POLICY DIALOGUE ON AID FOR TRADE

WHAT FUTURE FOR THE GLOBAL AID FOR TRADE INITIATIVE?

Towards a fairer assessment of its achievements and limitations

OECD

BETTER POLICIES FOR BETTER LIVES

in collaboration with:

ODI

What future for the Global Aid for Trade Initiative? Towards a fairer assessment of its achievements and limitations

William Hynes and Patrick Holden

The global Aid for Trade (AfT) Initiative was inspired by the Doha Round of WTO negotiations. It involved specific aid commitments as well as a broad agreement on categories of AfT, and principles of delivery (outlined by a WTO Task Force in 2006). The WTO and the OECD were tasked with monitoring this form of aid and supporting the various donors and partners. As with any international development initiative, the limitations to the AfT Initiative are clear. Overall funding remains modest, the categories are very broad and the statistics are often queried. Yet recent efforts to dismiss the Initiative as a failure are overstated. The monitoring system was based on best-practice techniques of governance in a diverse non-hierarchical institutional environment, such as the international development community. This form of cooperation cannot be expected to overcome global political and economic asymmetries, but it can be effective in several respects. Starting from this realistic perspective, one notes several achievements. In particular, the Initiative has led to increased funding for AfT and kick-started a range of initiatives and technical advances. Also the monitoring process evolved and expanded to include, and give voice to, a range of new actors from the global community. Alternative proposals for operationalizing AfT, such as creating a multilateral fund, are not to be dismissed but it is incumbent on the proposers to outline this plan in more detail. While the future of the AfT initiative, in its current form, is uncertain, its achievements merit careful consideration.

This is a draft paper. Please do not cite without permission.

Introduction

The global Aid for Trade/AfT Initiative was outlined by an international Task Force, under the auspices of the WTO, in 2006. This outlined the principles, categories and procedures for AfT (a label which includes several different forms of aid). The OECD and the WTO Secretariat were charged with monitoring the implementation of these principles by the aid donors and to this end three Global Reviews have taken place in 2007, 2009 and 2011. The link between trade and development has always been a complex and controversial topic (Page, 2006) and there has been much criticism of the Aid for Trade Initiative and the review process. In recent papers Stiglitz and Charlton (2012) argue that it has failed, while Hallaert also argues that the AfT process has run its course (Hallaert, 2012). This paper argues for a more nuanced and realistic judgement on the Aid for Trade Initiative. The argument is based on a detailed consideration of the precise objectives of this particular Initiative and a broader (theoretical and empirical) understanding of the limitations on any international development aid initiative. Much of the debate on AfT has been, understandably, coloured by resentment of the historical iniquities of the international trade and economic system. However, it was not realistic to expect this particular initiative to resolve all of these and there is a danger that unrealistically high expectations could lead to the baby being thrown out with the bathwater. The timing of this paper is apposite as the next AfT global review will take place in 2013, and this may well be last of its kind.

The paper begins with a brief summary of the AfT agenda before moving on to a theoretical and comparative discussion of the challenges to international cooperation in the field of development. Some of these points may seem banal but it is vital to have a clear and explicit understanding of the limitations of contemporary global governance if we are to fairly evaluate any given initiative. This section also establishes that the techniques and processes of the AfT Initiative are grounded in experience of cooperation in a complex non-hierarchical system such as the international aid community. It then outlines the monitoring process of the AfT Initiative in some detail and analyses the evolving review process. Finally it offers a comprehensive analysis of the achievements and limitations of the initiative thus far, including the question of aid additionality (raised by Stiglitz and Charlton) as well as its broader impact on the conception and practice of aid, trade and development policy. This is a discussion paper which does not claim to be the final word on the debate. The conclusion considers future directions for the Initiative and AfT more generally. One of the authors was directly involved in the AfT process, the other comes from a more academic background. Thus we come to this argument from different perspectives but we share a commitment to a realistic assessment of the strengths and weaknesses of the AfT Initiative.

1. Background

The WTO Hong Kong Ministerial in 2005 led to the creation of a new WTO work programme on aid for trade that aimed "to help developing countries, particularly LDCs, 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" (Paragraph 57 of the WTO Hong Kong Ministerial Declaration). This was the outcome of a long and intense debate on the responsibilities of developed countries, who sought a new round of trade liberalisation, to help developing countries and least developed countries in particular. Initially the focus of the WTO's work was on "appropriate mechanisms to secure additional financial resources for aid for trade". The WTO recognised that the support of the IMF, World Bank, regional development banks, OECD and other relevant international agencies was essential to bring their expertise and influence to bear in encouraging their own memberships to expand the financing available for trade-related programmes (WTO, 2006a).

The aim was to assess how much new money was being provided and what was the nature of the money provided. The Hong Kong Ministerial mandated the creation of a WTO Task Force to provide recommendations on i.) how to operationalize Aid for Trade, and ii) how Aid for Trade might contribute most effectively to the development dimension of the Doha Development Agenda. The Task Force was comprised of a core group of 9 Members – E.U., U.S., Japan, Brazil, China, India, and the Chairs of the ACP, African and LDC Groups. International organisations acted in an advisory role to the Task Force, on request. Given that mobilising additional resources to support trade in developing countries was the objective, some discussion focused on the modalities of trade-related support. The Task Force process generated a debate about appropriate ways to realize aid for trade with substantial input from WTO members, international organisations and the academic community.[1]

It had previously been argued that enhancing trade capacities required concerted action outside the WTO (Hoekman, 2002). While Stiglitz and Charlton (2006) suggested a multilateral fund for aid for trade and also called for aid-for-trade commitments to be enforceable within the WTO system with charges of non-compliance brought against any country not meeting its aid-for-trade commitments. Zedillo and others (2005) called for the creation of a dedicated aid-for-trade mechanism. The World Bank/IMF (2005) argued that while there was a rationale for increased funding trade-related and infrastructural reforms, they were against the creation of a new and dedicated multilateral fund for trade-adjustment support. The OECD (2006a) argued that multilateral funds were good at generating resources but not good at disbursing them. They also highlighted the contradiction between creating a new fund and the Paris Principles. Aid should be aligned to *nationally agreed* development priorities while a new vertical fund would direct aid funds only to trade priorities. The donors in the WTO Task Force were very much against creating a new fund or institution though some developing country groupings were more favourable to a new, dedicated aid-for-trade fund.[2]

In early 2006, the WTO began working on a comprehensive inventory to inform the work of the Task Force by inviting the OECD to provide data on bilateral aid for trade flows. This started the collaboration between the two institutions on monitoring aid for trade. WTO asked the OECD to contribute to the global monitoring effort, in particular to examine: *i)* how much aid do donors provide in support of trade; *ii)* how effective are these programmes; and, *iii)* how to make aid-for-trade an effective tool for helping developing countries, particularly LDCs, to fully benefit from trade liberalisation and WTO agreements (OECD, 2006a). These questions have defined the WTO-OECD monitoring work ever since. The subsequent OECD note (which eventually became Aid for Trade: Making it Effective) discussed the expanding aid-for-trade agenda, the amount of aid for trade provided by donors and scenarios for additional aid for trade in the context of the scaling up of ODA. This note promoted the use of the OECD DAC Creditor Reporting System to assess aid-for-trade commitments. The OECD noted that a consensual and realistic definition of aid for trade was needed. It also acknowledged that there were trade-offs between "the scope of the agenda, the scaling up of aid commitments, and managing these commitments

[1] Even before the Task Force was established and with expectations high of an eminent conclusion of the Doha Round there was considerable debate on aid for trade-related adjustment. Neilson (2005) stated that countries suffering adjustment shocks from trade liberalization, including the Doha round, needed to be assured of transition support from the international community. Hoekman and Prowse (2005) argued that rather than creating a fund to compensate for preference erosion—whether inside or outside the WTO—it would be more efficient and effective to integrate funding to offset preference erosion into the broader aid-for-trade effort, arguably the more important need. Page (2005) suggested that a Preference Erosion Compensation Fund be created and Prowse (2006) called for Increasing Support for Trade Adjustment and Integration. Evenett (2005) assessed critically some of these proposals. In 2010 Prowse returned to the issue on preference erosion concluding that this was area still lacking the level of innovation and financial support needed. Indeed the latest aid-for-trade figures for 2010 indicate that funding for aid for trade adjustment is still minor but increasing.

[2] The AfDB in their submission to the Task Force supported the creation of a Global Aid for Trade Fund or Facility, and "in view of the fact that African countries constitute the largest concentration of the potential beneficiaries of the AfT initiative, the Fund or Facility should be headquartered at the AfDB."

to deliver results" (OECD 2006b:21). This was particularly important "given the likelihood that WTO negotiators request a highly credible mechanism to ensure that commitments are forthcoming and the potential demands to even further widen the scope of aid for trade to also include adjustment costs" (OECD 2006b:22).

