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Aid for Trade: Chronicle of a WTO Attempt at Coherence

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Abstract

Developing countries requests for technical and financial assistance in the Doha Round negotiations prompted the WTO to collaborate with donors and development agencies. This led to the Aid for Trade Initiative. However, no attempt at increasing coherence between trade policy, aid policy, and development policy has been made. The main reason is that, while the WTO Secretariat had to collaborate with other institutions, it is not institutionally in a position to lead or influence the Initiative. His role is largely limited to calling for more financial resources but aid for trade is delivered on donor's terms in the same way than any other form of aid. The stalled Doha Round negotiations made matters worse as not only the Initiative was headless but it lost its initial core purpose of supporting the implementation of a Doha Round agreement. As a result, the Initiative as grown increasingly de-linked from the Doha Round and, short of a multilateral agreement, support to trade capacity building and trade reforms is slipping off donors' priorities list. In its current Aid for Trade Work Programme the WTO implicitly acknowledges this reality. It does not call to increase coherence in policy making or in aid delivery but merely asks donors to consider the trade dimension of their emerging new priorities.

Aid for Trade: Chronicle of a WTO Attempt at Coherence

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Collaboration with the Bretton Woods Institutions "with a view to achieving greater coherence in global economic policy-making" ("Coherence") is one of the five formal functions of the WTO.[2] Coherence is not easy. It often involves high transaction costs for little results (Winters, 2007). The Aid for Trade Initiative is a high-profile attempt at coherence between trade policy, aid policy, and development policy.

This paper provides a chronicle of the Aid for Trade Initiative in order to discuss how coherence has been understood, implemented, and has evolved. It starts by showing that the experience with the Uruguay Round pushed developing countries to request that promises of technical and financial assistance to implement a multilateral agreement become more than lip-service. The second Section argues that the WTO could not ignore these requests but could not answer them. Therefore, the WTO had to collaborate with other organization and agencies leading to the Aid for Trade Initiative. The third Section turns to the coherence challenge of implementing the Initiative. It discusses the choice made in shaping the Initiative, their implications, and the impact of stalled Doha Round negotiations on the evolution of aid for trade. The last section argues that while the WTO titled its Aid for Trade Work Programme 2012-13 "deepening coherence," it in fact implicitly acknowledges that little coherence in policy making has been achieved and limits itself at calling donors to consider the trade dimension of their new priorities.

I. The legacy: when the Uruguay Round haunts the Doha Round

Traditionally, developing countries have been suspicious about the contribution of trade to development. This suspicion was at the root of the opt-out strategy they followed in the GATT Rounds. However, in the Doha Round, developing countries are more active in the negotiations than in previous Rounds for two main reasons.

First, when the Doha Round negotiations started, trade was increasingly appearing as a possible engine of growth and poverty reduction. The success of small export-oriented East Asian countries was followed by the success of countries like China.

[1] I would like to thank Patrick Messerlin for suggesting this paper and for his comments on a previous version.

[2] Article III(5) of the Agreement establishing the WTO (http://www.wto.org/english/docs_e/legal_e/04-wto_e.htm). For more details, see the "Declaration on the Contribution of the World Trade Organization to Achieving Greater Coherence in Global Economic Policymaking," http://www.wto.org/english/docs_e/legal_e/32-dchor_e.htm.

Second, the Uruguay Round had demonstrated that opting out was not anymore cost free. As long as the Rounds negotiations were limited to tariffs, the opt-out strategy had no visible cost. Thanks to the unconditional most favored nation clause, a developing country could benefit from other countries' tariff cuts even if it did not reduce its own tariffs. There were hidden costs though. Opting out from GATT rules and relying on preferential market access limited in practice developing countries' bargaining power in the negotiations but did little to foster their exports and even hampered their export diversification. As developing countries lost the capacity to negotiate tariff cuts on the goods they export, it is not surprising that the negotiated tariff cuts did not cover agriculture goods and left largely untouched the high protection on labor-intensive products such as shoes, textiles, and apparel.

