

Trade Negotiations Insights

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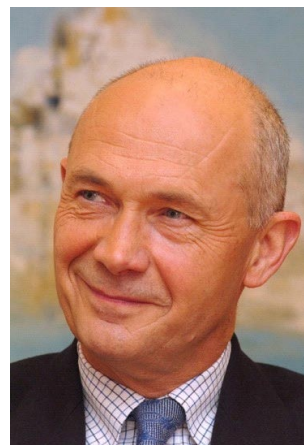
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Regulars

- 1 **Editorial**
- 2 **Special Update**
EC puts renewed pressure on EPA negotiations
- 21 **WTO**
Roundup
- 22 **EPA**
Update
- 24 **Calendar and resources**
- Features**
- 2 **Interview with Pascal Lamy, WTO Director General**
- 4 **Interview with I. Assane Mayaki, Chief Executive Officer of the NEPAD agency**
- 6 **Third Global review of Aid for Trade: A snapshot of the outcome**
Deborah Barker
- 8 **Aid for Trade: Showing results**
Frans Lammersen
- 10 **Does it work? Aid for Trade through the evaluation prism**
Olivier Cadot and Richard Newfarmer
- 12 **The achievements and risks of Aid for Trade**
Sheila Page
- 13 **An aide for Aid for Trade – Early findings and recommendations from country studies**
Rishabh Kumar Dhir
- 15 **Aid for Trade effectiveness: What do evaluations say?**
Claire Delpeuch and Patrick Messerlin
- 17 **Where Aid for Trade is failing and why: the example of Malawi**
Jonathan Said
- 19 **Aid for Trade : Success stories and lessons**
Simon Itaye

Special Issue on Aid for Trade: Interview with WTO DG Pascal Lamy and NEPAD agency CEO Ibrahim Assane Mayaki



Editorial

The European Commission announced on 30 September that it had submitted a proposal to the European Parliament and the Council to amend Market Access Regulation 1528 providing Duty Free Quota Free to countries negotiating an EPA. The EC proposal would withdraw DFQF market access to those countries that are not deemed to have taken steps towards ratifying or implementing their interim EPA. See our special update on page 2.

Aid for Trade (AfT) was put front and centre of the trade and development community's agenda this summer with the Third Global Review of AfT taking place in Geneva in July. As the dust settles, TNI chose to highlight some of the findings and insights that emerged from the event.

This month's TNI features an exclusive interview with Pascal Lamy. He gives us his opinion and valuable insights on the AfT agenda and the Global review. We also ask him what the Doha impasse, the changing balance of power, the economic slowdown, and the proliferation of PTAs mean for the future of the multilateral trading system.

TNI also features an interview with Dr. Ibrahim Assane Mayaki, CEO of the NEPAD agency. He explains what is being done – and how it is being done - in the context of the NEPAD and CAADP to promote regional integration, regional trade and agriculture.

Deborah Barker from the WTO sets the stage for this issue, looking back at this year's Global Review's achievements, and outlines what lies ahead.

Frank Lammersen paints then the picture emerging out of the 260 case stories submitted for the "Aid for Trade at a Glance" publication, released during the Third Global Review.

Our third article comes from Richard Newfarmer of the International Growth Centre and Olivier Cadot from the University of Lausanne. It reminds us that the diversity of forms that AfT takes calls for evaluating its impact through multiple lenses, a "prism of approaches".

In a provocative article, Sheila Page from ODI argues that some type of AfT assistance poses serious problems of conflict of interests, and invites donor countries to work on their own policies in order to make them more friendly to developing country exports. She also notes some gaps in areas of AfT support.

Rishabh Kumar Dhir presents the early findings of AfT country evaluations from Malawi and Mauritius.

Continuing on the theme of measuring success and evaluating AfT, Claire Delpeuch, Patrick Messerlin and their colleagues deplore the lack of focus on the causality of projects in AfT evaluations. They suggest that every evaluation set clear ex-ante and ex-post quantifiable objectives to strengthen the measurement of AfT impact.

Taking the case of Malawi, Jonathan Said, Senior Economist at Imani Development, makes a call for the private sector and development community to integrate each other's "thinking" in order to make AfT work.

Finally, Simon Itaye looks at the success stories in AfT and draws lessons for successful intervention, focusing on private sector participation.

As always, TNI's editorial team welcomes your feedback and ideas for contributions. Feel free to contact us at tni@ictsd.ch or tni@ecdpm.org. To subscribe electronically to TNI, please go to <http://ictsd.org/news/tni/>.



International Centre for Trade
and Sustainable Development

European Centre for Development
Policy Management

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Special update: European Commission puts renewed pressure on EPA negotiations.

The European Commission announced on 30 September that countries that have concluded an Economic Partnership Agreement (EPA) with the EU without having taken the steps to ratify and implement it will be withdrawn from the Market Access Regulation as of 1 January 2014 onward. Should these developing countries not ratify an EPA by this new deadline, they could potentially lose their free access to the EU market.

This proposal is expected to add new momentum to the current state of EPA negotiations. As to date only 18 countries of the 36 in Africa and the Pacific that negotiated EPAs in 2007 have taken what the Commission calls "necessary steps" toward ratification.

Slow EPA progress spurs EU action

The EPAs were meant to provide for trade reciprocity, promote sustainable development, and further regional integration by encouraging African, Caribbean and Pacific countries to enter the negotiations with the EU in regional groupings. Since the launch of EPA negotiations in 2002 – with 1 January 2008 being set as the deadline for bringing the EC-ACP trade regime into conformity with WTO rules – progress has been slower than expected, with only one full EPA being signed between the EC and the CARIFORUM in 2008. However the implementation process of the CARIFORUM-EC EPA seems to have stalled since then, a problem that has widely been blamed on insufficient institutional capacity.

EU regulation has provided DFQF access since 2008

With the expiration of the trade regime under the ACP-EU Cotonou Agreement in 2008, the EU Market Access Regulation (MAR) 1528/2007 has been providing duty free quota free market (DFQF) access to the 36 ACP countries. The EU Market Access Regulation (MAR) requires these ACP countries to sign, ratify and implement their EPA "within a reasonable period of time." Despite their development goals, over the years the conclusion of EPAs have been continuously delayed and have since become a source of tension between the EU and ACP countries, leaving the entire process in disarray as a result.

ACP negotiating countries have traditionally been reluctant to join EPAs for fear of the damaging effects of increased market competition from EU imports, especially in sensitive areas like agriculture and services. So far the ACP countries that have not concluded an interim EPA have not experienced any trade disruptions, as they have been able to fall back either on the "Everything But Arms" (EBA) regime or the standard EU Generalised System of Preferences (GSP).

The EC's explanation of its new proposal states that the MAR was always meant to be a "temporary solution and not a permanent facility." According to the EU this decision aims to realign the ACP-EU trade relations so that they conform to WTO rules, while simultaneously preserving balance and fairness towards other ACP and non-ACP developing countries.

Implications for affected ACP countries

Of the 36 ACP countries that benefit from the Market Access Regulation, 18 island countries - Madagascar, Mauritius, Seychelles, Papua New Guinea, and 14 Caribbean countries - have taken the necessary steps toward ratification and initialled agreements. These countries will continue to enjoy a duty free quota free market access to the EU, as they have in the past. However the situation becomes more critical for the other 18 countries that have not signed their agreements or are still not applying it. These countries would need to take the "necessary steps" toward ratification of existing EPAs or conclude new regional agreements with the EU. Alternatively, countries that still decide to opt out of EPAs will face a variety of different situations, depending on their existing arrangements with the 27-member EU bloc. Nine LDCs - Burundi, the Comoros, Haiti, Lesotho, Mozambique, Rwanda, Tanzania, Uganda, and Zambia - will continue benefiting from DFQF access to the EU under the EBA scheme. Seven low income or lower middle income countries - Cameroon, Fiji, Ghana, Ivory Coast, Kenya, Swaziland, Zimbabwe - could still benefit from the GSP regime, which is also scheduled for reform in 2014. Finally, the last two countries, Botswana and Namibia - which are currently classified as upper middle income countries as per the World Bank's gross national income per capita ranking - would no longer benefit from any preferences if their upper middle income status is maintained after the new EU GSP comes into force in 2014.

Risks of rushing EPA talks

Rushed decisions to conclude EPA negotiations could seriously undermine regional integration, observers fear, as well as trigger negative development effects. Indeed, all countries within a same region are not likely to share a common position with regards to the conclusion of an EPA with the EU, due to varying levels of economic growth and development. Effective implementation might also become difficult if some countries endorse an EPA agenda for fear of trade disruption rather than development strategy considerations.

Meanwhile, emerging players such as China, India, and Brazil have changed the stakes of the game by presenting themselves to these countries as alternatives to the EU, and with fewer conditions attached. The growing engagement of these emerging economies in Africa, for instance, is already changing the landscape for development by bringing in investment, development finance, and new trade prospects. (See TNI special issue this topic, Vol10-3, May 2011)

More information

The main features of the Proposal are available [here](#).

Related articles can be found on the ECDPM Talking Point Blog "[EPA Negotiations: The honeymoon is over...](#)"; in Trade Negotiations Insights, "[Riding out the storm: Will the EPAs sink?](#)"; and "[Losing old friends: The risk of an EPA backlash](#)" by I. Ramdoo and S. Bilal. Additional background information can be found at the following [website](#).

Interview with Pascal Lamy, WTO Director General

TNI: At the Aid for Trade Global Review in July, you mentioned the need to work more on results-based management, improved aid effectiveness, and mainstreaming Aid for Trade into countries' development strategies. Can you elaborate on possible next steps for achieving these goals?

Aid for Trade covers about one-third of all official development assistance (ODA). Unsurprisingly, it faces broadly the same challenges as other areas of development assistance, be it health or social support. The added challenge in the area of Aid for Trade is that progress in, for example, export diversification or trade-

related infrastructure can take time and be less tangible short-term than for example building a school or clinic. Nevertheless, I still believe that paying attention to this trade dimension is an essential part of ensuring that developing countries are given the means to stand on their own feet and integrate into the global economy. More than that, I am of the view that this trade integration offers opportunities for economic growth, employment and poverty alleviation which would not otherwise exist.

Advancing the case for results based management and better aid effectiveness is about getting better both at

making the case for mainstreaming and demonstrating the impact of public money. Given that it is WTO Members, multilateral development banks, international development organizations, NGOs and the private sector which are primarily engaged in this effort, the implementation of the Paris Principles will primarily fall on them. The WTO's role is that of a monitoring function and our Global Reviews are a focal point for our monitoring – a function which we carry out jointly with the OECD. Members are already meeting to discuss the elements they would like us to focus on in the run-up to the 4th Global Review in 2013.

TNI: You mentioned at the Global Review the connection between finding a positive outcome of the Doha Round and the effectiveness of Aid for Trade. If the Doha Round does not get resolved in the near future, how can the Aid for Trade Initiative work around it? What limitations does the Doha situation impose on Aid for Trade's potential for continued success?

Since the Initiative was launched in 2005, Members were always keen to highlight that Aid for Trade was not dependent on a successful conclusion of the DDA. Impasse in the DDA has not equated with a blockage in Aid for Trade. Indeed, the volume of Aid for Trade has grown by 60% in real terms since 2005 to reach approximately US\$41 billion in 2009.

That said, it is clear that Aid for Trade will be integral to implementing a final DDA agreement. The complexity of the DDA negotiations is one reason for the difficulty we face in bringing them to a conclusion; it is also a reason why Aid-for-Trade support will be an integral part of supporting the implementation of a deal. This is already clear for trade facilitation. In comparison with such capital intensive activities as investing in trade-related infrastructure like new ports, airports or roads, the sums involved are quite small – and depend to a large extent on political will for their achievement. However, these software investments are essential to get these big investments to work to their full potential. Indeed, one of the interesting elements to emerge from the Third Global Review was to see the way that these investments are being bundled up in such approaches as trade corridors, combining hard and soft components. In terms of the question of the limitation that Doha imposes, I would perhaps answer it the other way around. That is how we can catch up with what is being achieved with Aid for Trade. It's clear that many Members are using Aid for Trade financing to implement reforms, e.g. customs modernization, which either implement or go beyond the commitments which are being discussed here in Geneva.

TNI: You also mentioned the need to “make the case” that Aid for Trade can support broader policy objectives, such as social welfare, food security, climate change, and gender empowerment, among others. Could you elaborate on this further, in terms of what steps can be taken in that direction?

I think that United Nations Secretary-General Ban Ki-Moon set out the case eloquently at the Third Global Review. He noted the interdependence of the international policy agenda. For example, one cannot discuss food security without discussing climate change and vice versa. Likewise, given that poverty is overwhelmingly a rural and female phenomenon, one cannot design sustainable food security solutions without taking gender empowerment seriously. In our interconnected world, it is important that we do not consider these issues in silos, but instead consider the interdependence – breaking down what the Secretary-General called the artificial barriers. For me a key part of the new work programme on Aid for Trade should look at “deepening coherence”. Research submitted by the OECD for the Third Global Review showed the importance of complementary policies to achieve pro-poor outcomes from Aid for Trade support. The same must also be true in the areas of food security, climate change, gender empowerment, etc. I think we need to positively integrate these areas into our analysis. The central premise of Aid for Trade is the need to mainstream trade into development. To ignore the impact which trade can have in these other areas would hardly be practicing what we preach!

TNI: The call for Aid for Trade case stories was successful, with a total of 274 case stories and 146 self assessments submitted by partner countries. What are the key lessons learned from these stories? Do you think the methodology to get such information could be more systematic?

The reaction to the call for case stories was particularly encouraging – and I admit somewhat unexpected in its number. One of the key messages to come out of the 274 case stories which were submitted is the sheer volume and scope of the activities being implemented on the ground. The sectoral coverage and the type of projects funded was also rich in its diversity. Given the volume of information generated, it is hard to generalize about the conclusions. In-depth analysis of the case stories by region and by theme has been undertaken by the OECD, WTO and partners (notably UNECA, UNESCAP and the IADB). That said, there are some common threads – such as ownership, alignment, sustained commitment, and political will – which stand out as essential for success. As a collection, the case stories provide convincing evidence that Aid for Trade can and regularly does result in more trade, more employment, poverty alleviation - and often too in gender empowerment. What it also highlights is that we need to get better at systematically measuring and tracking these outcomes over time. But the evidence that we have is already in my mind sufficient for us to be able to say with confidence that Aid for Trade is showing results. That is not of course to say that we cannot do more and do better, particularly in terms of improving the methodology used to report results.

TNI: One of the major recurring themes at the Global Review was the need for increased private sector involvement. What role do you see for the private sector in the future? What challenges does this prospect bring? How could they be addressed?

In addition to the 274 case stories, the World Bank conducted some outreach activities with the private sector. Two events were held in Paris and Washington to publicize a call for case stories from the private sector. In total, the Bank received some 44 replies – replies which were compiled into a publication for the Third Global Review jointly with the WTO.

