



Aid for Trade

Moving From Principles to Practice

***OECD POLICY DIALOGUE WITH
NON-MEMBERS ON AID FOR TRADE:
FROM POLICY TO PRACTICE***

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Presentation

- **Aid for Trade – Moving from principles to practice: Latin America and the Inter-American Development Bank (IDB) experience**
- **Aid for Trade – Moving from principles to practice: Development Effectiveness**



Aid for Trade – Moving from principles to practice: Latin America and the Inter-American Development Bank (IDB) experience

Emerging Trade & Integration challenges in LAC



- **Trade integration is a key development challenge for LAC**
- **IDB is a key player whose role has intensified in the '90s**
 - Main multilateral donor in LAC
 - Adapting to an evolving regional demand (focus on T&I in the 90s)
 - Currently strengthening private sector development (supply side) and infrastructure
 - A solid institutional structure and to deliver trade-related assistance
- **The strategic elements of the operational agenda**
 - Act on a wide spectrum of issues that affect global competitiveness
 - Support the alignment of national complementary policies
 - Develop new instruments to target a wide variety of stakeholders

IDB Institutional Strategy on T & I



Competitiveness

- Supply-side adjustment
- Infrastructure
- Trade finance

Modernization of the state

- Trade-related capacity building
- Institutional reforms

**Economic Growth
with
Equity and Poverty
Reduction**

Reg.Integ. & Trade

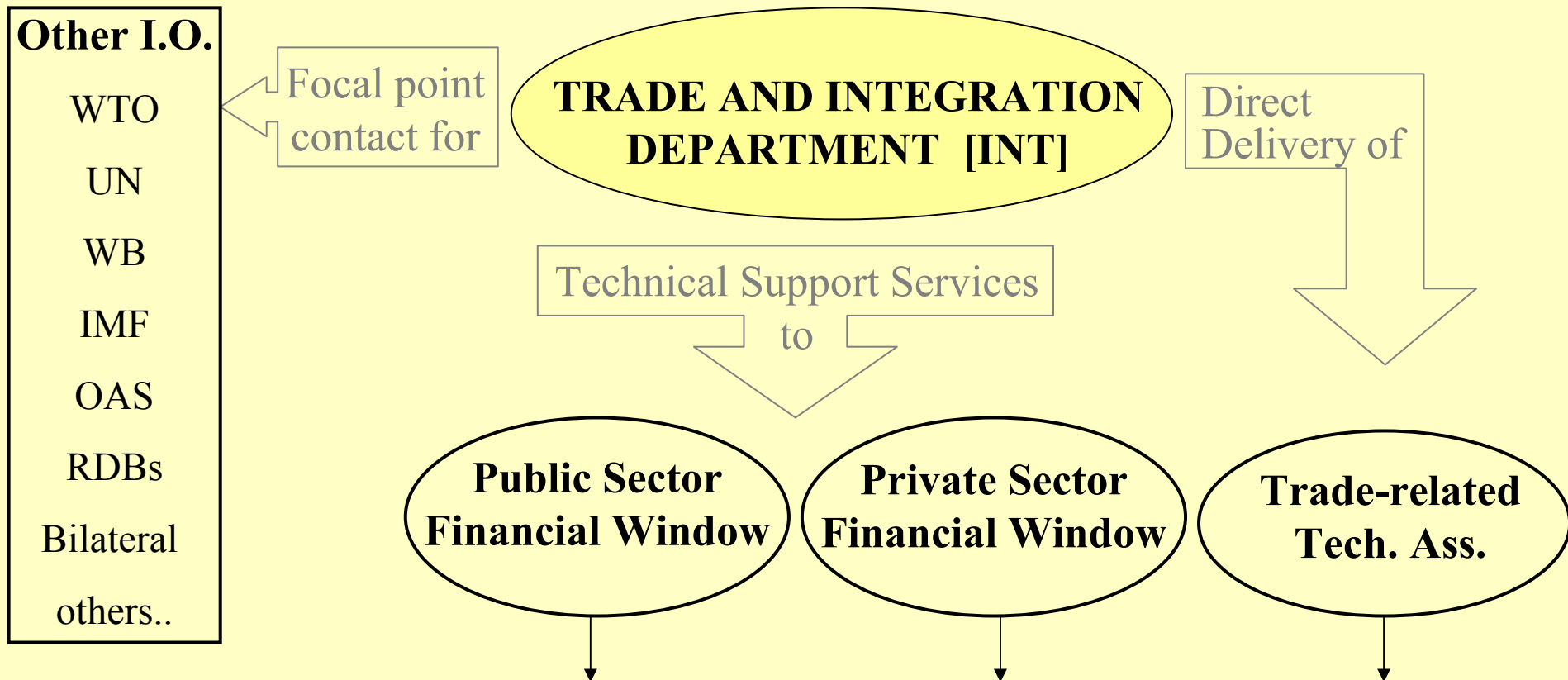
- WTO / FTAs
- Reg. infrastructure
- Reg. institutions
- Reg. public goods

Social Development

- Winners and losers
- Safety-nets
- Compensatory progs.