The approach set out the OECD report on Aid for Trade: Making it Effective, provided the parameters of the aid-for-trade monitoring effort. The report suggested that aid for trade should be guided by the Paris Principles of Aid Effectiveness. The Paris Declaration committed countries and organisations to continue to increase efforts in harmonisation, alignment and managing aid for results with a set of monitorable actions and indicators. One of the key issues that the Task Force had to investigate was a definition of aid for trade. In the end, the accepted definition was based on the Paris Principles. Projects and programmes should be considered as aid for trade if these activities have been identified as trade-related development priorities in the recipient country's national development strategies , *e.g.* trade-related infrastructure, adjustment and technical assistance (WTO, 2006b). Such definitions enable partner countries to tailor aid to trade to their national conditions and needs and enable better management of the programmes which are designed to achieve the desired results. At the same time, clear benchmarks are necessary for reliable global monitoring of aid-for-trade flows. This is rather difficult for aid for trade given that it is an expanding agenda (see figure 1). Nevertheless the benchmarks below were selected for measuring flows and assessing additionality. This included ODA for:

- *Technical assistance for trade policy and regulations:* for example, helping countries to develop trade strategies, negotiate trade agreements and implement their outcomes;

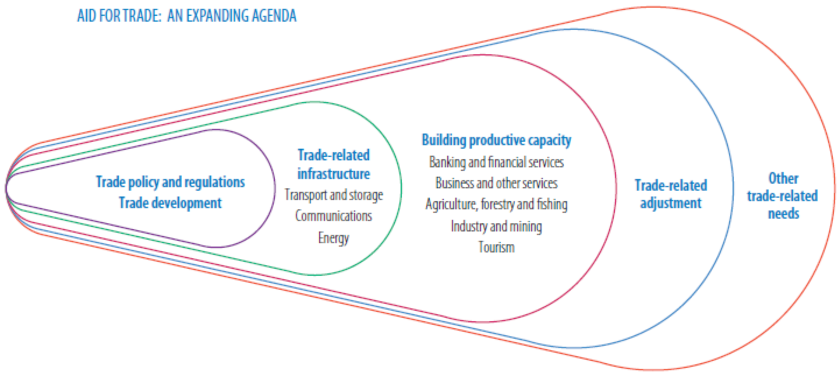
- *Trade-related infrastructure*: for example, building roads, ports and telecommunications networks to connect domestic markets to the global economy;

- *Productive capacity building* (including *trade development*): for example, supporting the private sector to exploit its comparative advantages and diversify its exports;

- *Trade-related adjustment:* helping developing countries with the costs associated with trade liberalisation, such as tariff reductions, preference erosion, or declining terms of trade; and,

- *Other trade-related needs:* if identified as trade-related development priorities in partner countries' national development strategies (OECD/WTO, 2009:52).

Figure 1: Aid for Trade: An Expanding Agenda



Source: OECD/WTO (2011)

2. Co-operation within the international development community: a critical overview

To reasonably evaluate the impact of the global AfT initiative we must first consider the general context for international development cooperation, which is in turn related to broader challenges of 'global governance'. The core issue here is the absence of any world government and the weakness of international authority in most sectors. Rather than any central authority we have a heterogeneous set of international arrangements or 'regimes' (institutions, laws and norms) in specific sectors of the international system (Hasenclever *et al*., 1997, Young 1999). The term global governance emerged in the post 1989 era to refer to the panoply of institutions laws and norms across sectors. Global governance theorists emphasise the multiplicity of levels of governance, the variety of stakeholders (public and private) and, again, the soft non-coercive nature of power exercised. The various forms (regimes) of cooperation vary widely in terms of the specificity of rules and norms and the degree of institutionalisation. A limited number of sectors, such as international trade, are strongly legalised (for obvious reasons) while international development policy cooperation relies much more on soft methods. There is a substantial body of literature, in political science, public administration and cognate fields, that explains how these soft methods can work: that is how norms, ideas and policies can spread internationally without an overarching implementing authority (Reese Ropp and Sikkink, 1999; Finnemore and Sikkink, 1999; Checkel, 2001; Pagani, 2002). This rests on an essentially liberal worldview, based on sociological/cultural (Finnemore, 1996) and/or rationalist argumentation (Axelrod, 1997; Haas, 1991). The basic premise is that norms and ideas can be internalised by international elites through processes of socialisation, mutual learning and peer pressure. Naturally the quality of the ideas, and the credibility of research behind them, is also crucial.[3] Others emphasise the framing and disciplinary power of discourse which can shape mind-sets (Fairclough, 2010). Of course global norms, language and policy are rarely adopted *in toto* but are usually modified at the regional, national and local levels (Ibid). Bearing this in mind, to be effective an international regime would have to facilitate regular interaction and dialogue (as well as possessing a powerful rationale for the ideas/norms/policies in question). It would then institute various forms of peer pressure – through monitoring and reporting procedures – hoping to capitalise on the image consciousness of the stakeholders (as well as the

[3] This form of transnational norm promotion is most powerful when combined with social and economic interests.

internalisation of the ideas involved) to secure compliance. Needless to add there is also strong scepticism as to the potential for deep cooperation between sovereign states. The challenges are particularly marked in commercial/resource management issue-areas, where the fear of others cheating and 'free-riding' is high.

The international development 'regime' is densely packed with institutions of different types: including state donors, regional/international/mulitilateral organisations and non-governmental organisations of different types.[4] There is no one hegemonic international organisation. The Development Assistance Committee of the OECD has played a leading role in setting standards for state donors. The DAC has set the statistical norm for classifying and measuring aid flows. It also serves as a forum for the exchange of ideas on best practice and its role in evaluation is particularly important in encouraging mutual learning. The World Bank and various UN agencies have also played a leading role. Apart from international organisations and states, there are vigorous networks of civil society organisations involved in shaping development policy. Lastly, in recent years increased aid has been given by 'non-traditional donors' from the emerging world, China in particular (Manning, 2006; Paulo and Reisen, 2010; Chandy and Karas, 2011). These have a role in the governance of the international development community through participating in the (DAC-led) Working Party on High Level Effectiveness. International cooperation on development can be divided into procedural issues (how aid is managed, delivered and reported) and substantial policy matters (funding priorities). At the highest political level, the Millennium Development Goals outlined agreed objectives for all development stakeholders up until 2015. Under UN auspices there have been efforts to rally states to continue to increase their financing of ODA (Cite). The G-8 grouping has also made commitments on aid financing. Concerning the actual use and priorities of aid, donors have made (often quite vague) commitments to mainstream various concerns – in particular gender, human rights and sustainability – into their aid conditionalities and strategies. The aforementioned Paris Declaration on Aid Effectiveness of 2005 (at the 2nd High Level Forum on Aid Effectiveness was a landmark agreement to harmonise aid management procedures and adhere to standards of transparency and ownership. The Busan conference of 2011 (the 4th Forum) attempted to extend the 'Western'/ DAC development aid norms to emerging donors. Regarding more specific policy guidelines, the DAC played a significant role in gaining consensus from its members to use untied aid, although this is one of the principles that may be under threat again. The AfT agenda is mostly concerned with the more substantial use of aid, but it is also embedded in these other international agreements and processes.

The impact of these initiatives has been mixed. Concerning the goals of the Paris Declaration, official and academic studies have shown that implementation has been limited (OECD, 2011a; Chandy and Kharas, 2011). By 2010, only one of the 12 objectives laid out in Paris were adjudged to have been achieved (OECD, 2011a). The overall picture is one of fragmentation, and few could disagree that there is nothing resembling a division of labour. While joint (multi-donor) strategies/programmes for countries have been initiated, donors generally rely on their own medium-term strategies/programmes. This limits the scope for deep cooperation, however much coordination takes place in the field. The overall result of this is that developing countries still get 'too little aid from too few donors' (OECD, 2011b: 4). There are both political and bureaucratic explanations for these disappointments. Firstly, although development policy is nowhere near as politicised as other sectors, foreign aid can be used to support economic or geopolitical and security interests (Schraeder *et al*., 1998; Holden, 2009: 20-22). Thus there are pressures to skew the use of aid. Apart from considerations of self-interest, donors may have their own ideological and cultural biases which *could* lead to a divergence from global development priorities or partner government needs. Furthermore, broader insights about the nature of organisations have to be considered. There may well be

[4] See Rogerson and Killen (2010) for an outline of the contemporary international aid architecture.

100% commitment from the political leadership and upper administrative echelons but translating policy into reality is always a major challenge. Note the extensive literature on the policy-implementation gap (Schofield, 2001). Then there are the general weaknesses of any bureaucratic organisation to consider and the challenges of aid agencies are particularly acute here: these operate in a variety of, often difficult, political environments with a constantly changing political and policy environment back home. In the past few decades agencies have been expected to mainstream an increasing number of considerations and the question of capacity becomes an issue. Indeed some critics label the entire drive to create a global development policy with common goals and targets a 'technocratic illusion' (Reddy and Heuty, 2008). This is unduly pessimistic but it is clear that, on a systemic level, the sheer complexity of the international aid architecture and the vast number of aid relationships (OECD 2011b: 4), imposes acute limitations. Also, the range of guidelines (procedural, thematic and so forth) can lead to problems of coherence.