The message which emerges is that the private sector is moving beyond corporate philanthropy as an add-on to its corporate social responsibility agenda, but is increasingly viewing it as an essential component of its penetration of new markets. Various examples were given at the Third Global Review of companies conducting capacity building efforts as part of their investments in new value chains. Indeed, Walmart invited development agencies to work with it and others to help scale-up the important work in developing new suppliers in new markets. Danone has set up a special “Ecosystem” fund to improve its operations by connecting better with local economic and social fabrics. There are obvious attractions from a development perspective to go down this route. Such multinational enterprises offer the attraction of scale and market. The obvious challenge is, from a competition perspective, to ensure that working with such companies remains pro-competitive i.e. that it's in the public good, not to private advantage. This is as true in dealings with individual companies as it is in looking at which standards to use and support the adoption of in developing countries. The key point here is one of ownership. If the Aid for Trade project or programme is sufficiently owned by the recipient, these issues tend to fade away. Overall, I am keen to see the private sector engaged in all aspects

of Aid for Trade; financing and implementation on the ground and cheerleading at the multilateral level for the need to ensure that mainstreaming results in a business-friendly environment for local, regional and international investors.

TNI: Many have been critical of Aid for Trade because of the imbalances in Aid for Trade flows. Many LDCs are claiming that they are not receiving their due share of Aid for Trade funding, while just 20 countries, many of which are emerging economies, are receiving 50% of global Aid for Trade. Why does this imbalance still persist and how does the WTO intend to address it?

One of the strengths of the Aid for Trade Initiative is the monitoring function, i.e. ensuring transparency. Through the Creditor Reporting System, the OECD has been able to establish a baseline against which to measure the progression of Aid for Trade expenditure year-on-year. The question ask you is predicated on the excellent work which the OECD does every year to bring transparency to these flows. And here it should be remembered that the data only currently covers Aid for Trade from OECD reporters. Other South-South partners and corporate philanthropy are important sources of Aid for Trade flows, but are not captured in the flows. It is not just Least-Developed Countries that claim they are not receiving their fair share. It is a view held by many groups, not least the Small Vulnerable Economies. Additionality was, and still remains, an important component of the Aid for Trade Initiative. We have been able to show that the additional resources made available have not been at the expense of other sources of aid. And our latest joint report, “Aid for Trade at a Glance 2011: Showing Results”, highlights that the distribution is less concentrated – with the top 20 recipients receiving 50% of Aid for Trade. Furthermore, in 2009, low income countries received 49% of Aid for Trade resources, as compared with 39% in 2008. Among the middle income countries, the fall in concessional financing was against the backdrop of a more than doubling in the amount of non-concessional financing made available as a result of the crisis – from US\$23.8 billion to US\$50.5 billion. The next report from the OECD on Aid for Trade flows will be made available in Spring next year and cover the year 2010. It will help confirm if these are short-term, perhaps linked to the crisis, or longer term trends – reflecting the role of the G20. Over and above this joint monitoring work with the OECD, two practical steps which the WTO can play in this regard are through the strengthening of the analysis of Aid for Trade as part of the Trade Policy Review Mechanism, something which began in 2009, and by playing our part in the Enhanced Integrated Framework. One very pleasing conclusion of the Third Global Review is that the EIF is starting to live up to its potential.

TNI: In this rapidly evolving world, concluding WTO negotiating rounds has taken longer and longer. What kind of institutional reforms would be required to allow the multilateral system be more responsive to new realities, such as climate change and other “21st century issues”?

Your question correctly implies that there are constraints which have made agreement in the Doha round elusive. First there is the complexity of the negotiations. There are roughly 20 topics bundled together. Then there is the consensus principle which means that none of our 153 members can object. And finally a deal needs to be supported by 153 members. It is therefore not surprising that governance in the WTO takes longer than at national or even regional level. I do not believe, nevertheless, that the WTO is in

need of an institutional reform of the type that we have seen at the WB or IMF recently. Addressing issues in the WTO does not require in my view institutional changes. What it requires is first to make the case for the issue, to look at how that particular issue interfaces with the trading system. Once this has been explored, the question before Members is whether or not the existing multilateral rules need to be modified or upgraded, if at all. But again, the first step is a better understanding of the intersection between the particular issue and the trading system, which unsurprisingly raises domestic constituency interests.

TNI: Continued failure to complete the WTO's Doha Round trade talks could have strong negative impacts on the multilateral trading system. What concrete steps could be taken to instill new momentum in the negotiations?

WTO members are conscious that the way we have been doing things until now has not delivered the expected results. We are at an impasse. This is why new approaches need to be explored. Members have tried to conclude a big package and it has not worked. They have also tried to do a small package and it has not worked either. Maybe it is time to test the possibility of moving the negotiations forward in areas where consensus exists among Members while working to deliver on the entire agenda at a later stage. In a way it is to move into a pragmatic way to delivering the results that the stakeholders of the system expect. One thing is for sure, I do not believe we can stand still. The bicycle needs to keep moving forward. If it cannot be done in big steps, let's try in smaller steps.

TNI: In the context of the current economic crises in the US and the EU, and increasing competition from emerging economies, developed countries might be tempted to adopt a protectionist stance. Do you fear these circumstances might have an impact on the already drawn-out Doha negotiations? How can the multilateral system best respond to these challenges?

DG: What is impressive is that WTO members, developed and developing, have largely resisted strong pressure to adopt protectionist measures. Our regular monitoring reports have so far shown that trade restrictive measures have affected a limited part of world trade. But, over the past six months, we have spotted some worrying developments. To turn to protectionist trade measures in the current circumstances would be a huge mistake. Because protectionism does not protect. But it can trigger a spiral of tit for tat measures in which every Member would lose. But while members agree that the trading system has worked during the crisis, many have also asked, so why fix it? In a way the system is being the victim of its own success.

TNI: With the increase in active Preferential Trading Arrangements over the years and their deepened coverage over time beyond traditional tariff cuts, what can the WTO concretely do to prevent tensions developing between PTAs and the multilateral trading system?

It is true that PTAs have increased four-fold over the past 20 years or so to the roughly 300 that are active

today. But what is interesting about this proliferation is that the more such agreements we have in place, the less each of them provides for the countries involved in terms of preferences. If you give preferences to everyone, you are actually extending this preferential treatment to no one. Moreover, only about one-third of really high tariffs – those over 15% – are brought down through PTAs. Which means that such agreements largely cover tariffs which are already low and where a preference may not provide much of an advantage. Our economists estimate that the preferences generated by these agreements are truly meaningful only for about 13% of world trade flows. What is clear as well is that these PTAs are not always being used. Studies have shown that in Asia only about a quarter of firms surveyed took advantage of these preferences while in Latin America the figure was smaller still, about 20%. Where we do see a risk of divergences is on the regulatory side of the equation. Many PTAs today go beyond WTO rules in terms of the regulatory commitments they introduce. Whether we are talking about competition policy, technical barriers to trade, services, intellectual property or investment measures, these rules are, in many cases, deeper and wider than what we see in the WTO. And these rules and commitments vary with every agreement creating additional complexity for business. The first step is therefore to better understand the content of these PTAs, the elements of convergence and of divergence, with a view to equipping Members with a tool to then be able to address it effectively.

Interview with Ibrahim Assane Mayaki, Chief Executive Officer of the NEPAD agency

TNI: How should Aid for Trade (AfT) be used in order to further Africa's growth, development and participation in the global economy in the most effective way?

I think that first of all, ideologically, trade is like war: you go in the pursuit of conquering territories, almost in the same logic as you do in war, but you use different types of arms. If you assume that trade is like war, then the issue of providing aid to a potential competitor becomes a critical and interesting issue. The agenda of AfT as it has developed in the last years has been mainly embedded in development thinking and practice. In that sense it really provides instruments which can help to see trade as an instrument for development.

It is in this regard that the issue of capacity becomes important: capacity at the national level, and at the regional level. Capacity goes beyond being able to negotiate in global conferences, it is the capacity to produce, to meet quality standards, the capacity to have an efficient private sector, the capacity to have a state providing an enabling environment for the private sector to perform, the capacity to have policymakers understand what trade is about and how we can fit in this context.

In that sense aid for trade really makes sense and in the last years some progress has been made. The role of Pascal Lamy should be recognized as a key actor in that process.

TNI: Countries and regions in Africa have put a great emphasis on AfT as a means to mobilise additional resources. How do you reconcile this high level of expectations and the fact that disbursement rates have, in some countries, been low?

Let us contextualise this question. In the last 15 years the statistics show that on a population of about 900 million, about 500 million Africans, roughly, live in countries where domestic resources are ten times more important than aid. The numbers of Africans that live in countries where aid is more important than domestic resources is 60 million.

The figures have evolved for three reasons: good macroeconomic policies, better governance, accountability, democratic intensity and so on. That has allowed a better mobilisation of domestic resources. Therefore the AfT architecture has to be looked at in terms of African themselves putting more money in the AfT logic and instruments.

TNI: What is NEPAD's strategy to overcome the bottlenecks to Regional Integration (RI) in Africa?

RI is a process that will be slow and that will have to show concrete results in terms of regional policies. To make the story short, there are issues and subjects that cannot be dealt with nationally in an optimal way. Policymakers need to understand that, and I believe they do. In the issue of energy and power they do absolutely understand it. The power cuts in Africa cost

us fifty-six days of power during the year, two points of economic growth. We will not be able to tackle this issue if it is not done at the regional level.

The role of NEPAD is to facilitate, with its new mandate, the implementation of regional programmes and projects in transport, in power, in energy, in agriculture and so on, and make policymakers understand the necessity to have regional programmes on these issues. We then facilitate their implementation.

This means that we work closely with the Regional Economic Communities (RECs) in order to work on good feasibility studies, on bankable projects, on the capacity to mobilize resources on bankable projects, open to the private sector. We know that Africa has a lot of capacity problems in the domain of elaborating bankable projects, so we need to strengthen that.

TNI: What do you think governments should do in Africa in order for small-scale producers to benefit from regional integration?

This is a tough question! It is now admitted that we should aim for regional agriculture policies that will help us build regional markets. Demand is now at the regional levels. Agriculture and food products are exchanged across the borders of our countries. Trade preceded the political integration. The food security issue is no longer national but regional. It has taken a long time to admit that. But now, at the last G 20 agriculture ministers meeting, it was proposed, by the G 20 experts to have regional food reserve systems.

Box 1: The Comprehensive African Agriculture Development Programme (CAADP)

The AU assembly adopted CAADP in 2003 and its overall goal is to eliminate hunger and reduce poverty through agriculture. CAADP is entirely African-led and African-owned, and is a framework under which countries develop national and regional compacts and investment plans. The focus of CAADP is improving food security, nutrition and increasing national incomes by raising agricultural productivity by at least 6 per cent per year and public investments in agriculture by 10 per cent of national budgets per year. CAADP is also promoting agricultural development by improving co-ordination, knowledge sharing and cooperation at the regional, national and continental level. As of May 2011, 26 countries had signed the compact and incorporated the CAADP Compact into their agricultural agenda. 8 member countries have reached the public investment goal of 10 per cent and 9 countries have reached the goal of a 6 per cent increase in agricultural productivity.

CAADP is organised around key thematic areas, or pillars, addressing different dimensions of food security. These pillars are 'Sustainable Land and Water Management'; 'Market Access'; 'Food Supply and Hunger'; and 'Agricultural Research'.

ECOWAS is a pilot region in this regard: it has already started working on the interconnection of national food reserve systems and the creation of a model that will allow for the creation of a regional food reserve system in order to solve food security issues through regional means. I think that we have progressed a lot.

At another level, in relations to the small farmers, I think there are some issues that have to be highlighted. The issue of price guarantees, at the level of agricultural producers, has to be looked at not only on a national basis if we aim at constructing regional markets. Let us not forget that, and we are doing that in CAADP, we have a kind of public sector thinking. But at the end of the day we need people who produce. And these people are the farmers. These people have to be supported, and in order to do that we need to work at the regional level and take advantage of the complementarities of our agro-ecological conditions.

TNI: Donor support to agriculture has perhaps not been very effective in the past. What is needed in your own opinion, to make a difference this time around?

I am not saying that the role of donors has been negative. I am saying that there have been negative aspects and positive aspects. But that debate is over because Africa should count more on its domestic resources. We are the continent with the highest density of natural resources, and we are also the poorest continent. Governance-wise things have to be looked at.

We in NEPAD are coordinating the African position on the road to Busan. Our position is that what is important is development effectiveness. If you want to increase development effectiveness you should work on capacity. And in order to work on capacity we need to develop south-south cooperation. So we take the best practices from the south, Brazil, Colombia, China, Malaysia, etc. This is our position: we should focus much more on mobilising domestic resources and recuperate our planning concepts and implementation.

Let me give you an example: agriculture. In some cases in the implementation of CAADP, national policy makers were thinking that the use of the CAADP process to get to the compact and to the national plan was going to serve donor money mobilisation. They did not really own the process. They said: "we will do the process because we will get money from somewhere". That thinking is wrong.

So this is why whenever we go in countries, in the CAADP process, we say: "first of all count on your domestic resources and increase what you invest in agriculture". Secondly, donors funding is highly welcome, but it has to feed into your strategy. This is what development effectiveness is all about.

TNI: How is strengthening the coordination between the implementation of the CAADP and the other regional programmes (such as AFT support to trade corridors) possible? How is NEPAD supporting the RECs to ensure these synergies are capitalised upon?

This is a challenge because agriculture is a multi-sectoral domain. Most of the development challenges are multi-sectoral, but we are not organisationally structured to face that multisectorality: we keep planning and doing policies per sector. We in NEPAD are conscious of this and we fight it in several ways.

First of all, the idea of planning, of comprehensive planning, has to come back - and it is coming back - in the development agenda. In the 60's we had some incipient planning processes in place after independence, but planning processes were totally erased with structural adjustment programmes and we started thinking in terms of donor priorities. This is why agriculture was not a priority in more than 20 years: because were we not planning, or were planning sectorally according to donor needs and donor priorities.

The second issue is the capacity of RECs: the institutional, intrinsic, capacity has to be up-scaled and enhanced. We have RECs where capacity is being built, ECOWAS and COMESA are good examples, but in others it has to be strengthened. By strengthening the intrinsic institutional capacity we will be able to coordinate apparently conflicting issues. This is still a challenge in NEPAD. We are re-enforcing our capacity to monitor and evaluate, and that will be key on the implementation of CAADP. We should remember that up to now we have been working on CAADP processes, but the real increments in agricultural productivity are still to be seen on the ground.

TNI: How do you ensure that the relationship with the RECs runs smoothly, particularly when the NPCA works with countries?

The AUC's role is to design the strategic continental framework; the RECs then implement this framework. So you have the policy design function, and the implementation function. Before the creation of NPCA you did not have anything between the AUC and the RECs. So the RECs might go in a way and the AUC might go in another way. (Might, I said might). The role of the NPCA is to make sure that these two wagons are linked. So this is why, in the example of CAADP, we are the ones who take CAADP to SADC and COMESA and work with them in order to regionalise it. During the delivery process we have to go to the country level and help the countries see what are the deficit at the country level which we can help compensate by working together.

