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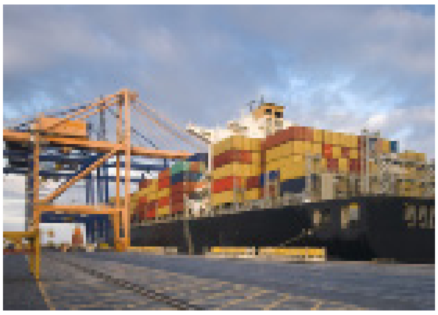
Thematic Focus: Aid for Trade

Exclusive contributions by Ahmed Hamid, Pascal Lamy, Karel de Gucht and Dirk Niebel



The 4th Global Review of Aid for Trade (AfT), taking place at the WTO in Geneva on 8-10 July 2013, is an opportunity to examine how the AfT agenda has progressed so far but also to reflect on the challenges ahead and how the AfT agenda should adapt to the changing context. While perspectives vary, some major trends and themes can be identified.

First, the AfT initiative, launched in Hong Kong in 2005, has been successful in harnessing trade as a key component in the broader development endeavour. This has resulted in increasing donor attention and aid flows to trade-related activities. More importantly, developing countries have increasingly integrated trade and its related dimensions into their development strategies.

Second, AfT activities have taken various forms and contributed in numerous ways to development. While this has been well documented, including the collection of case stories facilitated by the WTO and OECD, systematic evaluation remains a serious challenge. Project monitoring and evaluation generally remains too superficial and ad hoc. Broader impact studies often stumble on causality issues, with tenuous linkages between AfT and trade performance or poverty alleviation.

Third, and perhaps most importantly, trade matters more than aid in the AfT agenda. Development assistance has a role to play, but traditional modalities of donors are being challenged in a rapidly changing global context with an increasing emphasis on domestic resources and strategies, leveraging private sector engagement for development, and emerging economies and South-South cooperation..Increasing attention is being given to the national and regional development perspectives, and the catalytic role trade can play. Moreover, as emphasized by Pascal Lamy, "a 'whole of the economy' approach premised on coordination and stakeholder dialogue is key" for trade to unleash its development potential. This is well understood by many developing countries and regions, as illustrated in this issue as well by the remarks of ECOWAS Trade Commissioner Ahmed Hamid.

As a result, a major challenge is to define the future contours of the AfT endeavour. From trade-policy formulation to adjustments, infrastructure development to productive capacity, business climate reforms to social and labour conditions, the agenda for trade might become too large to remain meaningful. Should AfT be slimmed down and focused on directly trade-related issues only? Should it be articulated around specific endeavours, such as trade corridors? Or should it encompass a broader agenda of private sector development?

Such questions might be more relevant to the donor community than developing countries and regions, for which a 'whole of the economy' approach to economic transformation is an imperative rather than an option. Fostering value addition, raising productivity, developing national and regional markets, building adequate infrastructure, providing necessary social and labour protection to their citizens, and integrating into regional and global value chains are some of the priorities for developing countries and regions. Understanding the policy instruments and the politics of achieving these are fundamental. Aid for trade is therefore only one piece of this puzzle.

The high-level contributions presented in this issue of GREAT Insights, from key political figures, international institutions, experts and private sector offer some much needed insights on the achievements so far, remaining challenges and ways forward in making AfT an effective instrument in promoting economic transformation

San Bilal

Measuring the Impact of the Global Agenda of Aid for Trade

Pascal Lamy

Aid for Trade has become a firm part of the vernacular of the trade and development communities. Since it was launched at the 2005 WTO Ministerial Conference in Hong Kong it has been the subject of numerous academic and policy papers; seminars and think-tanks, and has been witness to equal parts critique and commendation.

These almost eight years of constant analysis, coupled with the act of implementing Aid for Trade on the ground, have resulted in a global compact that is robust yet flexible, which leads yet reacts, and which is increasingly being owned by those who use and benefit from it. This sense of ownership of the Aid for Trade agenda, which we continue to see around the world is a true testament to its success. The WTO and its partner agencies, including the OECD, the Development Banks and the UN institutions, have gracefully moved from the role of architects of the initiative to cede the space for the users of Aid for Trade to metaphorically and, in some cases literally, to 'run the show'.

> Market access was not enough and there needed to be a more holistic approach to the negotiation of multilateral trade rules

This has always been the central aim of the Initiative: to become a self-sustaining entity, which responds to the changing nature of trade and to the changing demands of its end users. Africa has been one of the major beneficiaries of the focus, which Aid for Trade has placed on connecting the trade and development pillars. Not only has the region been one of the greatest beneficiaries of Aid for Trade resources but the attention which has been placed on building supply side capacity and the ability to produce in order to trade has particularly resonated on the African continent, where it is the production limitations rather than simple market access that was often the prevailing constraint to increasing trade.

The Launch of the Initiative

The premise of Aid for Trade was a relatively simple one. Market access was not enough and there needed to be a more holistic approach to the negotiation of multilateral trade rules. What may sound positively mundane today was a revelation in 2005 when the Initiative was launched at the WTO Ministerial Conference. A missing link between trade and development, and between market access and market presence was identified and over the next eight years we collectively witnessed a series of milestones occurring under the Aid for Trade nomenclature.

The most visually arresting of these impacts and the easiest to monitor is that of resource mobilisation. Since 2005, approximately US$ 200 billion has been mobilised for Aid for Trade with approximately US$ 170 billion of this disbursed. This Aid for Trade - the concessionary loan and grant component of trade-related assistance - was increasingly coupled with substantial increases in South-South capacity building and investment from the private sector. In sum, the total amount of assistance for the trade sector, in monetary terms, is likely to be substantially higher than the US$ 200 billion recorded in the OECD DAC database.

But these numbers only tell a third of the story. With the tailwind of the economic crisis affecting the development assistance budgets in some traditional donor countries, overemphasis on numbers can potentially undervalue the impact, which the Aid for Trade brand can deliver. The increased discourse between trade and development partners both at the global level at the Global Reviews held at the WTO, and at the local level, is an intangible yet critical deliverable from the Aid for Trade initiative. This enhanced dialogue coupled with the focus placed on the mainstreaming of trade within sectoral, national and regional development strategies is a potential sea-change in how developing countries, especially, approach trade.

Aid for Trade demands the attention and the participation of multi-sectoral partners. For trade to be effective and truly work for growth, development and poverty reduction, a 'whole of economy' approach premised on

> Since 2005, approximately US$ 200 billion has been mobilised for Aid for Trade with approximately US$ 170 billion of this disbursed

coordination and stakeholder dialogue is key. Aid for Trade has created a platform through which this dialogue can happen. For Least-developed countries the Enhanced Integrated Framework (EIF) is one such conduit. Effectively an LDC gateway to Aid for Trade, the EIF continues to work with LDCs to help them improve the institutional framework for dialogue between and across partners.

Shining a spotlight on the merits of this dialogue and of mainstreaming has been one of the outcomes of the collective work on Aid for Trade and has borne fruit in the increasing number of national and regional Aid for Trade strategies that are being developed. The latest of these is for the Caribbean region and was launched in June 2013 in Haiti. We have also seen this move to develop a regional approach to Aid for Trade priorities in the Pacific and in regions in Africa. The recent Central African review was an important goalpost in this regard.

One other area where we have had good results is in monitoring and evaluation. To really gauge the effectiveness of Aid for Trade an inbuilt monitoring and evaluation framework was framed within the initiative. Held every two years the Global Review of Aid for Trade is the beginning of each new monitoring and evaluation cycle. With each Review the formula has become more expansive in scope and more deliberate in depth. At the first global review the focus was very much on monitoring the numbers. At the second global review the emphasis was on reaching the users of Aid for Trade: the WTO Members and Observers and the International and regional organisations involved in the delivery of Aid for Trade. This was done through an in-depth questionnaire exercise. At the third Global Review this was broadened to include a case story exercise where actors- governments, academia, the private sector, international and regional organisations- were asked to showcase how Aid for Trade was working and how it could work better. From that exercise which resulted in hundreds of case stories, we were able to have a very clear sense of the best practices involved in Aid for Trade on the ground and the gaps that remained to be narrowed to enhance its effectiveness.

For the fourth Global Review, which will be held on 8 to 10 July 2013 in Geneva, the ante has again been increased. In addition to the now established monitoring of Member states' Aid for Trade activities, the process has been broadened to solicit the opinion of the private sector. This has yielded over 800 responses - a phenomenal evidenced-based collection of the priorities, concerns and challenges experienced by those who 'do' trade- the private sector. Widening the parameters to incorporate the views of business was a natural progression of the Initiative, which has at its core the idea of leveraging the existing development resources to exponentially increase the proverbial pot with investment from domestic and foreign sources. It was also a reaction to the theme of the Global Review, which would be on 'Connecting to Value Chains', a subject at the very heart of modern business and trade. The results of this monitoring process have been analysed and a series of specific publications will be made available at the Global Review.

One area where work will have to continue, not just in Aid for Trade, but across the development schema, is on evaluation. How can the actual impact of Aid for Trade- and indeed of any form of development assistance and investment- be measured on the ground? What quantifiable evidence can be gathered to show the impact on development, growth and poverty reduction? The positive outputs and outcomes of Aid for Trade are clearly evident and in an increasing number of cases we are also able to discern distinct impacts but work must continue to focus on fine-tuning this causal linkage.

> For trade to be effective and truly work for growth, development and poverty reduction, a 'whole of economy' approach premised on coordination and stakeholder dialogue is key

Looking Ahead

Although launched just eight years ago, the world of 2013 is different in some fundamental ways from the world of 2005 and the Aid for Trade agenda will have to be flexible enough to respond to these changes.

From a resource mobilisation perspective, although the amount of committed Aid for Trade in 2011 is down from 2010, it remains at higher than the 2002-2005 baseline. The signs are that resources have plateaued but demand for trade-related assistance continues to be high. This will necessitate a more efficient use of existing resources but also a broadening of the Aid for Trade canopy to embrace other forms of trade-related assistance including continuing to profile South-South activities and placing more emphasis on investment in trade from the private sector. Traditional development assistance coupled with domestically and foreign sourced investment can be a powerful ingredient in delivering on trade-related priorities. I have seen this in the area of trade facilitation and trade-related infrastructure and believe this partnership between public and private monies can deliver real results in helping countries to build up their quality standards architecture and address what I see today as the most common form of barriers to trade- non-tariff barriers.

Aid for Trade must also play a more supportive role in helping governments to formulate and concretise their regional agenda. The African Union decision on boosting intra-African trade is just one of the opportunities where Aid for Trade can add value. Increasing intra-regional trade, especially in developing regions such as in Africa, the Caribbean, the Pacific and Central America is critical. Small markets, sometimes isolated by landlockness or the sea, need to increasingly look to their neighbours as the most viable and initial trading partners. The barriers to intra-regional trade are often the same barriers to increasing trade across regions: poor customs procedures, a series of non-tariff barriers; inefficient trade infrastructure, limited standards compliance and coherence. Demand driven and sustainable Aid for Trade coupled with other forms of finance, can help to address these barriers to trade. I have seen this occurring on the ground in East Africa and South-East Asia and believe that focused trade-related capacity building is an essential ingredient in pushing forward the development story.

Going forward, Aid for Trade must become more responsive and agile to the changing conditions of the multilateral trading system. The transforming geo-politics, which are increasingly modulating the responsibilities of emerging economies; the increase in the expanse and depth of regional and global value chains; and the transformative effects of technology and the cost of transportation are the sign posts of the future. From the fourth Global Review in July I expect a series of messages aligned around one clear roadmap to Bali and beyond. The changing nature of trade has not diminished the need for and the impact of Aid for Trade. Indeed, it has made it even more necessary to permanently anchor it within the trade and development discourse.

> The Forth Global Review will be held in Geneva between the 8th-10th July 2013, and cover the topic 'Connecting to Value Chains'

Author

Pascal Lamy is the Director-General of the World Trade Organisation.

Interview with EU Trade Commissioner Karel De Gucht

The Doha Development Round seems to have stalled. Does it mean the trade & development agenda is also stalled?

No, a stalemate in the Doha Round by no means implies stalemate in the trade and development agenda. There is vibrant support for the Global Aid for Trade Initiative and plenty of international debate about related trade and development issues. I saw this very concretely in a global Aid for Trade policy dialogue at the OECD in January. Donors are working closely with developing countries to enhance their business environment, border procedures and infrastructure. This improves their capacity to attract investments and export. In this respect, investing in good governance, education, security and stability are also vital. But Aid for trade and broader development assistance should not be seen in isolation. Generous tariff preferences, flexible rules of origin, Corporate Social Responsibility and above all appropriate flanking policies in the countries concerned are all part of the picture too. And we should not forget both multilateral and bilateral trade agreements that facilitate developing countries' integration into global value chains, while providing them with flexibilities depending on their level of development.

> There is vibrant support for the Global Aid for Trade Initiative and plenty of international debate about related trade and development issues

What will it take to revive the Doha Round? What do you expect from the new WTO leadership and from the Ministerial Conference in Bali at the end of this year?

Fortunately, more and more countries realise that the stalemate in the Doha Round cannot go on. The countries that were meant to benefit most from the Round – the developing countries, and the Least Developed Countries in particular, are the ones most affected by the blockage.

Reviving the Doha Round is no easy task. Given the changes in the global economic landscape since it was launched in 2001 and the rise of emerging economies, there will be a need for a serious discussion on how to properly reflect these changes in the negotiations. More economic and political power on the world stage means more responsibility and this needs to be reflected in the negotiating process. I will spare no effort to help the talks succeed as there is a lot to gain from the Doha Round and too much to lose if we fail.

The first test of our common resolve will be the upcoming 9th WTO Ministerial Conference. Work is underway to prepare an agreement on the trade facilitation agreement, agriculture and development, including LDC issues. The most significant element of this package is trade facilitation. It would greatly reduce red tape at borders and boost trade, which is in everyone's interest. Our own analysis has shown that all WTO Members stand to gain from such an agreement, but that the biggest winners would be developing countries. One of the key issues under discussion is what flexibility developing countries will be given when implementing the agreement. The EU and others will provide substantial technical assistance to help them in their efforts.

What have been the main achievements of the European Aid for Trade so far?

The EU, together with its Member States, is the world's biggest provider of Aid for Trade, accounting for around one third of the global figure. In 2011, we provided € 9.5 billion worth of Aid for Trade. We need to encourage developing countries, particularly LDCs, to prioritise trade in their development strategies, as well as in their cooperation with donors. This applies to their relations with us too, as we are currently programming our development aid for 2014-2020.

The EU and its Member States have always exceeded their collective commitment to provide annually at least € 2 billion worth of Trade Related Assistance. This is aid for things like customs reforms, trade policy, and meeting European health and safety standards. In 2011, 71% of global Trade Related Assistance came from the EU and its Member States.

But it is about more than just headline figures. We are trying to increase the effectiveness of aid for trade. We give a lot of support to help countries expand their trade and create growth by increasing the amount of value they add to what they produce and by using growth from trade to combat poverty. There are many examples of successful Aid for Trade projects. The creation of a one-stop border post at Chirundu on the frontier between Zambia and Zimbabwe, for instance, or a scheme in Mexico to help farmers and

fishermen comply with European food safety requirements thereby taking better advantage of the EU-Mexico Free Trade Agreement.

In the light of the European Agenda for Change, what are the priorities on the way forward for the international AfT agenda? How will the EU contribute to it and what will be different?

