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JOINT WTO/OECD BACKGROUND PAPER ON AID FOR TRADE

ASEAN

HIGH LEVEL MEETING

**THE GLOBAL FINANCIAL CRISIS, EXPORT-LED GROWTH AND AID FOR TRADE:
FOCUS ON THE ASEAN EXPERIENCE**

28-29 MAY 2009 - SIEM REAP, CAMBODIA

The attached background paper Aid for Trade is being circulated to delegations for information. It was jointly prepared by the World Trade Organization and the Organisation for Economic Co-operation and Development for the ASEAN High-Level Meeting "Global Financial Crisis, Export-Led Growth and Aid for Trade: Focus on the ASEAN Experience" that took place in Siem Reap, Cambodia on 28 and 29 May 2009.

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CO-OPERATION
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I. OVERVIEW

1. Aid-for-Trade aims to help developing countries, particularly Least-Developed Countries (LDCs), to build the supply-side capacity and trade-related infrastructure that they need to assist them to implement and benefit from WTO Agreements and more broadly to expand their trade.

2. This background paper provides information on the Aid-for-Trade (AfT) initiative, the Roadmap (work plan) for 2009, the monitoring framework used to track Aid for Trade, figures on global flows of Aid for Trade and Aid-for-Trade flows to the ASEAN countries. It gives an overview of key messages emerging from the responses of ASEAN countries to the joint WTO/OECD partner-country self-assessment questionnaire. The paper also gives an overview of assistance provided by the WTO Secretariat in the area of trade policy and regulation to the ASEAN countries.

II. BACKGROUND

3. A new work programme on Aid for Trade was agreed at the Hong Kong Ministerial Conference in December 2005 and operationalized by a Task Force which reported in July 2006.¹ In 2007, the WTO cooperated with the World Bank and regional development banks to hold three regional Aid-for-Trade reviews. These reviews took place in Lima, Peru on 13 and 14 September 2007 for the Latin America and Caribbean region, in Manila, the Philippines on 19 and 20 September 2007, for the Asia/Pacific region, and in Dar-es-Salaam, Tanzania on 1 and 2 October 2007 for the Africa region. The First Global Review and Debate of Aid for Trade, hosted by the WTO, was held on 19 to 21 November 2007.

4. Themes emerging from the First Global Aid-for-Trade Review were the need to encourage greater developing-country ownership of the initiative, to strengthen monitoring and evaluation and to shift the focus on the initiative from awareness-raising to implementation.

5. On 6 and 7 July 2009, the Second Global Review of Aid for Trade will be held at the WTO Headquarters in Geneva, Switzerland. The Review will evaluate progress made since the First Review in 2007 and scrutinize how Aid for Trade is being operationalized on the ground. Progress in

¹ WT/AFT/1.

securing additional financing will be discussed and views exchanged on how aid flows can be maintained against the backdrop of a global recession. The impact of the financial crisis on the real economy, together with declining commodity prices, drying up of trade finance and the inability to conclude the Doha Development Agenda, risk jeopardizing the contribution of trade to economic growth and poverty reduction in developing countries. A shortfall in financial flows to developing countries is a real possibility and developed country demand for the commodities on which much of their recent growth was based is declining. Combined with a dependency on tariff revenues, these developments will render budgets vulnerable to potential reductions in trade flows. In this less hospitable environment, aid for trade is even more critical to:

- unlock the growth potential of low income countries hindered by insufficient supply capacity or specific constraints;
- reduce trading costs within regions and with global markets to stimulate the supply-side response of low-income countries.

Central to this process is the examination of the conclusions emanating from the framework which has been put in place to monitor Aid for Trade – a key objective of the Aid for Trade Roadmap for 2009.

ASIAN-PACIFIC REGIONAL REVIEW OF AID FOR TRADE (MANILA, PHILIPPINES SEPTEMBER 2007): RECOMMENDATIONS FOR ASEAN COUNTRIES

Regional Cooperation and Integration (RCI) was singled out by most participants as an integral part of the initiative, and one that can help guide funding priorities. It was recognised that through RCI, countries can (i) better enhance regional and sub-regional cross-border infrastructure and related services; (ii) promote trade and investment; (iii) develop monetary and financial integration; and (iv) establish regional public goods such as prevention of communicable diseases and environmental degradation.

It was recommended to form a technical working group, consisting of senior technical-level representatives of recipient countries, bilateral donors, and regional and multilateral institutions. The Group's main tasks would be to (i) synthesize sub-regional/country needs and priorities, (ii) identify on-going assistance programmes, and (iii) develop an integrated approach that would effectively operationalize Aid-for-Trade for the medium term in Asia and the Pacific. This technical working group was formed in early 2008 and has become operational. The Asian Development Bank (ADB) is a member of the regional technical group and coordinates its work.

Suggestions for moving the Aid-for-Trade initiative forward includes actions to better define and identify trade-related needs and requirements in Asia and the Pacific, with the aim of producing a proposal on how to implement Aid-for-Trade across the region and to better share knowledge in this area. An update will be provided by ADB at the 2009 Global Review of Aid for Trade.

