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**AID FOR TRADE JOINT MEETING OF THE DEVELOPMENT ASSISTANCE COMMITTEE AND  
THE WORKING PARTY OF THE TRADE COMMITTEE**

**AID FOR TRADE: SHOWING RESULTS**

**Chapter 1. Putting a Spotlight on Aid for Trade**

**17 June 2011, OECD Conference Centre, Paris**

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*This document contains Chapter 1 of the joint OECD-WTO publication "Aid for Trade at a Glance: Showing Results". The publication will be presented by Secretary-General Gurría at the 3rd Global Review of Aid for Trade on 18 July 2011 in Geneva.*

*Members are requested to provide their comments by Friday 24 June COB Paris time.*

*The chapter will be edited before publication.*

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## CHAPTER 1 PUTTING A SPOTLIGHT ON AID FOR TRADE

### 1. Introduction

1. Trade can be a powerful engine for economic growth, poverty reduction and sustainable development. Yet, harnessing the power of trade proves to be difficult for some developing countries, particularly the least developed ones. These countries often lack the capacity – in terms of information, policies, institutions, infrastructure and a vibrant private sector – to integrate and compete effectively in expanding regional and global markets. The Aid-for-Trade Initiative launched in 2005 at the Hong Kong WTO Ministerial Conference has established a comprehensive framework for tackling these trade related bottlenecks. The Initiative aims to interlock aid and trade in a holistic strategy for reducing poverty in developing countries.

2. Distributing the global benefits of trade reform and market integration more equitably across and within developing countries requires mainstreaming trade priorities in national development strategies and translating these into operational programmes and projects which can be funded, amongst others, through additional, predictable, sustainable concessional financing. Building confidence that trade related needs are met and that development assistance and other official flows are delivering results requires periodically putting a spot light on Aid for Trade to assess what is happening, what is not and where improvements are needed.

3. There are many different methods to assess whether the Aid-for-Trade Initiative is delivering results in terms of building trade capacities and generating pro-poor economic growth. These range from *ex post* cost-benefit analysis of project and programmes, *ex ante* evaluations, sector-wide analysis, country based case studies, literature surveys and regression analysis correlating aid to trade performance, economic growth and poverty reduction. These tools have different strengths and weaknesses and are used for different purposes. Although they all provide different perspectives on reality they also complement each other and, taken together, provide a comprehensive snap shot of whether aid for trade is delivering the expected results.

4. This publication is mainly based on information generated by an OECD/WTO monitoring framework, which is centred on two accountability mechanisms:

1. at the *local level*, to foster genuine local ownership and ensure that trade related needs are integrated into national development strategies and adequately addressed by donors; and
2. at the *global level*, to increase transparency about what is happening at the local level, what is not and where improvements are required.

5. The value of the monitoring framework lies in creating incentives, through enhanced transparency, scrutiny and dialogue (*i.e.* putting a “spotlight” on progress), that foster synergies between trade and complementary policies in developing countries, as well as between aid for trade and overall development strategies of partner countries and donor agencies – all essential components of effective aid delivery as embodied in the Paris Declaration on Aid Effectiveness. Local accountability will advance

ownership and management of programmes and projects with a clear focus on results. The global review will encourage all key actors to honour commitments, meet local needs, improve effectiveness, and reinforce mutual accountability.

6. The aid for trade monitoring framework is set out in more detail in the next section. This is then followed by an overview of the WTO Members, Observers and international organisations who participated in the 3<sup>rd</sup> monitoring exercise. Finally, the last section provides an assessment of the participating countries' and agencies' views on the usefulness of the periodic global monitoring exercise.

## 2. The monitoring framework

7. The logical framework for the assessment of the Aid-for-Trade Initiative consists of the four main elements that were identified by the WTO Task Force:

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

**Figure 1.1 The aid for trade logical framework**



8. The monitoring exercise is based on qualitative and quantitative information that is provided by partner countries and donor agencies. Qualitative information concerning “demand” is solicited through partner-country self-assessments, which are structured around an OECD-WTO questionnaire that has been sent to all WTO Members and Observers. These assessments seek to gather details about aid-for-trade objectives, strategies and priorities, mainstreaming trade in development strategies, dialogues, and aid-for-trade delivery and financing. The focus of the 2011 survey is on assessing progress made since the last Global Review of Aid for Trade which took place in 2009. In addition, the 2011 survey also invited partner countries to express their views on what constitute results in aid for trade programmes and projects and the policy environment conducive to successful outcomes. The same approach of a self-assessment based on an OECD/WTO questionnaire is used to solicit views from bilateral and multilateral donors and from the providers of South-South co-operation concerning their aid-for-trade “response”. Again, the focus is on progress made since 2009 and on the metric for success. In 2011, regional economic communities provided for the first time their assessment of aid for trade.