Both Agenda for Change and the EU policy on Trade, Growth and Development highlight the need for better and more targeted Aid for Trade. I see two main ways to achieve this. First, we have to focus on those developing countries most in need, Least Developed Countries in particular. Second, we need to respond to changes in trade patterns and evolving priorities for aid for trade in developing countries.

Agenda for Change singles out the general business environment, competitiveness and regional integration as an area of focus, with obvious impacts on efforts to advance trade, investment and development. Countries eligible for EU financial assistance ought to maximise the opportunities offered under Agenda for Change to seek support for activities that help firms in developing countries connect to and move up global

> We have to focus on those developing countries most in need, Least Developed Countries in particular

value chains. The EU is a strong proponent of trade facilitation. It lowers the cost of trade and removes logistic obstacles that prevent developing countries from integrating into value chains. All these elements should be high in the international agenda as well.

We also need to engage more with the private sector, especially by leveraging private sector activity and resources for development. The EU is working to combine grant aid with loans from financial institutions to boost resources for development. We already have some encouraging examples, such as the European investment facilities or the EU-Africa Trust Fund for infrastructure, and we would like to exchange best practices with other donors in this area.

> We also need to engage more with the private sector, especially by leveraging private sector activity and resources for development

With all this in mind, the EU will continue contributing actively to the international Aid for Trade agenda. I look forward to discussions in the Global Aid for Trade Review in July.

In a post-2015 development agenda, what role do you see for trade? And given the need to look "beyond aid" to finance development, should the EU look "beyond aid for trade' as well?

In its approach to the post-2015 agenda, the EU sees market-friendly and open economies as key drivers for inclusive and sustainable growth. Companies in developing countries have difficulties to access the global market, though, perhaps because of a weak institutional environment or the firms' limited capacity. The EU will continue to support the international Aid for Trade agenda to address these issues. We need to make Aid for Trade more effective, including by better international coherence and monitoring. Considering the increasing importance of South-South trade, the EU supports setting up a common platform for the Aid for Trade dialogue with South-South partners and better monitoring of their contributions. Emerging economies have a growing responsibility towards poorer countries, including through making their financial support to them more transparent. In the EU, we are already looking "beyond aid for trade". Our approach is holistic. EU trade policies affecting developing countries take account of development objectives. In addition to giving aid - and even more importantly - we negotiate trade and investment agreements with many developing countries. We seek to reduce tariffs, but also to address behind the border issues, such as technical norms and standards, labour and environmental standards, intellectual property rights, services and trade facilitation. Our agreements with developing countries take account of the level of their development by providing transition periods and other flexibilities. We also offer the most generous unilateral tariff preferences in the world, including duty-free quota-free market access for all products from Least Developed Countries except for arms. This is coupled with simplified and flexible rules of origin for developing countries. In addition, we use incentives through our Generalised System of Preferences to encourage developing countries to respect human and labour rights and in the case of GSP+ to apply high environmental protection standards.

The EPA process has been lingering for years. What are the key lessons you draw for the EU trade & development policy? And now that the EU has set October 2014 as a deadline, what are you ready to do to help conclude remaining EPAs and facilitate their implementation?

EU trade and development policy is tailored to the needs of the poorest countries. Many emerging economies are now able to integrate value chains and take advantage of world trade by themselves. We continue to believe in openness to trade, in domestic reforms to improve the business environment, and in larger integrated regional markets. Behind-the-border issues and governance also need addressing. All these are covered by our Aid for Trade.

These elements are part of the Economic Partnership Agreements (EPA) that we are offering to our ACP partners. EPAs are true trade and development agreements. They establish lasting and predictable partnerships, modernising our economic relationships and attracting investors. These partnerships are tailored to the needs and capacities of the ACP partners, providing for transition periods, safeguards and even exclusions. I remain convinced that EPAs are the best means to boost growth, jobs and development and I hope we will be able to conclude on-going negotiations soon.

The recently adopted amendment of the Market Access Regulation (MAR) clarifies the options available to ACP countries. The 1 October 2014 concerns past EPAs only, namely those concluded before the end of 2007 and not signed and/or ratified and/or implemented since, as the case may be. As a legal instrument, the Regulation cannot apply to agreements that do not exist. This means that on-going EPA negotiations may continue as long as they have the prospect of bearing fruit. It is not unusual for trade negotiations to take many years. However, the longer it takes to conclude, the longer it also takes to enjoy fuller benefits. With some of the more advanced regions, negotiations are closing in on a small number of open issues that need to be solved politically. I will spend the better part of this year engaging with EPA partners in East, Southern and West Africa to help expedite solutions.

> In the EU, we are already looking "beyond aid for trade"

It must not be forgotten that the EU has been very flexible in the EPA negotiations. The agreements on the table are the most generous we have offered to any partner. But we continue to discuss and fine-tune pragmatic solutions to the remaining obstacles in negotiations, with a view to making EPAs real vehicles to foster trade and development. I am ready to go the extra mile with those regions that are ready and committed to facilitate closure of these talks.

Aid for Trade in German Development Policy

Dirk Niebel

Trade plays a major role for global sustainable development. An open, rule-based and non-discriminatory trade and financial system is an explicit goal of the global partnership for development. Trade can contribute to inclusive growth and also to the creation of new and competitive jobs in the export sector. Steps must be taken to ensure that the welfare gains from trade also reach the poor, and particularly women. National sustainable development agendas cannot be funded in the long term without trade-induced growth; trade, as an engine of growth and also a source of income, is of key importance for development.

There have been vast changes in the production structures of the global economy in the past two decades. Value chains are becoming international, making global competitiveness far more important for individual countries. The globalisation of production has also led to a situation where working and production conditions in the countries of origin are attracting more and more attention. As a result, social, environmental and quality standards in production are increasingly important for sales prospects.

In many developing countries, participation in regional and global trade is hampered by poor internal framework conditions. National and regional institutions frequently lack the necessary analytical, management and regulatory capacities to participate in trade negotiations and to develop and assert positions which are compatible with their own development needs. Furthermore, agreements are not implemented in a manner that reinforces the positive interactions between trade, sustainable development and poverty reduction.

> Value chains are becoming international, making global competitiveness far more important for individual countries

The relatively high trade barriers between developing countries are another reason why South-South trade is still relatively poorly developed. In addition, there is often a lack of *adequate infrastructure and rapid and reliable border procedures*. Transport infrastructure is one of the central requirements for trade, while a continuous and reliable energy supply is essential for production.

Following the launch of the WTO initiative in 2005, *trade-related development* gained political importance under the slogan *Aid for Trade* (AfT). In the international discussion, a common understanding emerged that AfT should assist developing countries in deriving the maximum possible benefit from the world trade system. In this process, *trade* was understood as *a tool for development*, but it was also recognised that a wide range of preconditions have to be met for trade liberalisation to contribute to sustainable development and poverty reduction.

Currently the challenges of linking LDCs to regional and global value chains and involving the private sector are high on the AfT agenda. Active *involvement of the private sector* has been an intrinsic part of German development cooperation for quite some time and also plays an important role in our AfT approaches.

The main goal of Germany's trade-related development policy as laid down in the BMZ Aid for Trade Strategy Paper published in June 2011 is to assist partner countries in their efforts to diversify their economies and exports, become successfully integrated into the global trade system and regional economic communities, and use trade and foreign direct investment to reduce poverty more effectively in the context of sustainable development. Further objectives of the German AfT strategy are

- Strengthening the *private sector* and *civil society*;
- Improving integration into regional and international value chains;
- Strengthening compliance with *social and environmental standards*.

> The relatively high trade barriers between developing countries are another reason why South-South trade is still relatively poorly developed

In keeping with the EU strategy on AfT, Germany has committed to spending at least EUR 220 million annually from 2010 onwards on trade-related assistance (TRA). According to the 2012 EU AfT Report, Germany spent EUR 497 million on TRA in 2010, so this commitment was more than met in the first year. Furthermore, German development policy is committed to the EU's goal of increasing AfT (in the broad sense) in proportion with growth in official development aid (ODA). Germany has consistently been one of the largest donors for AfT, disbursing USD 14 billion since 2006 (8% of total commitments). According to the latest figures, taken from the joint WTO/OECD publication "Aid for Trade at a Glance: Connecting to Value Chains", which will be presented in Geneva at the 4th Global Review on 8 July 2013, *in 2011 Germany spent USD 3.7 billion on AfT (in the broad sense); this puts Germany in second place – after Japan – among bilateral donors*. A large percentage of these funds is invested in infrastructure projects in the energy sector, but support for transport routes, warehousing, cold chains, communication systems and harbour clearance also plays an important role.

> German AfT is aligned with the strategies of its partner countries and seeks to increase their ownership

German AfT is *aligned with* the strategies of its partner countries and seeks to increase their *ownership*. An essential requirement for German AfT is demand-oriented formulation and prioritisation of needs by the partner countries. A clear statement of need by the partner makes it possible to cooperate flexibly within the agreed priority areas. Within German development policy, trade is not a separate priority area. "Trade" can be embedded as a component in a broader programme for sustainable economic development, food security and agriculture, conservation and sustainable use of natural resources, or democracy and public administration.

Trade policy and regulation

In trade policy and regulation, German activities follow a multi-level approach, focusing primarily on strengthening national and regional negotiating and implementation capacities, and developing and implementing environmental, social and technical standards.

At the *intergovernmental and macro level,* German trade-related development policy promotes regional economic integration and assists in formulating, negotiating and implementing trade policies and regulations. The secretariats of regional organisations are advised on economic and trade policy issues and national strategies to diversify the economy, and support is provided for the expansion of productive capacity in selected sectors. The private sector and civil society are integrated into the relevant political processes.

At the *meso level*, German TRA supports business-oriented trade promotion organisations, public institutions and private sector organisations (e.g. associations, export and investment promotion agencies, fair trade and organic/ecological organisations). Various measures help them to create a supportive environment for value addition and exports, strengthen quality infrastructure and enforce compliance with standards.

Other measures for *capacity development in the productive sectors* (including SMEs and small-scale farms) help create a pro-trade environment, increase the volume and value added of exports, diversify products or target markets, boost foreign investment and stimulate the trade activities of domestic companies, for example, through access to trade finance and by meeting international standards.

The priority areas of German AfT derive from the comparative advantages of German development cooperation, experience from past work, partner needs, a focus on Africa, the importance of regional integration and the potential for cooperation with the private sector.

Commitment to the task of assisting *the regional economic integration* of partner countries is high. Partner institutions will be strengthened with a particular focus on the *negotiation and implementation of Economic Partnership Agreements (EPAs*) between the EU and ACP countries, e.g. by assisting the EAC Secretariat in developing a regional quality infrastructure (QI) system.

Trade facilitation will be strengthened. This means making border crossing for goods more efficient by reducing bureaucracy, linked with activities to promote regional integration and improve transport. Current German approaches involve simplifying and harmonising customs declarations, border management and goods control systems. German development cooperation also plays a decisive role in supporting and financing South-South cooperation. For example, Kyrgyzstan received assistance with its pre-customs single window from advisers from Senegal, as the Senegalese model was more suitable for the Central Asian context than models from leading industrialised nations.

Quality infrastructure will be strengthened. Improved, harmonised quality standards and internationally recognised conformity assessment structures are a core element in reducing technical barriers to trade and a central requirement for increased integration at the regional and international levels, as is the case in the support provided for the CARICOM Regional Organisation for Standards and Quality and the support provided for the East African Standardization, Quality Assurance, Metrology and Testing (SQMT) Act. In the quality infrastructure area, important framework conditions are also being created for foreign companies in developing countries.

The opportunities and possibilities that *regional and international export markets* offer are systematically incorporated into the design of measures for developing productive capacity. Activities in rural development and private sector promotion are more directly concerned with integrating producers into regional and international *value chains*. The value chain approach covers all agricultural and non-agricultural sectors, as well as services with export potential.

Strengthening results orientation

A cross-sectoral evaluation of Germany's AfT portfolio (in the narrow sense) is due to be carried out in 2014 by our newly founded independent evaluation institute (DEval). Increased results orientation in AfT projects and programmes is to be achieved through greater attention to measurable results and the incorporation of corresponding indicators. To use AfT effectively as an instrument for poverty reduction and sustainable development, the link between trade and poverty reduction must be taken into account more clearly in the future, both conceptually and in the context of programme implementation (trade-poverty linkage). In order to maximise the desired impacts on poverty and prevent additional impoverishment, distributional effects must be more systematically analysed in advance, and the impacts on poverty given more attention in programme design in the future. Partner institutions are thus receiving assistance for the ex-ante examination of the social and economic consequences of measures on poor households, with the participation of the target groups. In this context a BMZ discussion forum on the "Effects and Results of German AfT" was held recently in Hamburg (3-4 June 2013). The forum included a panel discussion on assessing the impact of trade policy on economic, environmental and social sustainability so as to underline the importance of this issue and highlight the efforts made and the challenges ahead.

Author

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Revamping the Aid for Trade Initiative:

Why is it necessary? What can be done?

Jean-Jacques Hallaert

The Aid for Trade Initiative needs to be revamped. To restore confidence and improve its efficiency, aid for trade should focus more on projects that are clearly related to trade.

"Resource mobilization was really the focus of our efforts from Hong Kong through to the Second Global Review in 2009. It must remain central."[1] In closing the Third Global Review of Aid for Trade, Pascal Lamy made clear that, since 2009, the metrics of success of aid for trade could no longer remain exclusively its capacity to mobilize financial resources.

Indeed, resource mobilization has been impressive but developing countries are questioning its reality (i.e. its additionality) while donors, facing a fiscal crisis, ask evidence that the money spent had an impact. The future of the Aid for Trade Initiative will depend on its capacity to address these concerns.

Mobilizing resources: a success

By the metric of resource mobilization, the Aid for Trade Initiative has been a success. In the "Aid for Trade at a Glance" report of 2011, the OECD estimated that, despite the crisis, aid-for-trade flows continued to increase. In real terms, commitments were in 2009 about 60% larger than before the launch of the Initiative and disbursements had grown by more than 10% each year.

The picture has changed. Because the fiscal crisis in donors' countries deepened, aid budgets are increasingly under pressure and aid-for-trade flows have declined in 2011. Commitments reached USD 41.1 billion that is, in real terms, 3% less than in 2009. Disbursements, which had been so far resilient, declined for the first time by 3% to USD 33.2 billion.[2]

But how has the money been spent?

The reality of the resource mobilization narrative has been questioned. Part of the reason is that developing countries and donors do not expect the same outcome from aid for trade.

Developing countries expect that aid for trade will boost and diversify their exports but feel it has not (yet) delivered on this promise. Donors, in contrast, see trade (and thus aid for trade) as a means to achieve growth and poverty reduction.[3] As a result, some projects are considered by donors as aid for trade but viewed by developing countries as traditional aid. For example, donors may report urban infrastructure project as aid for trade, but in developing counties, an urban infrastructure project is an urban infrastructure project not an aid-for-trade project.