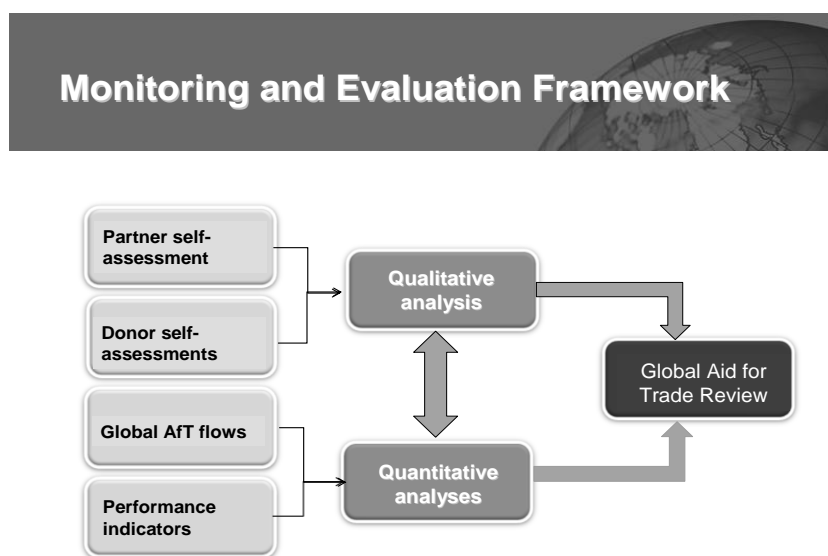
III. MONITORING AND EVALUATION

6. A big challenge the development community faces in relation to aid for trade is to improve its effectiveness. As highlighted by OECD studies, little robust research has been undertaken about the impact and effectiveness of Aid-for-Trade programmes. In part this is due to the absence of monitoring and evaluation frameworks. To enhance the credibility of Aid for Trade and to ensure that locally identified needs – whether financial or performance related – are properly addressed, the Aid-for-Trade Task Force recommended to establish two accountability mechanisms:

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

7. Against this background, the OECD and the WTO have set up an aid for trade monitoring framework. The objective of the monitoring 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 system 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. This, in turn, should improve the coherence of aid for trade with overall aid strategies and donor agencies – essential components of an effective aid-for-trade partnership between donors and partner countries 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. Periodic global reviews of aid for trade, on the other hand, will ensure that donor and partner countries’ efforts are focused on the needs identified through local accountability mechanism.

Figure 1: Monitoring and Evaluation Framework



8. As illustrated in Figure 1, above, the Monitoring and Evaluation framework for Aid for Trade operates at four levels:

- global analysis of Aid-for-Trade flows (using data extracted from the OECD Creditor Reporting Database or CRS) to assess where resources are being delivered, to identify where gaps lie, to highlight where improvements should be made, and to increase transparency on pledges and disbursements;
- evaluations of national, regional and multilateral donors' Aid-for-Trade activities (based on donor self-assessments), to ensure the dissemination of best practices across countries, to identify areas for improvement, and to increase transparency on pledges, commitments and disbursements;

- country-based monitoring and evaluation (based on partner-country (recipient) self-assessments) to provide a more focused, country-specific perspective on whether trade is being mainstreamed into national development policy, trade needs are being met, financial resources are being provided, and Aid for Trade is effective on the ground; and
- the use of indicators to track the use and effectiveness of Aid for Trade, in particular against priority areas identified by recipients in their self-assessment questionnaires.

9. At the First Global Review in November 2007, the OECD and WTO published a joint report entitled "Aid-for-Trade At-a-Glance 2007: 1st Global Review" which surveyed trends and developments in aid flows in the period 2002-2005. The report established a benchmark against which future assistance could be measured in categories most closely related to Aid for Trade. In preparation for the Second Global Review, the OECD and WTO will publish a 2009 report on Aid for Trade.

Table 1: Global Aid-for-Trade Commitments (in constant 2006 US\$ millions)

	2002-2005 baseline	2006	2007	Increase <i>vis-à-vis</i> baseline
Trade related infrastructure	11,901	13,281	14,499	21.8%
Building productive capacity	9,823	10,735	11,824	20.4%
Trade policy and regulations	705	1,129	741	5.2%
Trade-related adjustment	-	-	20	-
Aid for Trade total	22,430	25,144	27,084	20.7%

Source: OECD Creditor Reporting System

10. Table 1 lists data reported to the OECD CRS on Global Aid-for-Trade commitments between 2002-2007. The statistics show that Aid for Trade grew in real terms by approximately 20 per cent compared to the 2002 – 2005 baseline. Furthermore, from table 4 & 5 below, it is clear that an increasing volume of aid resources is directed to investment in infrastructure projects and building productive capacity.

11. Due to the time needed for in-depth reporting on aid flows, the OECD CRS database does not capture any impact that the current financial crisis may have had on Aid-for-Trade flows in 2009. The impact of the current worsening global economic outlook will be a central issue for discussion at the Second Global Review of Aid-for-Trade on 6 and 7 July 2009.