Trade and Integration

IDB Institutional Architecture on T & I



Donor coordination

Financial Assistance

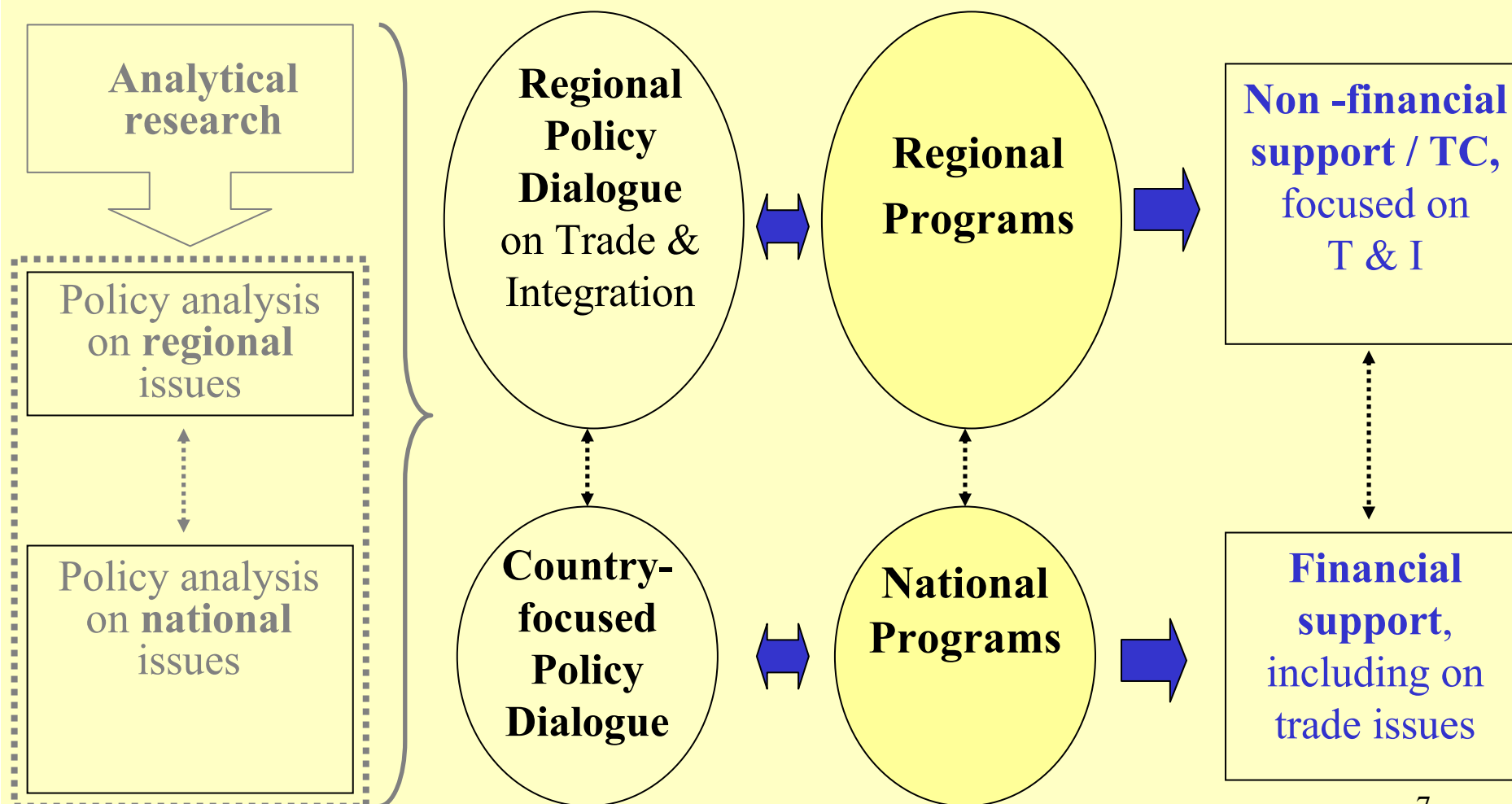
Non -Financial Assistance

Support to LAC Clients Countries & Sub-regions

IDB Operational Processes on T & I