The lack of progress in the Doha Round negotiations contributed to turn developing countries' disappointment into suspicion on the reality of aid for trade and on its real purpose. With the negotiations stalled, aid-for-trade resources could not be used for the initial purpose of supporting the implementation of a multilateral agreement. Instead, they financed other projects, some of them not clearly related to trade. Even if the trade impact of some projects is unclear, the broad definition of aid for trade allows donors to report them as such. More, because aid for trade is part of regular Official Development Assistance and disbursed through existing channels, donors can easily re-brand many traditional aid projects as aid-for-trade projects. This inflates the apparent resource mobilization but, as early as 2009, developing countries emphasized that they do not recognize the aid-for-trade flows reported by donors.[4]

Suspicion is increasingly voiced. At the "Expert Group Meeting and Workshop on Aid for Trade and Africa's Trading Capacity" organized by the UNECA in 2010, African countries criticized the monitoring of aid-for-trade flows and recommended that recipient countries take the lead in evaluating the impact of aid for trade. Suspicion was also expressed one year later at the Third Global Review prompting the WTO, in its Aid for Trade Work Programme 2012-13,[5] to stress the need to strengthen "confidence in the reporting system." In 2012, a report for the Commonwealth Secretariat summarized the issue: "Without evidence of additionality and a clear distinction between projects that would have occurred anyway under development programs, it is challenging to assess whether the initiative has delivered incremental benefits to developing countries."[6]

> Some projects are considered by donors as aid for trade but viewed by developing countries as traditional aid

Has aid for trade made a difference?

When the financial and economic crisis became a fiscal crisis, aid budgets came under mounting pressure. Demands to show that aid for trade has an impact were on the rise and "Showing results" was the theme of the Third Global Review of Aid for Trade held in 2011.

But showing results proved elusive. If the Doha Round negotiations had been concluded, criteria for assessing the success of the aid for trade would be obvious: has aid for trade successfully supported the implementation of the multilateral commitments? Has it helped developing countries seize the gains from trade offered by the agreement? Has it helped manage the adjustment costs of trade liberalization? But, in the absence of a Doha agreement, how could results be measured? Should they be measured by the trade impact that developing countries expect, or by the growth and poverty impact that are donors' priorities? In this context, much was said about results at the Third Global Review but little was shown.

The best way to show that aid for trade makes a difference would be to gather evidence from evaluations. But robust impact evaluations are rare. This is in part

> ...much was said about results at the Third Global Review but little was shown

due to methodological problems but more importantly to insufficient incentives to evaluate aid-for-trade projects. Donors often undertake evaluations more for "accountability" reasons than for investigating the impact of a project. Thus, it should not come as a surprise that a meta-evaluation of aid-for-trade projects concluded that "the evaluations' conclusions provide little insight as to whether aid for trade works and why."[7]

Evaluation should not be limited to the impact of aid for trade. It should also assess if aid-for-trade resources are allocated effectively (i.e. do they go where they are needed? Do they finance the right projects?). Unfortunately, such studies are also rare.

Expanding the scope of the Aid for Trade Initiative...

The Aid for Trade Initiative has helped to increase donor financing to the productive sector of the economy at a time when the overall resource envelope was expanding. It has also been successful in increasing donors' and developing countries' awareness of the role trade can play in development.

These achievements are worth preserving, but with bleak prospects to raise additional resources, with a monitoring framework that has reached its limits without managing to build confidence, and lacking robust evaluations, the Aid for Trade Initiative needs to reinvent itself to address rising concerns.

The WTO tries to do so by expanding the scope of the Initiative. Its Aid for Trade Work Programme for 2012-13 covers new issues such as gender empowerment, green growth, and climate change. It also gives a higher profile to topics such as the role of the private sector in development, that have

> Donors often undertake evaluations more for "accountability" reasons than for investigating the impact of a project

always been part of the Initiative but have recently attracted more attention. The role of the private sector in aid for trade was given particular attention at the Third Global Review, and for the Fourth Global Review the monitoring framework has been extended to include a private sector questionnaire.

Expanding the scope of the aid for trade will help maintain the interest of donors in an Initiative that encompasses more of their objectives. As a result, it is likely to foster resource mobilization, which in Pascal Lamy's words "must remain central."

...Or narrowing it down?

However, expanding the scope of the Aid for Trade Initiative will make impact evaluation harder and will give additional reasons for suspicion because the new areas have only remote relations (if any) with trade or with the trade and development nexus, are more likely to be tainted by political considerations and conditions, and are not among developing countries' priorities.

> The Aid for Trade Initiative needs to reinvent itself to address rising concerns

Therefore, instead of expanding the scope of the Initiative, the WTO should streamline it and make sure that aid for trade is more efficient. A streamlined Aid for Trade Initiative should focus on clearly trade-related projects. This has two implications.

First, providing financial resources to support the implementation of trade agreements and to cope with adjustment costs should remain the core mandate of the revamped Aid for Trade Initiative. In the absence of a Doha Round agreement, aid for trade can be more focused on helping implementing other trade agreements. In doing so it will build trade capacities that will be useful for the implementation of future multilateral agreements.

Second, projects that do not have a clear trade impact should not be reported as aid for trade. Aid for trade should help build trade capacities but trade capacities do not include projects that, however important for development, are not clearly related to trade. This is the case of support to productive capacities, to gender issues, and to some infrastructure projects. It is difficult to argue that urban infrastructure projects are trade-related and should be reported as aid for trade.

The purpose of narrowing the scope of the Initiative is to increase the focus on key elements of the trade and development nexus in order to make aid for trade more effective, build confidence, and secure donors financing. However, this may not be sufficient. The Initiative must also show convincing results. Thus, the streamlining of the Initiative needs to be complemented by independent and robust impact evaluation and research on the allocation of aid for trade. A major obstacle to such analysis was lifted when the OECD made the Creditor Reporting System database accessible allowing researchers to gather data on the flows and details on the various projects.

This article draws heavily on "The future of Aid for Trade: challenges and options" published in the "World Trade Review." The full article is available at http://dx.doi.org/10.1017/S1474745612000730.

Notes

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Contribution by the Commissioner for Trade, Customs & Free Movement ECOWAS Commission

Ahmed Hamid

The potential of Trade as an engine for economic growth can only be fully realized by addressing the supply side constraints of Developing Countries, especially in terms of production capacity and trade-related infrastructure.

Over the years, the central role of Trade in creating employment, generating wealth and accelerating economic development has been widely recognized. A number of countries have successfully lifted a significant proportion of their population out of poverty by adopting appropriate trade policies, including export led growth. However, for many Developing Countries, Trade is not fulfilling its full potential. Despite their numerous resources and the market access opportunities from preferential trade agreements, a number of constraints hinder their opportunity to integrate and compete effectively in global markets.

The Aid for Trade (AfT) initiative launched under the auspices of the WTO in December 2005, has successfully raised awareness on the importance of providing support to Developing Countries with the view of enabling them to benefit from the multilateral trading system. Worldwide AfT commitments rose from USD 24.6 billion in 2002 to USD 48.2 billion in 2010. Overall there has been an increase in global Official Development Assistance (ODA) flows over the last decade, of which Aid for Trade constitutes a stable share of approximately 25% of total ODA commitments.

The last decade has also seen partners working towards a better alignment of their support using the holistic AfT framework as a key reference. Partners such as the Enhanced Integrated Framework (EIF) and United Nations Industrial Development Organization (UNIDO) have developed models, tools and mechanisms to assist developing countries overcome supply side constraints. In cross cutting field such as Trade, which has a number of diverse actors and intervention areas, emphasis has been placed on improving coordination resulting in the creation of Clusters such has the UN Trade and Productive Capacity Cluster.

However, most of developing countries lack currently the capacity to take advantage of the expansion in global markets. The low performance of the developing countries in terms of trade flows can be, to a large extent, attributed to a lack of competitiveness. Infrastructure is identified as one of the main factors which affect the competitiveness in those countries, especially in West Africa. Recent studies show that trade-related infrastructure is up to 65% of the total Aid for Trade needs identified by West African countries. Therefore, the potential of Trade as an engine for economic growth can only be fully realized by addressing the supply aide constraints, especially in terms of production capacity and trade-related infrastructure.

The decline trend in Aft commitments over the last two years resulting from the economic crisis, will not contribute to improve the situation. It is now more important than ever that momentum and resources towards AfT should be maintained and even increased to facilitate the implementation of trade-related programmes. In order to deal with these challenges, West Africa is implementing a number of trade-related initiatives with the support of development partners.

Regional trade-related initiatives in West Africa

The Economic Community of West African States (ECOWAS), which was established in 1975, and is made up of fifteen member States, in collaboration with its partners, has been able to take advantage of a number of AfT strategies developed by partners and technical agencies. For example, the eleven Least Developed Countries (LDCs) in West Africa are eligible for support under the Enhanced Integrated Framework (EIF), which is supported by a multi-donor EIF Trust Fund.

There a number of AfT related programmes in the region, which fall within the categories defined by the WTO Task Force. These include the Regional/National Agricultural Investment Programmes of the ECOWAS Agricultural Policy (ECOWAP); the West African Common Industrial Policy (WACIP); Transport & Trade Facilitation Programme; the West Africa Power Pool; the ECOWAS Customs Union; and within the framework of the West Africa- European Union Economic Partnership Agreement (EPA), the EPA Development Programme (EPADP). These programmes are aligned with continental initiatives such as the Common African Agriculture Development Programme (CAADP) and the Programme for Infrastructural Development in Africa (PIDA). Furthermore, these programmes compliment the decision of the 18th session of African Heads of State and Government to Boost Intra Africa Trade with the objective of doubling Africa Intra Trade over the next decade.

ECOWAS Aid for Trade strategy

In order to maximize the opportunities of the AfT initiative, ECOWAS is working towards a regional AfT strategy in line with the ECOWAS Vision 2020 adopted in June 2007, and the Community Development Programme (CDP). The decision to formulate the Strategy was motivated by the inadequate levels of harmonisation and coordination of the delivery of AfT, as well as the perceived low level of coherence between the delivery of AfT projects and programmes at the national/ regional level.

Although AfT related programmes are operating at the sectoral level, an overarching AfT strategy for ECOWAS would provide the region an opportunity to articulate its approach in better managing AfT flows and to improve the effectiveness of such support. As a basic principle, AfT programmes will build on and strengthen existing integration agendas defined within the region.

The proposed strategy is based on the following four horizontal pillars, which cut across the AfT categories: (i) Improving knowledge, understanding, communications and outreach, (ii) Strengthening collaboration, coordination and complementarity, (iii) Increasing resource mobilisation and improving project preparation and design, and (iv) Strengthening capacity building.

In order to ensure sustainability, a number of institutional structures such as the ECOWAS Aid for Trade Expert Group have been established. The Expert Group, which is composed of officials from member States, is charged with strengthening instruments for the effective implementation of AfT. The group is supported by a number of technical partners including the AfDB, WTO, and UNECA.

For trade to have an impact on wealth creation and poverty reduction it needs to be an integral part of a country's development strategy. We call on our partners to align their commitments and improve access to the existing Aft funds. In turn, West Africa will take the necessary measures to increase its absorption capacity. Together, with supply and demand responses from partners and beneficiaries within the framework of Aid for Trade, we can made trade a veritable instrument for economic development.

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Enhancing the Regional Dimensions of Aid for Trade

Bruce Byiers and Dan Lui

Regional Aid for Trade is increasing, but unclear definitions and data hamper any assessment. Addressing challenges in regional coordination and implementation will better enable AfT to drive productivity and trade growth.

After emerging at the WTO Hong Kong Ministerial Meeting in 2005, the Aid for Trade (AfT) initiative is now a mainstreamed credo of the international trading system. Despite some early scepticism about whether or not it would bring 'added value', it is broadly considered to have at least helped focus aid and donor attention to building the capacity to benefit from trade. Moreover, evidence suggests that the AfT initiative has succeeded in mobilising donor resources for a range of trade-related activities while generally improving the quality of aid in terms of the ownership and design of programmes and policies.[1] Overall, AfT accounts for more than one-third of all Official Development Assistance (ODA) delivered by traditional donors.

But as with aid more generally, it has been difficult to gauge the effectiveness of AfT. This relates in part to the wide range of areas covered by AfT, from network infrastructure and sector-level programmes (for example in agriculture, tourism, or microfinance), to support for regional integration and policy reforms. Projects also vary widely in size, delivery and implementation mechanisms. This makes it difficult to explain and assess AfT as a coherent category of aid, requiring a range of approaches, from cross-country statistical comparisons to project-level case study assessments.

Since AfT relates to international trade, the concept bears an inherent regional and cross-border dimension that has been recognised from the outset.[2] While donors have traditionally focused their development cooperation at the country level, regional trade-related projects have increased in recent years. One key driver is the desire in sub-Saharan African countries to pursue a deeper level of regional integration. Arguably, the negotiations on Economic Partnership Agreements (EPAs) between the EU and various regional groupings have also played a role, while the stalled WTO Doha Round also underlined regionalism as an attractive alternative.

Particularly in Africa, regionalism is increasingly being addressed through a 'corridors approach', using AfT to promote regional supply chains and integration into global production networks. This approach emphasises tackling regional barriers to trade in an integrated and coherent manner, complementing liberalisation commitments with a combination of physical and 'soft' infrastructure investments. Increasingly this approach goes beyond infrastructures to promote investment and clustering in sectors such as agriculture.

> ...the AfT initiative has succeeded in mobilising donor resources for a range of trade-related activities while generally improving the quality of aid in terms of the ownership and design of programmes and policies

Regional Aid for Trade Effectiveness: Concepts and Issues

In theory regional AfT allows partners to pool resources and coordinate activities, leading to a rationalisation of implementation mechanisms and reduced transaction costs. Regional projects can therefore benefit from the ability to replicate best practice at the regional level and the economies of scale that come from working in several countries across larger markets. Most crucially, there is a strong overarching rationale for regional-level responses where there is a need for harmonising policies and 'unlocking' key cross-border bottlenecks that would otherwise persist in preventing opportunities for trade.

Although there is an inherent logic to promoting regional Aid for Trade, 'regional AfT' itself is not well defined. The distinction between national and regional AfT can be blurred since nationally implemented AfT projects can have regional impacts. Similarly, regionally focused projects (including for example the construction of connecting roads) are commonly implemented by national authorities since this is where capacity, responsibilities and legal mandates lie. As a result, there is a tension between where financing is channelled and how and by whom AfT projects are implemented.

This problem carries over to the data on regional AfT, including the official data gathered through the OECD-DAC Creditor Reporting System (CRS) on overall levels of regional AfT. These are unable to distinguish between national projects that are a part of a broader regional package or even AfT provided to a regional economic grouping, making assessments of regional AfT flows difficult, never mind their impacts.

In this context, and given the challenge of defining "aid effectiveness", how does one define the effectiveness of AfT at a regional level? And from whose perspective should one measure its effectiveness? While donors are under increasing pressure to show AfT effectiveness through evaluations and impact measurement, regional programmes suffer from the same limitations as national projects but with additional complications. Perhaps more importantly, AfT effectiveness depends on its ability to support regionally-owned integration efforts and adhere to the underlying principles and rationale of the AfT initiative, as well as the international dialogue on how to improve aid effectiveness as a whole.

> Particularly in Africa, regionalism is increasingly being addressed through a 'corridors approach', using AfT to promote regional supply chains and integration into global production networks

A recent study[3] carried out by ECDPM suggests the following findings.