When the Rounds started to cover non-manufacturing goods such as textiles and agriculture, developing countries had strong incentives to be involved in the negotiations as it was about market access for their main exports. Moreover, opting out does not mean anymore being exempted of commitments: the single undertaking in the Uruguay Round and in the Doha Round implies that developing country make legally binding commitments on issues such as sanitary and phytosanitary standards (SPS), technical barriers to trade (TBT), trade-related aspects of intellectual property rights (TRIPS), or customs valuation.[3] These commitments require substantial and costly policy and administrative reforms. The possibility that the WTO could negotiate on issues such as labor or environmental standards or the four Singapore issues (competition, investment, government procurement, and trade facilitation) further increased developing countries' interest in being active in the negotiations. It was mostly often a defensive attitude. For example, the Like minded Group, a coalition of developing countries, organized itself at the 1996 Ministerial Conference in Singapore to prevent that labor standards become part of WTO negotiations. This coalition also tried to block the launch of a new Round from 1998 to 2001 (Jones, 2010).

When the Doha Round was eventually launched, developing countries expressed concerns about the potential adjustment and implementation costs of the expected agreement. This was largely the result of their experience with the Uruguay Round and became an important element of the Doha Round negotiations.

The benefits expected from the Uruguay Round in terms of exports of agricultural goods and textiles and apparel had not materialized. The "dirty tariffication" of agriculture non-tariff barriers,[4] the special agricultural safeguard combined with other protectionist devices such as quotas and tariff escalation, large subsidies, and SPS had in effect limited their access to rich

[3] Rules on customs valuation are a good example of how things have evolved. Developing countries could opt out of the Tokyo Round code on customs valuation (and most of them did) but the Uruguay Round's agreement on customs valuation is legally binding for <u>all</u> WTO Members.

[4] As part of the Uruguay Round, some members agreed to replace their non tariff barriers on agriculture with *ad valorem* tariffs. Estimating the *ad valorem* equivalent of non tariff measures is difficult. The tariffication was usually done in a way that tariff equivalent was high and arguably has not reduced protection.

countries' markets. The phasing out of the bilateral MFA quotas that had distorted trade in textiles and apparel for decades was in practice delayed to 2005 and only a few countries were able to seize the opportunities of the liberalization. Therefore, in the Doha Round, developing countries requested support to build the trade capacity they need to turn the trade opportunities of a Doha Round agreement into trade.

In contrast, the implementation costs of the Uruguay Round agreement were visible. The Uruguay Round negotiations resulted in agreements on SPS, TRIPS, or customs valuation. These agreements were costly and difficult to implement diverting limited resources and capacities from other projects that were arguably more important for development (Finger and Schuler, 2000). As a result, most developing countries did not or could not comply with their obligations. In 2000, 90 of the 109 developing country members were in violation of SPS, TRIPS, or customs valuation agreements (Stiglitz and Charlton, 2005). This experience prompted calls for financial and technical assistance so that countries could implement both the Uruguay Round commitments and the expected Doha Round commitments.

Developing countries also requested support to mitigate the perceived adjustment costs from an agreement. Mauritius, which was expected to be significantly affected by the end of the textiles quotas and by the erosion of preferences on sugar, suggested the creation of a compensation mechanism to address the impact of preference erosion. Net food-importing developing countries expressed concerns on the impact of a price increase following the negotiated elimination of agricultural subsidies.[5]

Finally, developing countries requested that the support they ask for takes the form of *actual* assistance and not *promises* of help as in the previous Rounds. This is another legacy of the Uruguay Round. As summarized by Finger (2007), developing countries experience was that "the Uruguay Round agreements imposed bound commitments to implement, but provide only unbound promises of assistance." The Uruguay Round agreement was generous in promises. It included promises of assistance

- To enable developing countries to turn the trade opportunities of the agreement into trade: The Decision on Measures in Favor of Least-Developed Countries (LDCs), Ministers agreed that LDCs "shall be accorded substantially increased technical assistance in the development, strengthening and diversification of their production and export bases including those of services, as well as in trade promotion, to enable them to maximize the benefits from liberalized access to markets,"[6] and

[5] Although not related to implementation costs, the request by four African countries to establish a compensation fund to offset the damage caused to their cotton sector by rich countries' agricultural subsidies increased the importance of financial issues in the Doha Round.

