

*THE BEST TIME TO PLANT A TREE IS TWENTY YEARS AGO,
THE NEXT BEST TIME IS NOW.*

African proverb

INTRODUCTION

Successive rounds of multilateral trade negotiations have greatly expanded market access, including through a number of measures focused specifically to benefit developing countries. Yet, many low income countries continue to face difficulties in adjusting their economies to the changed circumstances and taking advantage of the potential benefits from market access opportunities. Governments, enterprises and other entities may lack the capacities – e.g. information, policies, procedures, or infrastructure – to compete effectively in global markets and avail themselves of the advantages provided through international trade.

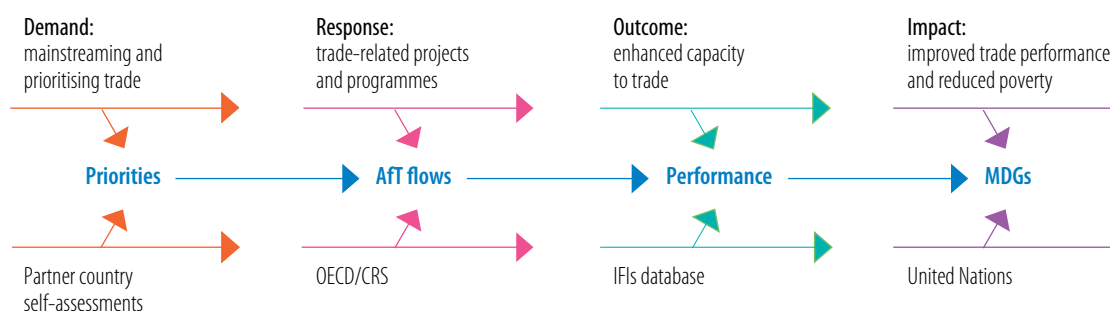
In recognition of these challenges, the 2005 Hong Kong WTO Ministerial Declaration called for more and better aid for trade and set in motion a process to achieve this. The fundamental aim of the Aid-for-Trade Initiative is to help low income countries overcome structural limitations and weak capacities that undermine their ability to produce, compete and maximise the benefits from trade and investment opportunities. More specifically, the WTO Task Force on Aid for Trade recommended the following objectives for the initiative:

- ▶ *“Enable developing countries, particularly least-developed countries (LDCs), to use trade more effectively to promote growth, development and poverty reduction and to achieve their development objectives, including the Millennium Development Goals (MDGs);*
- ▶ *Help developing countries, particularly LDCs, to build supply-side capacity and trade-related infrastructure in order to facilitate their access to markets and to export more;*
- ▶ *Help facilitate, implement and adjust to trade reform and liberalization;*
- ▶ *Assist regional integration;*
- ▶ *Assist smooth integration into the world trading system, and*
- ▶ *Assist in the implementation of trade agreements.”*

In addition, the Task Force recommended strengthening the ‘demand-side’ and the donor ‘response’ and bridging the gap between ‘demand’ and ‘response’ at the country, regional and global levels. To track progress on the implementation of this agenda and enhance the credibility of the initiative, the Task Force recommended establishing two accountability mechanisms:

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

Logical monitoring and evaluation framework for the aid-for-trade assessment



Following these recommendations, the OECD and the WTO established an aid-for-trade monitoring and evaluation framework. The objective of the framework is to promote dialogue and encourage all key actors to honour commitments, meet local needs, improve effectiveness and reinforce mutual accountability. The value of the new monitoring framework lies in creating incentives, through enhanced transparency, scrutiny and dialogue (*i.e.* putting a 'spotlight' on progress), to foster synergies between trade and other economic policy areas in developing countries, as well as improve the coherence of aid for trade with overall donor strategies – all essential components of effective aid delivery as embodied in the Paris Declaration on Aid Effectiveness. In short, the focus on local accountability will provide incentives to strengthen local ownership and management for results. The global review, on the other hand, will ensure that donor and partner countries' efforts are focused on the needs and challenges identified through local accountability mechanisms.

The second global aid-for-trade monitoring exercise takes place against the back ground of what has been labelled by the OECD as the Great Recession. The main impacts of the economic crisis on aid for trade are highlighted in Chapter 1. Next, the report assesses whether progress is being made towards the aid-for-trade objectives.

The logical framework for the assessment consists of four main elements that were identified by the Task Force:

- i) mainstreaming and prioritising trade (*i.e.* 'demand');
- ii) trade-related projects and programmes (*i.e.* 'response');
- iii) enhanced capacity to trade (*i.e.* 'outcome');
- iv) improved trade performance and reduced poverty (*i.e.* 'impact').

Qualitative information concerning 'demand' is obtained through partner country self-assessments which are based on an OECD-WTO partner questionnaire. In addition, these assessments also provide information about mainstreaming trade in development strategies, trade-related priorities, the delivery of aid for trade and the co-operation between partner countries and donors. The results of these partner country self-assessments are analysed in Chapter 2.

Information concerning the 'response' consists of:

- ▶ Quantitative information (*i.e.* aid-for-trade flows) concerning trade-related programmes and projects is extracted from the OECD/CRS database for the categories that are most closely related to the Task Force definition. Chapter 3 analyses this data to establish whether aid for trade is additional, predictable, sustainable and effective. Furthermore, the chapter looks at the distribution among the different aid-for-trade categories, the main beneficiaries, the main providers and the 2009 outlook for aid for trade.
- ▶ Qualitative information concerning the 'response' of aid for trade is derived from donor self-assessment, based on an OECD-WTO donor questionnaire. These self-assessments highlight the progress made by donors in developing operational aid-for-trade strategies, the extent to which these are implemented in line with the Paris Declaration on Aid Effectiveness and the different steps taken to improve the quality of aid-for-trade programmes. The results of these donor self assessments are presented in Chapter 4.
- ▶ On the basis of the CRS data as well as partner country and donor self-assessments, the regional dimension is analysed in Chapter 5. In addition, this chapter contains three case studies about cross-border infrastructure projects in Asia, Latin America and Africa at different stages of the project cycle.

The 'outcome' and the 'impact' of the Aid-for-Trade Initiative are presented in fact sheets for those partner countries that participated in the second monitoring survey.² These fact sheets focus on a limited number of stylised facts and indicators that capture the four main elements of the logical framework underlying the Aid-for-Trade Initiative. This allows for country comparison at a glance. In addition, the fact sheets could form the starting point of a more comprehensive in-country national stakeholder dialogue (e.g. governments, donors, civil society and the private sector) to promote transparency about the demand and supply of aid for trade and greater accountability on building trade capacities. The Aid for Trade at a Glance fact sheets are presented in the Annex, which also contains detailed tables about aid-for-trade flows per category, recipient, region, income group and donor.

Monitoring the delivery and evaluating the impact of aid by trade and development community will encourage aid agencies to show results to their colleagues in trade ministries, and trade ministries to argue the case for trade. 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 binding the constraints to trade is largest.

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 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. The fact sheets provide a first effort for such a fact-based dialogue. ■

NOTES

1. India sent their response after the official deadline and was not included in the analysis.
2. Fact sheets are available for 85 partner countries.