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JOINT WTO/IDB/OECD BACKGROUND PAPER ON AID FOR TRADE

LATIN AMERICA AND THE CARIBBEAN HIGH LEVEL AID-FOR-TRADE MEETING

MONTEGO BAY, JAMAICA
7 – 8 MAY, 2009

The attached background paper on Aid for Trade is being circulated to delegations for information. It was jointly prepared by the World Trade Organization, the Organisation for Economic Co-operation and Development, and the Inter-American Development Bank for the Latin America and the Caribbean High-Level Aid-for-Trade Meeting that took place in Montego Bay, Jamaica on 7 and 8 May 2009.



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**Joint WTO/IDB/OECD Background Paper on Aid for Trade
Latin America and the Caribbean High-Level Aid-for-Trade Meeting**

Montego Bay, Jamaica

May 7-8, 2009

JOINT WTO/IDB/OECD BACKGROUND PAPER ON AID FOR TRADE

LATIN AMERICA AND THE CARIBBEAN HIGH-LEVEL AID FOR TRADE MEETING MAY 7-8, 2009, MONTEGO BAY, JAMAICA

I. OVERVIEW

1. Aid for Trade (AFT) seeks to help developing countries, particularly least-developed countries and low-income countries, build the supply-side capacity and trade-related infrastructure needed to implement and benefit from World Trade Organization (WTO) agreements and, more broadly, to expand their trade.¹

2. This background paper provides an overview of the AFT initiative, the AFT Roadmap (work plan) for 2009, the monitoring framework, and a description of AFT flows to the Latin American and the Caribbean (LAC) countries. It gives an overview of key messages emerging from the responses of LAC countries to the partner-country self-assessment based on the OECD/WTO questionnaire. It also covers South-South cooperation.

II. BACKGROUND

3. A new AFT work program was agreed to at the Hong Kong Ministerial Conference in December 2005 and operationalized by the task force in July 2006.² In 2007, the WTO cooperated with the regional development banks and the World Bank to hold three regional AFT reviews. These reviews took place in Lima, Peru, on September 13-14, 2007, for the Latin America and Caribbean region; in Manila, the Philippines, on September 19-20, 2007, for the Asia/Pacific region; and in Dar-es-Salaam, Tanzania, on October 1-2, 2007, for the Africa region. The First AFT Global Review, hosted by the WTO, was held from November 19-20, 2007.

4. Themes emerging from the First Global AFT Review included the need to encourage greater developing country ownership of the initiative, strengthen monitoring and evaluation, and shift focus of the initiative from awareness-raising to implementation. Working with partner agencies, a number of national and sub-regional AFT reviews are being held in 2009 to work toward these objectives. In the Latin American region, national reviews have been held in Peru on March 3, in Honduras on May 4, and a sub-regional review for the Caribbean was held in Barbados on November 11-12, 2008. Discussions are on-going for further regional events in 2009³ including a Second Regional Review of Aid-for-Trade being on May 7-8 in Montego Bay, Jamaica.

5. On July 6-7, 2009, the Second Global Review of Aid-for-Trade will be held at WTO Headquarters in Geneva, Switzerland. This review will evaluate progress made since the First Review in 2007 and scrutinize how AFT is being operationalized in the field. Progress in securing additional financing will be discussed and views exchanged on how aid flows can be maintained against the backdrop of a worsening global economic outlook. The impact of the financial crisis on the real economy and the inability to conclude the Doha Development Agenda risk jeopardizing the contribution of trade to economic growth and poverty reduction in developing countries. Shortfalls in financial flows to developing countries due to a contraction in world demand generally pose a greater risk to commodity-producing countries. Combined with a dependency on tariff revenues, these developments will render budgets vulnerable to potential reductions in trade flows. In this less

¹ Haiti is the only least developed country in the Latin American region.

² WT/AFT/1.

³ A full list of planned national and sub-regional reviews is given in at http://www.wto.org/english/tratop_e/devel_e/a4t_e/ctd_sessions09_e.doc and www.iadb.org/int.

hospitable environment, AFT is even more critical to stimulate the supply-side response of low-income countries. Central to this process is the examination of the conclusions emanating from the framework that has been put in place to monitor AFT, which is a key objective of the AFT Roadmap for 2009.

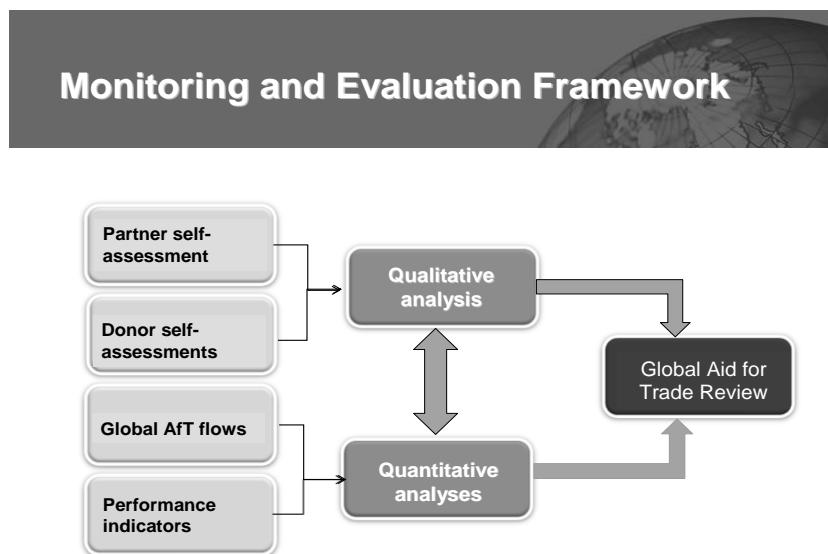
III. MONITORING AND EVALUATION

6. The development community's main challenge is to improve the effectiveness of AFT. As highlighted by OECD studies, little robust research has been undertaken about the impact and effectiveness of AFT programs. In part, this is due to difficulties in assigning values to interventions and the absence of monitoring and evaluation frameworks. To enhance the credibility of AFT and to ensure that locally identified needs – whether financial or performance related – are properly addressed, the Aid for Trade Task Force recommended establishing two accountability mechanisms:

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

7. Against this backdrop, the OECD and the WTO have set up an AFT monitoring framework to promote dialogue and encourage key actors to honor commitments, meet local needs, improve effectiveness, and reinforce mutual accountability. The new monitoring system will create 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 AFT with overall aid strategies and donor agencies, which is an essential component of an effective AFT partnership between donors and partner countries as contained in the Paris Declaration on Aid Effectiveness. This focus on local accountability provides incentives to strengthen local ownership and management for results. The periodic global AFT review, on the other hand, will ensure that efforts of donor and partner countries are focused on the needs identified through local accountability mechanism.

Figure 1: Monitoring and Evaluation Framework



8. As illustrated in Figure 1, above, the AFT monitoring and evaluation framework operates at four levels:

- Global analysis of AFT flows using data extracted from the OECD Creditor Reporting Database or CRS to assess where resources are being delivered, identify gaps, highlight where improvements should be made, and 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, identify areas for improvement, and increase transparency on pledges and commitments.
- 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 AFT is effective on the ground.
- The use of indicators to track the use and effectiveness of AFT, in particular for 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 2002-2005. The report provided a benchmark against which future assistance could be measured in categories most closely related to AFT. In preparation for the Second Global Review, the OECD and WTO will publish a 2009 AFT report.

Table 1: Global AFT Commitments (in constant 2007 US\$ millions)

	2002-05 baseline	2006	2007	% Increase <i>vis-à-vis</i> baseline
Economic 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 presents data reported to the OECD CRS on global AFT commitments in 2002-2007. AFT grew in real terms by more than 20 per cent between the 2002-2005 baseline period and 2007. Table 2 shows that over the same period, AFT to Latin America and the Caribbean grew by 34 per cent, from US\$1.6 billion in 2002 - 2005 to US\$2.2 billion in 2007. As a result, Latin America and the Caribbean's share of total AFT rose from 7.5 per cent to 8.7 per cent.

Table 2: AFT Commitments by Region (in constant 2007 US\$ millions)

	2002-05 baseline	2007	% Change
Africa	6,985	10,214	46.2
America	1,624	2,178	34.1
Asia	11,017	11,225	1.9
Europe	1,428	1,331	-6.8
Oceania	231	292	26.4

Source: OECD Creditor Reporting System

11. Due to the time needed for in-depth reporting on aid flows, the OECD CRS database does not currently capture any impact that the current financial crisis may have had on AFT flows in 2009. The impact of the current worsening global economic outlook on AFT commitments will be a central issue for discussion at the Second Global AFT Review July 6-7, 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. A total of 83 replies were received from partner countries (27 from the Latin America and Caribbean region) and 50 replies from donors (both bilateral and multilateral). In addition, Brazil, Chile and Argentina completed the questionnaire on South-South co-operation.

