites.
http://www.oecd.org/linklist/0,3435,en_2649_34665_1797105_1_1_1_1,00.html

Disbursement

A disbursement is the release of funds to or the purchase of goods or services for a recipient; by extension, the amount thus spent. Disbursements record the actual international transfer of financial resources, or of goods or services valued at the cost to the donor. In the case of activities carried out in donor countries, such as training, administration or public awareness programmes, disbursement is taken to have occurred when the funds have been transferred to the service provider or the recipient. They may be recorded gross (the total amount disbursed over a given accounting period) or net (the gross amount less any repayments of loan principal or recoveries on grants received during the same period). It can take several years to disburse a commitment.

Doha Development Agenda Trade Capacity Building Database (TCBDB)

Joint WTO/OECD database on national and regional trade-related technical assistance and capacity-building projects. Data provides information on trade category (trade policy and regulations, trade development or infrastructure), recipient country or donor.

Export-led Poverty Reduction Programme

Technical assistance programme launched by the International Trade Centre (ITC) in 2002. It seeks to create employment and raise incomes of disadvantaged communities by improving export opportunities. Activities include identification of exportable goods and services produced by the poor, reinforcing production and marketing skills through training, and providing institutional support aimed at strengthening linkages with markets abroad.

Generalized System of Preferences

It refer to a trading system prevailing in the importing country generally in developed country granting special concession to a particular country over and above the general MFN principle.

Institutional Development

Technical assistance and capacity-building for official agencies or government departments. Measures include strengthening human resources for policy implementation, establishing new administrative and financial management systems (e.g. using information technology) and supporting policy implementation, for example by facilitating access to information or data collection for monitoring purposes.

Integrated Framework (IF)

The IF for Trade Related Assistance to Least Developed Countries (IF) is a multi-donor initiative aimed at (1) assisting LDCs in mainstreaming trade priority areas of action into their national plans for economic development and Poverty Reduction Strategy Papers (PRSPs); and (2) encouraging the coordinated delivery of trade-related technical assistance and capacity building, in response to needs identified by the LDC. The IF was launched in 1997 by 6 core agencies -the IMF, World Bank, ITC, UNCTAD, UNDP, and WTO- and revamped in 2001, in order to increase its effectiveness.

Low-income countries

A World Bank category of countries with a gross national income (GNI) per capita below US$875.

Lower-middle income countries

A World Bank category of countries with a gross national income (GNI) per capita between US$876 and US$3,465.

Mutual Accountability

It is a principle of making effective delivery by committing donors and partners in a resource sharing framework with emphasis on transparency level. The articipatory mode would involve formulation and assessing progress in the national development strategies.

Official Development Assistance (ODA)

Financial flows from state entities to multilateral institutions and eligible countries as per the DAC list. ODA comprises grants and loans at concessional rates with the objective of promoting economic development and welfare in the recipient countries.

Pledge

A pledge is usually a political announcement of intent on behalf of a donor to contribute a certain amount to a certain area, e.g. Japan, the European Union and the United States made pledges at the WTO's Hong Kong Ministerial Conference in December 2005 to increase support for aid for trade.

Poverty Reduction Strategy Papers (PRSP)

Studies undertaken by international institutions to assess the level of poverty across different countries and this paper are important in planning the development programs and packages granted by multilateral development agencies.

Nationally-owned" country strategies (including economic and social policies and programs) to promote growth and reduce poverty. It was agreed at the Bretton Woods institutions' 1999 Annual Meetings that the PRSP should provide the basis for the World Bank and IMF concessional lending and debt relief.

Special Products (SP)

These are self-designated products which get additional flexibility to developing countries to avoid strict reduction commitment. These products would serve development interests of food security, livelihood security and rural development purposes.

Special Safeguard Mechanisms (SSM)

It is a special instrument designed to provide flexibility to developing countries to impose additional duties over and above the bound level of duties in the e ven of surge of imports.

Sector approach

Donor funding targeting a single sector policy and expenditure programme in the form of technical assistance, project or budget support.

Special and Differential Treatment

It refers to the principle adopted at the WTO accepting the difference persisting between countries and the capacity to trade.

Standards and Trade Development Facility (STDF)

Technical assistance and capacity-building programme on trade and sanitary and phytosanitary (SPS). The STDF coordinates and finances activities supporting developing countries in complying with SPS standards and thereby improve human, animal and plant health as well as market access for their products. It is implemented by the Food and Agriculture Organization (FAO), the World Organization for Animal Health (OIE), the World Bank, the World Health Organization (WHO) and the World Trade Organization (WTO).

Support

Funds supporting government programs, aimed at fostering economic growth and poverty reduction and enhancing relevant institutions or funds made available that are administered by the recipient government through its financial management systems.

Trade facilitation

“Trade facilitation" refers to simplification and harmonisation of international trade procedures, e.g. practices and formalities involved in collecting, presenting, communicating and processing data and other information required for the movement of goods in international trade.