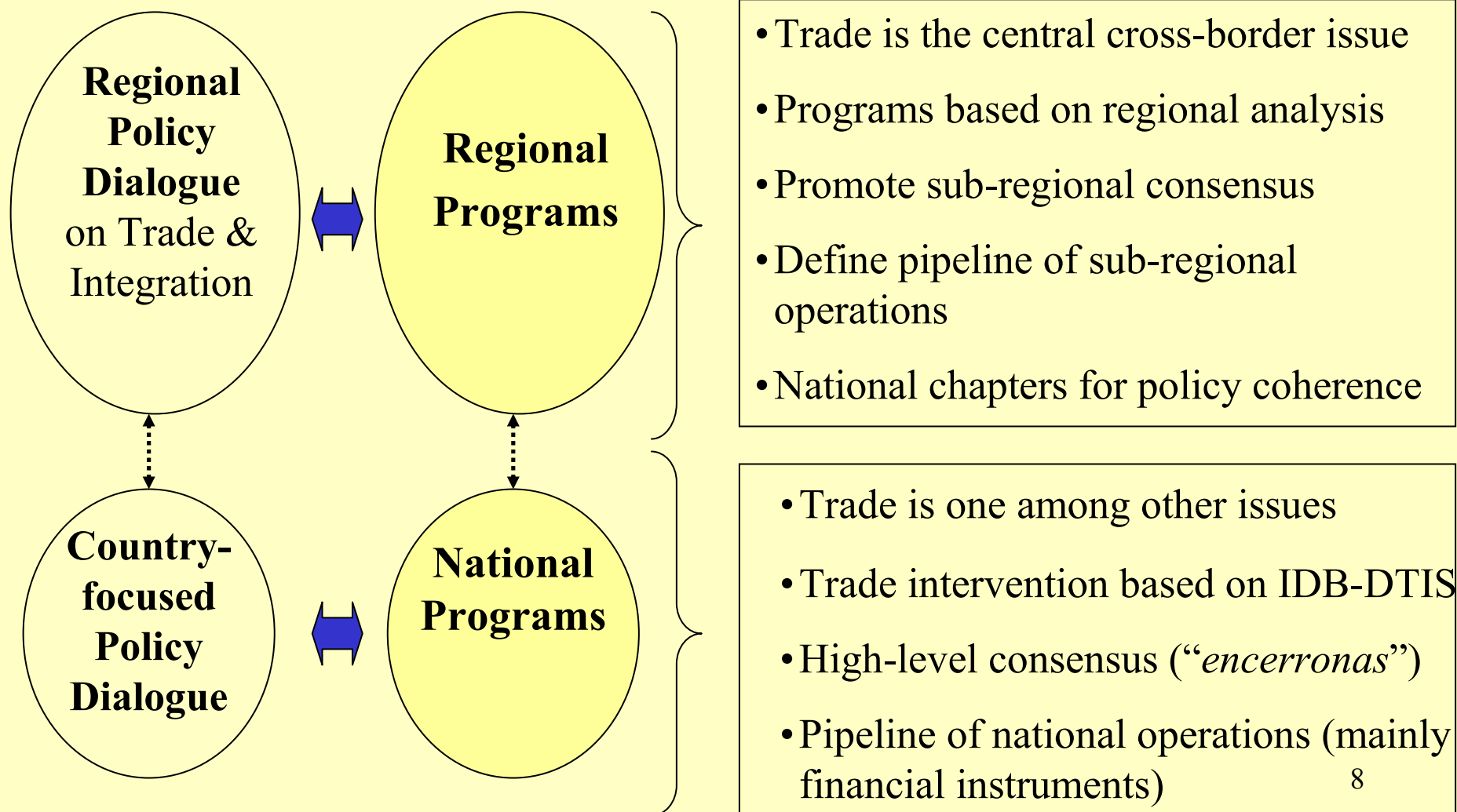
Technical Analysis > Policy Dialogue > Programming > Instruments





Policy Dialogue and Programming

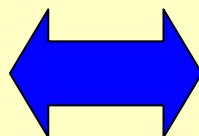
...> Policy Dialogue > Programming > ...