AfT Flows

The data on AfT is not designed or suited to analysing regional AfT flows. As the discussion below makes clear, the OECD-DAC CRS database on AfT flows only provides aggregate data on Africa, therefore not allowing any analysis or comparison of AfT flows at the level where regional integration is taking place. As such, while serving as a donor database, it is of limited use for analysing impact or for policy-making and only allows broad conclusions to be drawn. From what the data does say, AfT remains an important and growing category of donor support to developing countries increasing regional flows, particularly in Sub-Saharan Africa. According to the same data and caveats, regional AfT represents a small share of overall AfT disbursements, suggesting the continuing dominance of national over regional AfT. This nonetheless includes projects that are regional in nature and aspirations, again underlining the need to improve data collection and reporting with regards projects with a regional objective if this aspect of AfT is to be given the analytical attention it deserves.

> ...regional AfT represents a small share of overall AfT disbursements, suggesting the continuing dominance of national over regional AfT

The data problem gives rise to a broader tension between AfT as a "donor" agenda, and AfT as a support mechanism for regionally-owned strategies. While Aid for Trade has helped to focus donors and the aid discussion on promoting productive capacity, it is at heart focused on aid inputs rather than outcomes. This is in contrast to the broader aid agenda. A key concerns therefore is not simply to mobilise additional aid, but to foster better approaches to regional development and ultimately to promote greater capacity for the private sector to produce and trade within and across regions. Numerous African regional groupings are increasingly designing Aid for Trade Strategies to potentially address this.

Institutions

While regional Aid for Trade strategies offer a means to fix regional priorities for donor alignment, strategies often duplicate aspects of existing sectoral strategies. This suggests a need to move away from a focus on aid mobilisation for AfT strategies, to garnering support for existing regional development strategies. This would be in line with the declining importance of donor aid and the growing importance of private sector finance and investment and other approaches to address development problems.

Regional AfT faces the same institutional challenges that face regional integration more broadly. These stem from the broader range of stakeholders in regional initiatives; the often limited implementation capacity, legitimacy and mandate of regional economic communities; and the greater distance between aid decision-makers, implementers and final beneficiaries on the ground. The political economy of national-regional relations often leads to grand aspirations with large "implementation deficits", pointing to the importance of finding a regional-national balance in responsibilities for implementing strategies related to Aid for Trade.

Some of these challenges can be addressed through a more narrowly focused corridors approach, thereby boosting regional Aid for Trade effectiveness. Through a holistic approach focused on a limited geographical area, this combines attention to improve hard infrastructures and soft accompanying measures with private sector engagement and clustering. As such, the corridors approach represents a form of compromise between the tensions that arise in formulating and implementing region-wide strategies. Although also facing some challenges such as the broader business environment, it may also serve as a model for broader reforms to promote greater effectiveness of AfT at a regional level, and to further regional integration itself.

Productive Capacities

The small size of most developing country economies suggests potentially large gains from regional integration through economies of scale on production and larger market size. In this regard, Aid for Trade targeted at regional initiatives makes sense, helping to promote both regional linkages between firms and producers in regional value chains, and linking their combined production into wider international markets.

While corridor approaches can help reduce transport times and costs, thus addressing a major constraint to regional and international trade, recent examples have yet to prove their broader impact at the local or regional level. While road improvements and improved borders do cut processing and transport times, these do not necessarily translate into lower prices and knock-on effects. The fact that corridors are increasingly driven by international investors also leads sceptics to question the likely development impact in the face of commercial interest. Nonetheless, the private sector need for regional markets for commercial viability may also bring needed momentum to reforms, further underlining the importance of a regional approach and the potential for channelling these efforts through a corridors approach.

Overall, while a regional approach seems appropriate to improving AfT effectiveness, the practicalities of regional coordination, prioritisation and implementation mean that major challenges remain. A corridors approach may be one way of narrowing the focus and gathering more limited stakeholders around identifiable constraints, potentially offering a means to maximise AfT effectiveness while promoting regional goals and aspirations.

Notes

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Connecting to Value Chains:

The Role of Aid for Trade in Private Sector Development

Erik Solheim

Strengthening the links between aid for trade and private sector development is catalysing greater co-operation and synergies between the public and private sectors to ensure that value chains offer a path to development.

One of my most vivid recollections from visiting Ethiopia a few years back was a meeting with a young woman by the name of Ayana. Having been poor all her life, she had a few years back started working at a site some two hours out of Addis Ababa that was producing cut flowers for export. While still far from rich, her income had almost tripled, and she was looking towards a much brighter future.

Trade has been a key factor for economic growth in many poor countries. It has allowed cut-flower producers in Ethiopia, mango farmers in Ghana, and light manufacturers in Zambia to realise their potential, and lift themselves out of poverty. Thanks to the opportunities of trade, countless poor people can lead better lives, get a better education for their children and benefit from better health care.

Aid for trade plays a crucial role in facilitating these opportunities, as a catalyst to overcome insecurity and unpredictability by providing new economic opportunities. It does so by helping firms and producers to raise the quality of their products to meet international standards, access market information. It improves their competitiveness by reducing trade costs and the costs of essential services required to export such as credit and transport. All these are essential aspects to allow especially the poor to share in the gains of trade. This in turn boosts overall economic growth and creates jobs in a virtuous cycle where opportunities breed further opportunity catalysing overall development.

The need for a partnership for development that comprises the private sector is clearly recognized by the Millennium Development Goals. The Busan Partnership for Effective Development Co-operation also recognises the central role of the private sector in "advancing innovation, creating wealth, income and jobs, mobilising domestic resources and in turn contributing to poverty reduction." The recently issued report of the UN High Level Panel on a Post-2015 Development agenda abounds with references to the need to harness the contribution of the private sector. In spite of this growing recognition, these benefits are often still proving difficult to obtain in practice.

The Aid for Trade Initiative has always recognized the pivotal role of the private sector. The private sector is important in identifying trade-related problems and bottlenecks, as well as the design, delivery and evaluation of aid for trade programmes. Successive global reviews have put a spotlight on these activities, highlighting examples of partnerships between large corporations such as Walmart and Danone and developing country producers. The emergence of local, regional and global value chains is catalysing greater involvement of the private sector and these forms of collaborative ventures. Investments are growing in number and impact, charting an innovative way forward for business involvement in trade-related capacity building. Case stories collected in preparation of the Third Global Review of Aid for Trade shed some light on the convergence of the public and private sectors' agendas.

Global Value Chains and Private Sector Development is the central themes of the 4th Global Review of Aid for Trade, in July 2013. This explores how aid for trade is supporting private sector development activities in developing countries, in the context of expanding global and regional value chains. The forthcoming OECD/WTO report *Aid for Trade at a Glance 2013: Connecting to Value Chain* provides details of how all stakeholders in trade capacity building are promoting the private sector. Despite a decline in overall aid-for-trade flows, support for building productive capacities has been maintained. The report shows how donors and partner countries are intensifying their dialogue with the privates sector to achieve better results. In partner countries, the private sector is involved in developing national development strategies, sectoral strategies and national trade development strategies. Donors support aim at creating a business friendly environment, through improved governance, and policy, legal and regulatory frameworks. Moreover, development activities also try to address market failures, overcome information asymmetries and provide business development services, for example, research and development, standardisation and certification and the provision of financial services.

For the first time, the OECD/WTO monitoring solicited directly the views of the private sector with almost 700 firms from 120 countries participating. The purpose was to understand the motives of the private sector to engage in actions to better connect suppliers in developing countries to their value chains. The results show that the main driver was firm's core business strategy. Other reasons included corporate social responsibility, participation in Business-to-Business schemes (*e.g.* suppliers' codes of conduct) and corporate philanthropy. The results also showed that lead firms found that their activities to bring suppliers from developing countries into their value chains were useful to their business: in particular, they helped build new relationships with suppliers and consumers, and contributed to improve their corporate image.

The OECD/WTO monitoring indicates that there is a clear match between the perception of governments, donors and the private sector on the issues to be addressed. The Global Review on Aid for Trade highlights the progress being made in aligning the incentives of the public and private sectors as well as donors and recipients in ensuring that value chains offer a path to development. While there is still room for improvement in public-private partnerships, we can observe clear progress. Closer co-operation and synergies between the public and private sectors is becoming evident in identifying aid for trade projects, financing their implementation, improving their monitoring and impact assessment, and ultimately increasing the effectiveness of aid in promoting private sector activities that support development goals.

The idea of trade, and its power as a driver of development, has always been that of an exchange from which all sides benefit. What drives aid for trade is that poor people get their fair share from these benefits. It must help many more Ayanas in many more countries to realize their potential, allowing them to live a better life with a better future for their children thanks to trade.

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Connecting food value chains in Africa

Eleonora Canigiani and Susan Bingi

While being looked at as the global food basket to address future food security challenges, Africa will need tailored AfT support to connect food value chains, both regionally and globally.

Connecting food value chains: boosting economic growth and increasing impacts on poverty reduction in Africa

The 4th Aid for Trade (AfT) Global Review on 8-10 July 2013 in Geneva, is focusing on "Connecting to Value Chains", looking at the economic opportunities that trade in value added offers; the constraints that firms in developing, and in particular least-developed countries (LDCs), face in connecting (and moving up) value chains; and how Aid for Trade can assist in this process.

AfT has been increasing steadily since 2005. However, it is only in recent years, after the food crisis of 2008, that attention has shifted to better understanding the political and economic dynamics related to regional agricultural markets and food value chains. AfT has to deal with all sectors of the economy, but evidence has proved that the impact of increased trade on poverty reduction depends on whether trade-induced growth occurs in sectors where a large number of the poor are economically active. In Africa this sector is agriculture, hence the need to enhance AfT in this sector.

The Comprehensive Africa Agriculture Development Programme (CAADP) – see Box – has played a major role in terms of attracting global attention to Africa's agricultural development as an effective way to respond to global food security. While initially focused on increasing public investment and donor support to public expenditure at country level, CAADP has also led to the realization that a real transformation of Africa's agriculture will depend on its capacity:

- to develop more efficient agriculture markets and boost intra-Africa trade, and
- to use public resources to leverage private investment, both foreign and domestic

The renewed commitment to support the food security agenda through the "New Alliance for Food Security and Nutrition" – see Box 2 – has moved another step forward in promoting the transformation of Africa's agriculture by pointing out the need to boost private sector investment.

Unlocking private investment in agriculture– both attracting Foreign Direct Investment (FDI) and promoting domestic investment – is paramount to job creation, the transfer of technologies and know how, and building the capacity of the local private sector. The Grow Africa initiative[1] has been successful in creating solid platforms for engaging private companies, and is now recognized as the main arm for CAADP to facilitate private sector engagement. Other private sector initiatives have been mushrooming around CAADP, including financing mechanisms to support agriculture value chains[2]. For such platforms and initiatives to become operational, it is now urgent to provide the enabling conditions for companies to invest, and for African countries to connect their value chains.

Box 1.

The Comprehensive Africa Agriculture Development Programme (CAADP) is an Africa-wide agricultural programme coordinated by the African Union Commission (AUC) through the Planning and Coordinating Agency (NPCA) of the New Partnership for Africa's Development (NEPAD). Established by the AU assembly in 2003, CAADP focuses on improving food security, nutrition, and increasing incomes in Africa's largely farming based economies. It aims to do this by raising agricultural productivity by at least 6% per year and increasing public investment in agriculture to 10% of national budgets per year. CAADP's major intervention areas, or pillars, are: i) sustainable land and water management; ii) market access; iii) food supply and; iv) agricultural research.

The AU Action Plan for Boosting Intra-Africa Trade (APBIT) already provides overall orientation in terms of the intervention areas to boost intra-Africa trade. Numerous initiatives already exist at regional and national level. Many of these have been developed under the AfT umbrella. However, the impact of these initiatives on the agriculture sector and food value chains is often weak due to:

- limited coordination between agriculture and trade institutions in planning and developing co-herent national and regional strategies to support agriculture markets and food value chains;
- limited scale and coordination of the blossoming number of initiatives established to catalyse private sector engagement and investment in agriculture, as well as inadequate communication between private sector actors, country and regional partners.

Connecting value chains builds on connecting sectors[3]

The capacity to connect food value chains will depend on the extent to which African countries, with the support of the regional economic communities (RECs), will manage to encourage diversification, increase supply-side capacity and value addition, enhance competitiveness, and improve the business environment and the ability of the local private sector to innovate and take advantage of the opportunities presented.

Box 2.

The New Alliance for Food Security and Nutrition is a commitment by G-8 nations, African countries and private sector partners to lift 50 million people out of poverty over the next 10 years through inclusive and sustained agricultural growth. In this context 45 companies committed to invest a total of US$3 billion in African agriculture.

This calls for a comprehensive approach which considers increasing, diversifying and adding value to agricultural production in synergy with other sectors (e.g. infrastructure, energy, natural resources, trade, etc.). Achieving these synergies is key to streamlining the links between the supply and the demand side, and depends on "connecting the sectors" through their respective policies and planning processes.

This is why the CAADP partners have started to look at building bridges between CAADP and AfT. In addition to promoting policy dialogue, the ambitious objectives of bridging trade and agriculture can be achieved by building synergies between CAADP and AfT implementation structures at regional and country level, as well as by sharpening the focus of AfT on how best to support agricultural markets and value chains based on the regional priorities identified.

This implies:

- *realizing institutional transformation across agriculture and trade institutions* to improve coher-ence of agriculture and trade development plans in defining regional and national priorities for the development of effective agriculture markets and value chains; and
- *strengthening the operational capacity of countries and RECs* to pool the resources channelled through agriculture and trade institutions and multiple private sector initiatives to target strategic value chains and geographic areas.

Table 1. Similarities and commonalities of CAADP and EIF

	EIF	CAADP
Overarching goal	Poverty reduction through trade development (focus on LDCs)	Poverty reduction through agricultural growth
Global coordination	EIF Secretariat	NEPAD Planning and Coordinating Agency (NPCA)
Global support	Multi-Donor Trust Fund administered by UNOPS	Multi-Donor Trust Fund managed by the WB; Global Agriculture and Food Security Programme (GAFSP)
National level implementation	EIF National Implementation Unit with multi-sectoral composition	CAADP Country Team with multi-stakeholder composition
National focal point	Ministry of Trade	Ministry of Agriculture
National planning instruments	DTIS/Action Matrix, including agriculture-related trade priorities	Compact/Investment Plan, including agriculture-related trade priorities

The Challenges

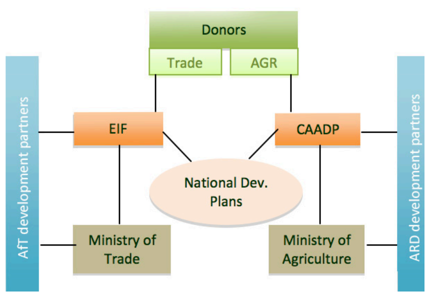
A key challenge is that in most countries each sector already "owns" sectoral programmes and processes which are not sufficiently coordinated. The case of LDCs is emblematic to explain the need for enhanced coordination.

The agriculture transformation agenda in LDCs is also driven by CAADP, and builds on the CAADP Compact and Investment Plan (IP) to define the approach and concrete actions to implement it. The CAADP IP offers the basis to identify concrete areas around which partners have a mutual interest in targeting their activities. These areas include providing support to agriculture trade development, and pointing out priority regions and value chains.

On the other hand, the trade development agenda in LDCs is driven by the Enhanced Integrated Framework (EIF) for Trade Related Technical Assistance, and builds on the Diagnostic Trade Integration Study (DTIS) and Action Matrix to identify national trade development priorities to catalyze partners' support. Such priorities also include agriculture trade development, and target specific value chains.