I have talked about the theory. We have to make this new mandate very well understood at the REC level. It

is not always easy, because sometimes confusion can happen on the verb "implement". We don't want to be seen as implementing and that has to be very well understood at the level of RECs. And we cannot do that by just sending memos.

TNI: ECOWAS is the region that has made most progress in the context of regional compact while the others are lagging behind. Why is that? On the other hand you have COMESA, EAC and SADC, discussing a tripartite FTA. In this context do you think a tripartite compact is feasible?

I think that the idea is good because it could really boost agricultural development in the zone. Now we need to formally put in place the methodology that will allow us to attain that objective.

What do I mean? Well, COMESA has done quite well in CAADP implementation, SADC less, but most of the countries in SADC which are in COMESA have finalised their compact. So it shows that something has to be done with SADC in order to enhance the implementation of CAADP in the countries which have no compact. If the common regional compact idea can help rationalise and give coherence to the development of the sector that would be wonderful.

ECOWAS is an illustration of collective behaviour, not only in agriculture, but also in energy and in peace and security. ECOWAS is used to tackling difficult issues, the coup in Niger, the Cote d'Ivoire crisis, etc. The Conference of Agricultural Ministers has invested a lot in ECOWAS, the regional agricultural policy. They have put their own resources as a regional body in national plans: the political will has been very strong.

TNI: You keep mentioning private sector and private sector involvement. What has been the degree of private sector involvement in CAADP so far, and do you expect private sector contributions to be substantial?

First of all, we need to implicate them much more, in the design of the national investment plans of agriculture. Secondly, we need to provide the right information. Thirdly, we need to push towards the creation of an enabling environment in the countries. But most of all, in terms of mentality, policymakers have to see agriculture as a business, as profitable. The experiences that we see from Mozambique and Tanzania confirm this.

It will be very critical for us, on a regional basis, to make sure that private capital comes into the agricultural sector. It is being done more and more. Nigeria, Tanzania, Mozambique, and Kenya are good examples. So we have best practices that can be shared, but it implies a change in the way policymakers think. This is because their main partner in developing that sector up until now has been the donor community. There needs to be a shift to the private sector community.

Third Global review of Aid for Trade: A snapshot of the outcome

Deborah Barker

Aid for Trade (AfT) is about getting trade to work for development. It assists countries and regions to benefit from the opportunities offered by the multilateral trading system in order to generate economic growth and promote poverty alleviation. Providing market access opportunities is a necessary, but not always sufficient condition, for countries to reap the benefits of trade. Action is also needed to help developing countries and in particular Least-Developed Countries (LDCs), improve trade-related infrastructure and overcome supply-side constraints. By getting developing countries and their development partners to integrate (or mainstream) trade into development planning frameworks and hence direct aid resource to address these constraints, the AfT Initiative aims to unlock the opportunities offered by trade.



The Third Global Review of Aid for Trade (see box 1), which took place on 18-19 July, aimed to evaluate the six-year-old Initiative's progress in helping developing countries build their trade capacity. It showed that AfT is making a difference. It demonstrated clear positive results in areas such as resource mobilisation, mainstreaming, monitoring and evaluation, South-South cooperation, implementation at both the national and regional levels, and in increasing the role of the private sector. The Third Review also clearly demonstrated that trade liberalisation, buttressed by AfT support and regulatory reform, can stimulate investment, economic growth and poverty alleviation.

The Third Global Review of Aid for Trade: What concrete outcome?

The Third Global Review provided an opportunity for participants - including Ministers from developed and developing countries, heads of agencies, the private sector and civil society - to recommit politically to the AfT Initiative. The Review supported the conclusions of the "Aid for Trade at a Glance 2011" publication according to which the AfT Initiative needs to take steps to better measure and show results, develop indicators, collaborate on monitoring and evaluation, improve the quality of aid, and encourage knowledge sharing. Donors confirmed their continued commitment to AfT, but stressed the importance of showing results, particularly

in light of current budgetary pressures. Developing countries highlighted on-going needs and arguments for continuing to provide resources and regional development banks presented overviews of their respective AfT-related work and its impacts on the ground.

“ Donors confirmed their continued commitment to AfT, but stressed the importance of showing results, particularly in light of current budgetary pressures. ”

It is also clear that addressing other issues, including how AfT can support broader policy objectives such as poverty alleviation, social welfare, food security, gender empowerment, climate change adaptation, energy generation and sustainable development, can lead to the promotion of deeper coherence within the AfT Initiative and with the broader international context.

Gender empowerment, for example, is an issue highlighted in many of the AfT case

stories demonstrating that increasing attention is being paid to the fact that empowering women through trade can be a catalyst for achieving gender equality and internationally agreed goals and commitments, including the Millennium Development Goals. This was further highlighted at the joint International Trade Centre (ITC) and the Canadian International Development Agency (CIDA) session on "Empowering Women, Powering Trade: Integrating Women into Global Value Chains". At the Review, Walmart and the Inter-American Development Bank launched a new initiative, the "Global Platform for Action on Sourcing from Women Vendors", which aims to increase the share of corporate, government and institutional procurement sourced from women vendors.

The Review confirmed that the mainstreaming of trade into national and regional development policies is making continuous progress. The response of LDCs to the monitoring questionnaire that highlighted that the Enhanced Integrated Framework (EIF) – an AfT partnership for LDCs – is starting to fulfill its potential was particularly encouraging. LDCs are using the EIF as a concrete tool to help map out trade priorities and mainstream them into national development strategies. Nepal, for example, is currently benefitting from an EIF project on trade-capacity building and addressing specific problems such as trade deficits and rising imports. Cambodia, the Democratic Republic of Congo, and Zambia

Box 1 - Monitoring the AfT Initiative: the AfT Global Reviews

Three Global Review meetings have been held since the AfT Initiative was launched at the December 2005 Hong Kong Ministerial Conference. The First Global Review, held in November 2007, helped consolidate political support around the concept of mainstreaming trade into national development policies and programmes. The Second Review, in July 2009, showed how developing countries and donors were making progress in implementing this approach. It also highlighted a continued momentum in the mobilisation of resources. The Third Global Review in July 2011 focused on showing results; on assessing results and impacts of AfT. The positive messages on the impact of AfT emerging from the Review mark an important step forward for the Initiative. The ability to monitor and evaluate the results and consequent impacts of AfT is of prime importance for the continued mobilisation of resources given current pressures on public budgets and the growing accountability agenda. However, one message which also emerged was that much more can be done to improve the way in which results are systematically monitored and reported so as to improve the quality and confidence in results i.e. to make them more methodologically robust.

The centerpiece of the Global Review is the joint OECD-WTO publication "Aid for Trade at a Glance". This publication is drafted on the basis of OECD's tracking of AfT flows (through its Creditor Reporting System database) and responses received to the joint monitoring exercise, comprising a questionnaire and – new for the Third Global Review – a call for AfT case stories.¹ One point which emerges strongly from the high response rate to the case stories is that the joint OECD-WTO monitoring exercise is tapping into a rich desire for dialogue between the trade and development communities.

are also benefitting from the EIF process to mainstream trade into national development plans, improve the management of trade-related technical assistance programmes and provide a framework for leveraging additional resources from donors to support economic diversification.

Several sessions addressed the successes in and the on-going challenge of regional integration, including in the areas of infrastructure (e.g., roads, railways, transport corridors) and capacity building (e.g., trade facilitation, knowledge management). One highlight of the second day of the Review was the presentation of the African Development Bank's and the WTO's joint paper on "Obstacles and Barriers to Regional Trade Integration in Africa". That report underlines that although there is political consensus to pursue regional integration, the challenge for Africa is to effectively implement agreed policies and create conditions that will result in deeper market and trade integration and to identify ways to maximize benefits and deliver concrete results.

The Third Global Review was the first with genuine private sector participation and discussions highlighted the benefit of bringing the private sector more into the AfT Initiative as well as the essential role it has to play in ensuring that trade development projects lead to sustainable trade. Efforts to engage the private sector include the outreach work being done by the World Bank as a complement to the AfT case story exercise through which it is gathering information on what private businesses are doing to make trade happen. The idea is to develop partnerships to identify and address the constraints that firms are confronted with when making investments in particular activities (e.g. supply chains). It is clear from the discussions that the private sector sees AfT as going beyond its corporate social responsibility agenda and as being a key part of its investment strategy.

Private voluntary standards also featured in the private sector discussions, particularly regarding the increased barriers to trade that could result from the growing range of standards.

“One of the conclusions of the joint OECD-WTO monitoring exercise is that the delivery of AfT is increasingly guided by the Paris Principles on Aid Effectiveness.”

Looking ahead to the Fourth Global Review of Aid for Trade

In his concluding remarks at the Third Global Review, WTO Director General Pascal Lamy,

referred to the UN Secretary-General's call to break down the artificial barriers between trade and other areas (e.g., food security, climate change, etc.) to ensure broader coherence with sustainable development. Deepening coherence will be the central theme of the AfT work programme for 2012-2013 and particular attention will be made to the aid effectiveness agenda, which addresses concerns about effective and timely implementation and measuring impacts of interventions, and the need for a more systematic results-based management and reporting of results.

“One of the conclusions of the joint OECD-WTO monitoring exercise is that the delivery of AfT is increasingly guided by the Paris Principles on Aid Effectiveness.”

One of the conclusions of the joint OECD-WTO monitoring exercise is that the delivery of AfT is increasingly guided by the Paris Principles on Aid Effectiveness. Progress was reported in mainstreaming and communicating priorities, country ownership, and donor alignment. On the debit side, however, more can be done to promote results-based management and further actions taken to improve predictability and effectiveness. One immediate way in which these questions will be advanced is at the 4th High level Forum on Aid Effectiveness to be held in Busan, Korea in November 2011. Aid for Trade will be discussed as one of the cross-cutting themes at this meeting.

A new AfT work programme should be developed in time for the WTO Ministerial Conference in December 2011. Details of the programme will be discussed by Members in the fall. This new work programme will set out the actions which Members should take in a range of different areas, including: resource mobilisation; leveraging new sources of finance; mainstreaming; engaging the private sector; the Aid Effectiveness Agenda, including better evaluation of impacts; South-South cooperation, particularly in terms of knowledge transfer and skills-sharing; and regional integration. Work on these topics will provide the inputs for the Fourth Global Review of Aid for Trade planned for 2013.

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See **Bridges Weekly reporting** of the event: [WTO meeting highlights AfT success, though work remains](#), 20 July 2011.

Notes:

- 1 An in-depth thematic analysis of the case stories is provided in a dedicated chapter included in the joint OECD-WTO publication "Aid for Trade at a Glance 2011: Showing Results". See also the article by Frans Lammersen on page 8 of this issue of TNI. Regional analyses - for Africa, Asia/Pacific, and Latin America and the Caribbean - were prepared in collaboration with regional development banks and, in the case of Africa and Asia/Pacific, UN Economic Commissions. A compendium document providing a brief overview of the over 260 case stories was also prepared jointly by the OECD and the WTO.

Aid for Trade: Showing results

Frans Lammersen

There is a large and growing body of evidence¹ about the positive links between openness to trade and economic growth, which depending on its pace and pattern is important for sustained poverty reduction.² This virtuous relationship can be observed in many developing countries that have succeeded in expanding their domestic markets regionally or globally. Steady reductions in trade barriers have enabled these countries to rapidly integrate into the world economy through export-led industrialisation, thereby sharing the prosperity generated by globalisation.

However, liberalising trade regimes and enhancing market access is often not enough to enable developing countries – and in particular the least developed countries (LDCs) – to reap the potential benefits of trade liberalisation. These countries need help in building trade-related capacities – in terms of information, policies, procedures, institutions, and infrastructure – to compete effectively in global markets. To address these supply-side constraints, the WTO has led the call for more and better Aid for Trade.

“ However, liberalising trade regimes and enhancing market access are often not enough to enable developing countries – and in particular the LDCs – to reap the potential benefits of trade liberalisation. ”

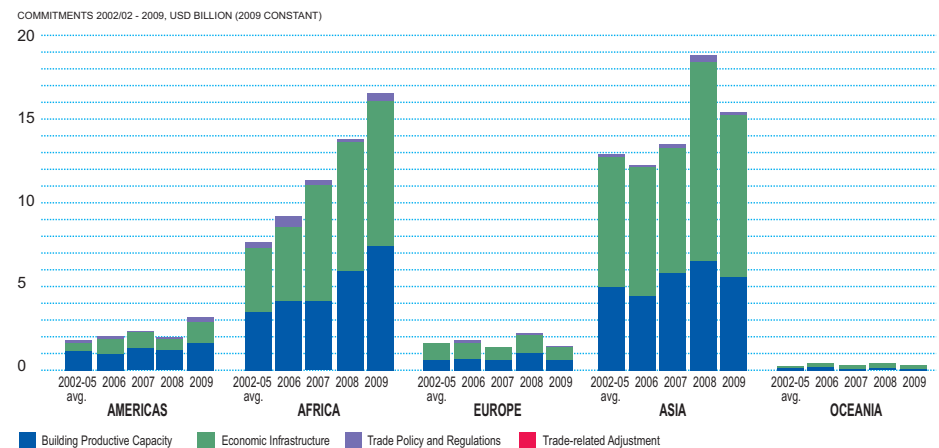
Some encouraging progress

The OECD and the WTO periodically put a spotlight on Aid for Trade to monitor what is happening, what is not happening, and where improvements are needed. The joint OECD-WTO publication *Aid for Trade at a Glance 2011* shows that the initiative has achieved considerable progress in a short time.³

Partner countries and donor agencies are prioritising trade in their development strategies, and corresponding Aid for Trade flows reached USD 40 billion in 2009.⁴ This translates in an average annual real growth rate of 15 percent (commitments) since the start of the initiative in 2006. Donors are meeting their commitments: disbursements have been growing at a constant rate of between 11 and 12 percent for each year since 2006, reaching USD 29 billion in 2009 (see figure 1).

The outlook for Aid for Trade is stable. In Seoul last year, G20 leaders committed to maintain beyond 2011 at least the levels of Aid for

Figure 1: Aid for Trade by Region and Category



Source: OECD-DAC, Aid activities database (CRS)

Note: Building productive capacity include trade development activities which are identifiable in the CRD since 2007. Trade-related adjustment data are available since 2007 and may be invisible on the chart due to their small amounts.

Trade that were reached in the years 2006-08. Although some OECD countries are confronted with large budget deficits and are finding it difficult to respond adequately to the higher demand for Aid for Trade, continued growth of South-South cooperation is complementing the support provided by DAC donors.