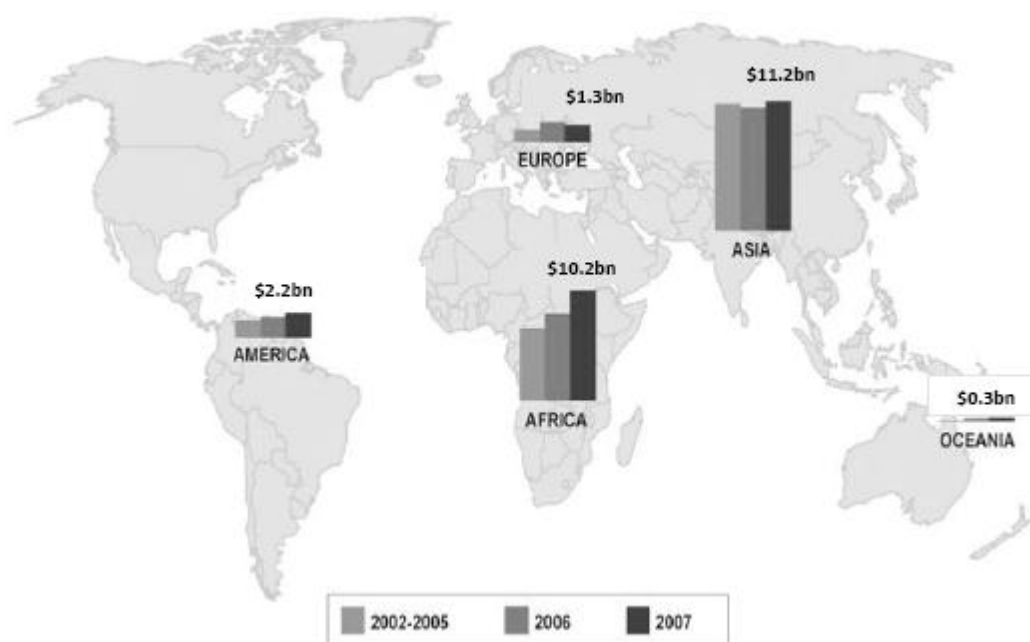
13. A Symposium on Monitoring and Evaluation of Aid for Trade was held on September 15-16, 2008, to help identify and assess suitable AFT indicators. Responses to the AFT partner-country self-assessment questionnaires will be used to help focus indicators on partner countries' AFT priorities.

14. More recently, on April 2, 2009, a special meeting on AFT was held by the WTO's Committee on Trade and Development. The meeting included presentation of AFT factsheets containing four main sections⁴ that follow the logical AFT framework. Factsheets provide for easy cross-country comparisons and encourage a more comprehensive in-country dialogue between

⁴ The first section provides a number of basic indicators such as population, GDP, share of productive sectors in GDP, government budget and aid dependency. Aggregate country specific data (based on the OECD CRS database) regarding global flows, the sector distribution, the share of Aid-for-Trade in sector allocable aid and the top donors are addressed in the second part. The third part highlights the extent to which trade is mainstreamed in national development strategies, providing also indicators for restrictiveness of imports and exports and other trade-related indicators. Finally, trade performance of the beneficiary country is analysed in the fourth section.

stakeholders. A draft of indicators for the Aid for Trade Global Review 2009 was also presented at this time. The indicators provide additional information concerning the priority areas chosen by partner countries in their responses to the AFT questionnaire.⁵ Work on indicators will be presented as part of the joint OECD/WTO Aid for Trade At-a-Glance publication. AFT factsheets for the 27 countries that completed the questionnaire will be circulated at the Latin America and Caribbean review in Montego Bay.

Figure 2: Global Distribution of AFT 2002-2007
Commitments, US\$ billion (2007 constant)



Source: OECD Creditor Reporting System

IV. AID FOR TRADE AND LATIN AMERICA

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

15. Tables 3 and 4 present data on AFT flows to LAC as reported to the OECD CRS database. The data is disaggregated into four sub-regional groups: Caribbean; Central America, Panama and Mexico; Andean region; and MERCOSUR countries + Chile). Table 3 provides data on aggregate AFT flows for each one of these sub-regions. With a total volume reaching US\$778 million, Central America (including Mexico and Panama) in 2007 received the largest share (37 per cent) of AFT flows to Latin America, followed by Andean region (26 per cent). The Caribbean and MERCOSUR + Chile sub-regions received roughly one half and one quarter of Central America's volume, respectively. Central America also benefited from the largest increase (41 per cent) in AFT flows between 2002-2005 and 2007, while the other three regions saw increases ranging between 13 per cent and 20 per cent. Though modest in volume, the Andean, MERCOSUR, and Chile

⁵ Those priorities are trade policy analysis, negotiation, and implementation; WTO accession; trade facilitation; network infrastructure; cross-border infrastructure; other transport; competitiveness; and value Chains.

grouping also doubled its receipts. Finally, the Caribbean was the sub-region where AFT accounted for the largest share (35 per cent) of total sector allocable ODA.

Table 3: AFT Flows to Latin America and the Caribbean by Sub-region

	Commitments US\$ millions		Disbursements US\$ millions	AFT as % of total sector allocable aid
	2002-2005	2007	2007	2007
Caribbean	298.5	344.7	268.3	35.4
Central America, Panama and Mexico	550.2	778.1	347.5	34.7
Andean Countries	498.9	599.4	481.1	27.5
MERCOSUR + Chile	153.7	173	261.1	24
South America Multi- Country (Andean + MERCOSUR + Chile)	39.4	68.6	67.7	11.9

Source: OECD Creditor Reporting System

16. Table 4 below, shows the top 25 AFT recipients on average for 2006-2007. El Salvador, ranked at 25th, was the only Latin American country on the list.

Table 4: Top 25 AFT Recipients of

Commitments, US\$ million 2006 constant	Income Group	2002-05 avg	2006-07 avg	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	1,371.9	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
Zambia	LDC	178.8	206.4	0.8	27.3	10.20
Georgia	LMIC	82.3	206.2	0.8	52.9	3.68
Nepal	LDC	144.1	200.8	0.8	38.1	5.83
Cameroon	OLIC	88.0	198.4	0.8	36.4	9.40
El Salvador	LMIC	27.0	196.8	0.8	54.9	0.45
TOTAL			13712.0	56.0		

Source: OECD Creditor Reporting System

B. SUB-REGIONAL ANALYSIS

17. Bilateral donors and the EC report on their aid flows both in terms of commitments and disbursements.⁶ Analyzing the relation between commitments and disbursements provides useful insights on aid delivery. Commitments are firm obligations to provide development assistance. They measure the donors' intentions and allow monitoring of aid targeted for specific purposes. They reflect how donors' pledges and promises translate into action. In other words, they provide a firm indication about future aid flows. Disbursements show actual financial payments and thus, the realization of donors' intentions and the implementation of their policies. Measures of disbursements permit the examination of how donors' actions lead to development results. Commitments are often multi-year, and subsequent disbursements are spread over several years, with infrastructure projects generally taking the longest time to implement. Consequently, an increase in aid allocations (commitments) is only visible in disbursement data after a time lag of several years.

18. A statistically correct analysis for comparing commitments that result in disbursements requires matching individual donor commitments at the project level with their corresponding disbursement schedule. This would be extremely time consuming and would go well beyond the scope of this report, which provides AFT data at a glance. A less precise, but still useful, approach is

⁶ The IFIs do not report their disbursements to the CRS.

comparing 2006 and 2007 bilateral disbursements (including the EC) with commitments during the baseline period.

Andean Countries

19. Four representatives of Andean countries (Bolivia, Colombia, Ecuador and Peru) replied to the joint WTO/OECD partner-country self-assessment questionnaire. Tables 5 and 6 present data on AFT flows to Andean countries, as reported to the OECD CRS database. Table 5 provides data on aggregate AFT flows. Total AFT to the sub-region increased from US\$499 million during 2002-05 to US\$599 million in 2007, an increase of US\$100 million, or 20 per cent. There were strong disparities in the AFT volumes received by the region's countries. Bolivia received US\$279 million, which was more than twice the amount received by Colombia, the second highest recipient, and approximately three times more than Peru and Ecuador, the other two main recipients.