[6] http://www.wto.org/english/docs_e/legal_e/31-dlldc_e.htm. It is noteworthy that the Decision includes assistance to strengthen and diversify the production base. This is outside the WTO mandate and will be an aid-for-trade objective.

- To implement the agreements: the agreements on TBT, [7] on the application of SPS measures,[8] on customs valuations,[9] and on TRIPS[10] have all articles indicating that developing countries *should* receive assistance. Finally, regarding adjustment costs, the Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries, Ministers agreed "to give full consideration in the context of their aid programmes to requests for the provision of technical and financial assistance to least-developed and net food-importing developing countries to improve their agricultural productivity and infrastructure."[11]

Because they were they were unfunded, non-binding, and non-enforceable, these promises were, however, soon forgotten.

In sum, developing countries requests for financial and technical assistance in the Doha Round are both a legacy of the Uruguay Round and the result of the expansion of the WTO to behind-the-border issues. The novelty is that developing countries make forceful requests that the promises for technical assistance are more than lip-service.

II. Promoting the coherence between aid, trade, and development: too much for the WTO Secretariat alone

Progress in complicated multilateral negotiations may increasingly require a more active market in side-payments (foreign aid or other non-trade related items) in order to avoid "hold-up" problems and facilitate a broad-based consensus
(Kent Jones, 2010)

Developing countries requests for assistance could not be ignored in the Doha Round negotiations for three main reasons. First, following the failure of the WTO Ministerial Conference in Seattle to launch the "Millennium Round," the WTO had emphasized the development dimension of trade to garner enough support for a new Round called the "Doha Development Agenda" (DDA) or the "Development Round" (Blustein, 2009). The Ministerial Declaration that launched the Round states "We have established firm commitments on technical cooperation and capacity building in various paragraphs in this Ministerial Declaration. We […] reaffirm […] the important role of sustainably financed technical assistance and capacity-building programmes."[12] This raised expectations.

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[7] Article 12(7), http://www.wto.org/english/docs_e/legal_e/17-tbt_e.htm.
[8] Article 9, http://www.wto.org/english/docs_e/legal_e/15sps_01_e.htm.
[9] Article 20, http://www.wto.org/english/docs_e/legal_e/20-val_01_e.htm.
[10] Article 67, http://www.wto.org/english/docs_e/legal_e/27-trips_01_e.htm.
[11] http://www.wto.org/english/docs_e/legal_e/35-dag_e.htm.
[12] Paragraph 41, http://www.wto.org/english/thewto_e/minist_e/min01_e/mindecl_e.htm.

Second, developing countries had demonstrated their readiness to block an agreement if they perceived that their interests and concerns were not sufficiently taken into account. The Like Minded Group had made the resolution of the Uruguay Round implementation issues a condition for the launch of a new Round (Jones, 2010). In 1999, at the WTO Ministerial Conference in Seattle, developing countries opposed the launch of a Round that would discuss labor standards. In 2003, the WTO Ministerial Conference in Cancún collapsed in part because developing countries felt that the draft texts did not reflect, in their views, their priorities.

A third reason is that developing countries agreed only in 2004 that trade facilitation would be part of the Doha Round negotiations and on the condition that the implementation of an agreement would be tied to the receipt of aid. The Annex D "Modalities for Negotiations on Trade Facilitation" of the so-called "July Package" provides explicit commitments to provide developing countries with support in the negotiations[13] as well as support in the implementation of the commitments: "It is understood, […] that in cases where required support and assistance […] is not forthcoming, and where a developing or least-developed Member continues to lack the necessary capacity, implementation will not be required."[14]

Hence, "providing something to developing countries had become of paramount importance politically — in most eyes it had become the *sine qua non* for completing the Round" (Winters, 2007). But what should be provided and how?