There are more positive stories to tell. In defence of the Paris Declaration process, another evaluation noted that Paris ' addresses a range of problems that were 50 years in the making, and holds out a vision of much better conditions for aid ' (DIIS, 2011: xiii). The Paris targets were clearly ambitious and could not be immediately implemented. The 'aim for the sky and reach for the trees' aphorism is highly relevant to international cooperation. For example, although commitments on financing are rarely met in their entirety, studies do argue that this form of target setting has helped increase overall levels of ODA (Kharas, 2010). Kharas notes that aid flows increased by 35 percent in real terms from 2004 to 2010, a fact (which he attributes to the Gleneagles G8 Summit commitments of 2005). He also notes that countries that promise more deliver more (even if they do not achieve their targets). In the UK, for example, the existence of an international target helped to bolster the coalition government's decision to ring-fence the aid fence budget, in an era of drastic expenditure cuts. Also the priorities embedded in the MDGs and in the new paradigms of poverty reduction and human development have percolated through the different aid agencies, to a greater or lesser degree.

In summary, none of the various forms of cooperation regimes have overcome the problems created by state donor autonomy, the asymmetries between developing and developed countries, and the sheer heterogeneity of the system. However, international development cooperation efforts can 'work' in terms of securing increased funding and in changing policies, to an extent. What are the implications of this for the AfT agenda? The idiosyncrasies of national aid donors encouraged some to argue that a multilateral instrument should be set up to distribute AfT (Charlton and Stiglitz, 2005). As discussed previously this suggestion was not taken up. It should be noted that such a fund would still depend on finance and cooperation from states and so the general points about international cooperation would still apply. Also the institutional landscape of aid is already over-populated and adding further to its complexity would have its downsides.[5] Clearly, the 'AfT regime' is very much in line with the light-touch model of global governance, based as it is on monitoring and peer pressure. The two international organisations charged with steering the process (the DAC/OECD and the WTO) are to monitor the quantity and quality of AfT, with a special focus on the interests of least developed countries/LDCs. As noted earlier, collating statistics here is particularly challenging, the method chosen by the OECD was the best of the feasible options but like any statistical system it can be disputed (especially when it comes to the expansive categories). Also the AfT agenda's call for a focus on LDCs was also likely to be a challenge as donors have a tendency to allocate funding to larger developing economies. The Task Force explicitly linked the AfT agenda to the Paris Declaration and other international agreements. However there may be issues of coherence in practice. For example, the AfT agenda implied a greater focus on export-led growth than the poverty reduction paradigm which had dominated development aid policy. More generally, there is a

[5] Also it should be noted that a substantial number of donors have started to cap their contributions to multilateral funds (OECD 2011c, 10).

tension between the tendency to get donor commitments on spending on certain issue areas and country ownership of development aid. At the ideational level, there is the potential for the AfT initiative and process, to serve as a transmission belt for a new paradigm of trade and development. Although there are concerns that that the agreed agenda is too broad to serve as a meaningful framework for this. The positive side of its broad approach are that it was more politically feasible to all sides. Any aid initiative has to gain the support of the major state donors and developing countries or it will become irrelevant. The paper now turns to how the agenda has been implemented.

3. The Aid for Trade Agenda in Practice: Adapting and refining the monitoring mechanism

The WTO and OECD periodically review aid for trade to monitor what is happening, what is not, and where improvements are needed. This transparency helps to underwrite progress in the AfT Initiative, facilitating dialogue and holding all stakeholders to account. The monitoring is based on a spotlight, not a microscope – it provides general impressions and allows progress to be assessed at the global level. It is based on self-assessment, complemented by independent evaluation findings and academic research. The original focus was on the measurement of flows, raising awareness about the role of trade in development and creating a community of best practice. It has subsequently evolved to examine implementation, effectiveness and results. Since 2007, the monitoring framework has broadened the global aid-for-trade partnership. The review process has been successful in stimulating participation from the donor community, partner countries and providers of South-south co-operation. The WTO has suggested that Global Value Chains and Private Sector Development will be the central themes of the 4th Global Review of Aid for Trade which will take place in the summer of 2013. This will explore how aid for trade is supporting private sector development activities in developing countries, and in particular LDCs, in the context of expanding global and regional value chains. Other themes such as Regional Trade integration and the Impact of aid for trade will remain important.

Tracking the flows

The official collection of aid for trade data originated from a decision made by WTO members at the Joint OECD/WTO Trade Capacity Building meeting on 4 May 2007. It was decided to use the OECD-DAC Creditor Reporting System (CRS) for the collection and monitoring of the broader aid-for-trade agenda instead of the Trade Capacity Building Database (TCBDB). The categories of aid for trade used for the purpose of tracking flows are often taken as the working definition of aid for trade. Consequently, many commentators have made the case that the "definition" is too broad and this diminishes its effectiveness (ICTSD, 2011 and Hallaert, 2012). However, developing countries wanted aid that goes beyond technical assistance.

The objective of monitoring flows was to assess additionality and to hold donors who made pledges at the Hong Kong Ministerial to account.[6] The starting point for this discussion was that it was impossible to define a priori what constituted aid for trade *e.g.* a component of an infrastructure project may be trade-related but it may also have other objectives.[7] Therefore a set of broad proxies in the CRS were selected

[6] Specific pledges were made by the United States, Japan and the European Union. However some of these pledges may have been contingent upon a successful Doha outcome. Nevertheless, the Aid for Trade at a Glance Report in 2009 indicated that the Hong Kong pledges were successfully met.

[7] The LDC submission to the WTO Task Force expressed reservations about this practice, *i.e.* "OECD does not distinguish between what could be narrowly defined as a trade-related infrastructure from more general multi-

corresponding to the categories listed above. Furthermore, members of the OECD Working Party on Statistics agreed to modify the CRS to accommodate the collection of aid for trade data by adding a trade-related adjustment code and a policy marker for trade development activities.[8]

There were few other competing ideas for monitoring flows generated in the Task Force. One member suggested that the WTO Secretariat consider establishing a webpage on the WTO website as a platform for information release and exchange. A notification mechanism in the WTO was also suggested, with country-specific demands for aid for trade, donor response and details of how programmes were proceeding and what benefits the recipient country have drawn from the programme. A register for aid for trade facilitation is currently under discussion at the WTO. However it is important to use an existing and credible system to track donor commitments so as not to duplicate effort or to generate information that would not be comparable over time and between countries, verifiable or satisfy donor accountability. (As noted previously this is vital for an effective peer pressure mechanism).

The Task Force stated that additional, predictable, sustainable and effective financing was fundamental for fulfilling the Aid-for-Trade mandate. To achieve this goal, the Task Force recommended the establishment of a monitoring body in the WTO, which would undertake a periodic global review based on reports from several different sources including from countries and regions, donors, relevant multilateral agencies, and the private sector. The Recommendations also stated that Multilateral and regional actors should be encouraged to report regularly on their Aid-for-Trade activities, progress and impact. When appropriate these actors – "including the OECD/DAC – should be asked to assist in providing input and in the organization of the periodic Aid-for-Trade review in the WTO" (WTO, 2006b). The Task Force also recommended an assessment of Aid for Trade – either as a donor or as a recipient – should be included in the WTO Trade Policy Reviews/TPRs. A WTO case story in 2011 provided details on this, based on pilot exercises in which aid-for-trade questions were included in the TPRs of China, the US, Belize, Honduras, Malawi as well as the joint TPR of Benin, Burkina Faso and Mali. Based on these pilot studies, the WTO pointed to additional internal coordination on aid-for-trade issues in middle income developing countries and LDCs.

Local Accountability and Global Review

The implementation of the monitoring would be based on two accountability mechanisms: the first at national or regional level and the second at a global level. Local accountability involved the strengthening of local ownership and management for results. The Global Review would review progress at the regional and national level, provide a forum for corrective feedback and ensure that the needs identified at the local level – whether financial or performance related – are addressed. The WTO-OECD Monitoring Framework was established based on these two dimensions to help track progress in the implementation and enhance the credibility of the Aid-for-Trade Initiative. The objective of the monitoring framework is

---

purpose infrastructures. Under that practice, figures for infrastructure seem to be exaggerated". However it would be extremely difficult to identify specifically the trade-related component in every project.