Table 5: AFT Flows to Andean Countries

	Commitments US\$ millions		Disbursements US\$ millions	AFT as % of total sector allocable aid
	2002-2005	2007	2007	2007
Bolivia	233.1	279.1	113.7	36.9
Colombia	79.3	129.7	118.2	18.4
Ecuador	45.4	86.2	35.9	31.1
Peru	131.6	103.1	211.4	26.3
Venezuela	9.4	1.2	1.9	2.5

Source: OECD Creditor Reporting System

20. Table 6 shows that in 2007 the Andean countries, as a group, received twice as much aid for building productive capacity (US\$395 million) than they did for economic infrastructure (US\$186.5 million). This occurred despite an almost 70 per cent increase in the volume of aid for economic infrastructure compared to a 6 per cent increase in aid for productive capacity building. However, productive capacity building, as a share of total AFT, continued to represent around 70-90 per cent in four of the countries. The distribution among the Andean countries is in line with the global distribution, *i.e.* the richer the partner country the more aid is allocated for building productive capacities. Conversely, poorer partner countries seem to place a higher priority on improving their infrastructure. Bolivia was the only country that received more support to address bottlenecks in its infrastructure than to build productive capacity.

Table 6: AFT by Category to Andean Countries
(Commitments, US\$2007 constant)

	Trade Policy & Regulations		Economic Infrastructure		Building Productive Capacity		Trade- Related Adj.	Total	
	2002-05	2007	2002-05	2007	2002-05	2007	2007	2002-05	2007
Bolivia	4.8	3.1	73.9	143.6	154.4	132.4	0.0	233.1	279.1
Colombia	0.3	9.4	1.8	27.8	77.3	92.5	0.0	79.3	129.7
Ecuador	4.7	1.3	1.5	6.8	39.3	78.2	0.0	45.4	86.2
Peru	7.1	4.1	33.0	8.2	91.5	90.9	0.0	131.6	103.1
Venezuela	0.1	0.0	0.4	0.1	8.9	1.1	0.0	9.4	1.2
Sub-Total	17.0	17.9	110.6	186.5	371.3	395.0	0.0	498.9	599.4
<i>South America regional</i>	4.2	2.8	20.5	19.0	14.6	46.8	0.0	39.4	68.6

Source: OECD Creditor Reporting System

21. All respondents indicated that trade is a key priority in their respective national development plans, and all have operational strategies in priority areas. Bolivia is formulating a sector development plan to enhance integration into trade and the international economy. Colombia has a specific competitive strategy and a plan to internationalize its economy and promote productive transformation.⁷ Ecuador's National Development Plan reflects trade-related priorities for specific action plans, timetables and budgets. Peru's National Strategic Export Plan (PENX)⁸ aims to increase welfare, human development, and solidarity.

22. The WTO/OECD self-assessment questionnaire requested partner countries to identify priority areas where intervention would 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 of trade policy and regulation, economic infrastructure, building productive capacity, and other priorities. Table 7 outlines the top three priority areas listed by the four respondents to the questionnaire. Priorities are listed but not numbered in the case of Bolivia, and Colombia placed priorities 2 and 3 under "other priorities." Finally, Ecuador selected priorities that took into account the objectives of its National Development Plan.

Table 7: AFT Priority Areas for Bolivia, Colombia, Ecuador, and Peru

	Priority 1	Priority 2	Priority 3
Bolivia	Trade Policy Analysis	Value Chains	Export Diversification
Colombia	Competitiveness	Internationalization of the Economy	Productive transformation
Ecuador	Regional Integration	Other Transport	Competitiveness
Peru	Trade Policy Analysis	Export Diversification	Competitiveness

Source: WTO/OECD Self-Assessment Replies

23. The WTO/OECD partner-country self-assessment questionnaire examines how trade capacity constraints are addressed at the regional level through national trade strategies. All respondents stated that their trade strategies specifically address regional trade capacity challenges. Most also said that progress made in regional integration was due to joint projects in the framework of the CAN (Andean Community of Nations), UNASUR (Union of South American Nations), and ALADI (Latin-American Association of Integration). The South American Regional Infrastructure Integration Initiative (IIRSA)⁹, supported by CAF, IDB, and the River Plate Basin Financial Development Fund, was mentioned by Peru as a specific example of progress in the physical interconnection of the region. With the exception of Bolivia, country respondents stated that they participate in, or benefit from, AFT programs implemented at the regional level.

24. Examples of good practices in implementing AFT processes, programs, or projects were given by Colombia, Ecuador, and Peru. Colombia referred to its Program to Ensure Quality, which helps companies obtain international quality certifications, as an example of good practice. Colombia also stated that competitiveness, internationalization of its economy, and productive transformation have been effective in raising trade capacity.

⁷ Colombia presented three attached documents to the questionnaire: "Mejorando la competitividad de Colombia" February 2007, "Ejecutando una estrategia para internacionalizar la economía," January 2009, and "Ejecutando una estrategia para alcanzar la transformación productiva," January 2009.

⁸ For more information see <http://www.mincetur.gob.pe/comercio/otros/penx/index.htm>

⁹ For more information see <http://www.iirsa.org/index.asp?CodIdioma=ESP>

Using a Value Chain Approach to Aid for Trade – A Case Study of the Peru’s Perishable Agricultural Products Sector

The rise of global supply chains presents a challenge of meeting buyer’s standards and suggests the need to adopt tools of global business for analyzing competitive strengths and weaknesses. A basic tool involves mapping supply/value chains that link Peruvian producers to local, national and global markets. Using a value chain analysis involves identifying which steps add greatest value and highlights areas where Peru might attract investment in higher value-added activities by improving efficiency of supply chain. This analysis was conducted in the context of the Peruvian National Review on AFT organized jointly by IDB and WTO.

Value chain analysis can be used to shape aid-for-trade strategy by identifying barriers that prevent people from connecting to markets; highlighting where internal reforms, improvements in physical infrastructure, and lower trade barriers would improve market access; measuring obstacles in terms of common measure (e.g., time to market; impact on cost) helps identify priorities; and creating a basis for integrating trade and development goals/identifying where AFT would have the greatest impact.

Applying the value chain methodology to identify both internal and external barriers to trade offers some basis for evaluating which barriers impose the highest cost on Peruvian producers. The methodology involves mapping the value chain for Peru’s perishable agricultural products and identifying the internal and external barriers to market access

25. The Peruvian respondent mentioned that one of the outcomes of its Program for the Development of International Trade Policies, financed by the IDB between 2003 and 2007, was the formulation of its National Strategic Exporting Plan, which was presented as an example of good practice. Peru also identified three areas in which AFT has been effective in raising trade capacity: export diversification, trade facilitation projects, and trade policy analysis.

26. Partner countries were also requested to identify priority areas in which the implementation and effectiveness of AFT could be improved. Table 8 below gives an overview of the Andean countries’ responses. Here, a major priority for the sub-region would be stronger donor focus on local capacity development and a greater say in the design of AFT. The Ecuadorian respondent also highlighted the need for trade-related training for civil servants, and the Peruvian respondent targeted the effective transfer of technology.

**Table 8: Priority Areas for Improving Implementation and Effectiveness of AFT
Andean countries**

	BOLIVIA	Colombia	Ecuador	Peru
Greater say in design of AFT		X	X	
Stronger donor focus on local capacity development	X	X		X
Better predictability of AFT funding			X	
More extensive use of budget support	X			
More regular joint-donor implementation actions				
More harmonized reporting requirements				
More frequent joint donor-partner implementation efforts		X		X
More systematic use of joint donor-partner monitoring/ evaluation	X			
Other priorities			Public servant training	Technology transfer

Source: WTO/OECD Self-Assessment Replies

27. The WTO Trade Policy Review Mechanism (TPRM) is another instrument that can be used to evaluate AFT. In July 2006, the Aid for Trade Task Force concluded that an AFT assessment should be included in the TPRM. Reviews for Colombia and Peru were held in November 2006 and October 2007, respectively, and attached special importance to the WTO AFT initiative.¹⁰

Caribbean Countries

28. Tables 9 and 10 present data on AFT flows to Caribbean countries, as reported to the OECD CRS database. Table 9 provides data on aggregate AFT flows, which increased from US\$289 million during 2002-05 to US\$317 million in 2007, a gain of 10 per cent. Again, there were very considerable variations in the volumes received by countries. While Guyana, Haiti, and Jamaica received respectively US\$95 million, US\$55 million, and US\$51 million, five countries received US\$0.2 million or less.