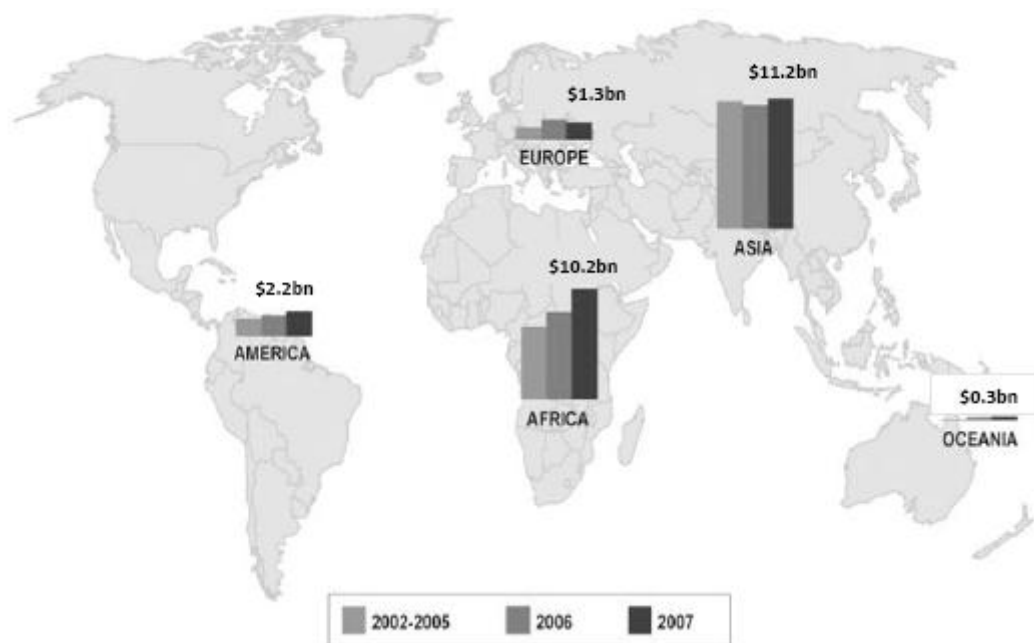
12. In December 2008, the WTO and OECD circulated self-assessment questionnaires to donors and partner countries. Significant changes were made to the questionnaire to make it more user-friendly. By 6 March 2009 deadline, a total of 83 replies had been received from partner countries (with 6 received from ASEAN countries, including 3 from LDCs) and 50 replies from donors (both bilateral and multilateral).² In addition, three countries completed a questionnaire on South-South co-operation.

² Cambodia, Indonesia, Lao PDR, Myanmar, Philippines and Viet Nam.

13. A Symposium on Monitoring and Evaluation of Aid-for-Trade was held on 15 and 16 September 2008 to help identify and assess suitable Aid-for-Trade indicators. Work is on-going on the design of Aid-for-Trade indicators. Responses to the AFT partner-country self-assessment questionnaires will be used to help focus indicators on partner countries' priorities for Aid for Trade. Work on indicators will be presented as part of the joint OECD/WTO Aid-for-Trade At-a-Glance publication.

Figure 2: Global distribution of Aid-for-Trade 2002-2007

Commitments, US\$ billion (2007 constant)



Source: OECD Creditor Reporting System

IV. AID FOR TRADE AND ASEAN COUNTRIES

A. AID-FOR-TRADE ASSISTANCE (2002-2007)

14. Table 2 presents aggregate data on Aid-for-Trade flows to the ASEAN countries, as reported to the OECD CRS database.³ It shows considerable disparities in the volumes of Aid for Trade

³ The OECD/DAC Creditor Reporting System (CRS) aid activity database collects information on ODA – i.e. grants or loans to developing countries and to multilateral agencies which are: (a) undertaken by the official sector; (b) with promotion of economic development and welfare as the main objective; (c) at concessional financial terms (if a loan, having a grant element of at least 25%). In addition to financial flows, technical co-operation is included in aid. The aid activity data derives from donors, including the 22 member countries of the OECD's Development Assistance Committee (DAC), the European Commission and other international organisations, e.g. the Asian Development Bank.

Following the recommendations of the WTO Task Force on Aid for Trade, the WTO members decided to use the CRS database to monitor Aid for Trade commitments and disbursements. Although the CRS is the best data source for tracking Aid for Trade flows at global level, it cannot provide data that matches exactly all the categories of Aid for Trade defined by the Task Force. Instead, the CRS offers proxy measures for key categories.

received by countries. In 2007, Aid-for-Trade commitments to Myanmar totalled US\$8 million, compared to 1,759 million to Viet Nam. Aid for Trade as a percentage of total sector allocable aid received also varied considerably between countries, from 6% in Myanmar to 61% in Vietnam. Table 3 shows that in 2006-2007, Viet Nam and Indonesia were the 3rd and 5th largest recipients of Aid for Trade globally. As a whole, Aid for Trade to ASEAN countries dropped 8%, from US\$3.4 billion to US\$3.1 billion.

Table 2: Aid- for-Trade and ASEAN Countries

	Commitments in US\$ millions		Disbursements in US\$ millions	Aid for Trade as percentage of total sector allocable aid
	2002-2005	2007	2007	2007
Cambodia	176.4	156.0	105.1	33%
Indonesia	989.7	791.8	613.4	36%
Lao PDR	122.7	112.1	99.3	45%
Malaysia	11.2	31.4	222.3	47%
Myanmar	9.8	8.1	10.1	6%
Philippines	312.1	210.3	616.2	30%
Thailand	320.9	47.8	127.8	30%
Viet Nam	1,426.6	1,758.8	736.9	61%

Source: OECD Creditor Reporting System

Table 3: Top 20 Recipients of Aid for Trade (2006-2007 average)

COMMITMENTS, US\$ MILLION (2006 CONSTANT)