[8] OECD aid-for-trade statistics come from the Creditor Reporting System (CRS). Established in 1967 by the OECD DAC, this database collects information on activities related to ODA and *other official flows* (OOF) going to developing countries. The CRS is based on reporting directives approved by the OECD DAC and is based on reporting from the member countries of the OECD DAC, multilateral institutions and a number of non-DAC donors. The OECD DAC collects, collates, and verifies the consistency of the data, and maintains the database. The CRS does not measure South-South partnerships. However, steps have been taken to capture certain elements of South-South flows through self-assessments. The CRS has become the internationally recognised source of data on the geographical and sectoral distribution of aid widely used by governments, organisations and researchers active in the field of development. For the OECD, the CRS serves as a tool for monitoring specific policy issues, including aid for trade.

to promote dialogue and encourage all key actors to honour commitments, meet local needs, improve effectiveness and reinforce mutual accountability. The value of this joint OECD-WTO monitoring framework lies in creating incentives through enhanced transparency, scrutiny and dialogue so as to foster synergies between trade and other economic policy areas in developing countries and improve the coherence of aid for trade with overall donor strategies. These are all essential components of effective aid delivery as embodied in the Paris Declaration on Aid Effectiveness (OECD/WTO, 2011). The various different elements of the monitoring mechanism can be described using a logical framework which ties together demand, response, outcomes and impact (See Annex 1).

Assessment of the response consists of the following:

- Quantitative information (*i.e.* aid-for-trade flows) on trade-related projects and programmes is extracted from the OECD DAC Creditor Reporting System (CRS) database for the categories that are most closely related to the WTO Task Force definition.
- Qualitative information concerning the response is derived from donor self-assessments, based on an OECD-WTO donor questionnaire. These self-assessments highlight the progress made by donors in developing operational aid-for-trade strategies, the extent to which these are implemented in line with the Paris Declaration on Aid Effectiveness, and the different steps taken to improve the quality of aid-for-trade programmes.

Trade-related outcomes such as improved logistics, lower transport costs, higher productive capacity and ultimately more trade are examined through trade-related indicators outlined in aid-for-trade factsheets, evaluation findings and eventually in 2011 a series of aid-for-trade case-stories (see below). Impacts are the longer term contribution of trade to development objectives such as poverty reduction and these can be assessed using the Millennium Development Goals.

2007: 'Raising Awareness'

The first monitoring exercise in 2007 was based on a three tier monitoring framework (global ODA flows as recorded in the OECD/CRS, donors self assessments and partner country self-assessments). The joint OECD/WTO report *Aid for Trade at a Glance 2007* provided an overall picture of trends in aid-for-trade flows and presented insights on donor and partner countries' strategies and priorities. The aid-for-trade questionnaire was selected as a tool to elicit qualitative information. The framework was thought to provide an opportunity to foster dialogue between donors and partner countries. In the first round of questionnaires, the engagement by DAC donors and multilateral institutions was strong. Donors provided comprehensive self-assessments of their strategy, pledges and funding, implementation, and participation in mutual accountability arrangements. The response from non-DAC donors to the donor questionnaire was encouraging with five responses; however neither China nor India both members of the WTO Aid for Trade Task Force took part. It was suggested that a specific questionnaire on South-South Co-operation might improve reporting from emerging economies.

It was expected that the response rate from partner countries would be low. These expectations proved accurate with only eight partner countries responding. It thus became essential for the monitoring mechanism to improve the participation of partner countries. It was envisaged that responding to the questionnaire would facilitate national planning of trade and development programmes, provide partners the opportunity to communicate to the international community, increase global accountability and enable the dissemination of best practice. The OECD and WTO took several steps to communicate these benefits and raise awareness of aid for trade. They also reduced the complexity and increased the relevance of the questionnaire (OECD, 2008a). The questionnaires did reveal that aid for trade was increasingly prioritized in donors and partner countries' plans. Moreover, the development of new strategic statements, a gamut of initiatives to strengthen in-house capacities and increased prioritization in donor-partner dialogues indicated that aid for trade was likely to attract additional resources in the coming years (OECD, 2008b). The 2007 report also presented the aid-for-trade data for a baseline period of aid-for-trade proxies for an average of the years 2002-05. Progress by donors was assessed based on this baseline. Since commitments represent current priorities, these were examined closely in the early years of monitoring to confirm that the Hong Kong pledges were being met and that donors were scaling up resources.[9] As the Initiative matured, there was an increasing focus on disbursements; the actual amounts disbursed which correspond to past priorities.[10]

2009: Maintaining Momentum

The Second Global Review took place in the midst of the Great Recession, it sought to strengthen the engagement of partner countries and regional organisations (reflecting the importance of tackling regional constraints to trade). Furthermore, the 2009 report started tracking progress in the implementation and the impact of aid for trade. In terms of aid flows, this involved more detailed disbursement data to provide a more accurate picture of the actual amounts of ODA spending as well as examining non-concessional resources such as Other Official Flows (OOF). In terms of aid delivery, progress on trade mainstreaming and performance were assessed. The 2009 monitoring report focused on promoting greater mutual accountability on the results that aid for trade was producing. This required in particular broadening the monitoring framework to expand the range of stakeholders, *i.e.* partner countries, regional organisations and non−DAC donors, and the range of quantitative data, *i.e.* performance indicators. The objective of a specific questionnaire on South-South co-operation was to elicit more information about South-South practices and programmes, as well as the thinking that lies behind them. Argentina, Brazil, Chile and China – countries which have long played an important role in development co-operation responded to the South-South questionnaire. In addition India responded but after the deadline and so they were not included in the analysis.

A new section dedicated to elicit information on how donor and partner countries were addressing regional challenges was added to donor and partner questionnaires. Binding regional constraints, such as poor cross-border infrastructure, were clearly acknowledged. The particular challenges of working at the regional level were highlighted such as insufficient regional co-operation and concerns about asymmetric costs and benefits. The Regional Development Banks were seen as the natural partners for addressing these and other regional challenges. The outcome and impact of the Aid-for-Trade Initiative were presented in a series of country fact sheets, which present a number of facts and indicators to capture the four main elements outlined above. The factsheets allow for country comparison at a glance. In addition, the fact sheets could form the starting point of a more comprehensive in-country national stakeholder dialogue involving governments, donors, civil society and the private

[9] A commitment is a firm written obligation by a government or official agency, backed by the appropriation or availability of the necessary funds, to provide resources of a specified amount under specified financial terms and conditions and for specified purposes for the benefit of a recipient country or a multilateral agency.

[10] A disbursement is the release of funds to or the purchase of goods or services for a recipient; by extension, the amount thus spent. Disbursements record the actual international transfer of financial resources, or of goods or services valued at the cost to the donor. In the case of activities carried out in donor countries, such as training, administration or public awareness programmes, disbursement is taken to have occurred when the funds have been transferred to the service provider or the recipient. They may be recorded gross (the total amount disbursed over a given accounting period) or net (the gross amount less any repayments of loan principal or recoveries on grants received during the same period). It can take several years to disburse a commitment.

sector to promote transparency about the demand for and supply of aid for trade, and greater accountability on building trade capacities.

2011: Showing Results

The focus of the Third Global Review was on drawing lessons about impact on the ground and surveying how best to maximize the potential of aid for trade. The 2011 survey focused mainly on assessing the progress made since 2009. It also invited partner countries, donors and providers of South-South co-operation to explain how they measured results in aid-for-trade programmes and projects, metrics for success and what kind of policy environment is conducive to successful outcomes. For the first time, regional economic communities also provided their assessment of aid for trade. Information was provided from 9 RECs about the role that trade played in regional and sectoral development strategies, specific region's Aid-for-Trade needs and the response of the donor community to these needs.

For the 2011 global review of aid for trade, case stories provided an important source of additional information. The case stories complemented by other analyses aimed to probe deeper into aid-for-trade objectives, challenges and processes. Case stories were well suited to offer a large group of stakeholders an opportunity to share experiences about what is working (or not) at the national and regional level, why it is working (or not) and what improvements are needed.

In total, 274 case stories were received from more than 150 countries covering all major developing regions and income categories. Bilateral donors and UN organisations were also large contributors, although some of the multilateral development banks were under-represented. Collectively, the stories provided rich detail on the efforts by governments and the international community to promote trade. The sheer quantity of activities described in these stories suggested that aid-for-trade efforts were substantial across a wide spectrum of countries and are becoming more central to development strategies (OECD/WTO 2011). On the basis of the information provided in the case stories, regional analyses were prepared by the WTO and OECD secretariats in collaboration with regional development banks and regional economic commissions.[11]

Soliciting the views of the private sector

The likely selection of Value Chains and Private Sector Development as the theme for the 4th Global Review of Aid for Trade means that the monitoring will have to examine closely these issues. The last Global Review of Aid for Trade featured a plenary session on 'Accessing Global Private Sector Value Chains'. It provided examples of the partnerships between large corporations such as Walmart and Danone and developing country producers. The discussion highlighted that these forms of collaborative ventures and value chain investments are growing in number and impact and are charting an innovative way forward for business involvement in trade-related capacity building. The next global review will examine this issue but to do so effectively there needs to be significant inputs from private-sector actors.