¹⁰ More information on this matter, as well as TPRs documents and press releases, are available at the WTO Trade Policy Review Gateway at http://www.wto.org/english/tratop_e/tp_r_e/tp_rep_e.htm#bycountry

Table 9: AFT Flows to Caribbean Countries

	Commitments US\$ millions		Disbursements US\$ millions	AFT as % of total sector allocable aid
	2002-2005	2007	2007	2007
Antigua and Barbuda	2.1	0.2	0.2	15.4
Aruba	0.0	0.0	0.0	0.0
Bahamas	0.0	0.0	0.0	0.0
Barbados	0.4	15.2	0.0	77.3
Belize	9.4	3.1	4.5	16.2
Cuba	8.8	8.3	4.5	11.7
Dominica	12.3	6.3	10.3	42.6
Dominican Republic	42.2	33.5	39.6	21.4
Grenada	6.4	0.2	0.6	7.4
Guyana	40.7	94.8	9.8	38.6
Haiti	81.6	54.5	48.5	12.2
Jamaica	33.8	50.8	40.5	50.7
St. Kitts and Nevis	1.4	0.0	0.6	0.0
St. Lucia	7.5	8.9	5.8	45.4
St. Vincent and Grenadines	4.4	7.8	9.1	26.5
Suriname	23.0	21.8	26.7	46.6
Trinidad and Tobago	15.4	11.5	3.6	71.4

Source: OECD Creditor Reporting System

29. In 2007, the Caribbean countries as a sub-region received more than 60 per cent more productive capacity AFT than economic infrastructure AFT. Productive capacity AFT to the sub-region rose 9 per cent, increasing from US\$175 million to US\$191 million, while economic infrastructure AFT increased by 6 per cent from US\$111 million to US\$117 million. Six countries (in declining order, Antigua and Barbuda, Barbados, Belize, Trinidad and Tobago, St. Vincent & Grenadines, and Cuba) received more than 80 per cent of their aid in productive capacity building, which, apart from Belize and Cuba, are some of the sub-region's richest countries. St. Lucia, Guyana, Suriname, Dominican Republic, and Grenada received 50-70 per cent. Lastly, three countries received more AFT for economic infrastructure than productive capacity building: Haiti, Jamaica, and Dominica.

Table 10: AFT by Category to Caribbean Countries
Commitments (US\$ million, 2007 constant prices)

	Trade Policy & Regulations		Economic Infrastructure		Building Productive Capacity		Trade-Related Adj.	Total	
	2002-05	2007	2002-05	2007	2002-05	2007		2002-05	2007
Antigua and Barbuda	0.0	0.0	0.0	0.0	2.1	0.2	0.0	2.1	0.2
Aruba	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bahamas	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Barbados	0.0	0.0	0.0	0.0	0.4	15.2	0.0	0.4	15.2
Belize	0.0	0.0	0.1	0.0	9.2	3.1	0.0	9.4	3.1
Cuba	0.1	0.0	1.4	0.7	7.4	7.6	0.0	8.8	8.3
Dominica	0.0	0.0	6.2	6.0	6.1	0.2	0.0	12.3	6.3
Dominican Republic	0.1	3.4	11.1	12.9	31.1	17.3	0.0	42.2	33.4
Grenada	0.0	0.0	1.9	0.1	4.5	0.1	0.0	6.4	0.2
Guyana	0.4	0.8	31.8	24.3	8.4	69.6	0.0	40.7	94.8
Haiti	0.0	1.4	32.8	36.6	48.7	23.7	0.0	81.6	54.5
Jamaica	1.5	0.4	9.3	28.7	23.0	21.6	0.0	33.8	50.8
St. Kitts-Nevis	0.0	0.0	0.0	0.0	1.4	0.0	0.0	1.4	0.0
St. Lucia	0.0	0.8	3.8	0.3	3.6	7.1	0.8	7.5	8.9
St. Vincent & Grenadines	0.0	0.2	0.0	0.0	4.4	7.5	0.2	4.4	7.8
Suriname	0.0	0.0	11.3	7.4	11.7	14.4	0.0	23.0	21.8
Trinidad and Tobago	0.3	0.0	0.7	0.0	14.3	11.5		15.4	11.5
Sub-Total	2.4	10.1	110.6	117.2	175.2	191.1	1.0	289.4	316.8
Caribbean regional	5.9	4.3	0.1	0.0	4.3	2.4	0.0	10.3	6.7
TOTAL	8.3	14.4	110.7	117.2	179.5	193.5	1.0	298.5	344.7

Source: OECD Creditor Reporting System

30. Fourteen Caribbean country representatives replied to the joint WTO/OECD partner-country questionnaire. According to their responses, trade is fully mainstreamed in the national development plans of the Dominican Republic¹¹, Guyana, Barbados, and Jamaica¹²; partly mainstreamed in the development plans of Dominica, St. Kitts and Nevis¹³, St. Lucia¹⁴, St. Vincent and Grenadines, Suriname¹⁵, and Trinidad and Tobago¹⁶; and not mainstreamed in the case of Antigua and Barbuda,

¹¹ The Dominican Republic presented its National Action Plan and Systemic Competitiveness National Plan as operational strategies for mainstreaming trade.

¹² Jamaica is formulating the Vision 2030: National Development Plan (Draft version). Available at [http://www.jis.gov.jm/pdf/Vision-2030-Jamaica-Draft-Integrated-National-Development-Plan\(January2009\).pdf](http://www.jis.gov.jm/pdf/Vision-2030-Jamaica-Draft-Integrated-National-Development-Plan(January2009).pdf)

¹³ St. Kitts and Nevis formulated the National Adaption Strategy (2006 – 2013) for a smooth adjustment from an economy based on sugar manufacturing to one based on services, tourism, financial services, and non-sugar agriculture.

¹⁴ St. Lucia formulated in 2004 a National Export Development Strategy.

¹⁵ In Suriname, there are currently three main policy documents concerned with trade: The Multi-Annual Development Program 2006-2011, the National Trade Strategy, and the Agricultural Sector Plan.

¹⁶ Trinidad and Tobago's National Development Plan titled Vision 2020 has five development pillars. The third pillar focuses on competitive business.

Bahamas, Grenada and Belize, although trade may be addressed in the annual budget or various sectoral strategies.¹⁷

31. The WTO/OECD self-assessment questionnaire asked partner countries to identify priority areas where intervention would improve their 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 of trade policy and regulation, economic infrastructure, building productive capacity, and other priorities. Table 11 below, outlines the top three priorities areas listed by the Caribbean country respondents to the questionnaire. From the table, it is clear that competitiveness is the main AFT priority area, followed by trade policy analysis, export diversification, and regional integration.

Table 11: AFT Priority Areas for Caribbean Countries

	Priority 1	Priority 2	Priority 3
Antigua and Barbuda	Trade Policy Analysis	Competitiveness	Network Infrastructure
Bahamas	Trade Policy Analysis	Value Chains	Export Diversification
Barbados	Competitiveness	Trade Policy Analysis	Regional Integration
Belize	Trade Facilitation	Export Diversification	Regional Integration
Dominica	Competitiveness	Regional Integration	Trade Policy Analysis
Dominican Republic	Trade Policy Analysis	Regional Integration	Competitiveness
Grenada	Export Diversification	Trade Policy Analysis	Competitiveness
Guyana	Network Infrastructure	Competitiveness	Export Diversification
Jamaica	Network Infrastructure	Competitiveness	Export Diversification
St. Kitts and Nevis	Competitiveness ¹⁸	-	-
St. Lucia	Adjustment Costs	Other transport	Competitiveness and Export Diversification
St. Vincent and Grenadines	Competitiveness	Network Infrastructure	Regional Integration
Suriname	Trade Policy Analysis	Regional Integration	Network Infrastructure
Trinidad and Tobago	Export Diversification	Competitiveness	Regional Integration

Source: WTO/OECD Self-Assessment Replies

32. Most Caribbean respondents noted that some trade capacity constraints were addressed at the regional level through national trade strategies, with the exception of representatives of the Bahamas, Jamaica, St. Lucia¹⁹, Belize and St. Vincent and Grenadines²⁰. Fourteen respondents noted that they participated in regional integration processes including several CARICOM initiatives, such as the Caribbean Single Market and Economy, the Caribbean Regional Negotiating Machinery and CARIFORUM. Others participate actively in the Organization of Eastern Caribbean States (OECS).²¹

¹⁷ The National Poverty Elimination Strategy in Belize and the National Export Strategy in Grenada.

¹⁸ The only priority listed by the country to increase competitiveness in tourism development, agriculture (non-sugar) and information and communications technologies (ICT)

¹⁹ These three declared that they were not sure if their trade capacity constraints were addressed at the regional level through national trade strategies.

²⁰ These two declared that regional trade capacity challenges are not specifically addressed in their development plans.

²¹ The WTO Members of the (OECS) are Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines.

