



ORGANISATION FOR ECONOMIC CO-OPERATION
AND DEVELOPMENT



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

**JOINT 2007/8 WORK PROGRAMME ON AID FOR TRADE OF
THE DEVELOPMENT ASSISTANCE COMMITTEE AND
THE TRADE COMMITTEE**

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The Ritz-Carlton Doha Hotel
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1. Introduction

The 2006 OECD Ministerial Chair Summary highlighted the contribution of the Organisation to the deliberations in the WTO on aid-for-trade when commending the OECD on its work in support of the Doha Development Agenda (DDA). Building on the joint contribution of the Development Assistance and Trade Committees, the July 2006 Recommendations of the WTO Task Force on Aid-for-trade identified a number of challenges that need to be addressed to make aid-for-trade an effective instrument for assisting developing countries to increase their exports of goods and services, to integrate into the multilateral trading system, and to benefit from liberalized trade and increased market access opportunities.¹

The Task Force considers aid-for-trade important in its own right and suggests that the recommendations should be operationalised as soon as possible. In that vein, it called upon the Director-General to explore implementation needs with relevant stakeholders, including international organizations, and to set up an ad-hoc consultative group to take forward the practical follow-up to the recommendations. The WTO General Council adopted the Recommendations at its meeting on October 10-11th.

In their Joint Statement to the September 2006 IMF/WB Development Committee, Secretary- General Gurría and the DAC Chair expressed the Organisation's willingness to contribute to the implementation process on aid for-trade, and in particular to improve the monitoring of commitments through the joint WTO/OECD database, to integrate trade issues more effectively in aid programmes, to strengthen expertise both in the field and in capitals, and to develop tools for results based management of aid-for-trade programmes.

In the context of the 2007/8 PWB, this note proposes a project to be jointly implemented by the Development Assistance Committee and the Trade Committee to respond to the challenges and gaps identified by the WTO Task Force and focusing on areas where the OECD aid and trade policy community can add value and move the aid-for-trade recommendations forward.

A key recommendation of the WTO Task Force is to review the scope of the joint WTO/OECD database on trade-related assistance to take account of the proposed definition of aid-for-trade and improve the monitoring of financial flows. Informal discussions on how best to respond to this specific recommendation have already taken place between the OECD and WTO secretariats. In addition to expanding the scope of the database coverage, attention will need to be paid to clarify reporting directives and strengthen donor reporting capacities in order to improve the comprehensiveness and timeliness of the joint WTO/OECD database. These activities, which are an important element of the OECD response to the WTO Task Force Recommendations, are, however, not part of this joint DAC-TC PWB 2007/8.

2. Proposed DAC-TC Programme of Work on Aid for Trade

The joint DAC-TC contribution to the WTO discussions on aid-for-trade argued that the key Paris Declaration principles of country ownership and leadership, alignment of aid with recipient country own

1. WT/AFT/1.

strategies, priorities and systems, harmonisation of donor procedures and practices, management for development results and mutual accountability (including joint monitoring and evaluation) should be given practical application in the aid-for-trade domain, as effectiveness is the primary problem. The OECD contribution noted three key challenges that need to be addressed in order to improve the effectiveness of aid-for-trade programmes:²

- i. Increasing awareness among aid and trade administrations in donor countries (both at headquarters and field offices) and in recipients' governments about the links between trade, growth and development, including poverty reduction, gender and environmental sustainability.
- ii. Improving the know-how of practitioners in the field and capitals on how to design and effectively implement programmes to enable developing countries to use trade to promote growth, development and poverty reduction and to achieve their development objectives.
- iii. Applying the principles of the Paris Declaration on Aid Effectiveness to aid-for-trade, in particular to enhance performance management through local accountability and global review based on a common set of evaluation and monitoring tools, which ensure that funding, design and implementation shortcomings of aid-for-trade programmes are corrected, that results are delivered, and effectiveness improvements are sustainable.

The WTO Task Force, which recommended that aid-for-trade should be guided by the Paris Declaration on Aid Effectiveness (the Declaration is annexed to the recommendations) highlighted, *inter alia*, the above mentioned three challenges and invited the OECD to assist in providing input to the periodic aid-for-trade review in the WTO.

3. Expected outcomes

Following the recommendations of the Task Force, it is proposed that the objectives of the joint DAC-TC PWB 2007/8 are to:

- Integrate trade issues more effectively in aid programmes;
- Enhance the effectiveness of aid-for trade programmes; and
- Improve the credibility and impartiality of local and global assessments of the effectiveness of aid-for-trade programmes.