IDB Instruments to Support T & I



**Financial
Instruments**



**Non –Financial
Instruments**

Lending

- Trade Sector Facility Loans
- Trade, Competitiveness and Adjustment Hybrid Loans
- Trade Finance Reactivation Program
- Policy-Based Lending (New Lending Framework) – incl. trade

Grant financing

- Trade Funds (Canada; DFID)
- Trade & Investment Cluster (SMEs)
- Regional Technical Cooperation
- Regional Public goods Initiative
- Infra - funds

- Policy-Oriented Research
- Trade-Related Capacity Building
- Technical / Logistical Support to Trade Initiatives (e.g: FTAA, CAFTA, US and EU Bilaterals,...)
- National and Regional Policy Dialogue on Trade and Integration Issues
- Technical Collaboration with other Int'l Organizations and Bilateral Donors



Aid for Trade – Moving from principles to practice: Development Effectiveness

What is Aid for Trade ?



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AID FOR TRADE

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AID FOR TRADE

Aid Principles

Paris Declaration Principles

- **Ownership**
- **Alignment**
- **Harmonization**
- **Managing for results**
- **Mutual accountability**



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Trade Architecture

- **IFIs, RDBs, etc.**
- **IOs (WTO,OECD...)**
- **Bilateral donors**
- **Private sector**
- **NGOs**



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AfT

- **IFIs, RDBs, etc.**
- **IOs (WTO,OECD...)**
- **Bilateral donors**
- **Private sector**
- **NGOs**

Why AfT discussion on effectiveness is complex?



Why AfT discussion on effectiveness is so complex?



- **Multi-polar nature of the AfT strategy**: requires action at the national, regional and global level...
- **Multi-sector interaction for AfT effectiveness**: macro, micro, institutional and social dimensions...
- **Multi-donor mechanisms for AfT delivery**: existing architecture adequate but need to promote complementarities...
- **Multi-disciplinary expertise for AfT execution**: trade; business, legal, engineering,....

Why AfT discussion on effectiveness is so complex?



- **Multi-stakeholder involvement in AfT design and implementation**: multi-gov; business, legislative, universities, civil society NGOs, etc. → partnerships
- **Multi-objective function of AfT initiative**: export diversification, WTO implementation, etc.
- **Multi-policy development strategies associated with AfT**: politically sensitive / cycles → consensus building
- **Multi-language in AfT discussions**: typical problem when discussing aid issues, but compounded in the case of AfT

How to ensure AfT Development Effectiveness



- **Pre-conditions**
- **Implementation**
- **Monitoring & Evaluation**

How to ensure AfT Development Effectiveness

Pre-conditions



- Strengthen **capabilities to mainstream trade** into national development agendas
- Build solid **national and regional institutions** with flexibility to adapt to changes
- Establish closer relationship between “**trade practitioners**” and “**aid practitioners**” in the identification, design and development of trade-related assistance
- Expand **knowledge network** in the formulation and implementation of AfT moving beyond traditional constituencies in the trade community (civil society groups, private sector, legislative branch of government, etc.)

How to ensure AfT Development Effectiveness Implementation



- A key principle is to link the “programming” of AfT to “results”:
 - **Enhance programmatic and sector-wide approaches**
 - **Importance of individual operations** but set within a framework of reforms: approved on a phased basis to support a country’s reform program and with specific triggers for moving from one operation to the next.
 - **Combination and flexibility of instruments**: create right incentives to implement reforms by combining: grants and loans; national and regional, public-private ...)

How to ensure AfT Development Effectiveness

Monitoring & Evaluation



- Need to develop **common guidelines** to monitor and evaluate results at the project and program levels
- Joint **WTO/OECD Database**:
 - Useful instrument for **monitoring** and information sharing
 - Need to address: e.g. multi sector/purpose codes, multi-component projects; combination of instruments; regional codes, etc.
 - How to expand scope to incorporate other dimensions of trade-related assistance
- Additional institutional mechanisms for **monitoring** (WTO...)

How to ensure AfT Development Effectiveness

Monitoring & Evaluation



- Difficulties to measure **outcomes** in trade-related assistance, particularly in institutional strengthening, capacity building AND multi-sector interaction
- Difficulties to establish **baseline indicators** for measuring progress in trade-related assistance not related to physical infrastructure/investment
- Difficulties to establish **attribution** where:
 - many donors are involved
 - other variables interact and affect outcome (e.g. macro variables)
- Difficulties to have built-in incentives for **donor coordination** but it is essential in the development of well-₂₃ designed **results-based** frameworks



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