In addition, the Dominican Republic respondent highlighted DR-CAFTA with the United States as an important regional integration process.

33. Examples of AFT processes, programs, or projects that constitute good practice were given by respondents from the Dominican Republic, Grenada, Guyana, St. Kitts and Nevis, and St. Lucia. The Dominican Republic respondent referred to projects being implemented in the framework of the DR-CAFTA Trade Capacity Building Committee, the Institutional Program for Regional Integration financed by the European Union,²² and two more projects financed by the IDB²³ and USAID as examples of good practices. The development of the National Export Strategy which brought together the public sector, private sector, and NGOs in Grenada was singled out as an exercise that obtained good results. The St. Kitts and Nevis respondent referred to that country's Trade Facilitation Capacity Building Project as a good example of identifying bottlenecks and impediments existing in its supply chain.

²² The ISPRI aims to help the country transition into the signed EPA between CARIFORUM and the EU.

²³ They are IDB project 1511 to strengthen the management of foreign trade, and the project to support the transition to competitive food industry (PATCA).

Creating a Tool for Assessing Aid for Trade in the Context of Services Exports: Approaching the Market from an Investor's Perspective – A Case Study of Investment in Medical Tourism in the Caribbean

Aid for Trade in a Caribbean context is not as simple as identifying the choke point in customs clearance and providing assistance to overcome that obstacle. What is needed is a similarly market-oriented framework for analysis that directly addresses the challenge the Caribbean faces in attracting new investment to diversify its services export base.

In a recent case study sponsored by the IDB, Aldonas and Trejos began by building a tool that Caribbean governments, aid donors, and lenders could use in developing Aid for Trade projects relevant to service-oriented economies in the Caribbean. At its core, the approach involves the application of standard tools of investment analysis to illuminate the challenges that Caribbean governments will face in attracting investment in industries engaged in services exports, as well as the way in which donors and international organizations can support that effort.

Once the analytical framework has been established, the authors apply it to a case study of developing medical tourism as a basis for assessing how best to spur investment in non-traditional activities and where Aid for Trade might contribute to that effort and create a stronger platform for Caribbean services exports,

The specific investment used to drive the analysis involves the development of a facility that combines aspects of a retirement community with a high-quality medical facility specializing in the care of the elderly. The facility would be designed to serve an aging population with relatively high disposable income in industrialized countries confronting rising health care costs.

The analysis suggests that medical tourism offers a significant opportunity for the Caribbean. Because of the heavy governmental involvement in the health care sector in the main markets the Caribbean might serve, there is also a significant role for Caribbean governments in shaping the market opportunity by the choices they make in building out a broader and deeper economic relationship with those markets, as the region is currently doing within the framework of the Economic Partnership Agreements with the European Union

34. The work of the St. Lucia Bureau of Standards (SLBS) in assisting local exporters in the agro processing, manufacturing, and other sub-sectors in meeting international standards has contributed to the adoption and perpetuation of good practices across its productive sector. In Guyana, the establishment of the Guyana Revenue Authority and the National Procurement and Tender Administration Board has improved upon the previous legislation and has promoted trade.

35. In general, Caribbean country respondents to the WTO/OECD self-assessment questionnaire stated that technical cooperation relating to trade facilitation, trade policy analysis, regional integration, and competitiveness had all been effective in raising capacity in their countries.

36. Partner countries were also requested to identify priority areas in which the implementation and effectiveness of AFT could be improved. Table 12 below gives an overview of the responses. Better predictability of AFT funding, stronger donor focus on local capacity development, and greater say in design of interventions are the main priorities the Caribbean country respondents cited for improving effectiveness.

Table 12: Priority Areas for Improving Implementation and Effectiveness of AFT for Caribbean Countries

	Antigua and Barbuda	Bahamas	Barbados	Belize	Dominica	Dominican Republic	Grenada	Guyana	Jamaica	St. Kitts and Nevis	St. Lucia	St. Vincent and Grenadines	Suriname	Trinidad and Tobago ²⁴
Greater say in design of AFT		X	X	X	X	X	X				X			
Stronger donor focus on local capacity development	X			X		X	X	X	X	X		X	X	
Better predictability of AFT funding		X	X	X	X	X	X	X	X		X		X	
More extensive use of Budget Support	X							X	X		X	X		
More regular joint-donor implementation actions			X											
More harmonized reporting requirements		X								X			X	
More frequent joint donor-partner implementation efforts	X				X									
More systematic use of joint donor-partner monitoring/ evaluation												X		
Other priorities ²⁵			X											

Source: WTO/OECD Self-Assessment Replies

37. During the TPR of the OECS countries²⁶ in November 2007, AFT was addressed in both the member country and the secretariat report.²⁷ The report highlighted that OECS members had received some technical assistance and AFT from international partners during the review period, with wide variations between them. Trade policy reviews for the Dominican Republic and Barbados were held in November and September 2008, respectively. For Barbados, the review noted that AFT contributions during the period under review had been relatively low, reflecting in part its status as a middle-income country.²⁸

Central America, Panama, and Mexico

38. Tables 13 and 14 present data on AFT flows to Central America, Panama, and Mexico, as reported to the OECD CRS database. Table 13 provides data on AFT aggregate flows. Total AFT provided to the sub-region grew from US\$486 million during 2002-2005 to US\$617 million in 2007, an increase of US\$131 million, or 27 per cent. As was the case with other regions, the volume of AFT received varied considerably between countries. While four of seven countries received between US\$30 million and US\$20 million, El Salvador received more than 10 times that amount. As a result, El Salvador captured practically two thirds of all AFT to Central America.

²⁴ Trinidad and Tobago did not answer.

²⁵ Barbados points out the need for greater dialogue in the planning stages, and simplification of AFT programs.

²⁶ The WTO members of the (OECS) are Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines

²⁷ WT/TPR/S/190, 1 October 2007 and WT/TPR/G/190, 1 October 2007.

²⁸ WT/TPR/S/203.

Table 13: AFT Flows to Central America, Panama, and Mexico

	Commitments US\$ millions		Disbursements US\$ millions	AFTas % of total sector allocable aid
	2002-2005	2007	2007	2007
Costa Rica	53.3	25.5	48.1	46.4
El Salvador	29.6	379.9	39.5	65.9
Guatemala	23.2	28.1	25.3	11.7
Honduras	173.8	30.1	35.7	8.1
Mexico	25.0	58.4	24.6	26.0
Nicaragua	172.4	75.4	118.1	24.6
Panama	9.1	19.5	7.1	9.3

Source: OECD Creditor Reporting System

39. Central America was the only Latin American sub-region to receive more aid for economic infrastructure than for building productive capacity in 2007. This is not surprising since this sub-regional group contains some of the region's poorest countries (Honduras and Nicaragua). Honduras and El Salvador, along with Panama, received roughly 70% of their AFT for building productive capacity, while Costa Rica received 89 per cent. Interestingly, Table 14 shows that the volume of aid to productive sectors actually fell by 21 per cent, from the baseline figure of US\$279million to US\$219 million in 2007. This happened while aid for economic infrastructure nearly doubled from US\$195 million to US\$348 million, explaining the large increase in total AFT to the sub-region.

Table 14: AFT by Category to Central America, Panama, and Mexico
Commitments (US\$ million, 2007 constant)

	Trade Policy & Regulations		Economic Infrastructure		Building Productive Capacity		Trade-Related Adj.	Total	
	2002-05	2007	2002-05	2007	2002-05	2007	2007	2002-05	2007
Costa Rica	0.5	0.6	24.4	2.0	28.4	22.8	0.0	53.3	25.5
El Salvador	0.3	4.9	10.4	277.4	18.9	96.7	0.0	29.6	379.9
Guatemala	0.3	2.4	1.1	3.9	21.8	17.0	0.0	23.2	28.1
Honduras	2.2	1.3	86.7	21.0	85.0	7.6	0.0	173.8	30.1
Mexico	4.0	0.8	2.3	8.3	18.6	19.0	0.0	25.0	58.4
Nicaragua	4.0	0.4	65.7	21.5	102.7	50.9	0.0	172.4	75.4
Panama	0.0	0.0	4.9	14.0	4.1	5.4	0.0	9.1	19.5
Sub-Total	11.3	10.3	195.5	348.2	279.5	219.5	0.0	486.3	616.7
North & Central America regional	3.7	7.5	8.3	85.4	51.9	68.5	0.0	63.9	161.4
TOTAL	14.0	17.8	203.8	433.6	331.4	316.7	0.0	550.2	778.1

Source: OECD Creditor Reporting System

40. Six of the seven Central American, Panama, and Mexico sub-region respondents to the OECD questionnaire indicated that trade is included in their respective national development plans. For Costa Rica, Honduras and Panama, trade is a key priority. Costa Rica has been implementing a National Development Plan with specific objectives related to international trade. Honduras has formulated a National Development Plan 2007 – 2030 that aims to ensure an inclusive social and

economic system. Panama is implementing a Strategic Vision for Economic Development and Employment by 2009 and a National Trade Strategy 2004-2009. Trade issues are included in the national plans of Guatemala, Mexico, and Nicaragua, and are also addressed in diverse sectoral strategies. Guatemala formulated an Integrated Policy Framework for Foreign Trade; Mexico addresses trade in its Sector Economic Program 2007 – 2012²⁹; and Nicaragua has a Human Development National Plan.