	Income Group	2002-2005 average	2006-2007 average	Share of Total Aft	Share of Aft in Total Sector Allocable ODA	ODA/GNI (2007)
India	OLIC	1,352.3	1,743.2	7.1	35.9	0.11
Iraq	LMIC	1,979.2	1,586.4	6.5	37.8	..
Viet Nam	OLC	1,426.6	1,414.0	5.8	56.0	3.58
Afghanistan	LDC	665.0	1,254.7	5.1	40.4	33.86
Indonesia	LMIC	986.9	793.5	3.2	34.4	0.19
Ethiopia	LDC	485.1	734.5	3.0	32.1	12.48
Egypt	LMIC	518.5	585.6	2.4	49.2	0.84
Bangladesh	LDC	642.1	557.8	2.3	29.7	2.06
Kenya	OLIC	300.0	514.5	2.1	31.3	4.31
China	LMIC	695.4	438.2	1.8	17.7	0.04
Ghana	OLIC	235.6	437.1	1.8	40.2	7.59
Uganda	LDC	221.2	373.1	1.5	34.4	15.72
Mali	LDC	159.5	366.5	1.5	45.6	15.43
Pakistan	OLIC	345.8	365.3	1.5	24.6	1.51
Morocco	LMIC	280.6	349.2	1.4	30.0	1.51
Mozambique	LDC	284.2	341.1	1.4	29.1	26.33
Tanzania	LDC	324.2	305.6	1.2	23.4	17.43
Sri Lanka	LMIC	410.9	283.4	1.2	46.9	1.84
Serbia	LMIC	372.4	242.0	1.0	27.8	2.04
Turkey	UMIC	404.7	214.5	0.9	22.8	0.12

15. Table 4 highlights that in 2007, ASEAN countries as a whole received less Aid-for-Trade in the area of Trade Policy and Regulations, but twice as much for Economic Infrastructure Aid for Trade when compared to the amount received for Building Productive Capacity Aid for Trade. This happened despite a 12% drop in Economic Infrastructure Aid for Trade between 2002-05 and 2007, from US\$2.3 billion to US\$2.0 billion, and a 1% increase in Building Productive Capacity Aid for Trade.

16. Globally, Viet Nam was the second largest recipient of Aid for Trade in 2007, with total commitments worth US\$1.7 billion, placing Viet Nam only behind India. That same year, Viet Nam received more than half (56%) of all Aid for Trade to ASEAN countries, three quarters of it coming in Economic Infrastructure. Hence, the distribution by sub-category of Aid for Trade to ASEAN countries as a whole is highly influenced by Aid for Trade flows to Viet Nam alone. Excluding Viet Nam from the sub-category totals results in a much smaller difference between the volume of Aid for Trade to the two main sub-categories, with Economic Infrastructure totalling US\$713 million and Building Productive Capacity totalling US\$612 million.

17. Besides Viet Nam, two other ASEAN countries also received in 2007 more Aid for Trade in Economic Infrastructure than in Building Productive Capacity: Cambodia (70%) and Indonesia (65%). This means that, although ASEAN countries as a group received more Aid for Trade in Economic Infrastructure than in Building Productive Capacity, individually, a majority of countries (5 out of 8: Laos, Malaysia, Myanmar, Philippines, Thailand) received more Aid for Trade in Building Productive Capacity than in Economic Infrastructure, with the share of the former ranging from 91% for Malaysia and 76% for the Philippines.

Table 4: Aid-for-Trade volumes for Trade Policy & Regulations, Economic Infrastructure and Building Productive Capacity

	Trade Policy & Regulations		Economic Infrastructure			Building Productive Capacity			Total	
	2002-05	2007	2002-05	2007		2002-05	2007		2002-05	2007
				Volume	Share Total AFT		Volume	Share Total AFT		
Cambodia	4.2	0.7	100.8	108.5	69.5	71.5	46.8	30.0	176.4	156.0
Indonesia	8.3	12.7	739.6	515.9	65.1	241.8	263.3	33.2	989.7	791.8
Laos	0.6	7.0	68.2	31.4	28.0	53.9	73.7	65.7	122.7	112.1
Malaysia	0.9	0.6	2.1	2.4	7.5	8.2	28.4	90.5	11.2	31.4
Myanmar	0.1	0.1	2.0	1.4	17.4	7.7	6.5	80.8	9.8	8.1
Philippines	3.0	11.1	203.6	45.9	21.8	105.5	153.3	72.9	312.1	210.3
Thailand	3.4	0.6	269.4	7.3	15.4	48.0	39.8	83.3	320.9	47.8
Viet Nam	10.6	18.1	945.6	1,334.5	75.9	470.4	406.1	23.1	1,426.6	1,758.8
Sub-Total	31.1	51.0	2,331.3	2,047.3	65.7	1,006.9	1,017.8	32.7	3,369.3	3,116.2
Far East Asia, regional*	12.0	7.5	1.9	6.1	16.2	7.0	24.0	63.9	20.9	37.5

*(All-Myanmar)+China+Korea+Mongolia+Timor Leste

B. MONITORING AID FOR TRADE FOR ASEAN COUNTRIES

18. Six ASEAN countries replied to the joint WTO/OECD partner-country self-assessment questionnaire (Cambodia, Indonesia, Lao PDR, Myanmar, Philippines⁴ and Viet Nam). Five respondents indicated that trade is a key priority in their respective national development plans, which include well developed trade-related priorities and implementation actions.⁵ Of the six respondents, three are Least Developed Countries (Cambodia, Lao PDR and Myanmar).

19. Cambodia stated that the Integrated Framework Diagnostic Trade Integration Study (DTIS) and accompanying action matrix reflect their country's trade related needs and Government priorities. Myanmar and Lao PDR, on the other hand, reflected that the DTIS and accompanying action matrix only *partly* reflected their Government priorities and trade related needs.