The WTO could not respond itself to the requests for financial support. It is not an aid agency and both the link between trade and development and the management of adjustment costs belong on the agenda of other international institutions. Therefore, answering developing countries calls required cooperating with other organizations and the development community; it required coherence.

Other organizations and donors stood ready to help. In an example of "coherence," the IMF established in 2004 the Trade Integration Mechanism (TIM) to "mitigate concerns that implementation of the WTO agreements might give rise to temporary balance of payments shortfall" (IMF, 2004). The IMF established the TIM despite its own assessment that preference erosion (and fiscal revenue losses from tariff cuts) would be a problem for only a few countries. The IMF assessment on losses from preference erosion was presented in a communication to the WTO (IMF, 2003). Later, in response to the Hong Kong Ministerial declaration calling for more analysis of the scope of the tariff dependency problem, the IMF published estimates on fiscal revenue losses from various tariff cuts formulas considered in the negotiations (Elborgh-Woytek *et al.*, 2006). In the absence of a Doha Round agreement, only three countries requested support

[13] "It is recognized that the provision of technical assistance and support for capacity building is vital for developing and least-developed countries to enable them to fully participate in and benefit from the negotiations. Members, in particular developed countries, therefore commit themselves to adequately ensure such support and assistance during the negotiations."

[14] http://www.wto.org/english/tratop_e/dda_e/draft_text_gc_dg_31july04_e.htm#annexd.

under the TIM (Bangladesh, the Dominican Republic, and Madagascar). In all cases, it was to mitigate the impact of the Uruguay Round agreement: the end of the MFA quotas.

The development community was also ready to embrace the calls to supplement its usual activities with efforts to promote trade as an engine for growth and as a means to reach the Millennium Development Goals (MDGs). Donors have long financed projects that have an impact on trade but, except for a few of them, this impact was less perceived as an objective than as a side effect. In the early 2000s, the situation had changed. Donors were facing calls to scale up aid to reach the MDGs as well as growing evidence that aid alone may not boost growth (Easterly 2001 and 2003; and Calì and te Velde, 2011) and could even make matters worse (Rajan and Subramanian, 2005). Thus, they were looking for ways to go beyond the double gap model (Chenery and Strout, 1966) emphasizing that money alone is not the answer and aid effectiveness is crucial (leading to the principles of the Paris Declaration on Aid Effectiveness in 2005).

Against this background, the aid to trade project appealed to donors. Aid for trade could be seen as contributing to the effort to reach the MDGs[15] and could be could be scaled up rapidly. Moreover, aid for trade had the potential to be very effective not only because of developing countries were asking for it (satisfying the ownership principle of the Paris Declaration) but also because both the aid and growth literature and the trade and growth literature were providing new empirical evidence on ways to increase the impact of aid and trade on economic growth and poverty reduction.

The aid and growth literature shows that the impact of aid on economic growth and poverty reduction depends crucially of the environment and on other policies. In the early 2000s, there was mounting evidence that aid has more impact in a good policy environment and that effectiveness of aid depends of "complementary policies" (for a review, see De Lombaerde and Mavrotas, 2009 and Calì and te Velde, 2011).

The importance of complementary policies was echoed in the trade and growth literature. Complementary policies had long been recognized by trade economists as a factor that determines the impact of a trade reform on both trade and growth. However, their role had been challenging to show empirically in cross-country analysis. In the first half of the 2000s, development in econometrical techniques allowed to do so (Hallaert, 2006). Chang *et al.* (2005) showed that the positive impact of trade on growth is larger if it is accompanied by increased

[15] The Millennium Development Goal 8 addresses both trade and aid. Its Target 12 is to "develop further an open, rule-based, predictable, non-discriminatory trading and financial system" that works for developing countries. Its Targets 13 and 14 address the special needs of LDCs, landlocked developing countries and small island developing states. "Proportion of ODA provided to help build trade capacity" is listed under MDG 8, Indicator 41. The relation between aid for trade and the MDGs was made explicit in the recommendations of the WTO Task Force on Aid for Trade. The task force indicates that an objective of aid for trade is "to enable developing countries, particularly LDCs, to use trade more effectively to promote growth, development and poverty reduction and to achieve their development objectives, including the Millennium Development Goals" (WTO, 2006a).