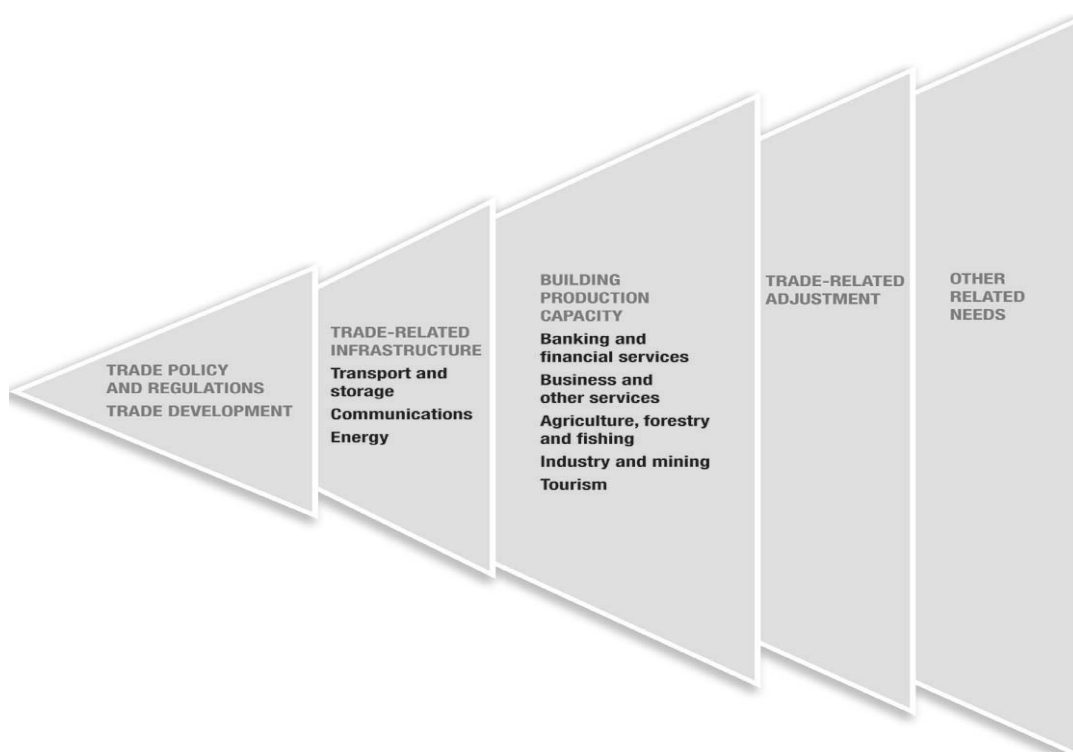
9. The OECD/WTO invitation to submit aid-for-trade case stories is an innovation of the 2011 monitoring exercise. The objective of the case stories is to probe deeper into aid-for-trade objectives, challenges and processes, as well as to acquire better knowledge about outcomes and impacts of aid-for-

trade programmes and projects. Case stories are well suited to offer a large group of stakeholders an opportunity to share experiences about what is working (or not) at the national and regional level, why it is working (or not) and what improvements are needed. The case stories provide an opportunity to show aid for trade in action, its successes and failures. The case stories can increase the visibility of the problems and challenges and they are potentially a very useful tool in facilitating dialogue between ministries, the private sector and civil society, partners and donors about lessons learned. Moreover relating local and regional experiences to the global level will enrich the dialogue on how to improve the effectiveness of aid for trade.