Using a Value Chain Approach to Aid for Trade – A Case Study of the Honduras’ Textile Sector

Using the same value chain methodology used for Peru to analyze Honduran textile sector, this case study highlights barriers that hinder Honduran producers from taking full advantage of their participation in a variety of trade arrangements, from its membership in the World Trade Organization to its regional trade arrangements and free trade agreement with the United States. Applying the value chain methodology to identify both internal and external barriers to trade offers some basis for evaluating which barriers impose the highest cost on Honduran producers.

Honduras has already established a successful industry, which suggests that improving the efficiency of each step in the value chain could offer significant benefits, both to existing exports and exports of similar products. Time and distance to market have become an increasingly important factor in the textile and apparel industry, particularly the ability to tap markets that offer a higher rate of return due to their links to fashion or other seasonal changes in consumer preferences.

Companies based in Honduras enjoy a competitive cost advantage, and not a competitive advantage based in product differentiation. The linkages between different stages of the value chain in the Honduran textile and apparel industry are world class, and that is where most of its strengths seem to be coming from. The main weaknesses lie within the different links and in areas needed to improve readiness to take advantage of global market opportunities. These include the backlog of investments in electricity generation, scarcity of labor, heavy concentration in the U.S. market, and significant barriers to entry for small, local operators. The resulting picture helps clarify which actions by Honduran policymakers and the IDB have the greatest potential to improve prospects of Honduran producers accessing global markets.

41. The WTO/OECD self-questionnaire asked respondents to identify priority areas of intervention to improve their capacity to benefit from trade expansion and integration into the world economy. Table 15 outlines the top three priority areas listed by the sub-region’s six respondents. Trade policy analysis is undoubtedly their main priority. Export diversification, competitiveness, and regional integration were also identified as priorities for Central America, Panama, and Mexico.

Table 15: AFT Priority Areas for Central America, Panama, and Mexico

	Priority 1	Priority 2	Priority 3
Costa Rica	Trade Policy Analysis	Competitiveness	Regional Integration
Guatemala	Trade Policy Analysis	Export Diversification	Regional Integration
Honduras	Trade Policy Analysis	Export Diversification	Competitiveness
Mexico	Trade Policy Analysis	Trade Facilitation	Competitiveness
Nicaragua	Trade Policy Analysis	Competitiveness	Export Diversification
Panama	Competitiveness	Export Diversification	Trade Policy Analysis

Source: WTO/OECD Self-Assessment Replies

42. The WTO/OECD questionnaire examines how trade capacity constraints are addressed at the regional level through national trade strategies. Respondents from Costa Rica, Guatemala, Honduras, and Nicaragua noted that their trade strategies specifically address regional trade capacity challenges. Respondents from Mexico and Panama noted that their strategies do not explicitly tackle regional problems. All respondents stated that they participate in regional integration processes, citing the Central American Integration System³⁰, the Latin-American Pacific Basin Initiative³¹, and the Central America Customs Union, as examples of regional integration.

²⁹ For more information, see

<http://www.economia.gob.mx/img-sip/Derecha/Bannerssip/progsectorialeconomia.pdf>

³⁰ For more information see http://www.sica.int/index_en.aspx?Idm=2&IdmStyle=2

The Regional Dimension of Aid-for-Trade

The Mesoamerica Integration and Development Project (MP), originally entitled the Plan Puebla-Panama, was launched in June 2001 to facilitate and advance the process of integration and development in Mexico, Guatemala, Belize, El Salvador, Honduras, Nicaragua, Costa Rica, and Panama. Colombia joined the project in 2006.

The Mesoamerica Project comprises nearly 100 projects and more than US\$9 billion in investments in the areas of human development, sustainable development, energy, telecommunications, trade facilitation, natural disaster prevention, and transportation. These investments aim at connecting markets, reducing transport and trade costs, enhancing trade competitiveness, developing foreign investment attraction potential, and efficiently delivering goods and services to the global marketplace.

The signature activity is the International Network of Mesoamerican Highways (RICAM), which is designed to achieve full physical integration and ensure the smooth flow of merchandise and passengers by shortening travel distances on north-south and coast-to-coast routes. In addition, the MP is creating the Central American electrical interconnection system by building a 230kV transmission line 2,000 kilometers long. This interconnection will prepare the way for a regional electricity market that will result in reductions in electricity prices by 15 per cent to 20 per cent, significantly boosting the competitiveness of the countries.

More than 95 per cent of commercial goods in the Mesoamerican region—approximately US\$6 billion—are transported overland using the Pacific Corridor. This highway, which runs from Puebla, Mexico, to Panama, crosses six national borders, which means it is destined to become the backbone of commercial trade in Mesoamerica. Moreover, it will cut the distance from Panama to Mexico by approximately 300 kilometers. However, the right conditions must be created for this to happen, inasmuch as the infrastructure at the border crossings along the Pacific Corridor is unreliable and inefficient and the facilities are substandard. These conditions are amplified by limited logistical and operational planning at the borders, lack of information, and lack of regulatory harmonization. As part of the Mesoamerica Project, one of the main initiatives in 2009 will be to accelerate progress on the Pacific Corridor, by carrying out a comprehensive action plan that includes improvements and investments in the most needed sections and improvements to all the border crossings. These actions will improve the corridor's transit conditions.

43. Most of the respondents provided examples of AFT processes, programs or projects which constitute good practice. Trade facilitation projects developed with donors were mentioned by respondents from Costa Rica, Guatemala, and Honduras as examples of good practice.³² They noted that in general, regional integration, trade facilitation and competitiveness projects had been all effective in raising trade capacity in their countries. The Panama respondent added that export diversification projects have been effective in raising trade capacity, and cited the success of the country's National Program in enhancing competitiveness in different sectors (coffee, fruits and vegetables, and tourism).

44. Partner countries were also asked to identify priority areas in which the implementation and effectiveness of AFT could be improved. Table 16 shows that responses varied, covering all possible answers except the one related to more harmonized reporting requirements. In general, respondents from this sub-region advocated having a greater say in design of AFT and to focus more on developing local capacity.

³¹ The ARCO Forum comprises 11 countries: Mexico, Colombia, Costa Rica, Chile, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Panama and Peru. Countries committed to continue promoting greater regional integration with the other countries in the Asia Pacific. For more information see <http://www.arcodelpacifico.org/>

³² IDB, USAID, and the BCIE (Central American Bank for Economic Integration) projects.

Table 16: Priority Areas for Improving Implementation and Effectiveness of AFT Central America, Panama, and Mexico

	Costa Rica	Guatemala	Honduras	Mexico ³³	Nicaragua	Panama
Greater say in design of AFT	X	X			X	
Stronger donor focus on local capacity development		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	X
More harmonized reporting requirements						
More frequent joint donor-partner implementation efforts	X		X			
More systematic use of joint donor-partner monitoring/ evaluation	X	X				
Other priorities				—		

Source: WTO/OECD Self-Assessment Replies

45. The WTO TPRM reviewed Costa Rica, Panama and Guatemala in May 2007, September 2007, and February 2009, respectively. In Guatemala's TPR, special mention was made of AFT and technical assistance to that country.³⁴ A TPR is planned for Honduras in 2010.

MERCOSUR and Chile

46. Tables 17 and 18 present data on AFT flows to MERCOSUR countries and Chile, as reported to the OECD CRS database. Table 17 provides data on aggregate flows of AFT. Total AFT to the sub-region increased from US\$154 million during 2002-05 to US\$173 million in 2007, an increase of US\$19 million, or 13 per cent.