When taking a close look at the EIF and CAADP, as sketched in Table 1, remarkable commonalities can be noticed. Despite the aim of both processes to promote cross-sectoral coordination through their respective national arrangements, a close look at them suggests that they are actually "parallel" processes, respectively spearheaded by trade and agriculture ministries, as illustrated in Figure 1.

Figure 1. CAADP and EIF parallel processes



Increased effectiveness of such processes could be achieved by aligning the planning and implementation of the agriculture and trade sector priorities.

Possible solutions

To strengthen coordination and planning capacity across sectors and private sector initiatives, the African Union Commission (AUC) and the New Partnership for Africa's Development (NEPAD) Planning and Coordination Agency (NPCA), in collaboration with the RECs and CAADP Development Partners, have established two complementary platforms:

- *the Joint Action Group on Regional Trade and Infrastructure* (JAG-RTI) aiming to mobilize co-ordinated support for the development and implementation of regional CAADP Compacts and Investment Plans (IPs), by pointing out priority interventions for strengthening regional agricul-ture markets, promoting regional value chains and agricultural trade corridors and improving dialogue and coordination with trade institutions; and
- *the Joint Action Group on Private Sector Initiatives* (JAG-PSI) aiming to facilitate coordination, complementarities and synergies of CAADP-related private sector initiatives, and to promote focused multi-stakeholder partnerships based on value chains and geographic areas in an ef-fort to reach the scale of investment required for real agriculture transformation.

The efforts of the AUC and its partners will require further support and AfT to:

- *facilitate the overall process of "bridging" trade and agriculture* through the engagement of the RECs and their member states in policy dialogue and the alignment of CAADP IPs with trade development plans;
- *develop and implement projects and programmes at regional and country level* drawing on en-hanced planning frameworks and increased interaction across sectors.

Regional CAADP Compacts and IPs are currently under development and may become the instruments for the RECs to identify and operationalize the synergies among the different sectors, coordinate their respective initiatives, prioritize related actions, engage the different stakeholders' groups (i.e. member states, farmers' organizations, private sector, development partners, South-South partners, etc.) and mobilize coordinated support for implementation.

National CAADP Compacts and IPs can be connected to parallel processes for the making of trade development plans, including the EIF in LDCs, to ensure consistent planning and integrated actions.

Supporting RECs and member states to develop coherent regional/national strategies for the devel-opment of effective agriculture markets and value chains will also require capacity building for agriculture and trade institutions to improve their awareness and understanding of the development priorities of each sector and of the sectoral processes established to support them.

Notes

1. http://growafrica.com/
2. Private sector initiatives attached to CAADP include among others African Agribusiness and Agroindustry Development Initiative (3ADI), Making Finance Work for Africa (MFW4A), African Facility for Inclusive Markets (AFIM). Multi-donor Trust Funds and private equity funds include e.g. Global Agriculture and Food Security Programme (GAFSP), African Agriculture Fund (AAF), Agvance Africa, and others.
3. For further reading on connecting sectors see also GM-ECDPM policy brief on "*Mobilizing Aid for Trade to Enhance CAADP Regional Trade and Private Sector Initiatives*", February 2013, www.ecdpm.org/bn47

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Finland is teaming up for supporting business and development

Mika Vehnämäki

The old silos of business and development are breaking down. Finland has introduced a model, "Team Finland", which has great potential for helping the developing countries benefit from business and trade while also advancing Finland's economic interests.

Think back of China forty years ago. Or India twenty years ago. Thriving business, a purchasing-powered middle class or the world's largest innovation centres were not the first things that come to mind in those days.

Look what is happening in Africa now. Did you anticipate at the turn of the millennium that six out of ten of the world's most rapidly growing economies would thirteen years later be in Africa? If you did, you are probably doing profitable business in Africa now. The rest of us, who did not, keep pondering how all of this managed to take place without us having a clue. And most importantly: what next?

Rapid changes confuse us

The countries which were once too poor to buy even the cheapest products from the West are now becoming our rivals. Many countries which have traditionally been recipients of development aid are turning into donors. The current emerging economies have industrialised so massively that breathing air and clean water have become scarcities. Those "emerging economies to be" which stand next in the line are in a position to leapfrog over the most costly and devastating phases of growth and industrialisation.

This is especially true in Africa. Many African countries have recently made vast discoveries of natural resources. This can certainly be a blessing for domestic resource mobilisation if the upcoming revenue flows are managed wisely and used equitably.

However, only one third of Africa's growth can be explained by natural riches. The rest comes from consumption, investment and trade. The companies around the world have recognised this. Thus the rush to Africa. The national public sectors in Europe and elsewhere in the wealthiest part of the globe are trying their best to pave the way for their own companies.

Silos are breaking

Traditionally, the business community has taken "development idealists" with great scepticism. The development aid practitioners have been extremely good at spending taxpayers' money in operations whose long-term impacts on poverty eradication and human development have often been questionable. Business has not featured among the beneficiaries of aid. Likewise, the development cooperation people have widely shared the attitude that companies exploit the poor people, or worse impoverish them.

Today, these silos are simply old-fashioned. They are also imaginary; the world is not and has never been so black and white. In modern development cooperation, companies are one of the key partners in responding to the development needs. Companies are also increasingly engaged in community wellbeing under the rubric of corporate responsibility, mostly with their own money. Business not only enables development, business *is* development.

Team Finland model

The Government of Finland attempts to bring all the key players that promote Finland's external economic relations, internationalisation of the firms, investment into Finland and the country image to the same table. For development cooperation, it essentially means dismantling the silos. This model is called *"Team Finland"*.

Team Finland aims at influencing global developments, integrating Finnish businesses more keenly into global value chains, identifying and utilising new emerging opportunities, and providing public services for companies in a more efficient and targeted manner. Team Finland also strives to influence the operating environment outside Finland. The focus is on the European Union as well as sizeable growth markets. In low-income markets, Finland's Aid for Trade can offer an avenue for making the business enabling environment friendlier to both domestic and foreign businesses. Furthermore, Team Finland is charged with the task of attracting investment into Finland and improving Finland's country image internationally.

The logic is simple: Finland as a country and Finnish stakeholders are too small to effectively achieve the above targets alone. Influencing the global developments takes all players to pull the rope together in the same direction. The Finnish economy cannot only export goods and services, it needs imports to flourish.

Finland's foreign missions have the responsibility for coordinating and advancing Team Finland's objectives at the country level. It has actually brought a lot more economic and commercial duties for the Embassies than before, even in countries where Finland's external relations have been mainly focussed on development cooperation.

First concrete steps taken

The Team Finland approach was launched in January 2013. The launching event, with a good number of workshops, was attended by more than one thousand corporate and other interested participants and exceeded all expectations.

Cooperation between the Ministry for Foreign Affairs (MFA) and Ministry of Employment and the Economy (MEE) has been enhanced in many fields, including development policy and cooperation. An ongoing initiative is the MFA-MEE-led Business and Innovations for Development Task Force.

A concrete leap was taken when Finland's Embassy to Zambia, MFA, Finpro and Human Security Finland, together with the Zambian partners, organised the Finnish-Zambian Business Partnerships Week during 16-22 May 2013. The Week consisted of a series of events, such as co-creation workshops for private sector development in mine-host community Lumwana, Zambia - Finland Trade and Business Forum as well as Women Entrepreneurship Workshop. The Business Week was part of the Ministerial visit to Zambia and Tanzania by Finland's Minister for International Development Heidi Hautala and Minister for European Affairs and Foreign Trade Alexander Stubb – the first ever such a visit by two Ministers responsible for development and trade.

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How private sector can aid agricultural trade:
the case of Yara

Natalia Federighi de Cuello

Improved agricultural productivity is vital to meet an anticipated 70 percent increase in food demand by 2050. As the increased output has to be obtained with less input, resource efficiency is imperative. Simultaneously, global warming is already thought to affect world food production negatively, making reduced emissions another key objective.

Therefore, improved productivity and environmental responsibility must go hand in hand. Increased agricultural efficiency on existing arable land can mitigate emissions and make farming a profitable business including for the world´s smallholders. The combination of quality inputs, including fertilizers, and good agricultural practices can increase yields substantially. That is what Yara aims to do, thereby creating value for its shareholders and customers, but also for society at large. Yara responds to the human challenges of food, resources and the environment with agronomic solutions to increase yields, to improve resource use efficiency, to reduce the need for land use change, driving technological innovation and putting smallholder farmers at the center market development activities.

Fighting hunger and extreme poverty is an obligation of the state requiring good public policies, funding and the implementation of aid programs. But we have to acknowledge that the private sector has an extremely important role to sustainably make available nutritious food to the growing population. If we want to eradicate hunger within a decade as it was agreed in Madrid during the High Level Consultation on Hunger, Food Security and Nutrition last April, public funds are not sufficient to eliminate hunger, and there is a need to leverage private sector investments that are environmentally sound and socially responsible.

Public-private partnerships and food value chains

We are facing common, global challenges. Yara is contributing to the dialogue and the policy agenda, sharing expertise and vision about the future: urging for political commitment to prioritize agriculture; making African agriculture more productive and Africa a destination for investments instead of aid; targeting smallholder farmers, also by encouraging cooperatives or associations to ease access to inputs, storage facilities, technologies and markets.

We believe in multi-stakeholder partnerships to address these formidable challenges. The private sector is a key and committed partner for scaling up food security and nutrition. At the World Economic Forum 2013, the New Vision for Agriculture Initiative presented new models for action. The initiative has catalyzed a number of multi-stakeholder partnerships in Africa, Asia and Latin America, including the regional partnership Grow Africa.

Yara has engaged in several food value chains, helping to increase food security and economic development, as well as providing business opportunities. In 2012 Yara reaffirmed its engagement in food value chain developments by continuing its participation in existing initiatives in Ghana, Tanzania, and Vietnam. Yara also aim to expand its collaboration with Nestlé to look into new coffee value chain opportunities, potentially in Africa and Latin America.

Agricultural Growth Corridors

After launching the Agricultural Growth Corridors concept at the UN in 2008, Yara has been a catalyst in the establishment of two corridors in East Africa: The Beira Agricultural Growth Corridor (BAGC) in Mozambique and the Southern Agriculture Growth Corridor of Tanzania (SAGCOT); both are inclusive public private partnerships for agricultural transformation.

In SAGCOT a Green-print was developed in 2012 as a green growth investment framework to ensure that the corridor development is environmentally sustainable, socially equitable and economically feasible. The strategy aims to help large numbers of farmers move from being subsistence producers to generating marketable surpluses.

The New Alliance for Food and Nutrition Security has triggered various global businesses to commit investing in Africa. Such agricultural sector investments are mainly driven through the African-led Grow Africa partnership, aiming at leveraging local and international private sector finance and investment to support country-wide policies in support of the CAADP (Comprehensive African Agriculture Development Program.)

Yara signed Letters of Intent with the governments of Ethiopia, Ghana, Burkina Faso and Tanzania respectively, with the intention of continuing ongoing initiatives as well as establishing new ones.

Yara firmly believes that its business conduct and development can deliver strong results both financially, environmentally and in terms of social value. By delivering and developing solutions addressing global challenges Yara grows its business and finds new opportunities while at the same time transforming society.

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The Ghana Grains Partnership is a concrete example of a proven model for value chain cooperation

Masara N'Arziki is the farmers' association set up in 2009 by the Ghana Grains Partnership. The GGP reaches about 8,300 smallholders growing maize. Through Masara N'Arziki the farmer can get access to all the things he needs for a productive and high-yielding farm: credit, quality inputs, know-how and ready markets.

The remote and poor Northern Ghana is the home of Masara N'Arziki, and the Ghana Grains Partnership operates two warehouses for storing maize from its members there. The association guarantees to buy and pay for the members' crop, finding a ready market at the end of the season. In addition, the safe storage also reduces post-harvest losses.

The knowledge-based approach is essential to improve farmers yields: making sure that the farmers prepare their land at the right time, with the right inputs and that they use the right technology. By providing the right inputs to the farmer, the yields can triple.

Several companies have joined forces to provide vital inputs and financial services, while food companies guarantee a market for the extra yield- with Masara buying the crops and paying the farmers. All the partners involved, suppliers and farmers alike, are equal in this model because they know the success of one is a success for everyone.

AfT's impact: How should we evaluate?

Olivier Cadot, Jaime de Melo and Richard Newfarmer

Did the AfT initiative make a difference? It did help to mainstream trade in donor strategies and increase AfT flows. Yet, the initiative was remarkably poor in terms of evaluation mechanisms or even simple guidelines on how to conduct evaluations. We review here key considerations on how to better assess AfT's impact.

The Aid-for-Trade (AfT) initiative will soon be ten years old, a good time to look back and discuss whether it genuinely made a difference or not. The initiative largely resulted from a convergence of views, the trade community realizing that the costly commitments made by developing countries in the Uruguay Round called for trade-adjustment assistance—especially for low-income ones—and the wider development community embracing at least partly the notion that trade was, in itself, an effective poverty-alleviation mechanism. Following the 2005 Hong Kong Ministerial, the WTO Task Force on Aid for Trade summarized its objectives as "assisting developing countries to increase exports of goods and services, to integrate into the multilateral trading system, and to benefit from liberalized trade and increased market access." AfT would "enhance growth prospects and reduce poverty in developing countries, as well as complement multilateral trade reforms and distribute the global benefits more equitably across and within developing countries".

Did the AfT initiative make a difference? It certainly helped to mainstream trade in donor strategies and to reverse the decline in the share of Overseas Development Assistance (ODA) going to trade-related activities. Before 2005, industrial-country efforts to help the integration of low-income countries into the world trading system largely relied on trade preferences; while the largest part of ODA targeted education, health and direct poverty-reduction programs. The initiative seems to have reversed the trend, with AfT flows rising from US$17.8 billion in 2005 to US$27.5 billion in 2011—although the growth leveled off in recent years—and boosting the share of trade-related activities in total commitments from 30% in 2005 to 35% in 2010. The trend reversal is most visible for multilateral donors, who were also the ones having reduced most vigorously their trade-related activities since their peak in the days of structural adjustment (Figure 1).

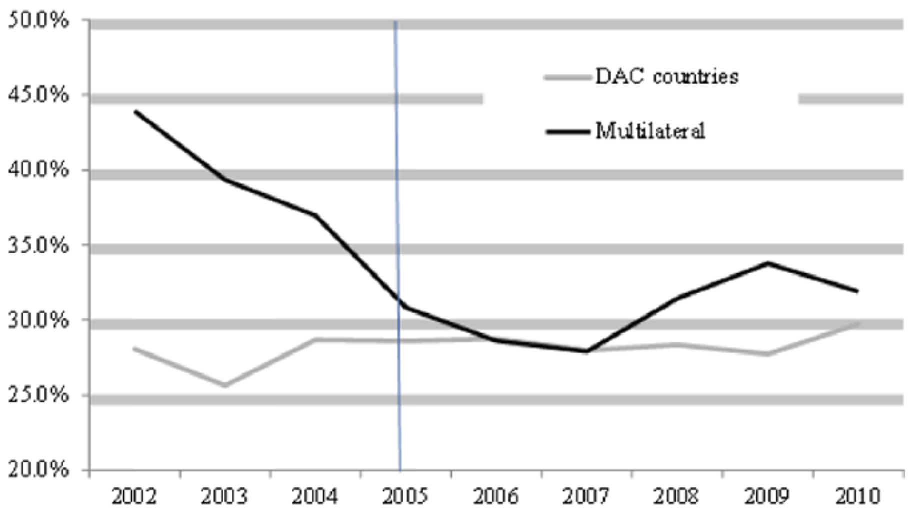
However, with tighter budget constraints in donor countries and louder demands for accountability across the board, AfT is likely to face in coming years a "results test" going beyond increased aid flows. Yet, the initiative was remarkably poor in terms of evaluation mechanisms or even simple guidelines on how to conduct evaluations. So far, the quest for accountability has produced a digest of a large collection of projects and case stories–voluntarily supplied and thus heavily selected–feeding into meta-analyses built around word counts (OECD 2011). Whatever quantitative evidence there is on AfT's impact comes from evaluation exercises carried out in academia, without explicit linkages with or funding from the initiative's governance structures.