20. The WTO/OECD self-assessment questionnaire requested partner countries to identify priority areas of intervention to improve capacity to benefit from trade expansion and integration into the world economy. Partner countries were asked to identify three priority areas among 12 different options under the broad headings for trade policy and regulation, economic infrastructure, building productive capacity and other priorities. Table 5 outlines the top three priority areas listed by the six ASEAN respondents to the questionnaire.

⁴ The Philippines specifically mentioned their Medium Term Philippine Development Plan (MTPDP) 2004-2010 and the Philippine Export Development Plan (PEDP) 2008-2010 as other strategies that include trade as a lever for growth and poverty reduction. Both plans can be accessed at <http://www.neda.gov.ph> and <http://www.philexport.ph>.

⁵ Lao PDR was the exception, stating that their national development plan mentions trade but does not include operational objectives and action plans.

Table 5: Aid-for-Trade Priority Areas for Cambodia, Indonesia, Lao PDR, Myanmar, Philippines, Viet Nam

	Priority 1	Priority 2	Priority 3
Cambodia	Trade Facilitation	Export Diversification	Trade Policy Analysis, Negotiation and Implementation
Indonesia	Trade Facilitation	Competitiveness	Network infrastructure (power, water, telecom)
Lao PDR ⁶	N/A	N/A	N/A
Myanmar	Export Diversification	Trade Facilitation	Trade Policy Analysis, Negotiation and Implementation
Philippines	Competitiveness	Network infrastructure (power, water, telecom)	Adjustment Costs
Viet Nam	Trade Policy Analysis, Negotiation and Implementation	Trade Facilitation	Competitiveness

Source: WTO/OECD Self-Assessment Replies

21. The WTO/OECD partner-country self-assessment questionnaire examines how trade capacity constraints are addressed at regional level through national trade strategies. All six respondents noted that they participated in regional integration processes. In Cambodia's reply, special mention was made of the Trade Sector-Wide Approach (Trade SWAp) which sets out the operational strategy of the Government's priority areas and seeks to strengthen Government leadership over the use and management of Technical Assistance resources.

22. Examples of Aid-for-Trade processes, programmes or projects which constituted good practice were given by Cambodia, Indonesia and Viet Nam. Indonesia singled out the EC-funded Trade Support Program (TSP) as an example of good practice⁷, while Viet Nam cited the MUTRAP Project and the "Beyond WTO program" as having had good results in trade policy formulation and trade practices at national, provincial and enterprise level. Lao PDR identified Regional Integration, Competitiveness and Trade Policy as areas where aid for trade has been most effective at raising trade capacity. Viet Nam also identified Trade facilitation, Trade Policy Analysis negotiation and Implementation, as well as Competitiveness of Goods and Services as the three areas in which aid for trade has been most effective in raising trade capacity

23. Cambodia referred to the preparation of the DTIS 2007, the preparation of the EIF Tier 1 proposal, organisation of the Trade SWAp project and the creation of the Ministry of Commerce website as good practise. Cambodia also stated that the three areas in which aid for trade has been most effective in raising trade capacity were:

- WTO Accession process
- Custom Reform (using the Automated System for Customs Data (ASYCUDA) process); and
- Export Development

⁶ More than three priority areas were listed and there was no categorisation of priorities in the questionnaire reply of Lao PDR.

⁷ Funded by the European Union.

24. Partner countries were also requested to identify priority areas in which the implementation of and effectiveness of Aid for Trade received could be improved. Table 6 below gives an overview of the responses. From the table, it is clear that a greater say in the design of Aid-for-Trade interventions, stronger donor focus on local capacity development and better predictability of Aid-for-Trade funding are the main priorities for the six respondent countries.

Table 6: Priority Areas to improve implementation and effectiveness of Aid for Trade received.

	CAMBODIA	Indonesia	Lao PDR	Myanmar	Philippines	Viet Nam
Greater say in design of AfT	X		X	X	X	X
Stronger donor focus on local capacity development		X	X	X	X	X
Better predictability of AfT funding				X	X	
More extensive use of Budget Support	X	X				
More regular joint-donor implementation actions						X
More harmonized reporting requirements						
More frequent joint donor-partner implementation efforts		X	X			
More systematic use of joint donor-partner monitoring/ evaluation	X					

Source: WTO/OECD Self-Assessment Replies

25. For the six ASEAN countries which replied to the partner-country self-assessment questionnaire, indicators on Aid for Trade will be presented as part of the joint OECD/WTO Aid-for-Trade At-a-Glance publication. The indicators will be tailored to reflect each country's own priorities.

26. Another instrument that can be used to evaluate Aid for Trade is the Trade Policy Review Mechanism. One of the conclusions of the Aid-for-Trade Task Force in July 2006 was that an assessment of Aid for Trade should be included in the WTO Trade Policy Reviews.

V. AID FOR TRADE PROVIDED BY ASIAN DEVELOPMENT BANK

27. In pursuing its vision of a poverty-free Asia and the Pacific, the Asian Development Bank provides loans, technical assistance, grants, advice, and knowledge-sharing to its developing member countries. Under Strategy 2020, an overarching strategic framework adopted in 2008, ADB follows

three complementary agendas in its development projects in the region: inclusive growth, environmentally sustainable growth, and regional integration.⁸

28. ADB's Aid for Trade for ASEAN is targeted and exhibits regional cooperation as a strategic development theme. It takes the form of financial and technical assistance on infrastructure and trade facilitation projects, and capacity-building and coordination with regional partners, particularly the ASEAN Secretariat.