Table 17: FT Flows to MERCOSUR Countries and Chile

	Commitments US\$ millions		Disbursements US\$ millions	AFT as % of total sector allocable aid
	2002-2005	2007	2007	2007
Argentina	44.3	31.1	41.3	21.6
Brazil	49.9	103.9	117.6	33.5
Chile	39.8	17.8	71.9	13.2
Paraguay	13.8	15.9	21.4	20.8
Uruguay	5.9	4.4	9.0	7.8

Source: OECD Creditor Reporting System

³³ Mexico claims not to have received Aid for Trade, because it does not take into account technical assistance received from the WTO, APEC, or ALADI. In Mexico's view, assistance provided by those organizations is part of annual programs to their members and thus, cannot be considered as Aid for Trade.

³⁴ WT/TPR/S/210.

47. In 2007, MERCOSUR countries received more than five times more productive capacity AFT than economic infrastructure AFT. Brazil, Argentina, Paraguay, and Uruguay received respectively 92 per cent, 81 per cent, 72 per cent, and 59 per cent of their AFT for building productive capacity.

Table 18: Aid for Trade by Category Among the MERCOSUR Countries and Chile

	Trade Policy & Regulations		Economic Infrastructure		Building Productive Capacity		Trade-Related Adj.	Total	
	2002-05	2007	2002-05	2007	2002-05	2007		2002-05	2007
Argentina	0.6	0.1	1.3	5.7	42.4	25.2	0.0	44.3	31.1
Brazil	0.4	0.7	4.9	6.3	44.6	95.7	0.0	49.9	103.9
Chile	1.9	0.1	4.8	12.6	33.1	5.0	0.0	39.8	17.8
Paraguay	5.1	1.0	0.7	0.7	8.1	11.5	0.0	13.8	15.9
Uruguay	0.4	0.0	0.5	1.7	5.0	2.6	0.0	5.9	4.4
Sub-Total	8.4	1.9	12.1	27.1	133.2	139.5	0.0	153.7	173.0
South America regional	4.2	2.8	20.5	19.0	14.6	46.8	0.0	39.4	68.6

Source: OECD Creditor Reporting System

48. Paraguay, Uruguay, and Chile representatives replied to the joint WTO/OECD partner-country self-assessment questionnaire. The Chile representative also replied to the South-South self-assessment questionnaire. Both Chile and Paraguay have national development plans or strategies. Chile's development plan Growing with Equity, implemented since the 1990s, combines trade policy and poverty reduction programs as priorities. Paraguay is elaborating an Economic and Social Strategic Plan 2009 – 2013 in which trade plays an important role. Uruguay does not have a national development plan, but trade is included in the annual government budget and in various sectoral strategies.

49. Table 19 outlines the top three priority areas of intervention to improve capacity to benefit from trade expansion and integration into the world economy. They are: export diversification, regional integration, and competitiveness.

Table 19: AFT Priority Areas for MERCOSUR Countries and Chile

	Priority 1	Priority 2	Priority 3
Chile	Export Diversification	Regional Integration	Competitiveness
Paraguay	Network Infrastructure	Regional Integration	Competitiveness
Uruguay	Export Diversification and Competitiveness	Network Infrastructure	Trade Policy Analysis

Source: WTO/OECD Self-Assessment Replies

50. All three respondents noted that their countries participated in regional integration processes and that their trade strategies address trade capacity constraints at the regional level. MERCOSUR, ALADI, and UNASUR were mentioned as important regional integration processes.

51. Chile identified trade facilitation, competitiveness, and cross-border infrastructure as effective in raising capacity. For Paraguay, AFT has been effective in the areas of trade facilitation, regional integration and meeting WTO accession costs. For Uruguay, AFT has been effective in promoting competitiveness, export diversification, and network infrastructure.

52. Examples of AFT processes, programs, or projects that constitute good practice were given by Uruguay, Chile and Paraguay. The Entrepreneurial Development Program of Industry Software (2001-2005), financed by the IDB, was presented as a successful AFT example in Uruguay that has

contributed to increased exports and employment. One of several examples of good practice cited by Paraguay was the National Technical Unit for the implementation of the Structural Convergence Funds of MERCOSUR, which promotes structural convergence, competitiveness, and social cohesion of smaller economies and less developed regions. Chile provided three examples of good practices, but pointed out that those projects were not initially conceived as Aid for Trade. These projects included an agreement with the Small Business Administration of U.S. and SERCOTEC, an agreement with the Kreditanstalt für Wiederaufbau Bank Group and the Multilateral Special Funds of the Inter-American Council for Integral Development of the OAS.

53. Partner countries were requested to identify priority areas where AFT implementation and effectiveness could be improved. Table 20 below gives an overview of the responses. Chile and Paraguay identified the same priority areas: greater say in AFT design, stronger donor focus on local capacity development, and more frequent joint donor-partner implementation efforts. Uruguay also urged more regular joint-donor implementation actions and more systematic use of joint donor-partner monitoring/ evaluation.

Table 20: Priority Areas for Improving Implementation and Effectiveness of AFT MERCOSUR Countries and Chile

	CHILE	Paraguay	Uruguay
Greater say in design of AFT	X	X	X
Stronger donor focus on local capacity development	X	X	
Better predictability of AFT funding			
More extensive use of Budget Support			
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
Other priorities			

Source: WTO/OECD Self-Assessment Replies

54. As mentioned before, the WTO Trade Policy Review Mechanism is another instrument that can be used to review Aid for Trade. A Trade Policy Review for Chile will be held in October 2009.

SOUTH-SOUTH COOPERATION TRENDS

55. Three countries in the Latin American and the Caribbean region responded to the WTO/OECD donor or South-South cooperation questionnaire: Argentina, Brazil, and Chile.³⁵ Argentina responded to the donor questionnaire, Chile both to the donor and the South-South cooperation questionnaire, and Brazil to the South-South cooperation questionnaire. Besides offering

³⁵ Peru did not answer a donor questionnaire, but stated that it provides South-South Cooperation, in the form of human and non-financial resources. Peru provides assistance to Argentina, Brazil, Colombia, Chile, and Mexico. The country is also working with Israel, Egypt, India, Thailand, Singapore, and Malaysia.

bilateral aid, all three countries favor schemes where triangular cooperation³⁶ is implemented with financial support from developed countries and multilateral donors.

56. Argentina is preparing an AFT strategy, but the country already offers South-South cooperation in the form of technical assistance to countries of equal or lower levels of economic and social development through the FO-AR (Argentine Fund for Horizontal Cooperation).³⁷ This fund aims to contribute to economic and social development of developing countries; strengthen and consolidate bilateral relations with countries benefitting from aid; and promote scientific and technological exchange between experts.

57. Chile stated that it does not have a specific AFT strategy, but trade-related technical assistance constitutes a relevant area in its cooperation efforts. Chile offers mainly trade policy analysis and projects aimed at building institutional capacities. According to Brazil, that country's international technical cooperation (ITC) is a non-profit demand-driven process, based on solidarity between developing countries that aims to help its partners strengthen their institutions and human resources. The main goal of Brazilian South-South cooperation is capacity development through effective transfer of knowledge and exchange of experiences.

58. Measuring AFT proved problematic for all three countries. Argentina, through the FO-AR, does not categorize or quantify the cooperation offered, instead measuring assistance in the number of courses or technicians trained. Chile also has neither a specific strategy nor a system for assessment in this area. Brazil contends that attaching a monetary value to its cooperation may understate the real value of its ITC, since numbers reflect the cost of the project without considering the economic value of the expertise transferred. Brazil estimates that in 2007, it disbursed US\$33.7 million in AFT initiatives and US\$38.5 million in 2008.³⁸

59. All three countries offer technical assistance in sanitary and phyto-sanitary measures and certification and trade policy analysis to other developing countries. In addition, Argentina offers expertise in rural development and intellectual property and supplies know-how and experiences through FO-AR by providing Argentine experts, receiving foreign experts in Argentine institutions, and organizing regional or local seminars on issues of interest to recipient countries.³⁹ Chile's assistance to other countries focuses on the exchange of information, trade cooperation included in its FTAs, and infrastructure projects. Brazil provides capacity building in trade-related areas such as trade barriers, legal framework, business support services, banking, and market regulation, and is also engaged in promoting trade and finance through the implementation of a debt relief program.

60. Mutual accountability refers to donors and developing countries providing timely, transparent, and comprehensive information in order to jointly assess development results. In Brazil, the Brazilian Agency of Cooperation is responsible for following-up the implementation of ITC projects through analysis of their annual reports and visits or meetings with the entities in charge of the projects. Argentina uses impact indicators for each specific technical cooperation project. Chile does not have an impact assessment but may consider developing an assessment system for trade-related projects.

³⁶ Triangular cooperation involves funding by developed countries and multilateral donors to developing countries who then provide assistance to other developing countries.

³⁷ For more information see <http://www.mrecic.gov.ar/portal/seree/dgcin/fo-ar.html>

³⁸ Brazil's WTO/OECD south-south questionnaire.