It has been known since the pioneering work of Amjadi and Yeats (1995) and Limão and Venables (2000) that trade costs are very large for low-income countries, especially in Africa, explaining a large chunk of the continent's poor trade performance. From that perspective, the AfT initiative's emphasis on infrastructure investment (63% of commitments, of which 35% was for roads and 16% for rail) is justified empirically. However, justification is not evaluation; in fact, recent research—see e.g. Carrère and de Melo (2009), Novy (2012) or Arvis et al. (2013)—suggests that trade costs have declined less rapidly for low-income countries, the prime target of AfT, than for others, reinforcing their insulation from world trade.

Beyond aggregate evidence on trade costs, direct attempts to evaluate ex-post the impact of AfT have produced an ambiguous picture. Recent work attempting to identify the impact of targeted programs to reinforce productive capacities (e.g. Brenton and von Uexkühl, 2009; Cali and te Velde, 2011; Ferro, Portugal and Wilson, 2012) has produced weak evidence. The problem with ex-post evaluations based on publicly-available data is that the identification of AfT's impacts is vulnerable to so many confounding influences that even with the most creative econometric techniques, it is unlikely that sufficiently clear-cut evidence could emerge to respond to hard-headed demands for results-for-money.

In order to credibly claim impact, AfT needs to shift its evaluation paradigm—a paradigm that has emerged largely spontaneously so far—to one that focuses on "cutting the length" of the causation chain. That is, instead of incidentally trying to assess whether larger aid flows reduce trade costs or raise exports, on average, over large panels of heterogeneous countries, it should move to a paradigm where projects are explicitly designed, at the outset, for direct impact evaluation, by careful construction of treatment and control

Figure 1. Share of AfT disbursements in total foreign aid, 2002-2010



groups. The key requirement here is not necessarily randomization per se—whether or not randomization is the alpha and omega of impact evaluation is the subject of an intense debate in academia—but more modestly to carry out baseline and follow-up surveys on sufficiently large samples, including project beneficiaries and non-beneficiaries, prior to the intervention and after it.

Here is where difficulties start. First, by construction, treatment effects capture only effects that are internalized by the beneficiaries. But then, why shouldn't they pay for them? Subsidised interventions (most aid for trade takes the form of grants or concessional loans) should be justified by some sort of market failure such as non-appropriability of the gains, as funds have an opportunity cost. But if gains are not appropriable, they won't show up in a treatment-effects test. Thus, the absence of estimated treatment effects suffers from a basic ambiguity; it could be that the program was ineffective, in which case it should be discontinued, but it could also be that its effects spread to the control group, in which case it should be continued (it could also be that the test does not have sufficient power to reject the null, a sample-size problem). In plain English, impact evaluation can be a key piece in the monitoring-evaluation nexus, but it should be interpreted cautiously.

Second, situations of 'clinical' policy interventions in trade are rather rare. Targeted programs such as technical assistance for export promotion could be amenable to randomized control trials or other forms of impact evaluation, but the more numerous non-targeted reforms like customs reforms, port improvements or other institutional improvements are less easily amenable to the usual methods (although sometimes it is still possible to go down from the intervention level, say a border post, to the firm or transaction level, as in Volpe and Graziano, 2012).

Third, implementation faces two types of constraints, i.e. incentives and costs. As for incentives, project manager buy-in would be facilitated if impact evaluation could be fully decoupled from their evaluation, but no organisation could commit to that without facing a time-consistency problem. As to costs, bottom estimates for an evaluation are around US$300,000 . For large-scale social or health projects, typically this will be only a few percentage points of programme cost. But trade-related projects are much smaller, so containing evaluation costs to 5% of project costs (requiring project cost above US$6 million) will put the majority of aid-for-trade projects outside the range of feasibility. Cadot et al. (2012) estimate a median commitment size of US$700'000 (aggregated over all donors) for trade policy and regulations. In conclusion, randomised control trials face an uphill road in trade-related assistance but quasi-experimental methods relying on existing data from customs and industrial surveys provides a second-best alternative.

> ...instead of incidentally trying to assess whether larger aid flows reduce trade costs or raise exports, it should move to a paradigm where projects are explicitly designed, at the outset, for direct impact evaluation

The way forward: Using benchmarking to identify programme effects

For both hard and soft infrastructure, causal links from policy intervention to export performance are strongly suggested by theory but non-trivial and often elusive to estimate empirically. Cross-country evaluations will continue to be needed because they are the safest route in terms of 'external validity', in spite of their limitations in terms of 'internal validity' (ability to establish causality from intervention to effects). In order to generalise the use of impact evaluation methods in trade-related interventions, given the typically small size of such projects, what is needed is to make it practically feasible in terms of design (project and evaluation using quasi-experimental methods), incentives (impact evaluation results should be decoupled from individual performance evaluation), and resources (get government buy-in to release confidential data). Governments will be more willing to relinquish semi-confidential data to researchers if they understand the value of the results generated.

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Evaluating EU's Trade-related Assistance: Successes and challenges

Peter Frøslev Christensen

EU trade-related assistance has been subjected to an independent evaluation, detailing both substantial achievements and continued challenges. While mostly successful, the EU has both under-analysed and under-estimated the importance and degree of genuine political commitment of its partners.

Trade can be a powerful mechanism for increasing growth, generating jobs and improving living standards. Especially the Doha Development Agenda, launched by the WTO in 2002, catalysed increased focus on harnessing the role of trade in the fight against poverty. EU and its member states have responded robustly and are now the largest providers of trade related assistance with rapid growth in volumes during the past decade. How well has EU been able to utilise the increased funding? A recent evaluation sheds some light on this issue.[1]

First of all, the sheer rise in funding available has in itself provided the EU with new means and modalities for engagement (quantity as a quality). This has allowed for the development of a diverse portfolio of trade-related interventions that has been tailored to very different context, ranging from support to the development of a sustainable trade system in fast-growing China, to assisting exporters in fragile Côte d'Ivoire. Thus the focus has also expanded beyond the traditional emphasis on trade policy, which dominated the agenda when the Doha was initially launched. This diversity of intervention options has also allowed the EU to stay continuously engaged in trade-related assistance, even under deteriorating and increasingly fragile conditions, by allowing it to flexible switch between different types of interventions that are appropriate to the evolving contexts. The EU is consequently also one of the most persistent providers of trade related assistance.

The trade-related assistance has helped improving the *coherence* of EU's policies. It is well-known that many developing countries struggle to meet the health and quality standards imposed by both public authorities (e.g. EU) and private importers (e.g. supermarket chains). Substantial volumes have been allocated to help exporters from poor countries to comply with these increasingly stringent private and public standards and often with considerable success. It is an area where the EU is seen as a reference point and also an area where demand for assistance is growing, as especially privately set standards are become more ubiquitous and demanding. However, a recurrent challenge has been to ensure sustainability of the quality infrastructure (for e.g. testing and certification) provided.

Also undermining sustainability has been the underestimation of the complex institutional set-up characterising not only the standards and compliance systems, but also the wider set of organisations involved in *trade facilitation*. At times, the EU has neglected the political and organisational challenges in mainstreaming the institutional framework; such reforms often involves transfer of power from one organisation to another which are inherently also political processes that can take time. One area of trade facilitation that has received particular attention is customs, where EU has provided technical assistance, systems and equipment to improve processing time as well as to increase predictability and transparency. Clearly there is a need improve the ease by which exporters can deliver their goods to their customers. In Africa it is estimated that a 5% reducing in waiting times at the borders could boost inter-regional trade with 10%.[2] However, while EU has mostly been successful with the individual customs projects, overall the constraints to trade have only been reduced marginally (if at all) as customs only constitute a minor part of overall trade transaction cost. Again, the issue of ensuring better coordination across agencies and organisations deserve more attention and the EU has recently stepped up assistance in this area, often using the 'behind the border' approach, which goes beyond customs to address the trading obstacles more comprehensively.

Perhaps due to EU's own history of successful political and economic integration between European countries, support to regional integration has featured prominently. There is virtually no regional organisation in the developing world that has not been assisted by the EU. However, this is an area with significant discrepancies between the rhetoric and the concrete achievements. While both the EU and its regional partners have had ambitious objectives for closer integration, implementation consistently failed to match these. Too often the member states of the supported regional organisations had neither the political commitment nor the technical capacity to implement the formally agreed regional integration objectives. Thus progress has been far slower in this area than expected, even in the more successful cases, such as ASEAN.

Clearly there is a need improve the ease by which exporters can deliver their goods to their customers

The crucial role of political commitment is not confined to regional integration, but is also key in the assistance offered to *trade policy and regulation*. It is thus unsurprising that EU's support has been more effective and sustainable in countries with a strong trade orientation and high ownership of their trade policies. What is perhaps more surprisingly is that the EU has often failed to properly analyse the level of commitment among its partners when designing trade-related assistance in the policy and regulatory area. Too often it has relied on a 'gap' and 'lack-of' analysis that consistently pointed to lack of capacity, equipment, human resources etc., with the obvious 'solution' being the delivery of inputs to fill these gaps, in the form of training, technical assistance, equipment etc. Especially in non-committed environment such analysis failed to identify the underlying causes of the gaps. Too often the 'lack of' was only symptoms of wider and deeper dysfunctionalities, with perverse incentive structures and weak governance

> There is virtually no regional organisation in the developing world that has not been assisted by the EU

systems often being key. In these contexts, the provision of the conventional 'capacity building' package (technical assistance, training and equipment) did little to address the underlying causes.

The EU has also supported the *trade-related productive sectors* substantially, often focusing on traditional exports within agriculture, forestry and fisheries. It has clearly contributed to the stabilisation of export levels, and with higher commodity prices, also to improved incomes in the latter part of the evaluation period. However, the EU has often struggled to promote effective product diversification that could improve the value added of the exports and promote more innovations and research in the industries supported, especially in the least developed countries (LDCs). Rising commodities prices have arguably also contributed to this 'push' back into commodity production by altering the terms of trade in that direction. In the LDCs, the EU has not been able to revert this process and there is only limited evidence for assistance to productive sectors that has catalysed more structural, transformative changes in LDCs. The EU's trade related assistance could probably have benefitted more from closer and synergistic linkages with especially industrial policies, although the latter remains a somewhat controversial topic, not least in Africa.

Finally, a crosscutting challenge of the EU and its partners is that they have often not ensured *monitoring* of outcomes and impact, which has reduced learning opportunities and accountability. The monitoring has too often been at either input, or, at best, at output level, which did little to address the fundamental issues of the outcomes of the project, or at macro level (e.g. GDP growth), which was too divorced from the trade-related assistance interventions to be informative about contribution. At intervention level there have been several missed opportunities for gauging income and livelihood impacts, especially when supporting trade-related productive sectors. Also, when promoting wider trade reforms, the EU, and more importantly its partners, have often neglected analyses of the significant impact on poverty, gender, regional disparities and labour market dynamics that could have assisted in designing better flanking and compensation measures which increase resilience. This also reflects the key challenge of mainstreaming trade in the sense that trade and regional integration can become even better tools for development.

> ...the EU has often struggled to promote effective product diversification that could improve the value added of the exports and promote more innovations and research in the industries supported...

The evaluation has offered a number of recommendations aimed at improving EU's trade-related assistance. These closely correspond to the findings and conclusions presented above. Key are the following 4:

1. *Continue the diversification of portfolio* that allows for better contextually tailored assistance to especially LDCs and fragile states. Different countries and regions have different needs. Least developed and fragile countries in particular face challenges in just maintaining their share of the world market and here the EU should accelerate efforts to identify proper interventions and an appropriate mix of support modalities that can assist both in stabilising current levels but also in the longer term reduce dependence on a narrow export bundle.

2. *Rebalance assistance* between regional and national levels in areas where political commitment and capacities are weak. While the EU has achieved many successes there have also been many challenges, calling for a more strategic and contextualised approach that recognises different economic and political realities.

3. *Increase the analytical use of political economy* tools and institutional assessment especially for capacity development interventions. The EU should make better and more consistent use of its own robust tools developed for that purpose including the backbone strategy on technical cooperation. Especially in weak and fragile contexts, such analysis is required.

4. *Improve monitoring and evaluation of trade-related assistance*. There are many opportunities for the EU to improve its learning from the trade-related intervention. Of particular importance will be to strengthen monitoring efforts in relation to the outcomes to which the trade-related assistance interventions can reasonably be expected to contribute. Of particular interest will be income and poverty changes, distributional consequences and structural transformations.

The evaluation is now available on the EU's Evaluation Unit's website and you are encouraged to check it out and obtain more details.

Notes

1. Particip (2013) *Evaluation of the European Union's Trade-related Assistance in Third Countries Final Report*. April 2013 http://ec.europa.eu/europeaid/how/evaluation/evaluation_reports/2013/1318_docs_en.htm
2. Karel De Gucht, *"Aid for Trade: Helping developing countries trade their way out of poverty"*, OECD Insights, January 2013.

Authors

Peter Frøslev Christensen is a consultant (peter@pfcc.dk) who led the evaluation team, managed by Particip. The views expressed above are his alone and not necessarily shared by others.

Does aid for trade enhance export performance?

Investigating on the infrastructure channel

Mariana Vijil and Laurent Wagner

Aid for Trade is intended to boost trade partly through a reduction in internal trade costs. We show that the effectiveness of such assistance as regards to export performance transits via the infrastructure channel.

Reducing domestic constraints through aid for trade

For many developing countries, an increase in trade does not depend on tariff reduction anymore and some of the poorest developing countries such as the Least Developed Countries (LDCs) benefit from free access to major markets. International traders may face other - at the border - and - beyond the border - trade costs, such as burdensome procedures, transit bottlenecks and absence of certification agencies; and these constraints are recognized to have significant impacts on trade volumes. Today, estimates indicate that addressing those issues are likely to have higher pay-offs in terms of trade than a reduction in trade-policy barriers. Therefore, the Aid for Trade initiative was launched in 2005 with the aim to assist developing countries in their attempt to enhance export performance and integration into the global economy, by targeting their own domestic constraints. Expectations were high after the announcement of an increase in assistance directed towards trade-related sectors. Furthermore, the ongoing debate on aid effectiveness following the "Paris Declaration" called for further evidence on its efficacy. In an attempt to investigate the relationship between aid for trade and export performance, we highlight infrastructure as one of the main channels of transmission.

There are few empirical studies assessing the effectiveness of aid for trade on trade performance, mostly because of the lack of sectoral data of sufficient quality and time length. Among the papers seeking to quantify empirically its impact on trade flows, evidence suggest that public investments can have a strong impact on export performance and underline the case for assistance in countries that have weak capacity and limited financial resources to address relevant constraints. Nevertheless, existing works do not test channels by which aid for trade flows spend in programs or projects can boost trade. As the extensive literature on the impact of trade costs on trade exhibit strong results, it seems relevant to focus on the effectiveness of aid flows on reducing these internal constraints.