Lessons from case stories

To further examine the results of the almost USD 100 billion that has been spent on Aid for Trade between 2006 and 2009, partner countries, bilateral and multilateral donors and providers of South-South cooperation submitted over 260 case stories⁵ about the successes and failures of their Aid for Trade programmes and projects.⁶ Many stories highlight how this aid has enhanced the capacity of trade officials to effectively participate in international negotiations, understand the implications of agreements and implement them once agreed. Other stories recount how demand-driven, technical capacity-building programmes are helping countries define export-oriented growth strategies (see figure 2). For instance, an Aid for Trade programme in Vietnam helped to increase the level of its exports to the United States from USD 1.1 billion in 2001 to USD 8.6 billion in 2006, and increased the level of imports from the United States from USD 460 million to USD 1.1 billion. Aid for Trade allowed a resource-poor small island like Cape Verde to make significant social and economic progress, which helped it to become more competitive and graduate from its status of LDC.

A large number of stories detail how industry-specific programmes address market failures to help the private sector access better foreign markets. For example, an Aid for Trade project to support the competitiveness of the agricultural sector in Senegal increased export by almost 80 percent between 2005 and 2009, and helped create 85 new businesses. 600 small farmers in Ghana benefited from a programme aimed at expanding and diversifying the exports of African businesses. They now export 210

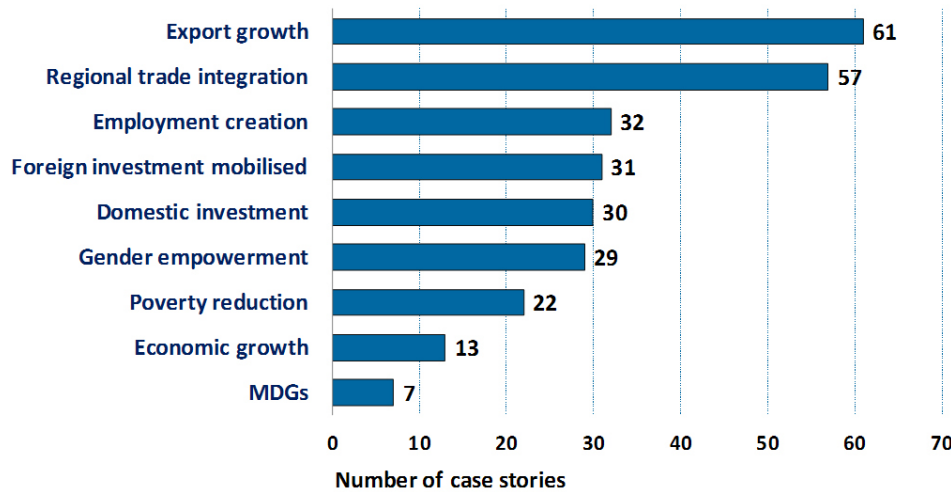
tonnes of fresh fruit and vegetables a week to customers in Europe, and South African cosmetics companies export their products to Canada. Furthermore, the “Design Africa” brand was successfully launched in the area of home-furnishing products, significantly facilitating exports to OECD markets.

Stories about aid programmes assisting companies in meeting international standards demonstrate successful efforts at becoming part of global value chains. A project in Sri Lanka increased export volumes to the European Union from 13 532 metric tonnes in 2002 to 20 594 metric tonnes in 2008. In Pakistan, exports of fishery products to the European Union increased from 84 693 metric tonnes in 2002 to 135 000 metric tonnes in 2008. A programme helping Guatemala, Honduras, El Salvador, Nicaragua, Costa Rica and the Dominican Republic expanded agricultural trade and generated export revenues to the value of USD 100 million since 2006, also with positive impacts on employment-creation for women.

Accounts of trade facilitation programmes and economic infrastructure projects, including regional corridors, describe how trade costs were significantly reduced. A project for upgrading the border post between Zambia and Zimbabwe reduced waiting times from about four - five days to two days and often to just a few hours. A regional project in East Africa improved border transit times from three days to three hours. In Mongolia import clearance time dropped from three hours to just 23 minutes, and export clearance time from two hours to 13 minutes. Improvement of the international transit of goods between El Salvador and Honduras reduced clearance times from 62 minutes to an average of eight minutes.

These case stories highlight several factors that are critical to delivering the longer-term trade and development objectives of the Aid for Trade Initiative: ownership at the highest political level; active engagement of all domestic

Figure 2. Results reported in aid-for-trade case stories



Source: OECD/WTO, case story database

stakeholders, including the private sector and civil society; long-term donor commitment, and adequate and reliable funding; leveraging partnerships, including with providers of South-South cooperation; combining public and private investment with technical assistance; supportive macroeconomic and structural adjustment policies; and good governance (see figure 3).

These case stories are merely the start of a learning process, and many more follow-up activities are needed to better understand the different contexts of aid for trade results and their wider applicability. Such knowledge-sharing should also address the question of how to better demonstrate that Aid for Trade is a worthwhile investment to improve trade performance, generate economic growth and reduce poverty. This is the topic of the OECD publication *Strengthening Accountability in*

Aid for Trade, which outlines good practices in using aid to achieve trade results.⁷

“The challenges of effectively delivering Aid for Trade are not unique, but are part and parcel of the broader development effectiveness agenda.”

Conclusion

The challenges of effectively delivering Aid for Trade are not unique, but are part and parcel

of the broader development effectiveness agenda. Improving aid quality and, more broadly, development effectiveness is the key objective of the Fourth High Level Forum on Aid Effectiveness,⁸ which will be held from 29 November to 1 December 2011 in Busan, South Korea. Aid for Trade will be an important element on the agenda.

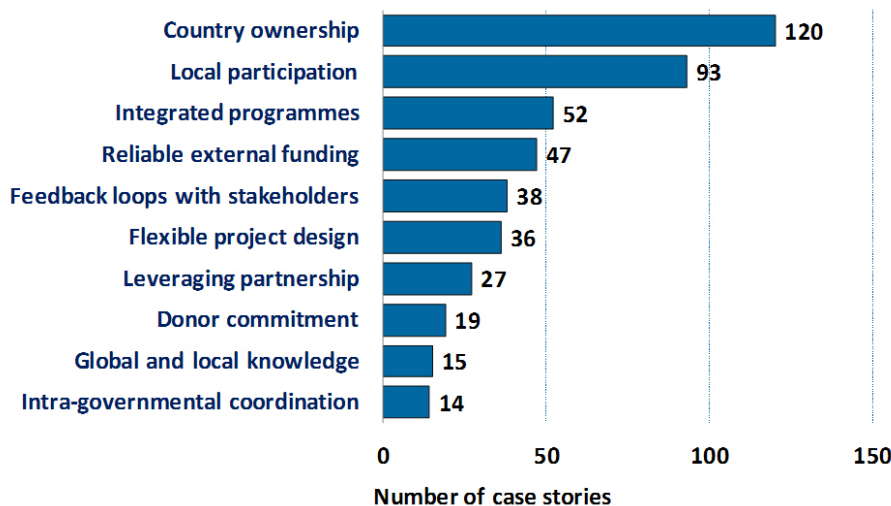
Author

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Notes

- 1 [See here](#)
- 2 Patrick Love and Ralph Lattimore (2009). *International Trade: Free, Fair and Open ?* OECD Insights. OECD Publishing
- 3 OECD-WTO (2011). [Aid for Trade at a glance: Showing results](#)
- 4 [See here](#)
- 5 [See here](#)
- 6 [See here](#)
- 7 [See here](#)
- 8 [See here](#)

Figure 3. Number of case stories highlighting a particular lesson



Source: OECD/WTO case story database

Does it work?

Aid for Trade through the evaluation prism

Olivier Cadot and Richard Newfarmer

In the early days after the Hong Kong Ministerial in December 2005, trade negotiators, especially from developing countries, gauged their success in Aid for Trade (AfT) merely by increases in amounts. By this measure, the AfT initiative has indeed been successful, rising from \$25 billion in 2005 to \$40 billion today.¹ To be sure, difficulties in measurement complicate this calculation.



The OECD has elected to define AfT as concessional assistance to (mainly) low-income countries for economic infrastructure, productive capacity, and technical assistance for regulation, capacity building and policy support – a broad definition that subsumes 30 percent or more of all concessional development assistance. In the latest *Aid for Trade at a Glance*, the OECD and WTO have also reported non-concessional trade-related lending to middle-income countries. The OECD's measure does not capture several other forms of AfT, notably investments by multilateral institutions in private companies and free-standing technical assistance.

Because of the diversity of AfT we argue that no credible evaluation of AfT's success can rely on one single methodology. Rather, the diversity of objectives, instruments, sectors and activities requires using multiple lenses – in effect, a prism of evaluation approaches. This note reviews cursorily different evaluation approaches with a view toward pointing out strengths and limitations. As a corollary, it notes that one of the lenses, impact evaluation, is conspicuous for its absence in the AfT literature.

“Because of the diversity of AfT we argue that no credible evaluation of AfT's success can rely on one single methodology.”

Diversity in AfT goals

The WTO's Task Force on AfT highlighted the objective of trade-related development assistance – broadly to help countries expand trade to promote growth and reduce poverty (WTO, 2006). The first problem evaluators confront is the multiple intermediate objectives on the path to the overarching objectives of trade-led growth and poverty reduction – ranging from increasing exports, diversification, and intra-regional trade, to raising the incomes of small-scale (often female) traders, or, in the case of infrastructure, improving competitiveness through wider and cheaper access to power, transport and telecommunication services. This diversity of objectives is highlighted in the OECD/WTO's rich collection of 269 case stories of AfT.

A simple word count of performance objectives, for example, surprisingly returns “gender” three times more often than “poverty”. Similarly “environment” is mentioned far more often than “poverty reduction”.

One commonality of this collection is the relative absence of quantitative indicators of performance. Only 44 percent of the case stories have any quantitative output measure and only 22 percent have any quantitative indicator of outcomes or impacts. Sampling bias may be partly to blame. Still, these findings are symptomatic of Cadot's (2011) conclusion that “the aid-for-trade community has been slow to build a culture of rigorous evaluation”.

Towards a prism for evaluation

To supplement case studies, understanding the full effects of AfT, with its variety of objectives and instruments, requires a prism of evaluation comprising three other broad approaches: aggregate cross-country evaluations of AfT; sectoral and program evaluations, and project evaluations.

Aggregate cross-country evaluations.

Cross-country (or panel) regressions have long been the choice method to evaluate the effectiveness of aid. Econometric studies of AfT have shown large positive results in expanding trade. For example, the Commonwealth Secretariat reports studies suggesting that a doubling of AfT to infrastructure would raise merchandise exports by 3.5 percent; while a doubling of aid to trade facilitation would lower import costs by 5 percent. Similarly, UNECA's econometric studies of Africa show that a 10 percent rise in AfT correlates with a 0.4 percent increase in an index of economic diversification.

“[...] a doubling of AfT to infrastructure would raise merchandise exports by 3.5 percent; while a doubling of aid to trade facilitation would lower import costs by 5 percent.”

This methodology has the advantage of neatly capturing all economic interactions. Their results are also, in principle, valid in a variety of contexts, since they identify averages. However, this approach has two limitations. First, the identification of causal linkages is weak because even clever econometrics cannot filter out many confounding influences and reverse-causality mechanisms. Second, cross country averages rarely help in providing specific advice at the country level.

Sectoral and program evaluations

Sectoral evaluations of donors—in transportation, agriculture, and power—are rarely centered on trade issues, but sometimes provide settings where AfT impacts can be measured more directly. Similarly, program evaluations, such as the World Bank (2006) evaluation of its support to trade over 1987-2004, focus more directly on trade; while generally supportive, the analysis highlighted gaps in complementary policies. The US evaluation of its AfT program, a review comprising 265 projects over 2002-2006, concluded that “each US\$1 invested yielded a return of US\$42 in developing country exports two years later”.²

Sector studies have the advantage of better identifying causal mechanisms and allowing for the review and assessment of individual or combined policy interventions. By themselves, however, they can rarely link policy interventions directly to outcomes because many intervening or simultaneous variables make attribution difficult. Moreover, impact assessments are largely based on before-after comparisons, failing to accurately take counterfactuals into account.

Project evaluations.

Project-level evaluations are common for trade-related interventions, but they too often rely on crude methodologies. For example, over 2002-2008, 85 percent of the World Bank's trade-related projects were rated satisfactory or higher, with an average economic rate of return of 32.4 percent (compared with 23.7 percent for other projects—see World Bank Group, 2009). Or, a review of 85 World Bank trade-related investment projects in 1995-2005, found that too frequently evaluations were partial or absent altogether. Most projects used simple economic rates of returns calculations (31 percent), sometimes combined with stakeholder workshops and/or surveys to assess qualitative elements (an additional 26 percent), but that 10 percent of surveyed projects had no evaluation at all. Even when quantitative, ex-post assessment cannot

Does AfT go to where it should?

One key condition for aid to be effective is that it is targeted at countries that need it and at the same time it is linked to adequate complementary policies. Aid agencies use many devices, such as the World Bank's Country Policy & Institutions Assessment (CPIA), to rate the ability of countries to use aid effectively, but the trade components of these indices tend to oscillate between broad but subjective indicators such as "transparency" or "rule-based governance" and quantifiable but narrow some such as MFN tariffs.

Gamberoni and Newfarmer (2009) proposed a framework based on cross-country econometrics to assess how successful was AfT in targeting needy but promising recipients. They did this by constructing an index of "potential" demand for AfT combining symptoms of underperformance on world markets—excessive concentration, market-share loss, poor trade infrastructure and institutions—with data on AfT allocation. They found that although correctly targeted in the sense of a correlation between flows and needs, AfT left large gaps unfilled. Countries receiving below-average aid for trade included Bangladesh, Burkina Faso, Burundi, Chad, Congo DR, Côte d'Ivoire, Djibouti, Equatorial Guinea, Ethiopia, Gambia, Ghana, Guinea, Guyana, Kiribati, Lesotho, Madagascar, Malawi, Maldives, Mali, Nepal, Niger, Nigeria, Pakistan, Rwanda, Sierra Leone, Sudan, Tanzania, Togo, Uganda, Uzbekistan, and Yemen.

control for outside influences, attributing to programs the merit of favorable conditions and vice versa.

Project-level evaluation could be made much more informative by adopting formal impact-evaluation methods based on treatment and control groups, widely used in health, education and other areas of development work. By construction, such methods make sense only for "targeted" interventions such as export promotion, technical assistance, or geographically limited interventions. They have advantages and drawbacks that mirror inversely those of cross-country studies: Whereas they identify causal mechanisms very precisely and provide highly relevant lessons on the ground, it is rarely clear how those lessons would carry over to different settings. Moreover, they are expensive: for small-scale activities, an evaluation can cost as much as the activity itself.

Still, much more could be done. Cadot et al. (2011) suggest ways of conducting "quasi-experiments" circumventing the strictures of more classical randomized approaches through the use of so-called matching and difference-in-differences methods. Examples include Brenton and Von Uexkull (2009), who used a difference in differences method to examine the effects of 88 export development programs in 48 different countries. They found that, on average, export development programs have coincided with or predated stronger export performance. Volpe and Carballo's (2008) evaluation of export promotion programs in six Latin American countries (which found positive impacts) or Jaud and Cadot's (2011) evaluation of the EU's Pesticides Initiative Program in Senegal, which found no impact, are other examples of this method.

approach. For a given country, elements of program and sectoral evaluations, best in combination with cross-country econometric analysis, can begin to provide a more complete picture.