education, infrastructure, and deeper financial sector, but also institutional and regulatory reforms. Bolaky and Freund (2004) found that the impact of trade liberalization is increased if it is accompanied by a regulatory reform. This prompted trade economists to emphasize more vigorously the role of complementary policies and the role aid could play in improving the ability of developing countries to use trade for growth and poverty reduction (Hallaert, 2010; Hoekman 2007; Hoekman and Olarreaga, 2007; Hoekman and Prowse, 2005; Prowse, 2005; Winters *et al.*, 2004).

Thus, both the aid and growth literature and the trade and growth literature were providing the intellectual support to the need to achieve coherence between trade policy, aid policy, and development policy. Several high profile reports, all released in 2005, developed the rationale for an Initiative that would focus on alleviating the constraints that prevent developing countries to benefit from trade opportunities and make trade a tools to get the growth needed to achieve the MDGs: the UN Millennium Task force on Trade report (UN Millennium Project 2005), a report supported by the U.K. Department for International Development (Zedillo *et al.,* 2005), the report of the Commission for Africa (2005), and a report commissioned by Sweden on developing countries and the WTO (Page and Kleen, 2005).

Thus, by 2005, the political economy was ripe to launch of an Aid for Trade Initiative. The intellectual advocacy was accompanied by commitments. In May 2005, the G8 heads of government committed "to increase our help to developing countries to build the physical, human and institutional capacity to trade, including trade facilitation measures" and "called on the IFIs to submit proposals to the annual meetings for additional assistance to countries to develop their capacity to trade and ease adjustment in their economies" (G8, 2005). A few weeks before, at the IMF-World Bank spring meeting, the Development Committee stressed the need for aid for trade and called "on the Bank and Fund to work with others to develop proposals to help developing countries adjust to and take advantage of the round, for consideration by our next meeting" (IMF and World Bank, 2005b). At this next meeting, in September 2005, the IMF and World Bank staff proposal to provide more aid to trade capacity building was endorsed (IMF and World Bank, 2005a). Then, at the WTO Ministerial Conference in Hong Kong in December 2005, the "Aid for Trade Initiative" was officially launched.

A convergence of interests had led to the Aid for Trade Initiative. The Ministerial Declaration reflects the interests and objectives of both the WTO and donors: "Aid for Trade should aim to help developing countries, particularly LDCs, to build the supply-side capacity and trade-related infrastructure that they need to assist them to implement and benefit from WTO Agreements and more broadly to expand their trade. Aid for Trade cannot be a substitute for the development benefits that will result from a successful conclusion to the DDA, particularly on market access. However, it can be a valuable complement to the DDA" (WTO, 2005).

III. How to deliver aid for trade? A coherence challenge

How to deliver the aid for trade was the first challenge of coherence.

Integrated Framework or Aid for Trade Initiative?

The Integrated Framework for Trade related Technical Assistance to Least Developed Countries (IF) was an obvious channel to provide aid to implement a multilateral trade agreement and to cope with its implementation cost. The IF, an early attempt of coherence, is an initiative of six multilateral institutions (IMF, ITC, UNCTAD, UNDP, World Bank, and WTO). It was set up in 1997 to help the delivery of trade-related technical assistance in response to the needs identified by each LDC.

Thus, the Development Committee of the World Bank and the IMF argued that the IF should deliver aid for trade. In order to increase its fire power,[16] it was agreed at the 2005 IMF-World Bank annual meeting to provide the IF with 200-400 million US dollars in additional resources (IMF and World Bank, 2005a).