The WTO Task Force envisaged that the Global Review of Aid for Trade would provide an opportunity for the private sector to "report on their aid-for-trade contributions". Private sector issues have been consistently part of the WTO aid-for-trade work programme. Previous questionnaires have asked about

[11] These analyses included three reports with a regional dimension: Asia-Pacific Case Stories: A Snapshot of Aid for Trade on the Ground; Latin American and Caribbean Case Stories: A Snapshot of Aid for Trade on the Ground; and African Case Stories: A Snapshot of Aid for Trade on the Ground in Africa;

the involvement of the private sector in dialogue and priority setting. The World Bank provided a number of case stories which looked at the role of Multinational corporations in trade-related capacity building. Despite this, the objective of involving the private sector in aid for trade has proved elusive though the private sector role has been increasing. This was underlined at the Third Global Review by WTO Director-General Pascal Lamy. In his closing remarks, he made particular reference to the enhanced participation of the private sector. His comment about the need to transform Aid for Trade into 'Investment for Trade' was focused on the increasing economic motivations and opportunities that greater involvement of the private sector in aid for trade would deliver (Rugwabiza, 2011).[12]

Advancing the Results Agenda

Early evaluations of aid-for-trade programmes highlighted a lack of explicit targets in many projects and consequently a lack of effective monitoring. To be useful, targets need to be decided beforehand, be measurable *ex ante* and *ex post*, and agreed upon by all actors (OECD 2006, 2011). The OECD working with the WTO and supported by the European Union will develop a menu of a limited set of indicators to measure the performance of aid-for-trade interventions towards quantifiable targets and objectives. Practical country-based approaches for managing aid to achieve trade and development results will increase transparency and objectivity of decision making, promoting alignment of donors with partner country's trade-related objectives and targets, reducing parallel results reporting processes, increasing mutual accountability and allow for country comparisons. A conceptual paper will identify relevant trade-related targets in a context of changing trade patterns and paradigms and provide a proposal for a results-oriented aid-for-trade framework. This work will help strengthen the usefulness of the aid-for-trade country factsheets. In addition, the country case studies would also provide input for a discussion on the type of trade-related goals that could be introduced at the country level. The work on managing aid to achieve trade and development results will produce useful inputs into guiding the next iteration of the Aid for Trade at a Glance factsheets. While the factsheets provide useful information at a glance, an online platform may be able to supplement the analysis.

4.) Has the Aid-for-Trade Initiative succeeded?

The principal objective of the Initiative was to mobilize aid resources. While difficult to conceive a counterfactual about the evolution of flows in the absence of the Initiative, evidence suggests that this objective has been achieved. Even Hallaert (2012) accepts this point. It is worth revisiting the expectations about flows. OECD (2006) ran projections on different scenarios, including a doubling of aid-for-trade flows from DAC members. Assessing these projections with the latest data available (deflated to 2004 US dollars) indicates that the Initiative has exceeded expectations and resources have more than doubled (Figure 2).

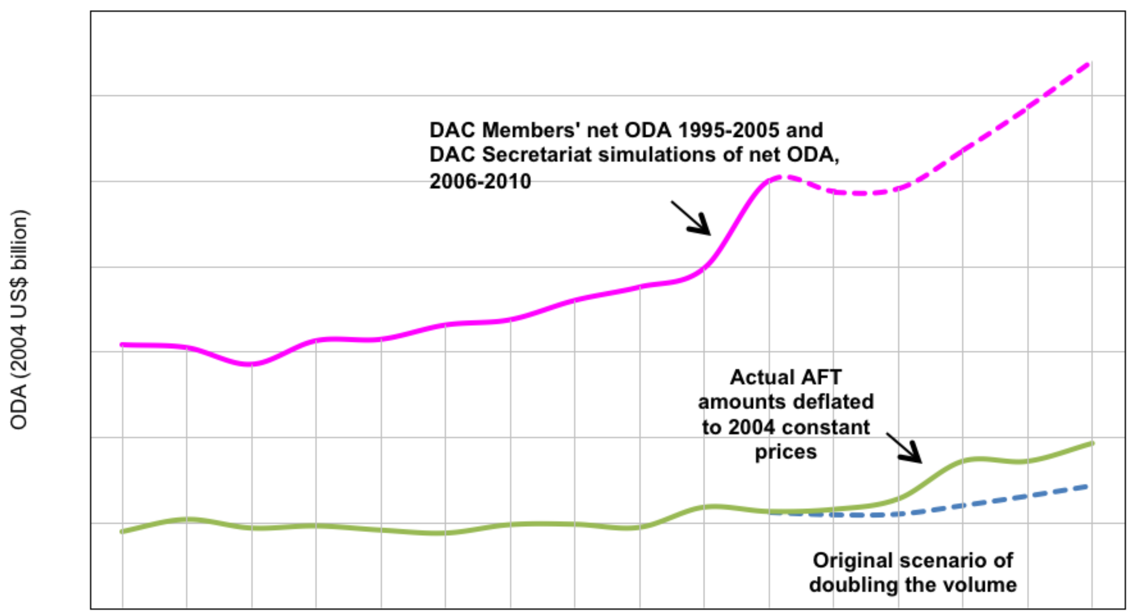
During the Task Force discussions, it was clear that without clear evidence of extra ODA to spend on trade, developing countries would feel that "the whole exercise is academic" (WTO 2006d). While the Initiative has helped to mobilise resources, a question remains about whether these flows have been

[12] At the Committee on Trade and Development meeting in July, the WTO proposed two electronic questionnaires to reach out to the private sector. One would be for donors to and another for partner countries to circulate through their private sector networks. For this effort to succeed, strategic partnerships at the sectoral/thematic level would be required to support the dissemination and completion of questionnaires. The International Trade Centre is well placed to take a leading role to support this effort. The International Chamber of Commerce and the World Economic Forum may also have a role to play.

additional. Stiglitz and Charlton (2012) assert that aid for trade has not been additional. A useful way of measuring this is to look at the share of aid for trade in overall ODA. The data in Figure 3 indicates that on average the share has remained more or less the same at 33% since 2002. A stable share indicates that the decades-long fall in aid to the economic sectors has been checked and that the increased resources did not come at the expense of other sectors such as health or education. So on this central criteria - the Initiative has succeeded. However in 2011, overall ODA declined for the first time (excluding debt relief) since 1997 so this may challenge this positive assessment in the years to come.

Despite the many failures of donors to meet their pledges on for example the Gleneagles commitment, according to the Aid for Trade at a Glance 2009, the Hong Kong pledges made by the European Union, Japan and the United States have been met. This achievement is all the more striking given that some donors including the United States had said that additional aid for trade was conditional on a good result in the Doha negotiations (WTO, 2006d)[13]. Though the original pledges were met, they were made before a definition existed and the broad definition perhaps made it easier for donors to deliver.

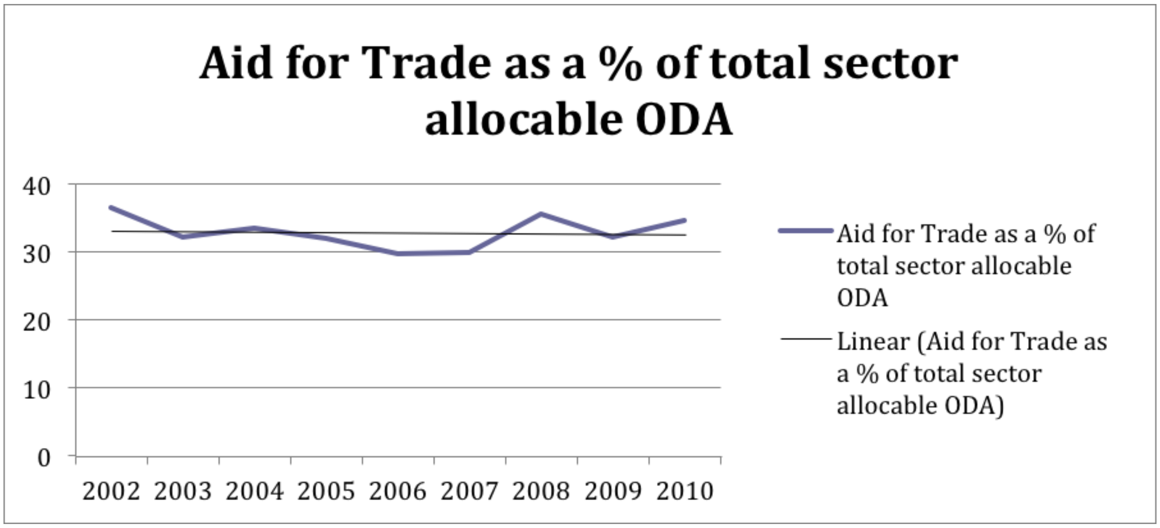
Figure 2: DAC Members' net ODA 1995 - 2005 and DAC Secretariat simulations of net ODA to 2006 and 2010



Source: OECD Creditor Reporting System

[13] In Hong Kong, Japan pledged USD10 billion for building trade-related infrastructure, primarily ports and customs facilities, disbursed over three years from 2007 to 2010 as a mixture of grants and soft loans however there were conflicting reports from Japanese sources on how much of that would count as additionality. United States Trade Representative Robert Portman announced that the U.S. would double its annual aid-for-trade spending from USD1.35 billion in 2005 to USD2.7 billion in 2010. Peter Mandelson on behalf of he European Union pledged that spending by the Commission and by the combined members states on trade-related assistance would each rise to Euros 1 billion a year by 2010, giving a total of about USD3 billion in 2010 compared with about USD1.6 billion in 2005 (WTO, 2006d).