That said, one lens of the prism is woefully under-utilized: impact evaluations of AfT projects. These are the best way to link interventions with outcomes and poverty impacts. Trade lags behind other fields in applying impact evaluation. The basic challenges of this approach are twofold: first, mobilizing the necessary financing; and second, ensuring that projects are designed for evaluation at the outset, by identifying and preserving credible control groups. To respond to the first challenge, Aaditya Mattoo suggested that one way to minimize cost is to fund separately the fix costs of a core team of specialist evaluators, perhaps located in one agency, such as the OECD or World Bank, and then finance the marginal survey and data work necessary for each project as a project component, with the specialist team to help guide or undertake the analysis.³ To respond to the second challenge, designs that build in quantitative benchmarks of initial conditions and other evaluation elements must become the norm rather than the exception to overcome negative incentives by project managers (who often see impact evaluations as sources of bad news with little upside potential). Crucially, it must also become part of donor dialogue with countries, so that the evaluation culture is built into government interventions rather than just donor practice.

In that spirit, perhaps technical assistance to augment the evaluation capacities of governments in developing countries themselves could well be a next valuable step in aid for trade.

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- 3 World Bank

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“ Convincing assessments of the effectiveness of AfT are unlikely to come from just one approach. ”

Conclusions

Convincing assessments of the effectiveness of AfT are unlikely to come from just one

Authors

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See related article: From Market Access to Accessing the Market : Aid for Trade and the Program of the World. Elisa Gamberoni and Richard Newfarmer. *Trade Negotiations Insights*. Vol.8, No.9, November 2009

Notes:

- 1 WTO-OECD 2011

The achievements and risks of Aid for Trade

Sheila Page

In a review of the 25 most important multilateral donors, the five regional development banks, and the 24 OECD bilateral donors, UNIDO found that the greater interest in trade and in Aid for Trade (AfT) since the WTO Hong Kong Declaration in 2005 has brought a major increase in the number of donors with trade programmes and in the amount of such aid.¹ This article reviews different types of AfT and argues that some types of trade support are still under-provided and that there are serious risks of conflict of interest in some types of trade support.

Conforming to trade rules

This category includes both bringing national regulations into conformity with international rules and learning to administer and comply with the rules. A number of multilateral and regional organisations are important in this area, and bilateral donors act both directly and through these. But bilateral donors are rarely active where they might be expected to have particular expertise, i.e. in the rules for their own preferences or other trading arrangements, although the US efforts to promote the use of AGOA are a notable exception.²

21 bilateral agencies reported projects in agriculture and nine in textiles and clothing. But only six reported projects in new areas including environmentally friendly technology, information technology, and tourism. As non-agricultural trade is now the major part of exports by developing countries and the major growth area, this is an important gap.

Applying trade rules

This includes, on the public policy side, all elements of border management: legal changes, standardisation of customs tariffs and statistical nomenclature, procedural changes to improve efficiency, and promoting trade corridors. The more market-related side of this category deals with improving information on markets and standards, providing trade data, and building the institutions to provide such information.

It is the information side that is less well served. Only four of the 30 multilateral and regional organisations and 14 of the 24 bilaterals assist on market information. The international agencies compile data on trade and trade measures and the specialised agencies supply more technical information. Only a few bilateral donors offer specific information and assistance for imports into their own markets, most notably the Netherlands import promotion agency (CBI). The small number offering direct assistance of this type is an important gap, given that donors are best placed to provide information on their own markets.

Learning how to negotiate

This should be a matter of building institutions, but has too often been treated by donors as an area for providing direct inputs: working alongside developing countries in negotiations. Some of the multilateral organisations provide training, but bilateral donors often assist the countries or regions with which they are negotiating.

Donors have their own interests in what trade policies recipients follow, and they may, whether deliberately or not, mix advice with capacity

building. Even if the capacity building is done by a different department or agency, it is difficult to avoid actual or perceived conflicts of interest. The European Commission, in particular, has often intervened directly in 'supporting' African Caribbean Pacific group of countries with which it is negotiating, through not only funding, but also through assistance for the negotiations. Aid from the multilateral and regional agencies is less vulnerable to conflicts of interest, but advice on how to negotiate can slide into what to negotiate.

Learning where to negotiate

There is capacity building on international issues, especially the WTO Doha Round. But the small probability and uncertain effects of a Doha settlement suggest that multilateral trade policy is unlikely to be a major part of most AfT recipients' trade strategies.

The regional organisations have long supported regional negotiations and recently all the international agencies except the WTO have moved into this. But the markets are too small and too much concentrated in primary products to offer significant developmental advantages for African countries.

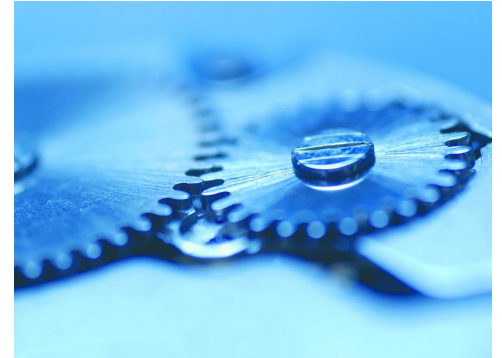
There is extensive support for North-South negotiations, but this is fraught with conflicts of interest. In the case of the US and EU negotiations with advanced developing countries, most of these countries have the capacity both to do their own analysis and to use US or EC assistance without becoming dependent on it. In the EU Economic Partnership Agreement (EPA) negotiations with African and Pacific countries and perhaps in negotiations with the smaller Latin American countries and regions, it is less certain that all needs were met and conflicts avoided.

The risk that third countries would be affected by the trade policy changes of others was a driving force behind the WTO AfT initiative. Yet there appears to be no initiatives specifically targeted at the potential adjustment problems faced by developing countries following the entry into force of Free Trade Agreements (FTAs) among their trading partners or competitors or following the granting of preferences to third parties.

Finally, there is some donor support for trade-related environmental negotiations, but this is at a more preliminary stage than trade negotiation support. Trade capacity building will need to assist countries to meet new regulations, to diversify into new less carbon-intensive production, and to adjust to trade restrictions.

Summarizing the gaps and problems in trade capacity building

- There is too little assistance to understand and to meet donor countries' own trading rules, including preferences, FTAs (both those of which a developing country is itself a member and those of which it is not), and standards.
- There are too few projects in manufactures and services.
- There is much support for negotiations whose effects are likely to be small, but too little for new issues or for adapting to negotiations by others.



- For a foreign government to attempt to influence a developing country government on which negotiations to prioritise or what to negotiate implies that it believes that its status as a donor gives it legitimacy to influence recipient governments' policy processes equivalent to that of national interest groups. In contrast, it is notable that many developed countries restrict foreign lobbying.

Options for reform

Channelling support through multilateral or regional agencies is one way of reducing the problems of poor choice of priorities and lack of legitimacy. This has not, however, led to a suitable division of responsibilities. Multilateral donors have not taken over those activities where there is most risk of conflict of interest.

If bilateral aid agencies consider that policy is a legitimate area for them to influence, then they should do this more effectively. If donors sought changes in their own countries' policies, they would produce larger effects and avoid legitimacy problems. These changes could include:

- Liberalising rules of origin in FTAs and preferences.
- Ending neglect of services in preferences and in capacity building.
- Simplifying and making more transparent countries' own standards.
- Removing tariffs and other policies constraining trade, e.g. in agriculture.

Multilateral and regional agencies could also focus their advice on their largest, developed, members where policy changes would have the largest effects.

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Notes

- 1 <http://www.unido.org/index.php?id=o86537>
- 2 The US has programmes to offer advice on how to meet the official rules for AGOA and contacts with potential importers.

An aide for Aid for Trade – Early findings and recommendations from country studies

Rishabh Kumar Dhir

The World Trade Organisation (WTO) and the OECD have been spearheading the monitoring process regarding Aid for Trade (Aft) ever since its conception. Their commitment to monitoring, which culminates in the Global Review, has contributed in keeping the momentum high. This is clearly reflected through the substantial increases in financial resources dedicated to Aft that reached commitment levels of 40 billion dollars in 2009.¹ However, the WTO and the OECD have restricted their monitoring mainly to the global level and the project level, primarily through 'case stories', while overlooking Aft effectiveness at the national level, for which there have been many calls by numerous countries and experts. As country specific factors can deeply influence Aft effectiveness in boosting trade related performance, country based assessments become indispensable to fully capture the impact of Aft on development. Thus, to complement the existing monitoring mechanism and address its shortcomings, International Centre for Trade and Sustainable Development (ICTSD) has embarked on assessing the impact and effectiveness of Aft at the country level. Pilot studies have been launched in six countries (Malawi, Mauritius, Jamaica, Peru, Cambodia and Nepal). This article focuses on the early findings and recommendations from Malawi and Mauritius, while supporting them with observations from Cambodia, Nepal and CARIFORUM countries.

Funds trajectory

A general increase in the commitment of Aft funding has been observed for Mauritius but remains negligible in the case of Malawi. The funds have been predictable in both countries, with Malawi receiving funds primarily in grant forms. For countries like Malawi, Nepal and Cambodia, Aft funding has not been at the expense of other forms of aid, however, the Mauritian government has insisted that Aft resources allocated to Mauritius are not over and above the development aid. This highlights a persistence of the conflict between donors and partners in the perception of Aft funding, where some partner countries feel that Aft has not been additional to official development assistance.

“ [...] trade development in Malawi has been restricted due to a dearth of human capacity.”

Unlike Mauritius, Malawi has received the highest amount of funding for building trade related infrastructure. Nevertheless, trade development in Malawi has been restricted due to a dearth of human capacity. Thus, many have recommended a change of focus from infrastructure projects towards human capacity building and private sector development as a driver for Aft. It has been stressed that the international focus on short-term results and strong disbursement data might, to a degree, undermine investment in local



human capacity and in the development of local institutions.

“ As anticipated, ownership by the partner country has emerged as a vital factor in achieving Aft effectiveness.”

The sustaining of achievements made through Aft emerges as another challenge that needs to be overcome. While sustainability criteria are built into a project's design itself in some cases, this is not so for all the projects and evidence of partner countries providing sufficient funding to the project after donor funding dries up is limited. For example, the government of Malawi was donated computers by the WTO under the Joint Integrated Technical Assistance Programme for four reference centres; however, further funding was not allocated for the maintenance of these computers once funding from the WTO ended. As a consequence of this, the reference centres are currently not in operation.

Ownership

As anticipated, ownership by the partner country has emerged as a vital factor in achieving Aft effectiveness. Mauritius, which has mainstreamed trade in a systematic manner and integrated it in its development agenda, is benefiting considerably from Aft. Consequently, Aft has been successful in creating a strong base for export development while also providing new

opportunities for export diversification during the periods of reduced demand for traditional exports. The example of Mauritius can be compared with the one of Cambodia where increasing sectoral diversification in the sugar industry and the rice sector, respectively, have contributed towards an improved business climate, gains in competitiveness and increased flows of FDI.

In other countries, while trade has been mainstreamed in national development plans, there is still a lack of clear understanding among key stakeholders on how trade objectives can be realised through specific activities at the programme level. Moreover, there is little evidence that trade is mainstreamed in other ministries. In Malawi, for the past five years the Ministry of Agriculture and Food Security has focused on maize production primarily with regards to food security, thereby neglecting areas such as export value addition and diversification. The objective was to first develop productive capacity and then to find markets at a later stage. As a result, some agriculture projects that did mainstream trade in their plans had a limited impact (as it was not a priority for the ministry) on raising living conditions for farmers. Due to the current large maize surplus, the government is now realising that trade is important, and has hence started to move beyond focusing on food security alone.

The Caribbean Aid for Trade Regional Integration Trust Fund (CARTFund), which was designed to assist CARIFORUM countries in boosting growth through trade and regional integration suffered from a similar drawback, as the region lacked a strategic framework for the use of funds. Therefore, while ownership can be seen as indispensable for the effectiveness of Aft and to maximise its impact, Aft also needs to take into consideration that developing efficient ownership in countries which lack institutional capacities falls within the ambit of Aft measures.

Box 1 - How were the country-specific studies conducted?

To conduct the monitoring of AfT, ICTSD has pursued a bottom-up approach to highlight the interactions of AfT measures with the unique circumstances of individual countries. A methodology was jointly developed by ICTSD and the South Asian Watch on Trade Economy and Environment, based on a series of quantitative and qualitative indicators, such as additionality and predictability of funds, local ownership, donors' alignment and coordination, among others.² This methodology was used by local independent researchers to conduct the country specific studies. They then worked in close collaboration with government agencies, development partners, private sector and other local stakeholders, collecting information and conducting structured interviews with key national players in the AfT field. Before the completion of the studies, the draft reports were scrutinised through a 'national consultation' in each country to share the initial findings with various stakeholders, whose insights were used to finalize the studies. As a last step, the studies underwent a process of peer review by researchers and practitioners at the national as well as international level to verify the findings, while also incorporating their comments and recommendations for the benefit of the studies.

Alignment

When there is a high degree of alignment between the donors' and the partner countries' development agenda, the benefits of AfT are the greatest. Mauritius is a shining example of this point. Aid delivery, in the case of Mauritius, is in complete harmony with the country systems. Funds are transferred through direct budget support to the National Treasury, blended with domestic resources and are spent across-the-board. On the other hand, in countries like Malawi and Nepal, the use of country systems is limited. Malawi presents an interesting case as donor alignment is restricted to Malawi's priorities, which at this juncture, do not focus heavily on trade, thereby retarding the alignment prospects between the donors' and Malawi's priorities due to insufficient ownership. This entails donors largely dominating project design, staff recruitment as well as procurement. Such an approach to aid restricts the capacities of the partner country and in turn facilitates dependence on the donor expertise -- an issue that needs to be combated from both the donors and the partners ends.

Donor Coordination

AfT has also a more pronounced impact on partner countries in a scenario where there is efficient coordination amongst donors and hence, projects are not repetitive. Donor coordination has improved significantly in Malawi, largely due to the Ministry of Finance's Division of Labour Matrix, the establishment of Sector Working Groups, Common Approach to Budget Support and informal donor discussion forums. However, it has remained limited in the field of 'Trade Development' and almost negligible in 'Trade Policy and Regulation'. Mauritius, on the other hand, displays efficient donor coordination, where donors carry out shared diagnosis and analytical work as well as joint implementation, monitoring, evaluations and reviews. Inefficient donor coordination, which can be attributed to lack of information among donors and/or simply because the government does not make efforts to prevent donors from duplicating efforts, can restrict the effectiveness of AfT.

South-South Cooperation

South-South cooperation is furthering the effectiveness of AfT in all the countries where the studies were conducted. Local stakeholders in Malawi have highlighted that Southern donors seem to fund projects that DAC donors do not. However, it should be noted that

Southern donors do not function within the sphere of the Paris Declaration and thus do not apply its principles; this in turn runs the risk of limited aid effectiveness while at the same time curtails the scope of enhanced cooperation with other donors.