10. The self assessments and the case stories do create various sorts of biases. First of all there is the sample bias. Although Members were encouraged to provide a ‘whole-of-government’ assessment, the answers were most often conducted or coordinated by the Trade Ministry in developing countries and by the trade section in aid agencies. Furthermore, self assessments suffer from response bias (*i.e.* the incentive to assess that progress has been made, otherwise it would reflect poorly on the respondents’ own efforts). Finally, there is the recall bias (*i.e.* how well do respondents remember the state of play in 2009 and how many were even in the same job). To balance these inherent biases in self assessment, the monitoring framework also includes quantitative information.

11. The quantitative data provides detailed information about the “response” (*i.e.* aid-for-trade flows) This data is extracted from the OECD Creditor Reporting System (CRS) database for the categories that are most closely related to the benchmark established by the WTO the Task Force to assess whether aid for trade is additional, predictable, sustainable and effective, *i.e.* (i) technical assistance for trade policy and regulations; (ii) trade-related infrastructure; (iii) productive capacity building (including trade development); and (v) trade-related adjustment; and, (v) other trade-related needs: if identified as development priorities in partner countries national development strategies (see Figure 1.2).

**Figure 1.2 Measuring Aid for Trade**



12. The Creditor Reporting System (CRS) – a database covering around 90% of all ODA – was identified as the best available data source for tracking global aid-for-trade flows. The CRS aid activity database was established in 1967 and collects information on official development assistance (ODA) and other official flows (OOF) to developing countries. It is the internationally recognised source of data on aid activities (allowing for geographical and sectoral breakdowns) and is widely used by governments, organisations and researchers to review ODA trends over time and between agencies.

13. Qualitative data about the outcome and the impact of the Aid-for-Trade Initiative are presented in factsheets for those partner countries that participated in the 2011 monitoring survey. These factsheets show a limited number of stylised facts and indicators that capture the four main elements of the logical framework underlying the Aid-for-Trade Initiative. The factsheets do not establish any correlation between these four elements, but provide context and allow for country comparison at a glance. In addition, the factsheets could inform comprehensive in-country national stakeholder dialogue – involving governments, donors, civil society and the private sector – to further promote transparency and accountability about the demand for and supply of aid for trade and their results in terms of trade capacity and performance.

14. Monitoring the delivery and evaluating the impact of aid for trade by both the trade and development communities will encourage aid agencies to show results to their counterparts in trade ministries, and trade ministries to argue the case for trade in aid agencies. In short, monitoring aid for trade provides incentives for strengthened inter-ministerial co-operation in both donor and partner countries. At a global level, it will help donors and partner countries to focus their efforts on those areas where the potential impact of aid to address the binding constraints to trade is largest.

### 3. Who participated in 2011 monitoring exercise?

15. In 2011, 84 partner countries of which 31 least developed submitted an aid for trade self assessment. This is almost identical to the number of developing countries that participated in the 2008 monitoring exercise. These 84 developing countries combined received USD 21.8 bn. in aid for trade commitments in 2009. This covers 65% of total country allocated aid for trade (*i.e.* excluding regional and global aid for trade programmes). In 2011, 43 bilateral and multilateral donors and 10 providers of South – South co-operation participated in the monitoring exercise; again a similar number compared to 2008. Together they provided practically the totality of all aid for trade.

**Table 1.1 2011 Monitoring participation rates**

	<b>Overall Total</b>	<b>Partner Countries</b>	<b>Of which LDCs</b>	<b>Bilateral and multilateral donors</b>	<b>South-South co-operation</b>	<b>Regional economic communities</b>	<b>Other</b>
Questionnaires	146	84	31	43	10	9	-
Case Stories	269	82	34	108	7	25	47

Source: OECD/WTO

16. As noted above this year's monitoring exercise included case stories of which 296 were received. These case stories relate to aid for trade policies, programmes and processes. Comparing the number with overall aid for trade flows is thus pointless. However, the total number of case stories received is some three times higher than originally anticipated. This can be considered as an indication of the Members' active involvement in the Aid-for-Trade Initiative. This is being confirmed by Members' views about the global monitoring of aid for trade

#### 4. What do stakeholders think about global monitoring?

17. Developing a credible monitoring mechanism is a work in progress. It is important that monitoring does not become a passive activity, but is complemented and reinforced by an active review process – one that promotes change by submitting feedback to donor and partner countries, providing an environment for dialogue, knowledge-sharing, exchange of best practices and information on unfunded trade-related priorities and available donor funding.