29. Data on financing for projects in ASEAN are listed below (see Table 7). Total assistance was US\$1.8 billion in 2006 and jumped to US\$2.5 billion in 2008.

Table 7: ADB ADF and OCR Financing Provided in ASEAN 2006-2008, US\$ MN

DMC	2006			2007			2008		
	ADF total	OCR	Grand Total	ADF total	OCR	Grand Total	ADF total	OCR	Grand Total
Cambodia	27.80	-	27.80	57.10	-	57.10	84.10	-	84.10
Indonesia	109.80	600.00	709.80	50.00	900.00	950.00	160.00	850.00	1010.00
Lao PDR	51.56	-	51.56	18.00	-	18.00	-	-	-
Philippines	-	650.00	650.00	-	583.80	583.80	-	620.00	620.00
Viet Nam	268.19	-	268.19	240.00	47.90	287.90	148.50	606.20	754.70
Regional	102.00	-	102.00	309.00	896.00	1205.00	20.00	-	20.00
TOTAL	559.35	1250.00	1809.35	674.10	2427.70	3101.80	412.60	2076.20	2488.80

Notes: ADF refers to the Asian Development Fund, which are earmarked for long-term interest free loans, grants, and policy assistance to the poorest countries in Asia; OCR refers to ordinary capital resources; Grand Total column = ADF total plus OCR.

Source: ADB Southeast Asia Department.

30. Highlights of key ADB Aid for Trade-related projects in ASEAN are discussed below and include a range of support from financial and technical assistance in infrastructure development, trade facilitation to capacity building and institutional support.

31. **Greater Mekong Subregion (GMS) Program.** Started in 1992, the GMS Program is one of ADB's flagship programs supporting trade and economic development in ASEAN's underdeveloped subregions comprising Cambodia, the People's Republic of China, Lao PDR, Myanmar, Thailand, and Viet Nam. It focuses on the financing and technical support of subregional projects across many sectors including transport and trade. As of the end of 2008, the 41 GMS projects cost an estimated US\$11 billion of which ADB has: (i) Extended loans amounting to US\$3.8 billion; (ii) Generated US\$4 billion in co-financing for these investment projects; and (iii): mobilized a total of US\$208 million of grant resources, of which US\$94.1 million have been provided by ADB, to finance 179 technical assistance projects.

32. **GMS Infrastructure Development.** An integral part of the GMS program is the building of priority "economic corridors"— a signature approach to regional development based on linking infrastructure design to production and trade potentials to maximize economic benefits from

⁸ ADB's OCR operation do not fall within the scope of the Aid for Trade definition used by the OECD CRS. Data reported in table 7 does not therefore necessarily reconcile with that reported in tables 2, 3 and 4 which use the OECD CRS as the basis for reporting.

infrastructure investments. The bank envisions a GMS subregion that is covered by grids and rings of economic corridors, integrating and interconnecting dynamic markets and production centers.

Infrastructure development is a key facet of building economic corridors. Priority infrastructure projects worth around US\$10 billion have either been completed or are being implemented. Among these priority corridors are the upgrading of the Phnom Penh (Cambodia)-Ho Chi Minh City (Viet Nam) highway and the East-West Economic Corridor that will eventually extend from the Andaman Sea to Da Nang (see Box 1).

Box 1: GMS Economic Corridors

Case Study 1: Phnom Penh – Ho Chi Minh City Highway

Financed by an ADB loan approved in 1998 of US\$140 million (US\$40 million for Cambodia and US\$100 million for Viet Nam – with the governments of the two countries providing the rest of the combined total project cost of \$197 million), the project involved the reconstruction of 105 kilometers (km) of Route Number 1 (RN1) in Cambodia from Neak Leoung to the border with Viet Nam at Bavet, including minor improvements to other transport sections. The PP-HCMC Highway represented the primary segment of the GMS Southern Economic Corridor linking Thailand, Cambodia, and Viet Nam. The total value of trade passing through the Bavet/Moc Bai border crossing post increased by about 41% per annum between 2003 and 2006. The number of people crossing the border increased at an average annual rate of 53% during the same period while the number of vehicles crossing the border increased at an average annual rate of 38%. Travel time from Phnom Penh to Bavet has been reduced by 30%. Along RN1, there has been substantial ribbon development, including residences, buildings, and shops. At the Bavet border post, the increase in both passenger and goods traffic from Viet Nam has led to the establishment of commercial and leisure facilities, including several casinos and hotels that attract large numbers of tourists. Ancillary services, such as restaurants and gas stations, have likewise mushroomed along the road. An industrial park close to Bavet has also opened, providing employment opportunities for the local residents. New industrial areas have also been built near the project roads. One of these industrial areas employs over 10,000 people and is planning to expand its activities in a new site.