“ Local stakeholders in Malawi have highlighted that Southern donors seem to fund projects that DAC donors do not. ”

Absorptive Capacities

One of the major challenges that AfT needs to overcome is restrictive local absorptive capacity. It emerges as a strong bottleneck in achieving AfT development goals as it invariably delays an efficient utilisation process of AfT funds. Absorptive capacities remain weak in all the countries studied except Mauritius. This highlights the need for human resources development to be undertaken through formal training courses, coaching and mentoring by advisers, on-the-job training and learning by doing. It is particularly crucial for key ministries to establish a permanent group of dedicated project teams who are trained as technical and managerial staff. The CARTFund example has highlighted that project design and technical skills can only be learned through long-term exposure and direct involvement in project management in all phases. In particular, donors need pursue a strong strategy for developing absorptive capacities of the partner countries for an efficient use of their tax-payer's money.

Impact

While AfT is not the only factor responsible for increasing exports in a country, it certainly has a potential to deeply influence trade performance. This is thus a central indicator for measuring the impact of AfT. The country studies have highlighted that the impact of AfT on trade performance has been extremely varied. For instance, in Malawi, the positive impacts of AfT projects on export levels have not been large enough to allow Malawi to reduce its ballooning trade deficit. The

experience of Mauritius tells a different story : while its exports are suffering due to external constraints such as changes in global demand patterns, AfT has nevertheless been successful in improving the export performance and the business climate, particularly through the sugar sector reforms.

Cambodia shares a similar success story of export base diversification with other sectors like pulp of wood/paper, mineral products, plastics and prepared foods growing alongside garments. However, in Nepal, while infrastructure projects have helped reduce transaction costs and positively influenced trade performance, AfT has not successfully addressed supply-side constraints to increase trade capacity at the macro level.

A general overview of the studies reveals that while impact of AfT for some countries, particularly Malawi, has been limited and insufficient to spur trade and development, AfT has introduced certain positive aspects and institutions which are guiding such countries towards recognising the importance of trade in development.

Conclusion

AfT has a strong potential in contributing to the trade performance of a country, which in turn can foster its development. The case of Mauritius has illuminated this point; however, AfT is yet to prove beneficial for other countries like Malawi. Across-the-board, it can be concluded that some countries have a stronger need to develop ownership, while some need AfT for private sector development and local capacity building; others may benefit through economic diversification. In this regard, alignment between the donors and the partner country to assess the true development requirements plays a vital role.

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Notes

- 1 OECD
- 2 See for more information. An alternative methodology to assess the effectiveness and development impact of Aid for Trade at national level, Ratnakar Adhikari and Paolo Ghisu (2011), Trade Negotiations Insights. Vol.10, No.2, April 2011

Aid for Trade effectiveness: What do evaluations say?

Claire Delpuech and Patrick Messerlin*

The Aid for Trade (AfT) initiative has been hailed as highly successful in raising the profile of trade as a tool for development. Developing countries have increasingly mainstreamed trade in their development strategies, while donors have responded by mobilising additional resources for trade-related programmes and projects (together referred to as operations). The AfT initiative however requires a better assessment of its outcomes and impacts in terms of trade performance, poverty reduction, growth and development.

In this perspective, a “meta-evaluation” of the way aid agencies evaluate and assess their trade-related operations has been conducted by the Groupe d’Economie Mondiale at Sciences Po for the Organisation for Economic Co-operation and Development (OECD), as part of the OECD work conducted in preparation for the forthcoming publication *Strengthening Accountability in Aid for Trade*.¹ The purpose of this meta-evaluation study was (i) to compare what policy makers in charge of delivering international aid would like to know about AfT results and what existing evaluations of AfT operations offer and (ii) to identify avenues for better adequacy between evaluation needs and results.

The method used

The study focused on two countries – Ghana and Vietnam – and two sectors – transport and storage.² It analysed 162 evaluations of AfT operations notified to the OECD DERE database by OECD countries and international organisations.³ We used a combination of quantitative and qualitative methods to identify the implicit interests of evaluators, as well as the gap between these interests and the information needs of AfT policy makers.

The quantitative technique was very simple: we considered the occurrence of a set of key words or expressions that could reasonably be considered crucial in evaluating AfT related operations. This method benefits from a clearly defined metric: the frequency with which key words are mentioned per 100 pages. It is however limited by the choice of key words and expressions.

The 48 key words and expressions selected in the study ranged from specific trade concerns to broad development topics (see Table 1). Indeed, while trade concerns are key because trade is a proven engine for growth, trade is not an end in itself. The ultimate goal of AfT is to help countries harness trade behind development and poverty reduction objectives – objectives which themselves have many dimensions, from income creation to income distribution to broader social concerns (such as gender equality or environmental sustainability).

The frequency with which words and expressions appear does not say much about their meaning or the context in which they are used. A critical complement was thus a systematic qualitative reading of a narrower set of the 42 evaluations identified as looking at the most trade-oriented operations. The idea was to look beyond the issues explicitly treated by the evaluators, to learn more about how each issue was evaluated and to assess the significance of the information provided.

What did evaluations look at?

The key – quite surprising – result was that evaluations of AfT operations do not say much about trade. “Trade” and “exports” were not among the most frequently used words, “imports” were mentioned even less often.



References to the World Trade Organization (WTO) and trade agreements were largely absent. In the majority of cases, the trade impact of AfT operations was not even addressed. Worse, in many instances, operations dealing with trade-related issues (such as supply-side constraints or transport and energy market issues) were never explicitly designed to achieve trade objectives.

“ The key – quite surprising – result was that evaluations of AfT operations do not say much about trade. ”

Conversely, the evaluations referred extensively to broad development-related concepts. Most evaluations evoked the impact of operations on poverty reduction, the environment,

Table 1: List of words and expressions used in the Meta-evaluation

Trade Component	Development Component	Procedures and Techniques
Trade	infrastructure	indicator
Export	Specific regulation	performance
Import	Regulatory framework	monitoring
Trade balance	Governance	review
Comparative advantage	Supply-side constraint	impact assessment
Gains from trade	Expenditure	cost efficiency
Trade restriction	Private sector growth	cost-benefits
Tariff	Technical assistance	short term
quota	Economic growth	long term
Subsidy	Competitiveness	discount rate
Technical barriers to trade	Efficiency	counterfactual
Sanitary/Phytosanitary standards	Effectiveness	control variables
Trade facilitation	Sustainability	difference in differences
Adjustment policies	Poverty reduction	randomization
Trade assistance	gender	
Trade-related technical assistance		
WTO		
Regional trade agreements		
Preferential trade agreements		

social and gender issues as well as private sector participation. However, they did so in loose terms. For instance, gender was either mentioned in passing or measured in units that had little relevance to a project's impact on women's economic or societal situation (e.g. the number of women participating in a seminar).

Following DAC guidelines, most evaluations assessed whether project implementation deadlines were met, whether budgets were disbursed and respected as well as whether operations were in line with government's broader objectives and strategies. However, medium- to long-term impacts were often not investigated for particularly important factors such as an operation's return on investment.

In addition, the evaluations usually did not clarify the policy linkages which matter most to policy makers. For instance, potential impacts of trade policy instruments on funded projects were not examined despite the fact that high tariffs on inputs crucial to an operation would obviously limit its effectiveness – just as high tariffs imposed on import of foreign substitutes for an operation's output could artificially increase its benefits. Nor was there an evaluation of linkages with “behind the border” measures such as regulatory reforms or private sector policies.

“ In addition, the evaluations usually did not clarify the policy linkages which matter most to policy makers. ”

How did evaluations proceed?

In most evaluations, impact assessment was solely based on the analysis of documents obtained from officials and sector stakeholders and/or on the results of field interviews. Very few evaluations relied on data collection and quantitative techniques allowing for more robust performance assessments.

Such practices are problematic. First, the use of qualitative methods was not always satisfying: it was rarely explained how the available documents were analysed and how results were derived. Second, it is difficult to assess outcomes exclusively through use of qualitative methods. Qualitative methods often leave open the problem of attribution, that is, the measurement of the part of the observed changes that results from AfT operation versus from exogenous factors. In some evaluations, economic analysis was used to predict the impact of operations, and to judge their relevance. While this approach does not address the causality problem, it does improve the quality of the *a priori* evaluation of an operation.

To be fair, all these criticisms need to be put into perspective. Failure to refer to specific trade

results can be explained, at least in part, by the absence of stated trade-related objectives in the operations' initial mandates. In most cases, little *ex ante* economic analysis of the operations had been undertaken, resulting in a lack of quantifiable definitions of objectives and of baseline data that would have made possible a comparison of the *ex ante* and *ex post* situations. Moreover, it is often difficult to assign macroeconomic outcomes and impacts to individual AfT operations given the complex array of variables influencing outcomes. Finally, chosen objectives sometimes conflict. For instance, in one evaluation, support to the agricultural sector was said to have had a positive pro-poor impact through successful targeting of poor recipients although it failed to promote growth or export diversification, raising serious questions about its sustainability.

Conclusion

The study demonstrated that, to date, in many AfT evaluations, causal links between operations and performance are not established – be performance defined in terms of trade, poverty reduction or intermediate objectives. Consequently, their conclusions give little insight into whether AfT works and why.

The study also showed that there were few clear links between donors and the issues assessed or the methods used. In other words, there were few systematic “leaders” in terms of evaluations of a given topic for a given country and/or sector. This suggests that a broader sample of evaluations would not have produced substantially different results.

In a time of harsh budgetary constraints, continued increases in AfT contributions require a better understanding of what works and how. One option to achieve this understanding is to use sophisticated techniques that enable thorough evaluations of the impacts of operations. Such projects are currently being undertaken, notably by researchers of the World Bank. Yet, as such techniques are expensive and time consuming; they can be used only for a carefully chosen subset of AfT operations. Hence, there is also a need to identify simple guidelines that would already improve substantially evaluations, while requiring minimal time, skills and financial resources. The meta-evaluation study suggests that every operation should include an *ex ante* assessment of the situation defining quantifiable objectives and providing the information (including data) necessary to measure whether objectives were met *ex post*. In this context, it recommends that evaluators should answer systematically a thorough sequence of questions that would provide a framework for assessing operations' impact in a more thorough way.⁴

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Notes

- 1 Delpuech Claire, Marie-Agnès Jouanjean, Alexandre Le Vernoy, Patrick Messerlin and Thomas Orliac (2011) “Aid for Trade: A Meta-evaluation”. The study can be found on the [OECD website](#) and on the [GEM website](#).
- 2 Ghana was selected because it is one of the largest recipients of aid for trade in Africa and has seen its trade expand significantly since 2002. Vietnam was selected because it has served as a model of trade opening for a number of countries; it has enthusiastically embraced the AfT agenda; it has successfully achieved export-led growth; and it became a WTO member fairly recently, in 2007. The transport and storage sectors were selected because they have received significant amounts of AfT and have therefore been subject to a large number of relevant programme and project evaluations.
- 3 The DAC (Development Assistance Committee of the OECD) Evaluation Resource Centre (DEReC) can be accessed [here](#)
- 4 This set of questions could for instance be based on the evaluation guidelines of the Australian Office of Best Practice Regulation that identify a series of steps in the realisation of the impact assessment.

Where Aid for Trade is failing and why: the example of Malawi

Jonathan Said

In 2005 the World Trade Organisation launched the Aid for Trade (AfT) concept in a bid to strengthen the participation of developing countries in the multilateral trading system. AfT is proving to be an effective tool for countries that have recognized the potential of AfT for development and that have internalised trade in their national development plans. Such countries include Cambodia, Vietnam, Rwanda and Ghana.

However it is also proving to be ineffective in countries that have failed to reconcile the trade and development spheres. What should be the response of the trade and development communities in such countries?



Many trade officials, international trade organisations, donors and academics would argue that it is those countries' responsibility to step up to the challenge of reconciling trade with their development efforts. While this is true, many of those engaged in trade promotion and AfT avoid looking at the underlying reasons for why developing countries do not mainstream trade in their development strategy. The problem with this approach is that it can be counter-productive in those developing countries that do not have the human and institutional capacity to mainstream trade in their development strategy. It carries significant risks, both for the development of such countries and also for the effectiveness of AfT. This is because the principle of additionality – one of the core principles on which AfT is based – means that aid is provided to such countries irrespective of their ability to absorb it. What tends to transpire on the ground is that it is not invested in local productive capacity, leading to a distortion of markets, aid dependency, greater income inequality and a lower likelihood that such countries will be able to effectively participate in the global trading system.

“ AfT has proved to be largely ineffective in Malawi because it has had limited success in developing the local human and institutional capacity required to enable trade. ”

The case of Malawi: Why has AfT has not delivered on its promises so far?

AfT has proved to be largely ineffective in Malawi because it has had limited success in developing the local human and institutional capacity required to enable trade. A key contributor to this has been a failure by trade promoters and the donor community to identify where Malawi stands on its development curve. AfT solutions have tended to assume that Malawi is on the same point on its development curve as Cambodia, Vietnam, Ghana or Rwanda. Yet Malawi simply does not have the scale of human capacity that is required to ensure a pro-

poor business environment. It lacks the capacity to ensure businesses have affordable access to finance, business development services, inputs, information, markets, labour and technology. It does not have the capacity to provide education services to its rapidly growing population on a necessary scale to allow the majority of its labour force to effectively participate in Malawi's effort to generate value added. The human capacity required to ensure that civil society and government are able to support an institutional and regulatory framework that a pro-poor business enabling environment requires is inadequate. The core problem is that civil society, government and the development community have not adequately recognised the role that private sector development and trade play in their poverty reduction objectives.

A failure to recognise where Malawi stands on its development curve has led to the sub-optimal design of trade-related projects. Despite large AfT flows aimed at addressing areas such as trade promotion and development, projects in this area tend to be piecemeal and fairly uncoordinated while pursuing short term rather than long term goals. Since trade and private sector development is not central to the government's development efforts, such projects are not working within a locally-owned framework that seeks to address all elements of the bigger picture. Instead AfT pursues relatively short-term goals such as road construction or the reduction of the time it takes to obtain trade licenses, at the expense of investment in the institutional capacity of the road and license authorities. Another example is the provision by donors of financing and business development services directly to exporters and potential exporters. Such activities tend to mitigate appropriate, comprehensive and targeted efforts to enable Malawian stakeholders to develop Malawi's financial and business development service sectors by addressing issues such as weak contract law, lack of adequate information on credit history and the conduct of unfair business practices that constrain fair competition.

As a result, although many projects that seek to promote or develop trade tend to meet project targets, there has been a limited overall impact of AfT, notably on Malawi's ability to export. Malawi's trade in goods deficit as a percentage of GDP rose from seven per cent in 2001 to 21 per cent in 2010. The outcome has been aid-dependent growth with little prospect for long-term sustainability. Trade and private sector development remain off the government's

agenda. The government argues that Malawi's exporters do not have the capacity to compete in regional and global markets, and therefore its efforts to reduce or alleviate poverty must be based on the development of Malawi's own productive systems without sufficient market exposure.

