

## OECD POLICY DIALOGUE ON AID FOR TRADE: FROM POLICY TO PRACTICE

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### RAPPORTEUR'S REPORT

#### **Further reflections on Capturing the Benefits of Trade--How can Aid help?**

The focus of this session was on two themes namely, the specific ways in which trade facilitation and associated aid can promote export diversification and the principles to be applied for the effective design of Aid for Trade programmes. Six speakers made presentations in this session and a number of observations were made by participants.

#### ***Designing Effective Aid for Trade Programmes***

Drawing on the report of the WTO Task Force the chairman of this session began by noting that country ownership, mutual accountability, coordination, alignment of aid programmes with country programmes, and evaluation were important elements in the design of effective Aid for Trade programmes. The goal of this session, he said, was to share experiences and ideas about the various approaches to implementing aid programmes. In particular, he was keen to learn which processes led to the best results in implementation, the proper identification of priorities, and effective evaluation of previous Aid for Trade projects.

The implementation of the Integrated Framework in Laos was the subject of the first presentation, made by a senior trade official from that country. This speaker noted that as a landlocked country Laos faced particularly high logistics and infrastructure-related costs in addition to a poor business environment and international competitiveness. This is the situation facing the central government and the donors with operations in this country. As far as the IF is concerned, the government has set up an inter-agency coordinating body and has held discussions with civil society (not just in the capital but also in the northern and southern regions of the country) and with donors. After a long period of time a Diagnostic Trade Integration Study (DTIS) matrix was put in place. A challenge has been to get the IF's recommendations, which the speaker described as excellent, incorporated into government policy. It was said that a greater emphasis on the 3 Ps--policy, process, and projects--was needed. Moreover, donors needed to show more flexibility about the total level of aid support and about the share going to trade-related projects. Coordination among donors could be improved and the national government must show greater readiness to use the tools of the IF.

The Aid for Trade initiative was put into context given developments in the world trading system and donor priorities by the second speaker in this session, who is a senior official at an international development agency. With respect to trade negotiations-related developments, the speaker argued that the Aid for Trade initiative would be needed even if regional trading agreements were not proliferating and the DDA had never happened. Countries want to make the most of the export opportunities that they have already and, when more are created as trade agreements come into force, then the case for Aid for Trade will be further strengthened. The speaker also noted that during the years 2002-2004 only 24 percent of the

total aid spent went on projects to support productive sectors of economies, down from 40 percent in 1992-94. The Aid for Trade initiative could go a long way to reverse this decline.

Money alone, however, will not produce results. Effective delivery of aid requires, in this speaker's view, donor coordination, coherence and policymaking, and transparency and accountability. Coordination was needed to reduce the demands on recipient country governments. It was noted in this regard that one African country alone had a total of 160 donor visits to its capital last year. Coherence in policies applies to the trade, investment, and migration measures implemented by donor country governments and is, he argued, very important. Transparency and accountability are the cornerstones of effectiveness and help to build trust. The speaker also noted that while these steps ought to be taken by donor and recipient countries, international agencies can play a role in monitoring, in offering technical and analytical support, and in highlighting best practices and region-wide and systemic needs.

The assessment and evaluation of Aid for Trade projects was the subject of a presentation by an African government official, the third speaker in this session. This speaker argued that the Paris Declaration on Aid Effectiveness provided a good starting point. Follow up and assessment procedures could generate important insights, which in turn might be incorporated into similar projects, as appropriate. Monitoring of aid programmes should continue throughout and after their implementation. It was recommended that assessments should "map" the linkages from resources employed in project activities to production-related effects and, where possible, to the impact on goods and services traded and to living standards. The speaker referred to these linkages as a value chain to reduce poverty through trade-related aid projects. Outcomes could be linked to project choices and operating procedures and potentially lessons could be learned.

The speaker accepted that it may be difficult to confidently evaluate the contributions of individual projects to aggregate outcomes, such as total exports. In these circumstances, he argued, there may be a case for taking a group of related projects together and evaluating their collective impact. The different aspects of accountability were also stressed by the speaker: accountability by lenders and donors, by government ministries in recipient nations, and by managers of Aid for Trade projects. He also cautioned against the costs and resource requirements of evaluation and monitoring exercises but contended that reducing costs and enhancing efficiency are possible if accountability is taken seriously.

A number of points recurred in the interventions by participants in this session. The shift over the last 10 years or so in aid allocations away from trade-related and productive uses attracted comment. Some wondered why this had happened, while others were concerned that the Aid for Trade initiative would result in less money being spent on projects that directly target poverty reduction. The additional funds that are supposed to accompany the Aid for Trade initiative may allay these fears, it was argued. The importance of Aid for Trade being implemented as part of a coherent package of measures by industrialised countries was emphasised by a few participants.

With respect to the potential implementation of the Aid for Trade initiative some participants argued there were lessons to be learned from past aid projects. The onerous reporting requirements of donors were referred to and recommendations were made to streamline them. One official from a major donor country wondered what mechanism could be devised to deliver what he referred to as the 3 C's, namely, communication, coordination, and comparative advantage. Others called for greater accountability of donors' aid programmes and called for international mechanisms to that effect. A few participants asked what the timetable was for the implementation of the Aid for Trade initiative and urged that it begin sooner rather than later.