Trade costs can be widely defined as any costs which increase the price of traded goods during the delivery process from the exporter (or producer) to the final consumer. If international trade costs associated to distance and, for example, overseas transportation costs are beyond the reach of political intervention, at the border and internal trade costs such as weak institutions or a lack of infrastructure can still be targeted and addressed by well-designed aid for trade, as part of the overall Official Development Assistance (ODA).

> Removing the dichotomous choice between public and private involvement in infrastructure investment, the public sector is now expected to retain an important financing role, while the private sector might bring better efficiency to supply and management

Following the OECD task force on aid for trade definition, aid for trade can be divided into five categories: (i) technical assistance for trade policy and regulations, proxy for trade-related institutions; (ii) trade-related infrastructure; (iii) productive capacity building; (iv) trade-related adjustment; and (v) other trade-related needs. Considering that the aim of our study is to test the channels (potentially related to trade costs) by which aid for trade can affect trade performance, we only focus on the first two categories, as other channels may be more difficult to comprehend.

Looking for channels of transmission of aid for trade efficacy: trade costs

We address the question of the effectiveness of aid for trade on trade performance using a two-step empirical analysis. Relying on an export performance model, we first test whether institutions and infrastructure, our two potential channels of transmission, are significant determinants of export performance. The quality of institutions is approximated by the number of days needed to export from the Doing Business database, which measures the time required to move a standard cargo from the gate factory in the economic capital to the ship in the most easily accessible port. As three-quarters of the delays seem to be due to administrative constraints, an increase in days can be associated with deterioration in the quality of the institutions related to trade. As for infrastructure, we construct an index which includes kilometres (km) of road and paved road (in total area, in km^2), and the number of subscribers to mobile and telephone fixed lines (per 100 people) from the World Development Indicators database. We work with a sample of developing countries and use average values for the period 2002–08 for our estimations by 2SLS.

As part of this first step, the infrastructure channel appears as a highly significant determinant of export performance whereas the institutional channel turns out to have a limited positive impact on developing countries' export performance. Focusing on alternative measures of infrastructure, our results seem to point to the importance of an extended network of paved roads for export performance in developing countries.

Infrastructure as a determinant of export performance: aid to infrastructure matters

In a second step, we test the impact of aid to infrastructure on the previously detected determinant of export performance. We rely on the literature on economic geography, urban economics and the determinants of public investment in infrastructure to build our empirical model. Aid commitments for

> the infrastructure channel appears as a highly significant determinant of export performance whereas the institutional channel turns out to have a limited positive impact on developing countries' export performance

trade-related infrastructure per capita in constant US$ of 2000 from the OECD-CRS database, averaged over the period 2002-2007, constitutes our explanatory variable[1]. One of our main contributions is to offer a new instrument to tackle the endogeneity issue affecting this aid variable.

Endogeneity has been the main and recurring technical difficulty plaguing the aid effectiveness literature, in particular due to the reverse causality issue. In our case, one must acknowledge that aid for infrastructure is almost certainly allocated towards countries that lag behind. It is very difficult to find a convincing story around an external instrument supposed to explain aid flows but not the realization of the outcomes. Another challenge lies on the fact that estimators for panel data commonly used to deal with endogeneity are not recommended in our context. We deliberately choose to discard those techniques for two reasons. Firstly, those estimators do not seem adequate for series with a short-time span like ours where aid is likely to be highly persistent. Secondly, we believe they would prevent us from using variables of higher quality and precision. Indeed, the most interesting and precise data for some variables are only available for, at best, the most recent years. As a result, we propose a new instrument for aid for infrastructure: the number of privatisation transactions in the infrastructure sector between 2000 and 2007. We believe that this variable explains the aid for infrastructure flows received by a country without directly influencing the infrastructure level.

Indeed, nowadays the public sector is once again seen as the major player in financing many of the expansion needs in the infrastructure sector. Removing the dichotomous choice between public and private involvement in infrastructure investment, the public sector is now expected to retain an important financing role, while the private sector might bring better efficiency to supply and management. Furthermore, because of the high costs and limited capacity to pay by many of the users, the donor community is expected to be a central actor in the scaling-up of the public investment efforts, at least in the poorer countries. Hence, privatization transactions are often followed hand in hand by assistance directed towards sectors that were reformed.

We show, from this second step, that aid for infrastructure, once instrumented, has a strong and positive impact on the infrastructure level. As a result, when combining the two previously mentioned empirical steps, we find that a ten per cent increase in aid for infrastructure commitments per capita in developing countries leads to an average 2.34 per cent increase in the exports over GDP ratio. It is also equivalent to a 2.71 per cent reduction in tariff and non-tariff barriers.

> the private sector has to be supported by public and international financing in the infrastructure sector, advocating for an increased emphasis on public-private partnerships

Going further

These results highlight the high potential impact of aid for trade on developing countries' export performance throughout the infrastructure channel. Our analysis seems to support the view that aid for trade might be a powerful instrument for assisting developing countries in their attempt to enhance export performance and integration into the global economy, while the multilateral talks within the Doha Round linger on. They also suggest that the private sector has to be supported by public and international financing in the infrastructure sector, advocating for an increased emphasis on public-private partnerships. Finally, our results do not explain precisely which type of infrastructure really matters, whether it is soft infrastructure related to efficiency considerations or hard infrastructure related to physical investments. Further evidence on the link between precise infrastructure categories, aid for trade and export performance are needed.

Notes

1. We choose to rely on commitments as sector specific disbursements data are of poor quality over the considered period because multilateral donors do not routinely report their activities in the OECD-CRS database. However, robustness checks using disbursements lead to similar conclusions.

This article summarizes the findings of the following paper:
Vijil, M., and Wagner, L., 2012, « Does aid for trade enhance export performance? Investigating on the infrastructure channel », The World Economy, Vol 35, Issue 7, pp 838-868.

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Are donors assessing the impact of Aid for Trade on poverty?

Liz Turner

Although on the whole Aid for Trade (AFT) is good for growth and poverty reduction, behind the averages there may be winners and losers. Yet we find that development partners are not adequately exploring the implications of their interventions on poverty and/or the poor.

Aid for Trade (AFT) aims to support countries to take advantage of trading opportunities, help countries grow, and contribute to reducing poverty. The underlying assumptions are that: (1) AFT expands exports and imports; (2) increased trade raises productivity and incomes; and (3) rising incomes lift people out of poverty.[1] On average, "trade is good". However, while this chain of logic may hold in long-run cross-country analyses, behind the averages there are winners and losers. While there has been much research and analysis on the issue, development partners are not adequately assessing the impact of their projects and programmes on poverty and/or the poor.

Trade, Growth and Poverty

Trade can be an important engine of economic growth and has the potential to reduce poverty. There is a large body of empirical literature over the last few decades examining the relationship between trade, growth and poverty.[2] On average, trade reform (e.g. liberalisation) and trade expansion leads to higher economic growth and poverty reduction in the long run. Few countries have grown over the long term without experiencing a large expansion in trade.[3] However, the relationship between trade reform and expansion, growth and poverty is complex and case specific, making systematic empirical investigations difficult.[4]

The impact of trade reform and trade expansion on poverty and the poor are context-specific, depending on many factors including the structure of the economy – e.g. whether trade-induced growth benefits sectors where the poor live and are economically active, the labour-intensity of production, the different roles particular groups hold in those markets affected by the interventions, the extent to which growth translates into jobs, consumption patterns of the poor, etc.[5] There are risks and opportunities for particular poor groups (and regions) as increased trade changes the profile of livelihood possibilities. These factors and others affect the distribution of the benefits of income growth and the poverty elasticity of growth.[6] Behind the averages, trade reform may benefit some while adversely affecting others, particularly in the short to medium term. This may reduce the poverty reduction impact of trade and may further embed existing inequalities.[7] As stated by Basnett et al. (2012), "the aggregate and distributional impact of trade reforms depends significantly on complementary policy choices.... for example, if increased government revenue is spent on social programmes aimed at distributing the potential gains from trade more widely, trade reforms are likely to have a greater impact".

Aid For Trade and Assessing Impact

The WTO AFT Task Force, that came about as a result of the WTO Hong Kong ministerial, provided the rationale for AFT as "assisting developing countries to increase exports of goods and services, to integrate into the multilateral trading system, and to benefit from liberalized trade and increased market access. Effective AFT will enhance growth prospects and reduce poverty in developing countries, as well as complement multilateral trade reforms and distribute the global benefits more equitably across and within developing countries".
While development partners and developing countries consider poverty reduction an ultimate goal of AFT, tracing the links from AFT to trade, growth and poverty reduction, and establishing causal attribution, is a major challenge. Cadot and Newfarmer (2011) consider that to effectively assess the impact of AFT, multiple approaches ("a prism of evaluation approaches") are required. These include case studies, aggregate cross-country assessments, sectoral and programme evaluations, impact assessments, and project evaluations.[8]

Assessing Development Partner Evaluation Practices

In 2012, Traidcraft and CAFOD commissioned Saana Consulting to explore the evaluation practices of two large AFT development partners – the UK Department for International Development (DFID) and the European Commission (EC).[9] The paper explores how DFID and the EC assess the impact of AFT projects and programmes on poverty and/or poor and excluded groups. In addition, the paper studies the extent to which AFT projects and programmes are designed, in the first place, based on analysis of potential effects on poverty and/or the poor.

Our study finds that attributing outcomes and impacts (e.g. increased trade and poverty reduction) to programmes and projects presents the biggest challenge for development partners (both bilateral and multilateral) in evaluating AFT.[10] Development partners find it challenging to design convincing intervention logics that link project objectives with more strategic, long-term development outcomes and impacts. In doing evaluations, they are faced with problems of attribution (linking interventions with trade, economic and poverty related impacts); the substantial time lag between design, implementation and impact; lack of data; and problems quantifying intangible capabilities. This is not surprising given it is "more difficult to assess the sector or economy-wide impacts of a specific project than to assess its performance in a specific context, given the complex array of extraneous variables influencing outcomes".[11]

The key findings and conclusions in the paper are presented below:

- Development partners are under greater scrutiny than ever to deliver and measure results. However, there is very little publically available information on whether and how AFT projects and programmes are impacting on poverty and/or the poor. Many AFT projects and programmes may have only an indirect effect on poverty and/or the poor. Generally, poverty reduction is often a high-level result (goal) but at this level attribution to the project and programme activities is extremely challenging and typically not assessed. Similarly, in many cases, the evidence of impact on trade and growth is also limited.

- Both the EU and DFID have a range of policy documents, frameworks and policies which place poverty reduction at the centre. However, there seems to be a gap between the strategic ambitions and statements on poverty reduction and following that through to actual project and programme design, implementation and M&E.

- In terms of accessing information in order to undertake this analysis, project design documents were more readily available than monitoring reports and evaluations. Most reviews are done within the lifetime (or at the end) of a project or programme with insufficient time elapsed to assess the impact on poverty (as well as trade and growth) and/or the poor – unless the impact is more direct (e.g. employment effects resulting directly from project activities). Very few evaluations of projects and programmes were undertaken years after the completion of a project or programme.

- DFID has not undertaken an evaluation of AFT in its entirety with only a few evaluations of AFT-related projects and programmes (including a current evaluation in Southern Africa). DFID is required to complete Annual Reviews and Project Completion Reports but these are more akin to monitoring reports rather than comprehensive evaluations, and are conducted annually or shortly after the project has finished.

- The EC recently completed thematic evaluations of private sector development[12] and trade-related assistance 2004-2010[13]. While these evaluations were not available at the time of publishing the paper, many of the key findings from the trade-related assistance evaluation reinforce our findings (e.g. the lack of analysis of the impact on poverty and distributional consequences).

- Impact on poverty and/or the poor is often discussed in case stories for smaller more discrete projects where the poor themselves may be direct beneficiaries and hence the impact is easier to isolate (not systematically across the portfolio).

- By and large, causal linkages between what a project delivers and the impact on poverty is based on a series of assumptions unless the poor are direct beneficiaries of the project or programme. According to the last OECD-WTO Global Review, attributing trade outcomes and impacts to AFT programmes and projects presents the biggest challenge for development partners.

Drawing on the analysis above, the following recommendations may be of interest for development partners (especially the EC and DFID) when designing and implementing AFT programmes:

- Develop a better understanding of the impact of AFT on the poor and poverty, whether to inform direct targeting of assistance or ensure the effects of AFT are known, both positive and negative. [14]

- Explore the possibility of conducting impact assessments, *ex post* and *ex ante*, to better understand the effects of potential and existing projects and programmes on poverty.

- Conducting and publishing robust evaluations to allow for greater accountability and learning. Development partners should be required to undertake more regular independent thematic, programme and project level evaluations that go beyond monitoring information and to publish these.

- Development partners should provide greater transparency through making monitoring information available and producing better quality data in order to allow others to conduct more high-quality independent research and analysis, *ex post* and *ex ante*.

- Development partners should develop more realistic assumptions, theories of change and intervention logics behind projects and programmes. This will require increased research and analysis linking activities and interventions, and outputs delivered, with outcomes and ultimately impacts.

- And last, but not least, complementary policies essential for successful AFT do not need to be included in every AFT project. Issues of job creation, environmental and social protection (important complements of trade) often require separate policies distinct from AFT [15]. These need to be considered.

Notes

1. OECD (2011). *Trade for Growth and Poverty Reduction: How Aid for Trade Can Help.* Paris: OECD
2. For example: OECD (2012). *Succeeding with Trade Reforms: the Role of Aid for Trade.* Paris: OECD; Newfarmer, R. and Ugarte, C. (2013). *Aid for Trade Results: Through the Evaluation Prism. Chapter 5: Aid for Trade at a Glance – Connecting to Value Chains.* Paris: OECD; Basnett, Y., Engel, J., Kennan, J., Kingombe, C., Massa, I. and te Velde, D.W. (2012). *Increasing the effectiveness of Aid for Trade: the circumstances under which it works best.* ODI Working Paper 353. London: ODI; Newfarmer and Sztajerowska (2012). *Trade and Employment in a Fast-changing World. Chapter 1: Policy Priorities for International Trade and Jobs.* Paris: OECD.
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6. Newfarmer, R. and Ugarte, C. (2013); Bird (2004); Turner, L., Nguyen, N., and Bird, K. (2008). *An Overview of Ex Ante Tools for Assessing the Impact of Trade Liberalisation on the Poor.* London: ODI.
7. Higgins, K. and Prowse, S. (2010).
8. Cadot, O. and Newfarmer, R. (2011). *Does it Work? Aid for Trade through the Evaluation Prism*. Trade Negotiation Insights Vol. 7. No. 10. Geneva: International Centre for Trade and Sustainable Development.
9. Turner, L. and Rovamaa, L. (2012). *Aid for Trade: Reviewing EC and DFID Monitoring and Evaluation Practices.* London: Saana Consulting, Traidcraft and CAFOD.
10. OECD-WTO (2011). *Aid for Trade at a Glance – Showing Results.* Paris: OECD.
11. OECD (2011). *Trade for Growth and Poverty Reduction: How Aid for Trade Can Help.* OECD: Paris.
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14. Higgins, K. and Turner, L. with Engel, J. (2010). I*ntegrating Poverty and Social Analysis into Aid for Trade Programmes: An Overview.* ODI Briefing Paper. London: ODI.
15. Newfarmer, R. and Ugarte, C. (2013).