Others favored a different delivery mechanism. The lack of financial resources was not the only problem with the IF: it had disappointed many developing countries, was not operational, was plagued by high bureaucratic cost and coordination issue had slowed down its action, and was limited to assistance to LDCs whereas the requests for support in the Doha Round were made by all developing countries. Therefore, many stakeholders perceived need to set up a different mechanism that would be sufficiently large and operational quickly, in any event before the Doha Round was completed. The EU, the OECD, the G8, the WTO and several major bilateral donors favored the idea of Aid for Trade and pledged "for more money than the IF had ever received" (Winters, 2007).

This difference of views on the best modalities for delivering technical and financial assistance persisted at the WTO Ministerial in Hong Kong. Ministers launched the Aid for Trade Initiative but also indicated in the Declaration: "we continue to attach high priority to the effective implementation of the Integrated Framework (IF) and reiterate our endorsement of the IF as a viable instrument for LDCs' trade development, building on its principles of country ownership and partnership" (WTO, 2005).

Eventually, the Aid for Trade Initiative prevailed because it was able to mobilize a large amount of financial resources while the high-level pledging event for the IF took place only in 2007 (its operationalization will take even longer) and set a funding target of USD 250 million over five years. This was clearly not commensurate with the needs.

[16] Early 2004, the IF had received from donors only USD 21.1 million for the Diagnostic Trade Integration Studies and for Technical Assistance (Winters, 2007). On the eve of the WTO Ministerial Conference in Hong Kong, the IF had only given out a maximum of USD 1 million in aid to each country (Beattie, 2005).

Shaping the Aid for Trade Initiative

The Hong Kong Ministerial Declaration gave the WTO the mandate to shape the Initiative stressing the importance of collaborating with other institutions: "We invite the Director-General to create a task force that shall provide recommendations on how to operationalize Aid for Trade. The Task Force will provide recommendations […] on how Aid for Trade might contribute most effectively to the development dimension of the DDA. We also invite the Director-General to consult with Members as well as with the IMF and World Bank, relevant international organisations and the regional development banks with a view to reporting to the General Council on appropriate mechanisms to secure additional financial resources for Aid for Trade" (WTO, 2005).

The choice to give the WTO the lead in shaping, monitoring, and defining precisely the scope of the Initiative was done by default. While it is in context of the Doha Round negotiations that developing countries requests for support were the most clearly expressed, the WTO has no expertise in delivering aid and no mandate to do so. But there was no other alternative. The IF in addition to the problems already described was perceived by developing countries as too close to the World Bank and thus could emphasize more than they wished market liberalization while donors suspected that the UNDP would emphasize it too little (Winters, 2007).

This choice had large implications. First, for the reasons I describe in details in Hallaert (2012a), the task force put resource mobilization at the core of the Initiative. The Hong Kong Declaration had explicitly instructed the WTO Director-General to do so because showing that financial resources are available was important to facilitate the Doha Round negotiations. There was also an institutional motivation for the WTO to focus on resource mobilization: lobbying for more resources and monitoring the financial flows is all what the WTO Secretariat could do given the limits of its mandate.[17]

The second implication was that donor coordination and coherence in policy making could not be enforced or even advocated given the limit of the WTO mandate.[18] This problem was increased by the delivery mode that the task force recommended. The delivery mechanism was widely debated and involved virtually all donors (bilateral, multilateral, or regional) but also the Bretton Woods institutions, the UN agencies, the Commonwealth Secretariat, and the OECD. The debate boiled down to the issue of creating a dedicated fund or leaving aid for trade as part of regular official development assistance (ODA). Eventually, the latter was chosen.[19] This choice had the advantage of maximizing the resource mobilization as some donors may have

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[17] In practice, the monitoring of aid-for-trade flows has been outsourced to the OECD, which has the database (the Creditor Reporting System) to track flows and has the resources to analyze them. The OECD also analyzes the answers to the questionnaires sent to donors and recipient countries. The financial flows and the questionnaires form the core of the joint OECD-WTO monitoring reports: "Aid for Trade at a glance" (OECD-WTO, 2009 and 2011).