“ A failure to recognise where Malawi stands on its development curve has led to the sub-optimal design of trade-related projects. ”

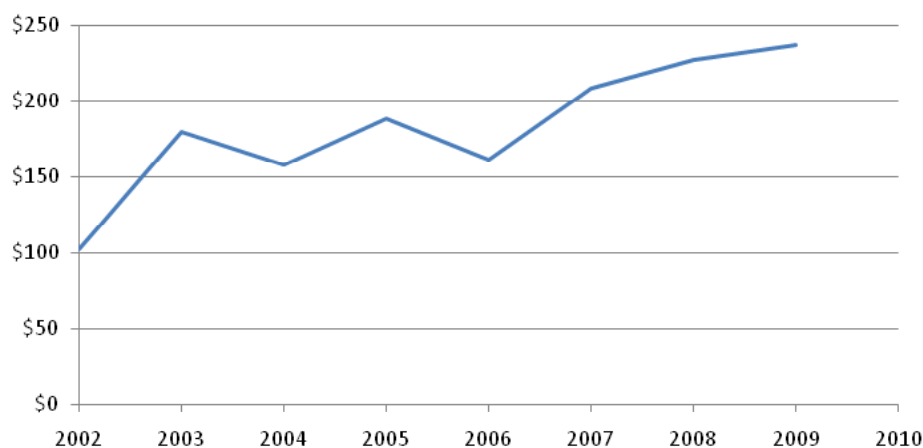
Which are the areas of AfT success in Malawi?

Fortunately since 2010, Malawi has recognised that it cannot merely focus on poverty reduction and development through increasing production without market linkages. It has acknowledged the importance of a more comprehensive approach to addressing development constraints and has launched a number of sector-wide approaches in areas such as agriculture, health, transport and education. For example in 2010 it launched the Agriculture Sector Wide Approach that is seeking to market Malawi's agriculture sector that has so far been focused on production without sufficient market linkages. In the transport sector, donor prioritisation and government ownership were essential success factors to improving Malawi's infrastructure.

Key recommendation: The necessity to reconcile trade and development thinking and efforts

The AfT initiative is interesting as it brings together two strands of thinking that bear a subtle, but essential difference. On the one hand, there is private sector thinking. This is bottom-line driven, encapsulated in businesses and trade officials in both developing and developed countries. What matters is the best deal that can be obtained for one's own businesses – or country – while taking the regulatory and business environment as a given. The trade community tends to see little benefit in engaging with governments to improve the

AfT in Malawi over time, US\$ million current prices



Source: OECD Creditor Reporting System

business environment, because its attempts so far have borne little fruit.

On the other hand, there is the development thinking within the government, local civil society and the donor community. Their approach to trade is that it must be beneficial to a country's efforts to develop and to reduce or alleviate poverty. However, all too often the thinking in key policy circles in developing countries is that if the participation to the multilateral trading system is not beneficial in the short-term, it is better not to expose the economy to it. Following this reasoning, issues such as crisis management, food security and health become a much higher priority in the policy agenda.

“ Partner country ownership has emerged as a vital factor in achieving AfT effectiveness but on the ground the reality differs since trade and private sector development continues to be misaligned with Malawi's development agenda. ”

Partner country ownership has emerged as a vital factor in achieving AfT effectiveness but on the ground the reality differs since trade and private sector development continues to be misaligned with Malawi's development agenda. Europe and Asia did not attain their current capacity to participate in the multilateral trading system in five or ten years. Asia had a high level of human capacity prior to the recent rapid rate of development. It was this

human capacity that enabled the strength of the institutions that generated the leadership and drive for development. Trade was a key part of that development plan. The key enabling factor was a sufficient level of human capacity that recognised the importance of trade and private sector development to the main national goals, including poverty reduction and the improvement of standards of living.

Therefore if traders, trade officials and international trade organisations are to meet their objectives in Malawi, and in many other countries across Africa, they have to incorporate economic development thinking into their thought process by viewing trade as a subset of private sector development, and viewing human capacity and institutional development as essential for private sector development. It can then drive local stakeholders and the development community, including the International Monetary Fund, to induce trade and private sector development thinking into their poverty reduction and crisis management thinking. In this way AfT can become effective in countries that currently lack the capacity to transform their own economy by ensuring that civil society, governments, the private sector and the development community have a better understanding of what private sector and trade development requires.

What specific approach should AfT take in countries such as Malawi and why?

In order to boost AfT in Malawi, it must:

- identify where Malawi stands in its development curve and then comprehensively target the development of human capacity that can make its own case for private sector development and trade;
- support programmes that assist Malawi in assuming its development responsibility and set human capacity development as the primary goal of AfT;
- make the case about the importance of trade for economic development;
- facilitate the development of the capacity of

local stakeholders to ensure that the number of people participating in business' efforts to generate value added is maximized;

- not be too hasty in attempting to meet short-term goals and instead focus on long-term goals; and
- mainstream trade into development priorities so that the trade and development communities can work towards a common agenda.

“ It is local stakeholders that are responsible for the enabling environment within which economic development must take place. ”

Conclusion

It is ultimately local stakeholders that need to recognise that businesses are best placed to generate the value added that is required to meet their poverty reduction objectives. Trade is a key instrument, as well as private sector development, in the policy toolbox to help achieve this goal. It is local stakeholders that are responsible for the enabling environment within which economic development must take place. As happened in all other continents, Malawi's ability to participate in the multilateral trading system will be attained once it finds a development model that works. In order to facilitate this process, AfT needs to address Malawi's capacity to find that development model.

Author

Jonathan Said is senior economist at Imani Development in Malawi.

Imani Development is a group of private, employee-owned economic and development consultancy firms, offering a range of services directed towards policy makers as well as the industrial, agricultural and commercial sectors and development agencies.

Aid for Trade : Success stories and lessons

Simon Itaye

Trade liberalisation, in the context of the multilateral trading system (MTS) and regional integration processes, such as for instance, the Common Market for Eastern and Southern Africa (COMESA), the Southern African Development Community (SADC), the East African Community (EAC), have provided African, Caribbean and Pacific (ACP) countries with many market access opportunities. However because of supply-side constraints including the lack of necessary infrastructure (roads, ports, telecommunication facilities...) and insufficient trade facilitation institutions, many Least Developed Countries (LDCs) have been unable to take advantage of these market access opportunities. The lack of knowledge by private sector and other stakeholders about these potential opportunities and how to access them have also affected the level of participation of LDCs in the MTS. Trade, which is yet often considered an engine of growth, has therefore not been fully used to spur economic growth in some of these countries.

Despite the Aid for Trade initiative launched in 2005 to help LDCs to effectively take part in international trade, LDCs participation in the MTS still remain very low because of many challenges faced by the private sector in these countries. In Malawi, for example AfT is not helping to build the institutional capacity that the government, civil society and the private sector require to plan their respective development roles and boost Malawi's ability to export.¹ The lack of awareness about AfT projects by many stakeholders including the private sector and bureaucratic tendencies by donors especially on disbursements hinders the effectiveness of AfT.

Success Stories

Because many countries have not fully benefited from market access opportunities available through the MTS due to their inability to produce and export efficiently, AfT is necessary in the developing agenda of many LDCs. Many African countries have benefited from the AfT initiatives and have as a result been able to access international markets.

The UK Mission to the UN has cited several examples of the UK AfT best practices that deliver real results for developing countries including the launch of the African Free Trade Area initiative in which the UK is investing in transport infrastructure with one stop border posts along major transport corridors in East Africa. A one stop border post at Chirundu, Zambia and Zimbabwe resulted in 66 percent waiting time reduction and a 600,000 USD savings to local trucking firms is also an example of the impact that AfT has on the development of a country.

In Malawi, an aid assistance of 18.7 million USD from the International Development Agency, the World Bank and the EU was provided in the form of the Business Environment Strengthening Technical Assistance Project (BESTAP) in support of the World Bank Country Assistance Strategy. It is also given as one of the success story of AfT. This project started in 2007 and will continue until 2012 with the aim of improving the business climate in the country. It is reported as having



assisted in the review and drafting of thirty-two business related laws out of which seven have already been passed into law. Through the project, the commercial division of the High Court was established whose outcome has been the reduction of commercial dispute settlement time from 200 days to 98 within two years. As part of the project a Public-Private Dialogue (PPD) – a high level consultative forum involving the Government and private sector – was also established in 2008.

AfT positive impacts on exports: the case of Rwanda and Malawi

AfT, has in some countries been used to boost export marketing efforts either through direct investment in a particular sector or through investments in capacity building in regulatory frameworks and in institutions directly involved with exports. Since coffee is a key export crop for Rwanda, the country developed in 2003 a very aggressive strategy to increase total export of coffee and develop the industry into the high quality end of the coffee market. To achieve this, the country required an investment of 69 million USD out of which 25.75 million USD came from donors and NGOs and 23 million USD from the private sector. Through donor-funded activities, coffee producers in the country were able to develop buyer-seller relationships and also the project assisted in raising the quality of local coffee. Regulatory reforms implemented through the project have also allowed individual Rwandan cooperatives and the private sector involved in coffee production to negotiate directly with speciality coffee roasters in the US and Europe, thereby enabling sellers to offer their coffee at prices that are twice international market prices².

In Malawi, the National Working Group on Trade Policy, a trade consultative forum involving the

public sector, private sector, the academia and the civil society were able to organise a Malawian TradeConnection event in Edinburgh in 2007. The event which was part of a three-year Scotland-Malawi Trade Partnership (SMTP) project was funded by the Scottish Government and was meant to showcase the best of a diversity of Malawian products already introduced and available in the Scottish market. A number of deals for Malawian products were agreed as a result of the event. The SMTP project which is managed by Imani Development is helping in the building of export capacity in Malawi and is also facilitating exports to Europe in general and in particular to Scotland. As a follow up to the Edinburgh trade event, an Exporters Association of Malawi was established and has been very active in the consolidation of exports for small and medium enterprises that do not have the capacity to export on their own.

Private sector participation

Trade is a powerful engine for economic growth and poverty reduction and to realise this potential, all stakeholders and in particular the private sector must be fully involved in all development impact of AfT. The private sector which is key in spurring development in LDCs constitutes not only enterprises of various sizes but also Business Membership Organisations (BMO) such as Chambers of Commerce and other trade associations and organisations. The private sector is a prominent stakeholder in AfT since it is not only a major beneficiary of trade-related technical assistance but it is also a key agent in making any AfT effective. BMOs such as chambers of commerce are intermediary institutions between the public and private sector which are formed through collective private sector actions. These organisations offer a wide range of advocacy and

advisory services to their members and in most cases contribute to the lowering of transaction costs of trade. Because of the importance that private sector plays in an economy, BMOs have the potential to contribute to AfT initiatives by acting as a link between the private sector and AfT implementation units or organisations to support the implementation of AfT initiative.

“The private sector is a prominent stakeholder in AfT since it is not only a major beneficiary of trade-related technical assistance but it is also a key agent in making any AfT effective.”

With aid from the Danish Government, a BMO network project for ten countries comprising Kenya, Tanzania, Uganda, Rwanda, Burundi, South Africa, Zambia, Botswana, Mozambique and Zimbabwe was formed in 2008. This network project, which is coordinated by the Confederation of Danish Industry in association with the Kenya Association of Manufacturers, aims at developing and advancing common advocacy for business in the Eastern and Southern African (ESA) region. It acts as a platform for knowledge sharing and learning from best practices and the group is also used to develop and promote common policy positions for domestic and regional integration issues. Similar groups have been formed in some other African countries to advance a common good for different countries. The African Trade Insurance Agency (ATIA) which was founded in 2001 by African countries with financial and technical support from the World Bank Group through a COMESA initiative is another successful case study of private sector participation in AfT.

“[...] there are a number of factors that inhibit private sector participation in the AfT agenda.”

Although there are many successful Trade Related Technical Assistance case studies, there are a number of factors that inhibit private sector participation in the AfT agenda. In many countries, donor initiatives do not focus on actual productivity improvements or on exports but in most cases, donor aid is directed towards capacity building mainly in government and trade

facilitation institutions. Ownership of such AfT projects is therefore limited to the government and not necessary to the private sector which is the locus of production, trade and development. Moreover in countries like Malawi the enabling environment still remain very hostile with core issues that affect investments and business not being urgently addressed.

Making AfT effective

The WTO and the OECD have been tasked with monitoring AfT and the International Centre for Trade and Sustainable Development (ICTSD) has been conducting AfT assessments in a number of developing countries.

According to UNECA, based on 114 AfT case studies that the organisation reviewed, there are some common factors that may affect the success or failure of AfT implementation. Some of the success factors include wide stakeholder participation and involvement, ownership of the initiative by beneficiary country and the establishment of networks and partnerships among private and public actors. Factors that have been included as impeding successful implementation of AfT are notably the absence of institutions or weak institution set up, burdensome bureaucratic procedures especially those relating to funds disbursement, insufficient resources and or absorption capacities and lack of qualified or high turnover human capital.

“Ownership of such AfT projects is therefore limited to the government and not necessary to the private sector which is the locus of production, trade and development.”

From the above factors it is clear that the success of any AfT initiative depends on the coordination between different stakeholders but in particular donors and the recipient countries. Another important aspect of AfT is the foreseeable sustainability of the AfT initiative. If proper sustainable systems and mechanisms are not put in place, AfT projects could end up as isolated events instead of well-coordinated projects that are meant to assist a country in market access opportunities and overall economic development. A Joint Integrated Technical Assistance Programme (JITAP) which was a capacity building and strengthening programme meant to assist eight African countries integrate into the MTS through trade negotiations, implementation of WTO agreements and related trade policy formulation although successful in its implementation in Malawi did not attain its desired results. The project did not consider sustainable issues at the time of its implementation and as such almost all

Reference Centres and National Enquiry Points on TBT, SPS and TRIPS that were established during the programme's four year period from 2003 are no longer fully operational due to budgetary constraints.

Conclusion

AfT is an effective tool in helping developing countries particularly LDCs to fully benefit from trade liberalisation and WTO agreements. Success stories have been cited in both African and other countries which indicate that the AfT initiative is assisting some countries to fully participate and take advantage of market access opportunities available through MTS. AfT effectiveness is however dependent on many variables including the ownership of the initiative by all stakeholders and ensuring that projects implemented as part of the initiative are sustainable after their initial donor funded periods.

Author

Simon Itaye is the Managing Director of a large international packaging company. He has had to lobby government often for his own industry so has been on the receiving end as well as the policy end of trade.

Notes

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- 2 Newfarmer(ed). 2006. Trade, [Doha and Development a Window into Issues](#). THE WORLD BANK Trade Department Poverty Reduction and Economic Management Vice-Presidency Washington D.C.