Case Study 2: East–West Transport Corridor Project

This is the second major GMS subregional transport project, which seeks to improve the central corridor linking Da Nang in Viet Nam with Tak in Myanmar—expanding the market for transit and bilateral trade among three countries—Thailand, Viet Nam and Lao PDR. Objectives include: i) Reconstructing an 83 kilometers (km) highway between the Thailand and Lao PDR border and Dong Ha (the National Highway 9); ii) Rehabilitating a 105.8 km Dansavanh (Lao PDR) and Lao Bao (Viet Nam) border crossing (Route National 9); and iii) Mitigating nonphysical barriers to the movement of goods and people across borders. The immediate impact of infrastructure development has been dramatic. Average vehicle speeds increased and average travel time from Kaysone Phomvihane to Dansavanh dropped from 10–12 hours to 4 hours, while that from Dong Ha to Lao Bao was cut in half. On both sides, border clearance time has improved. Average trade value through Lao Bao has escalated and crossing trade value peaked at US\$148.5 million in 2007. Industrial estates are developing in Lao Bao and Dong Ha and more such ‘boom towns’ are being planned. Increased connectivity has also led to an expansion of tourism and services sector, which account for a major part of increased traffic between Thailand and Lao PDR. The movement of people has increased significantly from around 95,000 in 2000–2001 to almost 274,000 in 2007. The project also features a feeder road component to enable Route National 9 improvements that will connect once isolated communities— from the Lao PDR to the hinterlands of Kaysone Phomvihane Province— and alleviate poverty along the corridor. These access roads now cover about 101 villages with a population of about 45,513, linking people and communities and bolstering livelihoods.

33. **GMS Trade Facilitation: Cross-Border Trade Agreements (CBTA).** Other interventions are still needed to fully catalyze the transformation of the economic corridors from rudimentary transport corridors to multidimensional and dynamic economic corridors. While the weight on physical connectivity has been adequate, the relative supporting “software” has been slower to develop. Sparking this transformation will depend largely on the implementation of the “Agreement for Facilitation of the Cross-Border Transport of Goods and People in the Greater Mekong Subregion”, expected in 2010. The CBTA is a multilateral instrument for the facilitation of cross-border transport of goods and people. It consists of assistance on formulating the basic framework of a model agreement for future development of bilateral and multilateral agreements, as well as capacity-building and training through country workshops. Part of the CBTA is also the facilitation of special economic zones, roadside service facilities, and other complementary infrastructure—telecommunications, electricity. ADB is taking the lead by providing a technical assistance for building capacity to develop a Savan–Xeno special economic zone near Kaysone Phomvihane in the Lao PDR.

34. ADB is working with GMS governments through technical assistance and through policy dialogue for its expedient ratification by all six countries of the CBTA's annexes and protocols, as well as the full implementation of the CBTA in 2010. While all the countries have signed the CBTA, ratification of the annexes and protocols are still at various stages of ratification. Initial implementation of the CBTA has successfully started at the Lao Bao–Dansavanh, Mukdahan–Kaysone Phomvihane, and Hekou–Lao Cai border-crossing points.

35. **Export Promotion in ASEAN.** ADB has several ongoing programs in the Mekong region assisting governments in mainstreaming trade within their economic policy frameworks and providing capacity development support to do so. Two noteworthy programs in the context of Aid for Trade include: (i) The Promoting Economic Diversification Program launched in Cambodia in December 2008 is a program cluster comprising of three subprogram loans amounting to a total of US\$50million over the period 2008-2012. The Program covers trade policy formulation, assisting with implementing WTO commitments, competition policy and trade facilitation. Also, part of the program is a US\$800,000 grant for enhancing private sector competitiveness and a US\$2 million grant for strengthening sanitary and phyto-sanitary standards.

36. The Private Sector and SME Development Program was implemented in Lao PDR in October 2007. It consists of a cluster of two subprogram grants amounting to US\$ 10 million and covers SMEs, investment climate and trade. Attached to the Program is a US\$ 500,000 grant funded under the Japan Special Resources fund. Under the Program, efforts have been made to reform the import management system to complement Lao's WTO accession efforts. Substantial capacity building was also provided, which included assisting staff at the Ministry of Industry and Commerce with estimating effective rates of protection and assessing its WTO tariff offers.

37. **Institutional Support for ASEAN Secretariat.** ADB has worked closely with the ASEAN Secretariat by providing technical assistance on strengthening institutional capacity on regional economic integration. Support has taken several forms: (i) ADB has provided support through research and studies— such as macroeconomic surveillance reports, policy issue papers presented at the East Asia Summit, ASEAN Finance Ministers Meetings, as well as background and working papers on free trade agreements, liberalization of trade in services and priority integration sectors. (ii) ADB is also an active presence in ASEAN's integration initiatives, including providing inputs in the drafting of the plan and implementation scorecards for the ASEAN Economic Community (AEC 2015). It has also supported human resource development in the Secretariat through training, seminars and consultation meetings for ASEAN staff. (iii) Finally, ADB supports ASEAN's technological capacity through support for the ASEAN Economic Integration Website and Information Systems, which supports better knowledge exchange and information dissemination on ASEAN trade initiatives.

VI. AID FOR TRADE PROVIDED BY WTO

38. The WTO is not a financing agency, nor does it have any ambition to become one, but, in addition to its monitoring and advocacy role for Aid for Trade, WTO provides limited assistance in the area of trade policy and regulation through its Institute for Training and Technical Co-operation (ITTC), Trade Facilitation Technical Assistance for National Self Assessments of Needs and Priorities and the Standards and Trade Development Facility.

A. ITTC TRAINING FOR ASEAN COUNTRIES⁹

39. The WTO Secretariat provided training across the breadth of the WTO's work programme, including aspects related to the on-going Doha Development Agenda negotiations. Technical assistance is tailored to the specific demands of beneficiary countries. Assessments are also undertaken to which subjects may contribute most to the strengthening of institutional and human capacity in trade-related matters in the recipient countries. Training delivered by the WTO thus differs from country to country.