Trade facilitation can have a significant impact on economic development and poverty reduction. Studies by the OECD Trade Committee show that the benefits of trade facilitation reforms are multiple and occur on different fronts and for different stakeholders (i.e. government, private sector and consumers). More efficient international trade procedures and customs operations can significantly reduce trade transaction costs, which results in increased volumes of trade and welfare gains, particularly for developing countries. They can also increase competitiveness and the attractiveness for foreign investors, enhance revenue collection and help prevent corruption and smuggling. Hence, committing resources to support such reforms is a sound and cost-effective investment that can have multiplier effects for development.

Trade Integration Mechanism (TIM)

It is a special initiative by the IMF in the year 2004 to support countries to cover the balance of payment crisis on account of multilateral liberalisation. The main objective of this initiative is to provide a predictability and accessibility of resources as available in the situation prior to liberalisation. Only two countries, Bangladesh and Dominican Republic, have obtained support under this scheme.

TRIPS Agreement

WTO agreement on Trade Related Aspects of Intellectual Property that establishes a minimum level of protection that each member country has to give to the intellectual property of fellow member countries. Covers copyright, trademarks, geographical indications, industrial design, patents, layout designs of integrated circuits, undisclosed information including trade secrets.

Acronyms

ACP	African, Caribbean and Pacific Countries
ADB	Asian Development Bank
AfDB	African Development Bank
AfT	Aid for Trade
AGOA	African Growth and Opportunity Act of the United States
AITIC	Agency for International Trade Information and Cooperation
APEC	Asian Development Bank
ASEAN	Association of Southeast Asian Nations
C-4	Cotton-Four Countries
CARICOM	Caribbean Community
CAPs	Country assistance programs
CIACEX	Commission on International Trade
CBTF	Capacity Building Task Force on Trade, Environment and Development
COMESA	Common Market for Eastern and Southern Africa
CRS	Creditor Reporting System of the OECD
DAC	Development Assistance Committee (OECD)
DDA	Doha Development Agenda
DDA	GTF Doha Development Agenda Global Trust Fund
DFID	Department for International Development (UK)
DGs	Directorate Generals of the European Commission
DSU	Dispute Settlement Understanding
DTIS	Diagnostic Trade Integration Study
DWP	Doha Work Programme
EAC	East African Community
ECOWAS	Economic Community of West African States

EBRD	European Bank for Reconstruction and Development
EDF	European Development Fund
EIFTF	Enhanced Integrated Framework Trust Fund
EIF	Enhanced Integrated Framework
EPA	Economic Partnership Agreement
ESCAP	United Nations Economic and Social Commission for Asia and the Pacific
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
GATT	General Agreement on Tariffs and Trade
GRM	The Global Review Mechanism
GSP	Generalised System of Preferences
HLF-4	Fourth High Level Forum on Aid Effectiveness
HIPC	Heavily Indebted Poor Countries
IADB	Inter-American Development Bank
ICTSD	International Centre for Trade and Sustainable Development
IBRD	International Bank for Reconstruction and Development (World Bank)
ICCO	International Cocoa Organization
IDA	International Development Association (World Bank)
IF	Integrated Framework on Trade-Related Technical Assistance for LDCs
IFC	International Finance Corporation, World Bank Group
IFAD	International Fund for Agricultural Development
IFI	International Financial Institution
IGTN	International Gender and Policy Network

ILEAP	International Lawyers and Economists Against Poverty’
IMF	International Monetary Fund
ITC	International Trade Centre
JITAP	Joint Integrated Technical Assistance Programme
ITF	Infrastructure Trust Fund
ITC	International Trade Centre UNCTAD/WTO
LDC	Least Developed Country
LDC-IV	Fourth United Nations Conference on the Least Developed Countries
LMIC	Lower middle-income country
MDBs	Multilateral Development Banks
MDGs	Millennium Development Goals
MFN	Most Favoured Nation
MTPDP	MediumTerm Philippine Development Plan
MTS	Multilateral Trading System
NEPAD	New Partnership for Africa’s Development
NDP	National Development Plan
OAS	Organisation of American States
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
OIE	Organization for Animal Health
OLIC	Other low-income country
OOF	Other Official Flows
PCB	Productive Capacity Building
PIFS	Pacific Islands Forum Secretariat
PIP	Public Investment Programme

PPP	Public-Private Partnership
PRSP	Poverty Reduction Strategy Papers
RTA	Regional Trade Agreement
SADC	Southern African Development Community
SIDA	Swedish International Development Agency
SPS	Sanitary and phytosanitary standards
STDF	Standard and Trade Development Facility
SWAp	Sector-Wide Approach
TBT	Technical Barriers to Trade
TCBDB	Trade Capacity Building Database
TRA	Trade Related Assistance
TRTA/CB	Trade-Related Technical Assistance and Capacity Building
TPR	Trade policy reviews
TPRM	Trade Policy Review Mechanism
TRIPs	Trade Related Intellectual Property Rights
UEMOA	Union Économique et Monétaire Ouest-Africaine
UMIC	Upper middle-income country
UNCTAD	United Nations Conference on Trade and Development
UNECA	United Nations Economic Commission for Africa
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organization
USAID	United States Agency for International Development
WCO	World Customs Organization
WIPO	World Intellectual Property Organisation
WTO	World Trade Organization

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