Figure 3: Aid for Trade as a proportion of Total Sector Allocable ODA



Source: OECD Creditor Reporting System

While the original pledges have now expired – in 2010, the assembled leaders of the Group of Twenty (G20) pledged to (at least) maintain aid-for-trade levels that reflect the average of 2006 to 2008 beyond 2011 as part of Multi Action Plan on Development. The G20 tasked the OECD and the WTO to monitor progress and according to a monitoring report provided to the French Presidency indicated that "Members of the G20 Development Working Group that report their aid to the OECD have delivered significantly beyond their pledge to maintain aid-for-trade flows" (OECD/WTO, 2012). G20 aid-for-trade commitments reached USD 28.9 billion in 2010, up by USD 5 billion from 2009 and a 26.5% increase in real terms compared to the 2006 -2008 baseline. Pascal Lamy described the G20 pledge as an insurance policy for the Initiative (Lamy, 2012). However the pledge is not particularly strong with no proposed increase of resources so it represents the basic insurance coverage at best.

Use of Existing Systems

The global monitoring has been delivered with limited resource implications with two small teams in the WTO and the OECD co-ordinating an effort where the majority of the inputs are provided by member governments and other international organisations. No new aid for trade multilateral fund or monitoring mechanism was created, and thus the AfT initiative has not added to the, already overcrowded, set of donor organisations. As discussed previously a potential counter-factual is offered by the Enhanced Integrated Framework which did establish a multilateral donor trust fund rather than using existing systems for aid delivery.[14] According to the EIF Secretariat, "funding currently available stands at approximately USD100 million with total pledges of USD182 million to be disbursed over a five year period". In 2007 at the High-Level Conference in Stockholm pledges were made of up to USD170 million, against a target of USD250 million. Overall the EIF has struggled to raise funds and has a weak monitoring and evaluation framework in spite of many attempts to reform it.[15] A fund alone cannot

[14] The EIF is about building superstructure: capacity to integrate trade policy into national development strategies; building capacity to implement WTO Agreements. This includes certain supply-side constraints.

[15] According to a 2005 WTO note, it was preferred that resources to help implement multilateral commitments flowing from the WTO negotiations be channelled through a multilateral channel. The IF offered such a multilateral channel which had the advantage that it was up and running and was part of a known and recognized structure with UNDP having built up a certain experience as the IF Trust Fund Manager (WTO, 205).

promote the changes that aid for trade's global review mechanism has and they often fail to connect to the broader development agenda. The EIF has struggled to get beyond fund raising – an issue not shared by the Aid-for-Trade Initiative. The amounts being managed are small but the resource mobilization effort has not fully succeeded. In addition such funds run contrary to country owned strategies and priorities. Stiglitz and Charlton (2012) do not reference the EIF experience – they have nevertheless suggested once again, establishing an aid-for-trade fund, this time managed by UNCTAD. This example is illustrative but does not mean that multilateral funds are necessarily a bad idea.[16]

The use of existing systems, *i.e.* the CRS rather than a specifically created register or database has enabled the international community to quickly assess progress against an established baseline. A new instrument would have lacked baseline information, and would have taken years to gather sufficient data to make meaningful conclusions about donor accountability. However the current trade facilitation negotiations have referred to the need to create a register for aid-for-trade facilitation commitments at the WTO. The lesson of aid for trade suggests that pledges are best assessed using existing reporting and monitoring mechanisms. The examples above suggest that there may be more precise ways to monitor aid for trade, but with substantial costs in terms of cost, timing and burden on reporting agencies.

The Aid-for-Trade initiative is guided by the Paris Principles and represents a clear example of these principles in action. Properly applied, they lead to mutual accountability with a shared agenda with clear objectives and reciprocal commitments. Incentives are created for this through monitoring and evaluation of these commitments with dialogue and review. The Paris Declaration on Aid Effectiveness orients the aid relationship towards genuine partnerships that are focused on results for which recipient countries and donors are mutually accountable (OECD, 2011). Through its emphasis on a global light, country heavy monitoring mechanism it potentially offers useful insights to the monitoring framework being discussed for the Busan Global Partnership for Effective Development.

Successful partner engagement

The Monitoring process has largely achieved its institutional objectives – this should not be under-estimated. Its credibility has been enhanced by meaningful engagement from a number of different partners, as can be seen in Table 1. Engagement has been impressive and the number of elements in the framework has expanded over time while maintaining the commitment of donors and partner countries alike. It shows that the reach of the monitoring has been expanded without undermining the quality of the monitoring.

Table 1: Stakeholder engagement in OECD/WTO monitoring

	2007	2009	2011
Donor Questionnaire Responses	39	57	43
Partner-country Questionnaire Responses	8	89	84
South-South Questionnaire Responses		5	10
Regional Economic Communities			9
Case Stories			274

[16] The EIF has a difficult task in focusing on Least Developed Countries. It is a matter of debate whether trade should be a top development priority given the other economic and social challenges facing LDCs. In addition fragile states may not have the conditions to foster trade and so there are risks that building trade capacities will not lead to sustained increases in trade.

The OECD/WTO questionnaire on aid for trade, though based on self assessment has proven its worth. The questionnaires of 2009 and 2011 were increasingly detailed and probed more extensively a range of aid-for-trade issues. The survey is now well established and has proved to be an essential tool in gathering information on objectives, strategies, plans, implementation and emerging results. It will also provide details of how donors, providers of south-south co-operation and regional economic communities are responding to these evolving trade-related needs in the context of fiscal constraints, and continued global economic risks. However some respondents indicated that two years is too short a period in which to generate new evaluation findings, or to assess strategic or programming changes.

The 2011 Aid for Trade Questionnaire solicited the views of donors on the usefulness of monitoring at the Global Level. Surprisingly beyond the aggregate numbers, these findings were not closely investigated in the Aid for Trade at a Glance. Donors almost universally responded positively to the Initiative, indicating that it had raised the profile of trade and awareness about the cross-cutting nature of trade. It also generated momentum at the global level and re-enforced the efforts on the ground. However the comments of many members reflected some unease about several dimensions mostly related to definitional issues and the scope of aid for trade which makes it a challenge for donors and partners to understand it, reliance on "subjective assessments", questions of attribution and the contribution of the Global Review process and the role of global level work given that most of what matters in aid for trade happens at the country level.

Considerable support was given to the idea of developing indicators that would help provide a sense of the progress and challenges at country level. The OECD is currently developing a menu of indicators for trade.[17] Implicit support came from the United States, while acknowledging that trade is an umbrella that covers many sectors and success can involve many variables, it is difficult to monitor results in this area. "Our discussions have focused on sharing lessons learned and best practices, which we think is the most productive approach" (US Donor Questionnaire, 2011). This is also the approach taken by the overall monitoring. In something of a surprise, the European Union, which is a big supporter of the global monitoring, answered "not sure" on the value of the global monitoring while also noting that "the EU attaches great importance to monitoring of its aid for trade. It sees value in exchanging experiences among partner countries and other donors in this regard, and also in working together to define and extend the use of objectively verifiable indicators for results and impacts". However the EU did not think that "global aid for trade monitoring should seek to establish global priorities for aid for trade, as challenges to countries trade expansion are very country specific". The statement is somewhat ambiguous but indicates some misgivings about global monitoring.

The vast majority of developing countries also endorsed the global monitoring. Only six developing countries had a negative assessment of global monitoring. In some cases this negative perception stems from the failure to realize higher aid-for-trade flows. For example, Jamaica stated that "the process has not resulted in increased volume of aid for trade" while Mauritius urged Developed countries "to

[17] Early evaluations of aid-for-trade programmes highlighted a lack of explicit targets in many projects and consequently a lack of effective monitoring. To be useful, targets need to be decided beforehand, be measurable *ex ante* and *ex post*, agreed upon by all actors (OECD 2006, 2011). The OECD working with the WTO and supported by the European Union will develop a menu of a limited set of indicators to measure the performance of aid-for-trade interventions towards quantifiable targets and objectives. Practical country-based approaches for managing aid to achieve trade and development results will increase transparency and objectivity of decision making, promoting alignment of donors with partner country's trade-related objectives and targets, reducing parallel results reporting processes, increasing mutual accountability and allow for country comparisons.

implement the pledges they made on aid for trade". This was also the case for Saint Lucia which highlighted the challenges of accessing funds, the need for greater awareness and the "conditionalities applied to accessing these facilities". Zambia positively assessed the Initiative but made the point that "the global monitoring system is very dependent on national monitoring systems". A problem highlighted by Zambia as well as others is that "national systems are weak and not properly developed, thus acting as a hinderance to accurate monitoring at both national and global levels. There is therefore, a need to, where they exist, strengthen and where they do not, establish good National monitoring systems". Lao PDR noted that it continued to be "a challenge to align donor funds with national priorities". The Gambia noted that "a major challenge is the coordination and monitoring at the national level. Currently, trade-related assistance is fragmented into different sectors and there is no central body for coordination".