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EPA Update

This section covers recent EPA developments to all ACP and EAC regions.
Stay tuned for coverage of negotiations in other regions.

Quentin de Roquefeuil

All ACP

Joint ACP-EU council of ministers held in Brussels

ACP ministers met their EU counterparts on June 6th and 7th in the Belgian capital, to discuss, amongst others, EPA negotiations and the next tranche of EDF funding for the 2014-2020 cycle.

The ACP group appeared largely satisfied with the outcome of the EDF talks: €31.586 bn allocated to the 11th EDF and a 'bridging facility' between the 10th and 11th EDF; however, it remains disappointed by the EU's decision to set 2014 as a "deadline" on MAR 1528 for the ratification and implementation of Interim EPAs (IEPAs).[1] Interestingly, in its press release on the matter, the co-president of the ACP-EU Council of Minsters, Botswana's Foreign Affairs Minister Hon. Phandu Skelemani, also linked "differentiation" of EDF funding to CARIFORUM states' EPA implementation capacity, saying "The region is urging the EC to step up engagement on the remaining aspects of the negotiations which include a development cooperation chapter."[2] He also called for unity between LDCs and non-LDCs in order to safeguard regional integration. While the former benefit from the EU's Duty Free Quota Free (DFQF) Everything But Arms (EBA) regime, the latter do not, which has caused some splits in EPA negotiations.

Nevertheless, the press release noted that the ACP took it as "a sign of appeasement" that the EU's amendment to MAR 1528, widely described as a "deadline" to EPA negotiations, was qualified by the EU Commissioner for Development, Andris Pielbags, as concerning only the signature, provisional application and ratification of interim EPAs, and not the on-going EPA negotiations, as pointed out by DG Trade during the JPA (see below).

Joint Parliamentary Assembly issues declaration on EPAs

The ACP-EU Joint Assembly's (JPA) resolution on EPAs[3] is the outcome of a fine balancing act, with EU-ACP differences and among parliamentarians coming to light during debates. As a result, the resolution does not make any strong statement regarding EPAs. The outcome was criticized and described by the European United Left - Nordic Green Left (GUE/NGL) as "not representing the real majority in the Assembly". The statement decried "the abusive use of the separate chambers mechanism by the EPP and ALDE".[4]

With the split between LDCs and non-LDCs widening because of the MAR 1528 deadline, notably in West Africa, some wondered what hope would be left for on-going regional EPA negotiations if non-LDCs went ahead and ratified their individual EPAs. DG Trade restated its position that it has demonstrated great flexibility in the conduct of the negotiations, and held that political commitments and choices were now key to make to negotiations go forward. In this light, the EU trade Commissioner Karel de Gucht will travel to Africa during the summer.

In other news, Peter Thompson is retiring in July 2013 from his position as Director of the "Sustainable Development; Economic Partnership Agreements-African, Caribbean and Pacific; Agri-food and Fisheries" directorate at DG Trade.

West Africa

DG Trade "waiting for a revised Market Access offer"

No joint negotiating session has been held between the EC and ECOWAS since April 2012, where the negotiation broke down on, inter alia, Market Access issues.[5]

Since then, the region has been held up mostly on domestic regional trade policy issues, finalizing its Common External Tariff (CET) and trade defense instruments. It has also, at the same time, has worked at the technical level on a revised Market Access offer, as we reported back in January. Whether the "revised" market access offer will stand at 70% or, as previously reported, at 75% as per the outcome of the meeting held in Banjul on May 6th, will likely be a political decision

At the ACP-EU JPA, Mr. Thompson from DG Trade indicated he was "awaiting a new Market Access Offer shortly", and hoped the negotiations would move swiftly thereafter. The European Commission has re-iterated that, in their view, 80% over 25 years was a "very generous" interpretation of the WTO's "substantially all trade" requirement, and implied that lowering the bar from this threshold could invite a WTO challenge.

Pacific

Harsh words between Pacific and EU ahead of negotiating session, EC observes "substantial change" in Pacific position

In an ironic turn of events, the PACPs have put their own "deadlines" on the EPA process. The Pacific region has sent a strong worded letter to EU Trade Commissioner Karel de Gucht ahead of its meeting with DG Trade's negotiating team. Said Dr Viliami Uasike Latu, Tonga's Minister for Commerce, Tourism and Labour, and Pacific ACP (PACP) Lead Spokesperson on EPA negotiations:

"We have done everything possible. But there seems to be no end to the question and answer session [...] We have a clear directive from our Leaders to conclude negotiations on a comprehensive EPA as a single region before the end of this year. [...] We will be submitting our final report to our Leaders at their meeting in September 2013 and I am afraid that if no tangible progress is made before then - this could be the end of our 10-year long negotiating process".[6]

The Minister appeared to be referring to Fiji Minister of Trade Aiyaz Sayed-Khaiyum, who had declared at a Pacific Ministers of Trade meeting in May[7] that a further extension of negotiations would be "intolerable by the Pacific".

He also could have been putting pressure ahead of a negotiating session, currently taking place. The Pacific had already been critical of the alleged lack of responsiveness of the EC, publically saying they were feeling "mistreated".

Shortly after the letter went public, DG Trade's Peter Thompson was interviewed by a local radio station, during which he explained that demands from PACPs to extend the concessions given to Papua New Guinea (PNG) on canned tuna could only be matched by commitments from PACPs on sustainable fishery practices. "They have asked to go into products that go beyond Tuna, and asked for reducing the amount of work that would be added", he said referring to request by PACPs to go extend the Global Sourcing in Tuna provisions found in the PNG Interim EPA, both in terms of goods covered and in the Rules of Origin. During the 25th JPA meeting (see above), Mr Thompson further observed that the Pacific had "substantially changed" its negotiating position, but it is unclear if he referred to these requests.

He went on to explain that conservation measures were a red line for the European Parliament (EP), and that without strong provisions on sustainable fisheries in the agreement, it would stand little chance of being approved by the EP. Other EU member states, like Spain, are wary of opening the European market in canned fish to competitors. "These details, we absolutely need to thrash out –and so far, frankly, we haven't" he added. PACP countries maintain that sustainable fisheries guarantees should be provided through the usual multilateral channels, not by a bilateral agreement.

"We don't have a time limit, it is the Pacific who has a time limit (...) with the number of issues in front of us, I do not see this as being a few month's work". Mr Thomson did add, however, that PACPs could opt to join the PNG agreement should a regional EPA fail. "Several countries have flagged that to me privately" he added.

Notes

1. OECD (2011). *Trade for Growth and Poverty*
2. www.acp.int/content/acp-eu-council-ministers-satisfactory-outcome-good-compromise-edf-welcome-somalia
3. See http://www.acp.int/category/story-type/press-releases
4. http://www.europarl.europa.eu/intcoop/acp/2013_brussels/pdf/101293en.pdf
5. http://www.4-traders.com/news/European-United-Left-Nordic-Green-Left-ACP-countries-on-course-to-become-ever-more-subservient-t--17033065/
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7. http://www.islandsbusiness.com/news/fiji/1227/pacp-will-not-tolerate-extension-of-epa-negotiatio/

Monthly highlights from ECDPM's Talking Points

www.ecdpm-talkingpoints.org

'Men get motorbikes, women get voice' – Questions on people-centred business, Talking Points, Bruce Byiers, 6 June 2013

Instead of firms having to prove they are good with FairTrade labels, Robin Roth, a speaker at the People Centred Business event at the European Parliament this week instead proposed a different starting point: companies should have to prove they are not bad, with all products carrying labels declaring 'contains toxic pesticides', 'made with child labour', 'consumes scarce water supplies' and so on, and companies only allowed to remove the labels if they can prove otherwise. While the speaker himself said this was "frivolous", it aimed at highlighting the "in-transparency" of current global markets, with (...)

Japan and the EU: Friends of Africa?, Talking Points, Geert Laporte, 6 June 2013

Early June, Japan hosted the Fifth Tokyo International Conference for African Development (TICAD V). Some 40 African Heads of State and Government made the long journey to Japan. In Tokyo they were welcomed by Prime Minister Shinzo Abe with a strong Japanese commitment to spend some 24.2 billion Euros of public and private funds in Africa in the coming 5 years. It's been a long time since Japan scored so well in the African and international media. Since the beginning of the new millennium, Japan's role as a global economic powerhouse and the number one (...)

Midlife crisis or peaceful future? The African Union at 50, Talking Points, Isabelle Ramdoo, 7 June 2013

Just remember when you are over the hill, you begin to pick up speed Charles M. Schulz The African Union (AU) turned 50 on 23rd May 2013. In a person's life, that's a major milestone. Generally at this age, some are either facing a middle-life crisis or looking back happily at their busy life's accomplishments, hoping for a peaceful future, but that can be sobering and liberating. Sobering because you suddenly realise that there's a finite span to accomplish all what you want. Liberating because you make the choice to drop non-essential concerns and to (...)

Post 2015 and beyond 2020: What new perspectives for Africa-EU and ACP-EU relations? Talking Points, Clem Silverman, 21 June 2013

The European Centre for Development Policy Management (ECDPM) facilitated an informal high-level seminar on future perspectives for Africa-EU and ACP-EU relations. Bringing together senior officials from both ACP, African and EU institutions and member states, as well as members of the Board and staff of ECDPM, the seminar provided participants with an opportunity to engage in an open and frank discussion under the Chatham House rule on emerging dynamics in the global landscape of international cooperation and their particular implications for the longstanding relationship between Africa-EU and ACP-EU. This blog post is a summary of (...)

Monthly highlights from ECDPM's Weekly Compass Update

www.ecdpm.org/weeklycompass

Looking at food security through the PCD lens, Weekly Compass, No 148, 24 May 2013

The global food crisis affects around 8.5 million people in developing countries. To address the challenges of food security, a more proactive approach to Policy Coherence for Development (PCD) is needed according to a new study from the Organisation for Economic Co-operation and Development. The report outlines ways in which OECD countries can reform their policies to improve coherence and address the structural conditions that constrain development and growth, such as barriers to trade and markets. It also identifies areas where coordinated action at the global level can improve PCD efforts.

EU development aid: where to and what for? Weekly Compass, No149, 31 May 2013

In this ECDPM video filmed on the fringes of ECDPM's Board and eminent persons meeting around the future of EU-Africa relations, Klaus Rudischhauser, Deputy Director-General at the European Commission, talks about where and how EU development assistance should be targeted. He says money should be given to those countries most in need, and that other forms of development initiatives – such as domestic resource mobilisation – should be used in upper-middle income countries. Development assistance is "seed money to drive processes, to promote reform and to assist the country in implementing those reforms." He says that the Commission will "produce a policy document - before the summer - showing the relative contribution and importance of the various sources of financing".

Six 'spaces to watch' for future EU development assistance, Weekly Compass, No 150, 7 June 2013

With the EU budget almost agreed, it's time to focus on the 'how' rather than the 'how much' for EU development assistance. ECDPM's Florian Krätke looks at what steps the EU has taken to future-proof its development policy and practice for 2014-2020 and beyond. Recent development of six initiatives are explored that could enhance the EU's future cooperation efforts including differentiation of developing countries, blending development assistance and private funds, and its position on the post-2015 global development framework. He finds that the EU seems committed to improving the effectiveness of its ODA but retains a traditional 'aid logic'. Nevertheless, these initiatives allow policy-makers and practitioners to shape EU development cooperation for the future.

Human rights based approach to development: Danish Minister Friis Bach talks to ECDPM, Weekly Compass, No 150, 7 June 2013

"By taking a broad set of human rights, you can actually reach out to all countries" says Christian Friis Bach, Minister for Development. The Danish Ministry of Foreign Affairs, in cooperation with the European Commission and the European External Action Service, organised a seminar in Brussels on 3 June on applying a Human Rights Based Approach (HRBA) to development in line with the Agenda for Change and the EU Strategic Framework and Action Plan for Human Rights and Democracy. There is not yet a full consensus as to what a "HRBA in EU development cooperation and programming" really implies in practice. For example, how do you implement it in countries where aid holds no sway? ECDPM's Geert Laporte questions Minister Friis Bach, who is one of the architects of the HRBA approach.

ACP-EU Trade Calendar

July 2013

EAC-EU Technical and Senior officials negotiating session (TBC)

AU EPA Negotiations Coordination Meeting, Libreville, Gabon, 24-25 July 2013

Resources

Emerging Economies and the Changing Dynamics in African Agriculture: What Role for CAADP?
Dan Lui, Anna Rosengren, Quentin de Roquefeuil
ECDPM Discussion Paper 145, June 2013

Joining Forces for Peace Post-2015.
Frauke de Weijer, Anna Knoll, ECDPM Briefing Note 53, June 2013

Towards Renewal or Oblivion?
Prospects for Post-2020 Cooperation between the European Union and the Africa, Caribbean and Pacific Group**.** Mario Negre, Niels Keijzer, Brecht Lein, Nicola Tissi, German Development Institute - Discussion Paper, June 2013

The Mali Crisis and Africa-Europe Relations.
Damien Helly, Camilla Rocca, ECDPM Briefing Note 52, June 2013

La crise au Mali et les relations Afrique-Europe,
Damien Helly, Camilla Rocca, ECDPM Note d'information 52, June 2013

From Purse to Policy to Practice: Six Initiatives to Future-proof EU Development Cooperation for 2014-2020 and Beyond?
Florian Krätke, ECDPM Briefing Note 51, June 2013

All for One or Free-for-All? Early Experiences in EU Joint Programming.
Greta Galeazzi, Damien Helly, Florian Krätke, ECDPM Briefing Note 50, May 2013

Japan and the EU: Development Partners.
Geert Laporte, ECDPM Presentation, May 2013

Blending Loans and Grants: To Blend or not to Blend?
San Bilal, Florian Krätke, Background note prepared for the 21st EDFI & INTERACT Annual General Meeting, 23-24 May 2013, Madrid, May 2013

Development of a methodology for country level assessments of PCD impacts on food security.
Quentin de Roquefeuil, Jeske van Seters, ECDPM Presentation, May 2013

Regional aid for trade 'effectiveness' and corridor approaches.
Dan Lui, ECDPM Presentation, May 2013

La perte de compétitivité est la rançon du succès.
Isabelle Ramdoo, Jeune Afrique, May 2013

Rapport Européen sur le développement 2013: Une action mondiale pour un avenir inclusif et durable.
Geert Laporte, ECDPM Presentation, May 2013

Migration and Development Policies and Practices: A Mapping Study of Eleven European Countries and the European Commission.
International Centre for Migration Policy Development, ECDPM Study commissioned and funded by the Swiss Agency for Development and Cooperation, May 2013

Scientific or political? Assessing options for the 11th European Development Fund allocation method, Mira Markova, ODI Working Paper, June 2013.
An Analysis of SADC Free Trade Area, Ron Sandrey, tralac Trade Brief No. D13TB01/2013, June 203

Turn Down the Heat: Climate Extremes, Regional Impacts, and the Case for Resilience
World Bank Working Paper 78424, June 2013

Power, Rights, and Inclusive Markets: Public policies that support small-scale agriculture
Oxfam Briefing Note, 5 June 2013

International Migration Outlook 2013
OECD Publishing, June 2013

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