18. In general, donor agencies consider the monitoring of aid for trade at the global level either very useful (*i.e.* 13) or useful (*i.e.* 25), with multilateral agencies slightly more positive than bilateral donors. One donor is not sure about the usefulness of global monitoring, while Denmark and Portugal express reservations about it. Denmark considers that the objective of global monitoring remains very unclear, while Portugal highlights the challenge of collecting quantifiable and variable data. The latter is related to issues raised by many donors when they discuss how to improve global monitoring. Providers of South-South co-operation confirm the positive picture of the global monitoring exercise, with only one provider being neutral and one not sure. Partner countries are equally positive about monitoring aid for trade at the global level.

19. Partners and donors differ markedly in what they consider major challenges for improvements. Partners report in particular the need to distinguish better between aid-for-trade flows and general official development assistance (see chapter 3). They consider that the aid-for-trade concept and definition remains unclear. This lack of clarity results in ambiguous local monitoring and complicates consultation and coordination among different stakeholders. Although some donors also make reference to the lack of a clear aid for trade definition, they highlight the complications of its cross-cutting character in trying to show results of aid programmes on trade performance. This issue also seem to be behind the negative assessment of the global monitoring framework by Denmark and Portugal.

20. Chapter 8 will explore ways forward to address the set of issues that arise from inherent tension between the country-based approach of *considering programmes as aid for trade if these activities have been identified as trade-related priorities in national development strategies* and the need to establish a fixed baseline to monitor whether *aid for trade is additional, predictable, sustainable and effective*.<sup>1</sup> It is suggested to continue strengthening the local accountability component of the Initiative through greater partner countries involvement in monitoring and evaluation and more generally in the results agenda.

#### 5. The structure of the report.

21. The structure of this report differs from the 2009 Aid for Trade at a Glance publication. That publication followed closely the Aid for Trade logical framework and reported in different chapters on the views of developing countries and the view of donors and providers of South-south co-operation. This report is structured thematically in order to analyse better the extent to which developing countries' and donor agencies' views agree and disagree on the essential components of the Aid-for-Trade Initiative. Thus, the remainder of this report is structured as follows:

22. **Chapter 2** analyses the aid-for-trade strategies, objectives and priorities of both partner countries and donor agencies and providers of South-south co-operation. In particular, the chapter will report on whether these have evolved since the 2009 monitoring exercise. If the objectives, strategies and priorities did change, what was direction of change and what were the main drivers of change? Furthermore, the chapter will look towards the near future (2012 - 2013) to find out if any changes are being planned.

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<sup>1</sup> WTO Task Force

23. **Chapter 3** provides an aggregate analysis of the aid-for-trade flows on the basis of reporting to the Creditor Reporting System. It assesses how much aid for trade is committed and disbursed by which donors (in grants, loans and Other Official Flows) to which regions, income groups and countries and in which aid-for-trade categories. Furthermore, it provides a projection for aid-for-trade flows in 2010 on the basis of recently published aggregate ODA data for 2010. Finally, the chapter discusses whether developing countries recognise the aid-for-trade flows for their country and what can be done to improve transparency at the local level

24. **Chapter 4** focuses on the aid-for-trade delivery. It answers questions such as: Is aid for trade implemented according to the principles of the Paris Declaration for Aid Effectiveness? Do partner countries and donor agencies consider that progress has been made since 2009? What further improvements can be made to increase value for money?

25. **Chapter 5** looks at what developing countries and donor agencies identify as success in aid for trade. Is it more aid, more trade, more poverty reduction, or all of the above? How important are cross cutting issues, such as green growth or gender?

26. **Chapter 6** reports on what the aid-for-trade case stories tell us about successes and failures in the policies, processes and programmes in particular for building productive capacities, facilitating trade, improving infrastructure, technical assistance and policy support and regional programmes.

27. **Chapter 7** discusses the views of developing countries about the importance of complementary policies, such as fiscal or monetary policies, for the success of aid-for-trade programmes and projects. Do they matter and are they being discussed?

28. **Chapter 8** looks at the way forward in showing aid-for-trade results. It addresses the particular problems of evaluating aid-for-trade programmes, what recent aid-for-trade evaluation tell and how we can do better. The chapter concludes by arguing that the results agenda can only be delivered at the country level.