4. Expected output results

The proposed joint work will result in:

1. A set of facts, tools and methods for maximising the impact of aid-for-trade on development;
2. A Knowledge Network (not necessarily hosted or managed by the OECD) in which the aid and trade community (from developed and developing countries, including countries that have succeeded in generating dynamic growth and exports) share experiences and information to strengthen the effectiveness of aid-for-trade and the impact of trade on growth, development and poverty reduction;

2. COM/DCD/TD(2006)4.

3. Input into the process to operationalise the Task Force recommendations, including through the global aid-for-trade review mechanism in the WTO, *inter alia*, based on the joint WTO/OECD database.

A set of *Facts, Tools and Methods for Strengthening the Impact of Aid for Trade on Development* will be developed, building on the Paris Declaration. The objective is to produce a practical and factual guide setting out the main principles for delivering aid-for-trade effectively, but also tools to identify and address the most common capacity gaps, practical lessons from past experiences, and realistic checklists on how to measure results. It will also include a typology of the most common problems facing different country categories, such as countries that have yet to engage in a strong reform process or small land-locked/island states with high natural barriers. Finally, it will provide references for users wishing to further explore specific issues. This output result will be based on three pillars:

- A brief introduction of the links between trade, economic growth and development, including poverty reduction, gender and environmental sustainability. This introduction will be based on available material. Moreover, the Integrated Framework, and in particular the Diagnostic Trade Integration Studies and Validation workshops provide key insights into how to raise awareness and conduct needs assessments, engaging with local expertise in stakeholders.
- A practical toolbox on how to deliver aid-for-trade effectively. This output result will draw on generic DCD/DAC work on capacity development and drivers of change and explore how to identify binding constraints and areas where aid can lift productivity and export competitiveness. Furthermore, the manual will build on Results and Resources Frameworks which are emerging as the aid partners' working interface for the scaling-up of aid, based on the PRSP or other national strategies. These frameworks could provide the currently missing link for strengthening joint-up government and matching demand and response as well as addressing the issue of how to use budget support to the trade sector. This work will also aim at developing evidence-based recommendations concerning the types of intervention that are most effective in strengthening trade capacity.
- A set of common tools to manage aid-for-trade and achieve identifiable and measurable results. This third pillar will address how to focus aid-for-trade interventions on results; how to align monitoring and evaluation with results, keep measurement and reporting simple and how to use the results for learning and decision making. This pillar will include a review and an assessment of indicators for monitoring and evaluating improvements in trade capacity, such as building business competitiveness and domestic comparative advantages, productivity enhancement measures, the degree of integration with the world economy, value-added in exports, composition of exports etc. The recommendations will take into full account the practical difficulties in implementing a results-based approach when capacity is scarce and available statistics poor and quantitative indicators might be difficult to produce. This activity will build on the ongoing work of the DAC hosted Working Party on Aid Effectiveness and in particular the Joint Venture on Management for Development Results and the DAC Evaluation Network.³

The creation of a *Knowledge Hub of Best Practices* to exchange ideas, information and lessons, and build-up best practices will be explored with interested partners and organisations. The objective is to create a practitioners forum to discuss experiences and work together to improve the effectiveness of trade-related assistance and monitor progress in aid-for-trade. This would be separate from but complementary to

3. http://www.oecd.org/departement/0,2688,en_2649_15587075_1_1_1_1_1,00.html

their involvement in other forums focusing on either (trade) negotiations or donor-recipient relationships. It is envisaged to engage trade and development experts from countries that can contribute to and benefit from a joint learning process. The initial experimental phase should provide guidance on the optimal modalities for this networking.

It is suggested that the *OECD annual input into the global monitoring* of aid-for-trade through the periodic review in the WTO should be primarily based on the annual WTO/OECD database report, complemented by a qualitative assessment of DAC Members trade-related assistance programmes (which could consist of a light peer review process based on self assessments) and a progress report on the programme of work set out above.

5. Co-operation

The objective is to develop the output results in close co-operation with and active participation of the multilateral agencies participating in the Integrated Framework (e.g. the IMF, ITC, UNCTAD, UNDP, World Bank and WTO) and selected recipients that have made, or are planning to make, trade a focal point in their development strategy. Informal discussions with multilateral stakeholders, a number of important providers of bilateral trade-related assistance and recipient countries have provided initial indications of interest to participate in the execution of this draft programme of work.

6. Format

It is suggested that the programme of work would bring together bilateral and multilateral donors and recipients in a way similar - but in a much looser form and with much lighter managerial demands - to that of the DAC-hosted Working Party on Aid Effectiveness, which is responsible for monitoring the Paris Declaration on Aid Effectiveness. The idea is to invite participants from recipient countries and multilateral agencies to actively participate in the joint DAC-TC meetings devoted to this issue. In fact, it could be argued that a key outcome of this programme will be the process itself of developing and agreeing upon what is good practice and how to assess the effectiveness of aid-for-trade among bilateral donors, multilateral agencies and recipient countries that accord an important role to trade in their development strategies.