Providers of south-south trade-related co-operation were most positive about global monitoring. China underscored the concerns some developing countries had about aid-for-trade funds. China stated that aid for trade needed to be improved and that developed countries should increase their aid efforts and honour their commitments. Not surprisingly China also emphasised the need to improve Infrastructure investment "especially in regional traffic arteries" and to "help partner countries to build their trade capacity and improve their strategic trade planning". India mentioned the need to improve the identification of aid-for-trade projects.

Mobilising national and regional programmes

The global initiative has catalysed efforts for raising awareness, mobilizing funds and aiding project implementation and co-ordination in almost every region. The Regional Development Banks held a set of regional reviews in 2007 and have followed up in various ways. The Asian Development Bank established a regional technical group on aid for trade. The Inter-American Development Bank established an aid-for-trade fund, a multi-donor thematic fund which provides grant resources to support aid-for-trade implementation in Latin America and the Caribbean. The African Development Bank (AfDB), working with the UNECA, has conducted various reviews and undertaken monitoring work in Africa. The AfDB also established an Aid for Trade Fund to "enhance the Bank Groups capacity to strengthen African countries' and private sector's ability to integrate into the regional and global trading systems" (AfDB, 2012[18]). More recently the Islamic Development Bank in collaboration with ITC, UNDP and ILO launched an Aid for Trade Initiative for Arab States. The Initiative "provides a platform to assist the Arab countries in mobilizing its resources in order to accelerate the pace of trade reforms and enhance competitiveness in global and regional markets" (IsDB, 2012[19]). UNECE has mobilised support for aid for trade in Central Asia where the EBRD are also active through the SPECA Initiative. At the national level in developing countries, some countries have established aid-for-trade strategies, *e.g.* Jamaica. Others have instituted national co-ordinating mechanisms for aid for trade. Donor agencies have also developed approaches to aid for trade, with some having specific plans and strategies, *e.g.* EU, Finland etc. To credit the global monitoring with these institutional changes would not be completely fair but it is certain that the Global Review mechanism has been used to highlight these changes and profile the actions of the various different stakeholders involved.

Whether the AfT agenda has inspired new ways of thinking about trade and development, an in-depth study is beyond the scope of this paper but there is anecdotal evidence that it has had an impact. In response to the WTO initiative the UK Department for International Development (DFID) and the Swedish Ministry for Foreign Affairs funded a valuable research project by Overseas Development Institute/ ODI on how to combine AfT with pro-poor/poverty reduction concerns. This provides a

[18] More details can be found here: http://www.afdb.org/en/topics-and-sectors/initiatives-partnerships/aid-for-trade-trust-fund/

[19] http://www.itfc-idb.org/content/itfc-announces-%E2%80%9Caid-trade-aft%E2%80%9D-arab-states-initiative

methodology for outlining the impact of AfT on different classes of society. The second phase of the project provides a tool for programming AfT based on the concepts of disaggregated analysis and differentiated needs (Higgins and Prowse, 2010). (There is clearly much more work to be done here in squaring the circle of export-led growth and pro-poor aid). In other instances the real impact of the AfT agenda is harder to divine. Some donors, such as the European Commission/EC, have always had a major focus on linking aid and trade cooperation. The Task Force report has not fundamentally altered the EC's basic approach and methodologies (although it did instigate an EU-wide AfT strategy which inspired the aforementioned ODI research). The EC's template for developing aid country strategy papers still requires only a minor analysis of the countries trading profile, with little on the potential.[20] Actual country and regional strategies vary widely in terms of the attention and detail which they pay to trade-related issues. Last but not least, in terms of the AfT agenda's broader impact, it is another tool which developing countries can use to help them negotiate with donors and gain ownership over trade strategies. For, example, in West Africa (which has been negotiating an Economic Partnership Agreement/EPA with the EU), the local organisations developed their own comprehensive EPA Development Programme (EPADP, often known by the French Acronym PAPED) over 2007 and 2008. This outlined the local stakeholders agreed priorities (and precise funding levels) for the European assistance needed to accompany a putative free trade agreement (ECDPM, 2010). Thus aid policy has entered the realm of bilateral trade negotiations.

The Global monitoring has been flexible enough to adapt to the changing trade and development landscape. For example, the next Aid for Trade at a Glance report will examine aid and other official flows will be complemented by looking beyond aid to other relevant financial flows that make up investment for trade. As non-DAC donors have increased their contribution in recent years particularly in sectors relevant to aid for trade, the multilateral context of the WTO has helped to profile these programmes and China and India participated strongly and openly in aid-for-trade meetings and were active in the WTO/OECD monitoring work. Given that the Busan High Level Forum's major success was engaging China and other BRICs to sign the outcome document on a voluntary basis, the success of aid for trade's engagement with non-DAC donors through the WTO should not be dismissed.

Responses to Questionnaires provide essential insights into how developing countries are responding to emerging challenges such as food insecurity, climate change and natural disasters, as well as opportunities from higher commodity prices, export diversification and connecting to global value chains. The WTO and OECD are also actively soliciting the views of the private sector in the next monitoring exercise in 2013. Aid for Trade fact sheets also facilitate local dialogue based on process and performance indicators with all stakeholders and the questionnaires also facilitate inter-ministerial and multi-stakeholder co-operation. These tools, generated by the global approach help provide useful information and incentives for local accountability.

5. Conclusions

As ever, the balance sheet on the Aid for Trade review process is mixed. The very broadness of the concept leads to many challenges, both in monitoring flows and in establishing any kind of consensus on the link between development aid and trade. Overall ODA flows remain modest, once understood in their proper context, and they are under threat in the post-financial crisis era. Furthermore there are inbuilt tensions between a global agenda such as this and the need for local specificity. Nevertheless there are real achievements to consider. While counterfactuals are problematic, the best estimate is that the AfT process initiated in 2006 has succeeded in raising additional funds. The OECD and WTO have put in place a credible monitoring mechanism which has been refined and expanded over the years. It has drawn

[20] Again this may be because, for the EU's sub-Saharan African partners at any rate, the strategy papers are very much country led and trade may not form a major part of their development strategy.

in new actors (regional organizations and new donor states) to the process. Notwithstanding the inbuilt tensions in any global process of this kind, the AfT review process has succeeded in rallying political support for Aid for Trade as a global public good. Aid for Trade as a concept has political attractions in donor countries (in justifying development aid in an era of austerity) but without this global dimension there is a real danger that Aid for Trade could revert to tied aid. Such political achievements are not negligible.

Hallaert (2012) rightfully asked what's next in monitoring aid for trade but he incorrectly claimed that the current monitoring approach had reached its limits. He mischaracterised what monitoring is all about. The approach has succeed because monitoring has not been a passive activity, it has been complemented and reinforced by an active review process - one that promotes change by submitting feedback to donor and partner countries, providing an environment for dialogue, knowledge-sharing, exchange of good practice and information on trade-related assistance programmes. Hallaert's proposed solution, Independent impact evaluation hosted by the World Bank or others is not a substitute for this active review, though it may be a complement and the WTO-led process has been adaptable to involve other actors and bring new knowledge and information to the debate. In regard to this it must again be stressed that the global AfT process does not preclude other initiatives. The concept of a multilateral fund is worth revisiting but it is incumbent on those making this proposal to outline how it would avoid the pitfalls of funds such as the EIF.

Maintaining the momentum of the previous rounds of monitoring will be challenging and the self-assessments may be running into diminishing returns. The next monitoring exercise will further expand the reach of the spotlight to also cover the private sector. This poses new challenges for the Aid-for-Trade community and new strategic partnerships will be required to ensure a sufficient response rate from private sector actors. Since the Initiative began, there have been calls to have greater private sector involvement but this has proved difficult given the rather weak incentives for the private sector to contribute to a public good like monitoring. This next round of monitoring will provide a valuable update on where Aid for Trade stands. Whatever the future of the Initiative it offers valuable lessons for future global cooperation in the field of development.