29. The **Annexes** contain the aid-for-trade country factsheets and all the aid-for-trade data used in the analysis, as well as methodological notes. Finally, all the information used in the report is available on the OECD/WTO Aid for Trade website [www.aid4trade.org](http://www.aid4trade.org)



**ANNEX 1**  
**RESPONSES TO QUESTIONNAIRES AND SUBMISSION OF CASE STORIES**

**PARTNER-COUNTRIES**

<b>REGION</b>	<b>REPLIES TO QUESTIONNAIRE</b>	<b>SUBMISSION OF CASE STORY</b>
<i>AFRICA</i> Q = 35 CS = 36	Angola; Benin; Botswana; Burkina Faso; Burundi (+2008); Cameroon; Cape Verde; Central African Republic; Chad; Comoros; Congo, Dem. Rep.; Côte d'Ivoire; Ethiopia (+2008); Gabon; Gambia; Ghana; Guinea (+2008); Kenya; Lesotho; Madagascar; Malawi; Mali; Mauritius; Morocco; Mozambique (+2008); Niger; Nigeria; Rep. of Congo; Senegal; Sierra Leone; Swaziland; Togo; Uganda; Zambia; Zimbabwe	Angola; Benin(2); Botswana; Burkina Faso(2); Burundi; Cameroon; Cape Verde; Central African Republic; Chad; Comoros; Congo, Dem. Rep.; Ethiopia; Gabon; Gambia; Ghana; Guinea; Kenya; Lesotho; Madagascar(2); Malawi(3); Mauritius; Niger; Nigeria; Rep. of Congo; Senegal; Sierra Leone; Sudan; Tanzania <sup>2</sup> ; Zambia(2) <sup>3</sup> ; Zimbabwe
<b>ARAB AND MIDDLE EAST</b> Q = 3 CS = 0	Jordan; Lebanon (+2008); Yemen	
<b>ASIA AND PACIFIC</b> Q = 13 CS = 15	Bangladesh; Fiji; India; Indonesia; Lao, PDR; Maldives <sup>4</sup> ; Mongolia; Nepal; Pakistan; Solomon Islands; Sri Lanka; Tonga; Tuvalu <sup>5</sup>	Bangladesh(3); Fiji(3); Indonesia(3); Lao, PDR, Maldives; Nepal <sup>6</sup> ; Pakistan; Solomon Islands; Tonga
<b>CENTRAL AND EASTERN EUROPE AND CENTRAL ASIA</b> Q = 5 CS = 3	Afghanistan; Azerbaijan; Croatia; Kyrgyz Republic; Serbia (+2008)	Azerbaijan; Croatia; Kazakhstan
<b>LATIN AMERICA AND THE CARIBBEAN</b> Q = 28 CS = 28	Antigua and Barbuda; Bahamas; Barbados; Belize; Chile; Colombia; Costa Rica; Dominica; Dominican Republic; Ecuador; El Salvador; Grenada; Guatemala; Guyana; Haiti; Honduras; Jamaica; Mexico; Nicaragua; Panama; Paraguay; Peru; St. Kitts and Nevis; St. Lucia; St. Vincent and the Grenadines; Suriname; Trinidad and Tobago; Uruguay	Antigua and Barbuda; Belize, Chile; Colombia(2); Costa Rica(2); Dominica; Dominican Republic; Ecuador(2); El Salvador; Grenada; Guatemala <sup>7</sup> ; Guyana; Haiti; Honduras; Jamaica(3); Mexico; Montserrat <sup>8</sup> ; Peru(3); St. Vincent and the Grenadines; Suriname; Trinidad and Tobago

<sup>2</sup> Submitted after the deadline.

<sup>3</sup> Joint submissions with Finland.

<sup>4</sup> Maldives graduated from LDC status on 1 January 2011.

<sup>5</sup> Neither WTO Member nor Observer.

<sup>6</sup> Submitted after the deadline.

<sup>7</sup> Joint submission with Canada.

<sup>8</sup> Neither WTO Member nor Observer.