³⁹ Countries wishing to receive Argentine aid through O-AR have to fill in the FO-AR Technical Assistance Application Form to establish needs and priorities.

South-South cooperation "Intra -Region"

61. Argentina, Brazil, and Chile consider the regional dimension a key priority in their cooperation strategies. All agreed that support to regional economic integration processes, specific requests for assistance from partners or a regional body, and providing cooperation only where the country possesses institutional capacity, are the most important factors for determining their trade-related cooperation activities at the regional level.

62. Argentina provides trade policy analysis by transmitting know-how on laws and trade regulations, trade facilitation focused on empowering small and medium –size enterprises and small producers, and building productive capacity projects mainly in dairy and agricultural machinery. FO-AR statistics show an increasing demand for Argentine experts. Since its creation, the fund has developed more than 2,600 cooperation projects, and has sent nearly 4,000 experts to various countries.⁴⁰ The main recipients of Argentine aid in the region have been Bolivia, Ecuador, Haiti, Peru, and Cuba.

63. Chile has provided cooperation in the region for trade policy and regulations through its National Institute of Standardization, which promotes market access and integration through standardization. Beneficiary institutions include the Uruguayan Institute of Technical Standards, the Brazilian Association of Technical Standards, and the Argentine Institute of Standardization and Certification. Chile also has customs cooperation agreements with Peru, Bolivia, and Ecuador, among others.

64. Chile also provides trade development assistance for the improvement of health standards through enhancing the ability to access external markets, sharing expertise of the Office of Agrarian Studies and Planning in conducting international negotiations aimed at liberalizing trade and penetrating markets, and by focusing on the exchange of information (export promotion activities in Ecuador and El Salvador) and the exchange of professionals and interns with Bolivia and Costa Rica. Since 2005 there has been an increased demand for assistance on the work of ProChile, primarily in Ecuador, Bolivia, Peru, and Central American countries.

65. In its geographic neighborhood, Brazil provides cooperation in trade policy analysis, competitiveness, trade facilitation, and economic infrastructure. For the latter, Brazil finances infrastructure projects to help reduce transport costs for landlocked countries as a means to facilitate the circulation of goods, people and services, resulting in a more solid socioeconomic integration. In 2004, MERCOSUR established the Fund for Structural Convergence, whose main objective is the reduction of asymmetries among MERCOSUR countries.⁴¹ Brazil is also an active participant in the Initiative for the Integration of Regional Infrastructure in South America (IIRSA). The country is also committed to diminishing the imbalance in trade with Latin American countries and stimulating trade relations with neighboring countries. For that reason, it launched the Program of Competitive Substitution of Imports, in which Brazilian experts are sent on missions to Latin American countries to provide technical training on how to export to Brazil. Recently, seminars were organized in Ecuador, Bolivia, and Peru.

66. Triangular cooperation is also a key element in South-South cooperation for Chile, Argentina, and Brazil. In Haiti, a project to drill wells and cultivate vegetables⁴² was carried out by Brazil in association with Argentina. Also in Haiti, Brazil is working with the Inter-American Institute for

⁴⁰ Argentina's response to the WTO/OECD donor questionnaire.

⁴¹ Since 2006, the Brazilian Government has made annual contributions of US\$70 millions, which represent 70 per cent the funds received by FOCEM. President Lula announced in December 2008 that Brazil is committed to doubling its contributions.

⁴² This project is an adapted version of an Argentinean project called "Pro-Huerta."

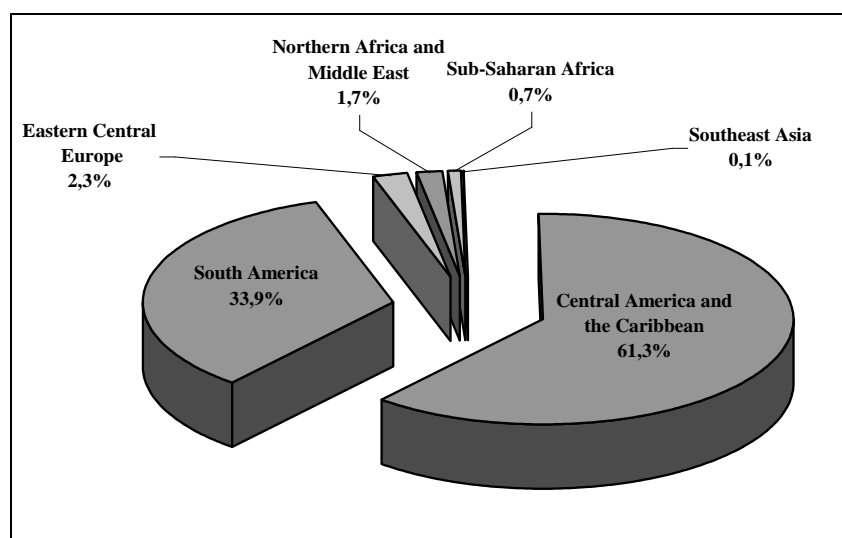
Cooperation on Agriculture (IICA). In El Salvador and the Dominican Republic, a joint effort with the United States will be made to increase ethanol production.

67. Chilean examples of triangular cooperation include cooperation between the National Consumer Service (, the Consumer Advocate” of El Salvador, and the GTZ; the AGCI / GTZ Regional Cooperation Fund to improve metrological services in the Andean countries, Paraguay and Uruguay; and other projects carried in partnership with multilateral agencies such as FAO, IFAD and IICA. Since 2001, the FO-AR has been providing joint technical assistance with the Japanese International Cooperation Agency to third countries in the region through the Partnership Program for Joint Cooperation. Similar agreements were signed with other international cooperation agencies, such as the Spanish and Italian agencies for international cooperation, and other agreements with European countries are in preparation.

South-South Cooperation with Other Regions

68. Besides providing technical assistance to Latin American and Caribbean countries, Argentina and Brazil have also been engaged in cooperation projects with many countries outside the Americas. Argentina has been extending its activities to Eastern and Central Europe, Northern Africa and the Middle East, Sub-Saharan Africa, and Southeast Asia. Figure 3 shows the regional distribution of the Argentine Fund for Horizontal Cooperation (FO-AR) between December 1992 and December 2005.

Figure 3: FO-AR’s activities, 1992–2005



Source: Argentina South-South questionnaire

69. In the case of Brazil, cooperation is mainly provided in Africa, Asia, and the Middle East. In Africa, Brazil is particularly active in promoting biofuels production. Through triangular cooperation, Brazil has negotiated a project, co-funded by Norway, to train nationals of Angola and Guinea-Bissau on public administration in programs in Brazil. Further, within the context of the India-Brazil-South Africa Forum (IBSA), there is an agricultural project with Guinea-Bissau.

V. CONCLUDING REMARKS

70. This paper provides a background briefing for participants at the Latin America and Caribbean regional review of Aid for Trade. Total AFT grew in real terms by more than 20 per cent between the 2002-2005 baseline period and 2007, according to data reported to the OECD CRS. Over the same period, AFT flows to Latin America and the Caribbean have followed an upward path,

growing by 34 per cent from US\$1.6 billion in 2002-2005 to US\$2.2 billion in 2007. As a result, Latin America and the Caribbean's share of total Aid for Trade increased from 7 per cent to 8 per cent.

71. The current financial and economic crisis is having a strong impact on developing countries. Foreign direct investment, tourism, and remittances are expected to drop significantly in 2009, and commodity prices are unlikely to recover in the short run. Preliminary signs show, however, that the financial crisis and the accompanying economic downturn may not impact the steady upward trend of Aid for Trade, which is consistent with the counter-cyclical nature of aid.

72. OECD/WTO self-assessment questionnaires were circulated to donors and partner countries in December 2008. A total of 88 replies were received from partner countries (27 from the Latin American and Caribbean region) and 52 replies from donors (both bilateral and multilateral). Several conclusions can be drawn from the OECD/WTO partner-country questionnaire regarding ways in which AFT relationships with development partners could be improved, including the following: a stronger focus on local capacity development in project implementation, a greater say for partners in the design of AFT interventions, and more predictable funding cycles. One interesting trend in the region is the emergence of South-South cooperation and triangular cooperation. Argentina, Brazil, and Chile responded to South-South cooperation questionnaire.

73. The high level meeting in Montego Bay May 7-8, 2009, should give a strong impetus to move from commitment to action in the Latin American and Caribbean region, which is a key objective for the Aid for Trade initiative in 2009. Conclusions arising from the Latin American and Caribbean Aid for Trade meeting will feature prominently at the Second Global AFT Review to be held July 6-7, 2009.