40. The ASEAN economies have all benefited from WTO technical cooperation and capacity building activities. During the period 2007-2009, Officials from ASEAN economies have participated in several WTO Regional Seminars and Training events, covering WTO-related subjects, the Uruguay Round Agreements and the DDA negotiating subjects. Most of the requests since 2007 have concentrated on the Doha Development Agenda negotiating subjects, especially in the areas of Agriculture, Non-Agricultural Market Access (NAMA) and Services.

41. High-Level Consultations on the DDA negotiating issues for senior officials from the Asia Pacific region were also held in Bangkok on 12-14 May 2009. Officials have also benefited from training delivered through regular trade policy courses held either in Geneva or in Asia. For several years, the Regional Trade Policy Courses (RTPCSs), first in Hong Kong and now in Singapore, give support regionally, to the extent that the RTPCSs build institutional partnerships at the regional level for capacity- building and facilitate the creation of networks among academia. Also the WTO encourages the use of e-Training and distance learning. Table 8 gives an overview of the activities conducted in ASEAN since 2007.

Table 8: ITTC Technical Co-operation and Capacity-Building courses offered for ASEAN economies

(2007 to present)

Brunei Darussalam	Cambodia	Indonesia	Lao PDR	Malaysia	Myanmar	Philippines	Singapore	Thailand	Viet Nam
34	38	60	48	50	47	53	43	66	51

B. TRADE FACILITATION

42. The WTO Secretariat, in cooperation with partner organizations and national governments, is providing technical assistance to help WTO Member and Observer countries to conduct a self assessment of needs and priorities in the WTO trade facilitation negotiations. The goal of this program is to assist developing and least developed countries to negotiate more effectively through enhanced understanding of the technical assistance and capacity building needs for implementation of the proposed measures.

⁹ For more information see http://www.wto.org/english/tratop_e/devel_e/teccop_e/itcc_e.htm.

43. This technical assistance is funded through a special trust fund and is provided upon request. The status of requests from ASEAN members is outlined in table 9.

Table 9: Trade Facilitation Needs Assessments for ASEAN countries

Brunei Darussalam	To be conducted in 2009
Cambodia	Completed October 20-24, 2008
Indonesia	To be conducted in 2009
Lao PDR	To be conducted in 2009
Malaysia	Completed April 13-17, 2009
Myanmar (Burma)	No request has been made
Philippines	Completed February 9-13, 2009
Singapore	No request has been made
Thailand	No request has been made
Viet Nam	Completed March 10-14, 2008

C. STANDARDS AND TRADE DEVELOPMENT FACILITY

44. The Standards and Trade Development Facility (STDF) is a global partnership and programme of the Food and Agriculture Organization of the United Nations (FAO), the World Organization for Animal Health (OIE), the World Bank, the World Health Organization (WHO) and the World Trade Organization (WTO). It aims to assist developing countries, and particularly LDCs, in enhancing their expertise and capacity to analyze and implement sanitary and phytosanitary (SPS) standards, and to improve coordination among providers of SPS assistance by *inter alia* undertaking a wide range of awareness-raising, mobilization and dissemination activities.¹⁰

45. As part of its coordination role, the STDF organized a workshop on SPS needs and assistance in Cambodia, Lao PDR and Viet Nam on the margins of the Regional Review of Aid for Trade in the Philippines in September 2007. This workshop was followed by a targeted event in Cambodia in May 2008 which was successful in raising the awareness of SPS as a supply-side constraint within the Aid for Trade process, identifying SPS priority needs at national and regional level, and in further mobilizing resources to address those needs. Complementing this work, the STDF presented an overview paper on SPS needs and assistance in eight LDCs, including Cambodia and Lao PDR, at the LDC Ministerial Conference on Aid for Trade in November 2008, jointly organized by the WTO, UNIDO and the Government of Cambodia.

46. The STDF in close collaboration with FAO presently assists Cambodia in the development of an SPS Action Plan. Recently, it also assisted Lao PDR in designing a project to establish the infrastructure to promote, train and certify producers of agricultural products in Good Agricultural Practices (GAP). Funding for this project totalling US\$370,000 is currently being sought. In February 2009, the STDF also approved a project to strengthen the national GAP programme for fresh fruit and vegetables in the Philippines. Implementation of this project depends on the availability of an external donor to fund a complementary capacity building programme. In 2007-08, the STDF provided funding to assist developing member economies of the Asia Pacific Economic Cooperation (APEC) to train food safety regulators using FAO's food safety capacity evaluation tools. Finally, the STDF currently helps the Government of Nepal to strengthen the capacity of government SPS officials through an extensive training programme.

¹⁰ The STDF is housed and administered by the WTO. For more information see: www.standardsfacility.org.

VII. CONCLUSIONS

47. This paper provides a background briefing on Aid for Trade for participants at the ASEAN Conference and sub-regional review of Aid for Trade. It focuses on the six countries which responded to the joint WTO/OECD partner country self-assessment questionnaire.

48. The replies of the six ASEAN countries which responded to the joint WTO/OECD partner-country self-assessment questionnaire (Cambodia, Indonesia, Lao PDR, Myanmar, Philippines, Viet Nam) are instructive in establishing priority areas for future Aid-for-Trade assistance, as well as for monitoring the initiative at the country and regional level and identifying good practice in Aid for Trade.

49. The High Level meeting in Siem Reap, Cambodia on 29 April 2009 should give a strong impetus to move from commitment to action in the ASEAN region. Moving from commitment to action is a key objective for the Aid for Trade initiative in 2009.

50. Conclusions arising from the ASEAN Aid for Trade meeting will feature prominently at the Second Global Review of Aid for Trade to be held on 6-7 July 2009.