[18] It seems that the WTO initially hoped to be able to do so. Finger (2007) reports that, in a chat room discussion (16 October 2006), the WTO DG Lamy explained that while the WTO makes only a modest contribution to capacity building, it seeks to contribute coherence and clarity to other's efforts.

[19] For details, see Hoekman (2007) and Luke *et al.* (2009).

political or institutional difficulties in funding a dedicated fund and allows labeling as "aid for trade" regular aid projects that have trade content. It had the disadvantage that aid for trade is delivered in an uncoordinated manner only because donors want it, for the project they choose to support, and on their terms. Therefore, there is no coherence in the Aid for Trade Initiative and the collaboration between institutions and donors is limited to the preparation of the Global Review of Aid for Trade.

IV. Deepening coherence? From coherence in policy making to maintaining awareness of the role of trade in development

The Aid for Trade Initiative succeeded in mobilizing a large amount of resources but resource mobilization is at risk. Because the Doha Round negotiations stalled, the resources mobilized could not support the implementation of a multilateral agreement and instead financed other projects; some of them only remotely related to trade. In this context, delivered on donors' terms through existing channels, without coordination, aid for trade becomes difficult to distinguish form other forms of aid. Its rationale becomes blurred. This prompted many developing countries' to question the additionality of aid for trade (Hallaert, 2012a and b),[20] while for many donors, in the absence of a Doha Round agreement, trade capacity building is increasingly falling out of favor as new priorities emerge. The threat to the resource mobilization is further increased by the fact that the aid envelope is not growing anymore. On the contrary, development budget are under pressure because of the fiscal crisis experienced by most donors.

To address these challenges, the WTO is expanding the already broad scope of the Initiative to cover donors' new priorities. In its Aid for Trade Work Programme for 2012-13, titled "Deepening Coherence," the WTO claims that donors' new priorities such as gender empowerment, green growth, food security, energy, and climate change can be part of aid for trade. It also gives a higher profile to topics, such as trade finance and the role of the private sector in development, that have always been part of the Initiative but have recently attracted more attention (WTO, 2011).[21]

In the Aid for Trade Work Programme, the WTO calls donors to consider the trade dimension of their new priorities. Raising donors' and developing countries' awareness of the role trade can

[20] Additionality is a major concern of developing countries. They fear that aid for trade would divert aid from other sectors. Reflecting this concern, Kofi Annan, the United Nations Secretary-General, indicated at the WTO Ministerial in Cancùn: "Developing countries need aid for trade, and such aid must not come at the expense of aid for development" (WTO, 2003). The additionality of aid for trade is explicit in both the Hong Kong Declaration (WTO, 2005) and the task force recommendations (WTO, 2006a).

[21] Trade finance has been a high profile issue during the "great trade collapse" of 2008-09. In November 2008, Pascal Lamy claimed in his report to the WTO General Council that the World Bank support to trade finance was "aid for trade in action." Hallaert (2011) describes how the Aid for Trade Initiative provided the WTO with extra leverage to promote its trade finance agenda. As for the role of the private sector in development, the Fourth High Level Forum on Aid Effectiveness held late 2011 in Busan emphasized that the private sector is essential to move from "aid effectiveness" to "development effectiveness." In this context, the role of the private sector was given a particular attention at the Third Global Review of Aid for Trade thanks in part to the complementary case story exercise led by the World Bank and aiming at highlighting the active role of multinationals in aid for trade.

play in development is probably a major achievement of the Aid for Trade Initiative. As part of the 2009 monitoring exercise, the WTO and the OECD asked recipient countries to evaluate the role given to trade in their development strategy (OECD-WTO, 2009). The answers suggest that the awareness of trade as a development tool is extremely high, reaching levels unthinkable only two decades ago: 96% of developing countries claim that they have mainstreamed trade in their development strategy. This is certainly an overestimate that reflects the bias of a monitoring exercise based on self assessment while the Initiative claims that aid for trade will be delivered if developing countries ask for it. Outsiders' assessment is more nuanced. This is clear in the IMF and World Bank joint assessments of the Poverty Reduction Strategy Papers (PRSPs).[22] Similarly, UNCTAD (2009) wrote at the time the survey was conducted: "Mainstreaming trade into national development strategy is a major concern [...] so far, only a minority of country-level plans includes trade-related policies and assistance among their priorities." A UNDP (2011) study finds that 85% of PRSPs included a trade component,[23] whereas only 25% had this in 2000.