WTO Round Up

WTO Public Forum discussed the future of multilateral trading system

Representatives from civil society, academia, business, government, and the media flocked to the WTO's Geneva headquarters this week for discussions centred on the future of the multilateral trading system. Talks at the 19-21 September meetings were organised around this year's Public Forum theme, "seeking answers to global trade challenges."

The events, which drew 1500 registered participants, were divided into four sub-themes: food security, made-in-the-world and value added trade, trade in natural resources, and the future of the multilateral trading system. The various panels covered a broad spectrum of issues, ranging from access to medicines to the implications of the Arab Spring on the trade world to lessons learned from preferential trading agreements.

The struggles facing the Doha Round of trade talks - and the potential implications of the current impasse for the WTO as a whole - were not lost on either the audience or the panelists, especially in light of the uncertainty caused by the global financial crisis. Nonetheless, participants largely remained upbeat and focused on a multiplicity of issues facing the WTO and the system more broadly.

WTO Director-General Pascal Lamy, in a one-on-one interview at the forum with Zeinab Badawi, presenter of the BBC's *World News Today*, rebuffed notions that the Doha Round was dead. "It's not an animal. International negotiations are in a category where the notion of life and death is a bit different, which is why the analogy with a living organism may be misleading."

Lamy also addressed some of the concerns about the growing proliferation of preferential trade agreements, and whether these could cause harm to the multilateral trading system. "I don't think we can afford a fragmentation of world trade through bilateral regulatory approaches," he told Badawi, alluding to the fear that "deeper" preferential trading agreements - those that go beyond border measures - could create a "spaghetti bowl" effect of overlapping regulatory regimes.

Preferential trade agreements, featured in various panels throughout the three-day gathering, whether with regards to intellectual property rights provisions, regulatory coherence, or stumbling blocks for a proposed trans-Pacific agreement.

Against a backdrop of an ailing global economy, a deadlocked Doha trade deal, and high and volatile global food prices, the relationship between farm trade and food security was a recurring theme at this year's Public Forum.

"Made in the world is the world today," Lamy told the audience at the inaugural session, underscoring the growth in global value chains in recent years. The implications of this shift featured in a variety of sessions, touching on issues such as rules of origin, the impact of the growing proliferation of bilateral agreements,

and even the connection of global value chains with climate change.

Various discussions at the forum also touched on the need to move past market access concerns in order to counter the adverse effects of climate change. Intellectual property rights also surfaced in several of the event discussions, particularly with regards to innovation and access to medicines, along with creating debate on whether stronger intellectual property rights were related to increased or decreased growth in high and low income countries.

More information

Further details on the Public Forum are available [here](#)

G-20 proposal seeks to prevent extreme hunger in West Africa

A leaked proposal on a regional system of reserves, which was prepared by the UN World Food Programme (WFP) for the Group of 20 leading economies, has laid out how the Economic Community Of West African States (ECOWAS) could react to prevent the worst cases of hunger. Finance and development co-operation ministers from the G-20 economies discussed the document this past week on the margins of the World Bank and International Monetary Fund (IMF) Annual Meetings in Washington.

The proposed reserves would be strategically planted in four locations - Burkina Faso, Ghana, Mali, and Senegal - with a mix of inland and sea port placement. The system could supply ECOWAS with physical reserves for 30 days, or 67,000 metric tons of grains, and would be supplemented with an additional 60 days of virtual reserves for a 90 day total. The WFP estimates an initial US\$44 million in setup costs and US\$16 million per year in upkeep.

An NGO source close to the talks in Washington told Bridges that it seems unclear how supportive ministers actually were of the proposal.

The proposal emerges from a tussle between those arguing for an expansive food reserves system that stabilises prices and those in favour of a small and targeted system used only for humanitarian ends with a minimal impact on markets. Calling the proposal a "remarkable tour de force," Stuart Clark of the Canadian Foodgrains Bank told Bridges that there was "pressure on designers to keep the reserve as small as possible."

Funding for the reserves system will be a critical issue. Neither the G-20 ministerial declarations nor the WFP proposal explain how or where the resources required will be gathered. Clark of the Canadian Foodgrains Bank noted that US\$33 million out of the US\$44 million setup cost was for food commodities and speculated that G-20 member food aid programmes, such as the American USPL 480 or others, would be able to contribute in kind or financially.

ECOWAS will be bringing together experts on reserves in Dakar, Senegal next week to discuss

the technical details of the already extensive proposal.

See full article [here](#)

Panel Rules US 'Dolphin Safe' Label Too Trade Restrictive

The US' "dolphin safe" labeling practice for tuna products have been deemed WTO illegal, according to a ruling issued on Thursday 8 September. The panel ruled that the label - which is meant to inform consumers on the use of dolphin-friendly fishing practices - was unnecessarily trade restrictive. However, the three-member panel disagreed with the complainant Mexico that the label also discriminated against Mexican tuna on the basis of nationality.

At the core of the dispute is the US policy of disallowing "dolphin-safe" labels on tuna caught in the eastern Pacific Ocean with "purse-seine" nets - encircling nets which can frequently ensnare unwanted marine life such as dolphins in addition to those targeted - which are used by Mexican fisheries.

Mexico claimed that the labeling practice has the effect of blocking Mexican tuna from the US market. Washington, in turn, has rejected the claim, stating that its labeling rules do not discriminate against Mexican products, as the label is available to all tuna products independent of their origin.

Mexico City also argued that the label was unnecessarily trade restrictive and that the US failed to comply with relevant international agreements.

See more information [here](#)

EPA UPDATE

Melissa Julian and Melissa Dalleau

EPA Negotiations: The honeymoon is over...

The European Commission finally announced on 30 September 2011 that countries that have concluded an Economic Partnership Agreement (EPA) but not taken the necessary steps to ratify and implement it would no longer benefit from the EPA market access to Europe as from 1st January 2014. It concerns 18 island countries from the 36 ACP countries, which will have to sign and start implementing their existing EPA or conclude a new regional EPA. If not, either they will fall under one of the schemes of the new GSP or they will have no preferences (as might be the case for Botswana and Namibia). This comes as no surprise. Putting a deadline could open the way for a new impetus to the current negotiations towards the conclusion of regional EPAs. But it could well turn out to be a guillotine if no flexibility is provided to advance the negotiations. Expect a bumpy ride in the coming months...

Read full article by I.Ramdoo and S.Bilal [here](#) and the main features of the proposal [here](#).

EAC and EC plan way forward in negotiations

Senior officials and permanent secretaries of the East African Community (EAC) and of the European Commission (EC) met in Zanzibar on 15 September 2011 to discuss the outcomes of the 9th EAC-EC EPA negotiations session held from 12 to 14 September. The parties agreed on a joint roadmap to guide the negotiations up to December 2011.¹

With regard to the provisions on development cooperation, parties agreed to use the 2008 joint Economic and Development Cooperation text as a basis of negotiation and revise it and scheduled a joint EAC-EC technical meeting in mid-November to discuss the development matrix that the EAC agreed to submit by the end of October.

Other joint EAC-EU expert intersession meetings should also be held in November. One meeting will focus on the agriculture text that was submitted by the EAC to the EU over the summer 2011; another will be on the revised draft protocol on the rules of origins, including cumulation provisions, that was submitted by the EC in July 2011. The EAC also agreed to submit a draft text on dispute settlement and institutional arrangement by the end of October.

All these issues (development cooperation, rules of origins, agriculture and dispute settlement) shall be discussed at the next joint technical and senior level negotiating session in December in Brussels, as well as outstanding issues such as the MFN clause, export taxes, environment and sustainable development questions.

EU Trade Commissioner intervenes to advance SADC EPA negotiations

South African leaders and the EU Trade Commissioner met in Kruger National Park on

15 September to review the state of play of the EU-SADC (Southern African Development Community) EPA negotiations.²

Ahead of the summit, the EU Trade Commissioner, Karel De Gucht, met with South African Trade Minister Rob Davies to discuss the EU-SADC EPA negotiations. Prior to that, De Gucht met Namibian President Hifikepunye Pohamba and key ministers, as well as Namibian business representatives and civil society, in Windhoek to discuss Namibia's concerns with regard to the EPAs.³ "We have taken stock of the EPA negotiations and cleared up some important misunderstandings that could have been a hindrance to signing," said De Gucht. De Gucht was also reportedly confident that outstanding issues, such as preferential access for Namibia's fisheries products that are sourced beyond the internationally accepted 12 nautical mile territorial zone and the ambivalent status of its canning industry, could be solved. Namibia's Minister of Fisheries, Bernhardt Esau, agrees, "There is an understanding that we can resolve the remaining issues as soon as possible."

Southern African Development Community (SADC) EPA Group technical and senior officials met from 31 August to 3 September in Johannesburg to prepare the next technical level EPA negotiating session. SADC officials discussed market access issues such as the administration of cumulation, products to be excluded from diagonal cumulation in the EU, the fishery issues of Namibia, SACU – EU Tariff negotiations and products excluded from standstill. There were also discussions on unresolved issues as well as trade related issues.

Senior Officials agreed to delay the engagement of the SADC EPA Trade Ministers until after negotiations with the EU.

Pacific Leaders give EPA top priority

Pacific ACP leaders meeting in Auckland on 6 September called for continued all-regional negotiations on a comprehensive EPA with the EU and endorsed the revised EPA roadmap establishing the EPA negotiations as top priority for the region in 2012.⁴ Lead Pacific EPA spokesperson, Tongan Trade Minister Lisiate 'Akolo reported that the region has made substantial progress in finalising a regional position on the draft Pacific ACP-EU EPA text as well as finalising market access offers for eight Pacific ACP States (Cook Islands, Federated States of Micronesia, Nauru, Niue, Palau, Samoa, Tonga, and Vanuatu) – market access offers that remain conditional on the resolution of the contentious issues such as the global sourcing rules of origin for fresh and frozen fish.⁵

Pacific ACP leaders called for an independent regional body, other than the Pacific Islands Forum Secretariat (the capacity of which they criticise), to assist Pacific ACP States in their EPA negotiations with the EU and other related

work. They also endorsed the convening of an Eminent Persons Group to discuss the issue of the management of Pacific ACP issues. The PIFS will remain in charge of EPA negotiations during the deliberations of the Eminent Persons.

The head of the Pacific's Office of the Chief Trade Advisor, Chris Noonan, resigned immediately prior to the Pacific ACP leaders meeting, citing personal reasons.⁶ The OCTA provides independent advice and technical support to Forum Island Countries in the PACER Plus negotiations with Australia and New Zealand. It is no secret however that he has struggled to ensure the independence of this office. There have been calls from Pacific ACP leaders to extend OCTA's mandate to EPAs.

No information on Central Africa and West Africa

TNI is not able to confirm that the Central African regional consultations scheduled in September were held, nor is it able to confirm that the ECOWAS Ministerial Monitoring Committee on EPAs scheduled in September took place.

ESA EPA meetings postponed

The EU-ESA (Eastern and Southern Africa) meetings tentatively scheduled from 26-30 September have been postponed.

Authors

Melissa Julian is ECDDPM Knowledge Management Officer. Melissa Dalleau is Jr. Policy Officer, Economic and Trade Cooperation Programme.

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- 3 Namibia: Nation Wants to Conclude Talks and Sign Economic Partnership Agreements, *allafrica.com*, 15 September 2011, <http://allafrica.com/stories/201109151582.html>
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- 6 Pacific's Chief Trade Advisor resigns, *bilaterals.org*. 2 September 2011, <http://www.bilaterals.org/spip.php?article20195>

Advertisement

Vacancy: Chief Trade Adviser - Office of the Chief Trade Adviser

The Office of the Chief Trade Adviser (OCTA) provides independent advice and support to the Pacific Forum Island Countries (FICs) in PACER Plus negotiations with Australia and New Zealand. It is based in Port Vila, Vanuatu.

The OCTA is seeking to appoint a suitably qualified and experienced **Chief Trade Adviser** (CTA). The CTA will be reporting to the OCTA Governing Board.

The CTA will be accountable for the overall management, operation, performance and leadership of the OCTA; providing timely, high quality analytical advice in areas relevant to PACER Plus activities and negotiations and other areas as instructed by the FICs; representation of the FICs as directed; building the capacity and facilitating capacity building in the FICs; assisting the FICs in the negotiation process; organising and facilitating the meetings of the FICs and the Governing Board; and coordinating and promoting cooperation among the FICs, and with other relevant stakeholders.

Applicants should have an advanced university degree with substantial relevant experience in negotiating trade agreements at a technical level, detailed knowledge of regional trade relations between developed and developing countries and relevant WTO agreements. Extensive knowledge of and / or experience in the Pacific Region is expected.

Previous managerial experience in leading an organisation and/or a team of professionals, and experience in public communication and dealing with the media will be beneficial. Experiences in advising governments at the senior level, in supporting or being part of developing countries' delegations in trade negotiations are highly desirable. Extensive experience in policy analysis and report writing will be positively considered. Strong leadership, managerial, communication and team skills will be expected.

The position will carry a competitive remuneration package. Applicants should be willing to travel economy class. More detailed job description can be requested from Ms Loreen Alangwele, Administration Manager, at info@octapic.org or tel: (+678) 25003.

Visit <http://www.octapic.org/about-us/working-us/> for more information.

Applications should be addressed to the Office of the Chief Trade Adviser, Independence Park, P.O. Box 561, Port Vila, Vanuatu and emailed to info@octapic.org clearly indicating '**Chief Trade Adviser Application**' in the subject matter. Applications should be received by close of business on **Friday 18 October 2011 (extended)**.

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Trade Negotiations Insights

Calendar and resources

ACP-EU Events

	October	29 – 1	4th High Level Forum on aid effectiveness, Busan, Korea
17-20	Meeting of the heads of ACP Regional Economic Communities	TBC	Pacific-EU negotiating session on EPA, Brussels, Belgium
TBC	EU-SADC EPA technical and senior officials meeting (venue TBC)	TBC	Joint EAC-EC technical meeting to discuss the EAC Development Matrix
TBC	AU-EU Ministerial Meeting, Brussels, Belgium	TBC	EAC Summit of Heads of State
TBC	West Africa meeting of the sub-group on Rules of Origins (venue TBC)		December
TBC	ESA EPA group a Council meeting, Malawi	15-16	European Development Days, Warsaw, Poland
	November	TBC	ACP-EU EPA Joint Ministerial Trade Committee meeting, Brussels, Belgium
3-4	G20 Summit, Cannes, France	TBC	Joint EU-EAC technical and senior negotiations, Brussels, Belgium
7-11	West Africa technical level meeting on EPA (venue TBC)		
21-23	22nd session of the ACP-EU Joint Parliamentary Assembly, Freetown, Sierra Leone		

WTO Events

	October	19 + 21	Trade Policy Review Body - Zimbabwe
21	Working Group on Standards and Trade Development Facility		
24	Committee on Anti-Dumping Practices		
25	Council for Trade-Related Aspects of Intellectual Property Rights		
25	Dispute Settlement Body		
26 -27	General Council		
27	Committee on Rules of Origin Fax		

Resources

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