REGION	REPLIES TO QUESTIONNAIRE	SUBMISSION OF CASE STORY
<b>LDCs</b> <b>Q = 31</b> <b>CS = 34</b>	Afghanistan; Angola; Bangladesh; Benin; Burkina Faso; Burundi (+2008); Central African Republic; Chad; Comoros; Congo, Dem. Rep.; Ethiopia (+2008); Gambia; Guinea (+2008); Haiti; Lao, PDR; Lesotho; Madagascar; Malawi; Maldives; Mali; Mozambique (+2008); Nepal; Niger; Senegal; Sierra Leone; Solomon Islands; Togo; Tuvalu; Uganda; Yemen; Zambia	Angola; Bangladesh(3); Benin(2); Burkina Faso(2); Burundi; Central African Republic; Chad; Comoros; Congo, Dem. Rep.; Ethiopia; Gambia; Guinea; Haiti; Lao, PDR; Lesotho; Madagascar(2); Malawi(3); Maldives; Nepal; Niger; Senegal; Sierra Leone; Solomon Islands; Sudan; Tanzania <sup>9</sup> ; Zambia(2)

**DONORS**

	REPLIES TO QUESTIONNAIRE	SUBMISSION OF CASE STORY
<b>COUNTRY ECONOMY</b> <b>Q = 29</b> <b>CS = 57</b>	Australia; Austria; Belgium; Canada; Czech Republic; Denmark; EU; Finland; France; Germany; Hungary; Ireland; Israel; Italy; Japan; Korea; Lithuania; Luxembourg; Netherlands; New Zealand; Norway; Portugal; Singapore; Spain; Sweden; Switzerland; Chinese Taipei; UK; US	Australia(3); Belgium(2); Canada <sup>10</sup> ; Czech Republic; Denmark(2); EU(4); Germany(4) <sup>11</sup> ; Japan(2); Korea; Netherlands; New Zealand(2); Norway(4); Singapore(3); Spain(4); Sweden(2); Switzerland(5); Chinese Taipei(2); UK/DFID(10); US(4)
<b>IGOs</b> <b>Q = 14</b> <b>CS = 51</b>	AfDB; EBRD; FAO; IADB; IMF; IsDB; ITC; UNCTAD; UNDP; UNECA; UNECE; UNIDO; World Bank; WTO	AfDB; AsDB(6) <sup>12</sup> ; EBRD(2); IaDB(5); IsDB/ITFC(2); ITC(6); UNECA(2); UNCTAD(5); UNIDO(6); WCO(4); World Bank(8); WTO/STDF(3); WTO/TPR

**SOUTH-SOUTH PARTNERS**

	REPLIES TO QUESTIONNAIRE	SUBMISSION OF CASE STORY
<b>Q = 10</b> <b>CS = 7</b>	Argentina; Brazil; Chile; China; Colombia; Ecuador; India; Indonesia; Mexico; Oman	Argentina(3); Brazil; Chile, China; Mexico

**REGIONAL ORGANISATIONS**

	REPLIES TO QUESTIONNAIRE	SUBMISSION OF CASE STORY
<b>Q = 9</b> <b>CS = 25</b>	CARICOM; CEN-SAD; ECOWAS; ESCWA; OECS; SAARC (e-mail format); SADC; TTCA-NC; WAEMU	CARICOM(4); CEN-SAD; ECOWAS(3); ESCWA(7); OAS(4); OECS(2); SADC; TTCA-NC; WAEMU(2)

*OTHER (Academia, NGOs, private sector, other organisations)*

<sup>9</sup> Submitted after the deadline.

<sup>10</sup> Joint submission with ITC.

<sup>11</sup> Includes joint submission with Tanzania and with the Kyrgyz Republic.

<sup>12</sup> Includes one case story submitted after the deadline.

SUBMISSION OF CASE STORY (47)

CEDA; Commonwealth Secretariat(2); COPE; CSEND; CTA; CUTS; ECDPM; Gender focused(13); German Development Institute; IDLO; IICA(3); International Solidarity Foundation<sup>13</sup>; ICTSD(3); ITAM; ODI(3); Mongolian National Chamber of Commerce and Industry; PwC; SACAU; SIFT; The Global Mechanism(2); UNEP; University of Chile; University Mohammed V Souissi; UPU; WIPO(3)

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<sup>13</sup> Joint submission with the Cooperative Union of Tierra Nueva.