Hence, in its Aid for Trade Work Programme 2012-13, the WTO builds on this achievement but waters down significantly the meaning of coherence when applied to aid for trade. "Deepening coherence," is not about more coherence "in policy-making" but about pleading that donors consider the trade dimension in their new objectives.

There is no attempt at improving "coherence in global policy-making." In fact, this aspect is conspicuous for its absence in the Work Programme. In its Paragraph 3 the WTO explains how aid for trade should work: "Operationalization of Aid for Trade lies in the hands of developing countries, regional economic communities (RECs) and their development partners. Mainstreaming of trade into national and regional development programmes helps ensure that demand for Aid for Trade is expressed in dialogues with development partners; demand against which Aid-for-Trade support can be aligned. Implementation of Aid-for-Trade programmes is multi-faceted, encompassing a diverse range of delivery mechanisms and development partner organizations including, *inter alia*, bilateral donors, international financial institutions (including the World Bank Group and regional development banks), RECs and multilateral agencies." The paragraph acknowledges the diversity in delivery and in development partners but remains mute on the need to ensure coherence in their policy-making and aid delivery. Moreover, it does not mention any role for the WTO. In fact, it repeats the utopian conception of the Paris Principles based on "ownership" and donor "alignment" with countries priorities. In this context it can be argued that the burden of policy coherence is fully passed to the developing countries that are expected to identify and prioritize their needs and sequence the projects. The donors would then align their support on these priorities.

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[22] See the "Joint Staff Advisory Notes" and the "Progress Reports" published on the IMF website. For an evaluation of the (lack of) mainstreaming of trade in development strategies when the Initiative was launched, see WTO (2006b).

[23] Obviously a softer criterion than the WTO-OECD criterion of "mainstreaming trade in development strategy" or the UNCTAD's "priority."

To some extent, the WTO acknowledges in its Work Programme the reality of aid for trade: the WTO Secretariat is not in an institutional position to push for coherence. The decision to define broadly the scope of aid for trade allows reporting that aid-for-trade resources are increasing but these resources are delivered by donors on their terms without incentive for collaboration and without coherence. Aid for trade is not any different from other forms of ODA and suffers from the same flaws of lack of donor coordination and volatility.

Conclusion: Has the Aid for Trade Initiative passed the test of coherence?

The Aid for Trade Initiative achieved some success. It has increased donors' and developing countries' awareness of the role trade can play in development. Aid for trade has also probably contributed to an increase in aid to build trade capacities. Although it is unlikely that the sharp increase in aid for trade reported by donors is entirely new money, the Initiative has helped to increase donor financing to the productive sector of the economy at a time when the overall resource envelope was expanding.

However, the Aid for Trade Initiative failed at coherence in policy-making. The WTO Secretariat is not in a position to promote coherence in aid for trade: it has no expertise in aid delivery and in development policies and, perhaps more importantly, could not institutionally steer the initiative even indirectly through analytical work. Its role is largely limited at calling for more resources and at monitoring aid flows. Thus, the Initiative is headless and, in the absence of a Doha Round agreement, without a precise goal. The consequence is that donors deliver aid for trade on their terms and aid for trade suffers from the same lack of donor coordination than any other form of aid. As past experience shows that complementary policies and sequencing are crucial for the success of trade reforms, the failure at achieving coherence reduces the effectiveness of aid for trade.

In this context, and with no prospect for a rapid conclusion of the Doha Round, aid for trade becomes less a priority for donors. In its latest Aid for Trade Work Programme, the WTO implicitly acknowledges this reality. Unable to promote coherence in policy making it redefines coherence as coherence "in objectives" by calling for donors to consider the trade dimension of their new priorities.

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