Annex 1: A Logical Framework for Monitoring

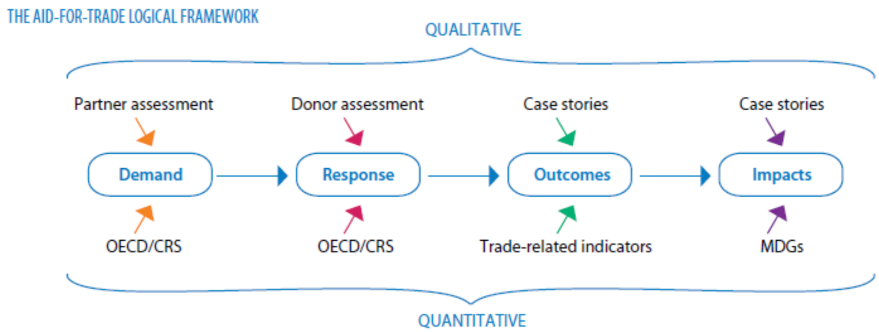
The logical framework to assess whether progress is being made towards the desired aid-for-trade goals consists of the following four elements:

1. mainstreaming and prioritising trade (demand)

2. trade-related projects and programmes (response)

3. enhanced capacity to trade (outcome)

4. improved trade performance and reduced poverty (impact)



Source: OECD/WTO (2011)

Demand is obtained through partner-country self-assessments based on an OECD-WTO partner country questionnaire. In addition, these assessments also provide information about mainstreaming trade in development strategies, trade-related priorities, the delivery of aid for trade and co-operation between partner countries and donors

Bibliography

AfDB/African Development Bank Group, (2012), Aid for Trade Trust Fund, <http://www.afdb.org/en/topics-and-sectors/initiatives-partnerships/aid-for-trade-trust-fund/ >.

Axelrod, R. (1997) 'Promoting Norms: An Evolutionary Approach to Norms', in Axelrod (ed.) *The Complexity of Cooperation*, Princeton: Princeton University, pp. 44-68.

Chandy, L. and Kharas, H. (20) 'Why Can't We All Just Get Along? The Practical Limits to International Development Cooperation' *Journal of International Development*, Vol. 23 (5), pp. 739-751.

Checkel, J.T. (2001) 'Why comply? Social learning and European identity change' *International Organization* 55, pp. 553-588.

Cox, R. (1986) 'Social Forces, States and World Order: Beyond International Relations Theory', in Keohane (ed.) *Neorealism and its critics*, New York: Columbia University Press pp. 204-250.

Development Committee (2005) *Doha Development Agenda And Aid For Trade*, A submission by the staffs of the World Bank and the International Monetary Fund to the 25 September 2005 meeting of the Joint Ministerial Committee of the Board of Governors of the Bank and the Fund On the Transfer of Real Resources to Developing Countries (the "Development Committee.") Document number DC2005-0016. 12 September 2005

DIIS/Danish Institute for International Studies. *The Evaluation of the Paris Declaration*, *Final Report*, Copenhagen, May 2011

ECDPM (2010) The EU Commitment to Deliver Aid for Trade in West Africa and Support the EPA Development Programme (PAPED) No. 96 May 2010. <http://www.ecdpm.org/Web_ECDPM/Web/Content/Download.nsf/0/F7D8B664ACE0F5ACC125771C002CAFBB/$FILE/10-96%20final%20may%2018.pdf>.

Evenett, S (2005), Some tough love on 'Aid for Trade', *Intereconomics*, Vol. 40, No. 6, November/December 2005, pp.326-329

Fairclough, N. (2010c) 'Discourse and 'transition' in Central and Eastern Europe', in Fairclough (ed) *Critical Discourse Analysis: The Critical Study of Language*, Harlow: Longman.

Finnemore, M. (1996) 'Norms, Culture, and World Politics: Insights from Sociology's Institutionalism' *International Organization* Vol. 50, pp. 325-347.

Finnemore, M. and K. Sikkink (1998) 'International Norm Dynamics and Political Change', *International Organization*, Vol. 52(4), pp. 887-917.

Haas, P. (1989) 'Do Regimes Matter: Epistemic Communities and Mediterranean Pollution Control', *International Organization*, Vol. 43, pp.377-403.

Hallaert, J.J (2012), *Aid For Trade Is Reaching Its Limits, So What's Next?* GEM Working Paper

Hasenclever, A., Mayer, P. and V. Rittberger (1997) *Theories of International Regimes*, Cambridge: Cambridge University Press.

Higgins, K. and S. Prowse (2010) 'Trade, Growth and Poverty: Making Aid for Trade Work for Inclusive Growth and Poverty Reduction,' Working Paper 313, ODI, London.

Hoekman, B (2002), *Strengthening the Global Trade Architecture for Development*, World Bank Policy Research Working Paper No. 2757

Hoekman, B and Prowse S (2005). Economic Policy Responses to Preference Erosion: From Trade as Aid to Aid for Trade, PRSP 3721. World Bank, Washington, DC

Hoekman, B, Prowse S and Zedillo E (2005). Strengthening the Global Architecture for Economic Development: An Agenda for Action. At: http://www.ycsg.yale.edu/focus/gta/GTA_policy_brief.doc

Holden, P. (2009) *In Search of Structural Power: EU Aid Policy as a Global Political Instrument,* Farnham: Ashgate.

Hyden, G. (2008) 'After the Paris Declaration: Taking on the Issue of Power', *Development Policy Review*, Vol 26 (3), pp. 259–274.

IsDB/International Islamic Trade Finance Corporation (2012), Summary of New Initiative, <http://www.itfc-idb.org/content/itfc-announces-%E2%80%9Caid-trade-aft%E2%80%9D-arab-states-initiative >.

Kharas, H. 2010. "The Hidden Aid Story: Ambition Breeds Success." Brookings Institution, Washington, DC.

Krasner S.D. (1999) *Sovereignty: Organized hypocrisy*, Princeton, NJ: Princeton University Press.

Manning, R. (2006) 'Will "Emerging Donors" Change the Face of International

Cooperation?' *Development Policy Review* Vol. 24 (4), pp. 371-385.

OECD (2006a) Aid for Trade: Making it Effective

OECD (2006b) Aid for Trade: Funding for an Expanding Agenda

OECD (2008a) Improving the Monitoring of Aid for Trade

OECD (2008b) Monitoring Aid for Trade: A Background Note

OECD (2011a), Aid Effectiveness 2005–2010: Progress in Implementing the Paris Declaration.

OECD (2011b), OECD report on division of labour: addressing cross-country fragmentation of aid

www.oecd.org/dac/aideffectiveness/49106391.pdf

OECD (2011c), DAC Report on Multilateral Aid

http://www.oecd.org/dac/aidarchitecture/49014277.pdf

OECD/WTO (2007), *Aid for Trade at a Glance 2007*, OECD, Paris

OECD/WTO (2009), *Aid for Trade at a Glance 2009: Maintaining Momentum*, OECD, Paris

OECD/WTO (2011), *Aid for Trade at a Glance 2011: Showing Results*, OECD, Paris

Pagani, F. (2002), 'Peer Review as a Tool for Co-operation and Change. An Analysis of an OECD Working Method', *African Security Review* Vol. 11 (4), pp. 15-24.

Page, S. (ed) (2006), *Trade and Aid: Partners or Rivals in Development Policy?* London: Cameron.

Paulo, S. and H. Reisen, (2010) 'Eastern Donors and Western Soft Law: Towards a DAC Donor Peer Review of China and India?' *Development Policy Review,* Vol. 28 (5), pp. 535–552.

Reddy, S and Heuty, A. (2008), 'Global Development Goals: The Folly of Technocratic Pretensions'**,** *Development Policy Review***,** Vol. 26 (1), pp. 5–28.

Risse, T., Ropp, S. and K. Sikkink (1999), *The Power of Human Rights: International Norms and Domestic Change*, Cambridge: Cambridge University Press.

Rogerson, A. and B. Killen (2010), 'Global governance for international development : who's in charge?' OECD DCD-DAC development brief consultation draft. Issue 2, 2010.

http://www.oecd.org/development/aideffectiveness/45569897.pdf

Schofield, (2001), 'Time for a revival? Public Policy Implementation: A review of the literature and an agenda for future research', *International Journal of Management Reviews*, Vol. 3, pp. 245–263.

Schraeder, P. Hook, S. And B. Taylor, (1998) 'Clarifying the Foreign Aid Policy', World Politics Vol. 50 (1), pp. 294-323.

Stiglitz, J. and A. Charlton (2012) 'The Right to Trade: A Report on the Commonwealth Secretariat on Aid for Trade'

<http://unctad.org/meetings/en/Miscellaneous%20Documents/Right-to-Trade-Report.pdf>.

Stiglitz, J. and A. Charlton(2006) 'Aid for trade', *International Journal of Development Issues*, Vol. 5 (2), pp. 1-41.

Woods, N. (2008) 'China, Emerging Donors and the Silent Revolution in Development Assistance', *International Affairs* Vol. 84 (6), pp. 1-18.

WTO (2006a) Aid For Trade: Concept Paper And Timeline For 2006

WTO (2006b) *Recommendations of the Task Force on Aid for Trade*, WT/AFT/1, Geneva

WTO (2006c) *Summary of Contributions from Inter-governmental Organizations: Aid for Trade Task Force*, Compilation by the Secretariat, WT/AFT/W/17, Geneva

Zedillo, E., Messerlin, P and Nielson, J (2005), *Trade for Development*, UN Millennium Project Task Force on Trade, Earthscan, London

Young, Oran R. ed. (1999) *The Effectiveness of International Environmental Regimes: Causal Connections and Behavioral Mechanisms.* Cambridge: MIT Press.