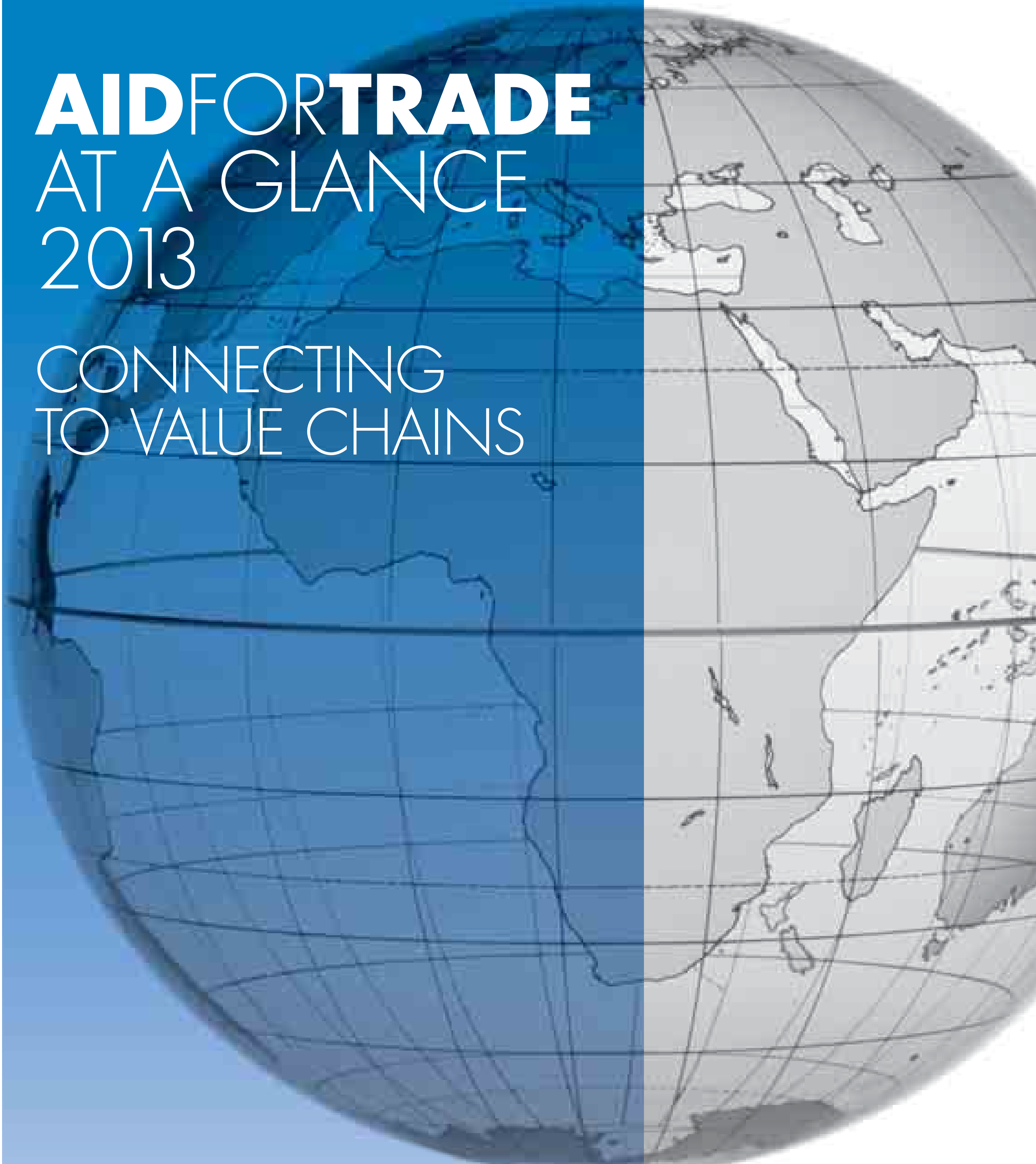
World Trade Organization

OECD

AID FOR TRADE AT A GLANCE 2013

CONNECTING TO VALUE CHAINS



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FOREWORD

The Aid-for-Trade Initiative has achieved a great deal since its launch in 2005. It has raised awareness about the positive role trade can play in economic growth and development, which has contributed to an increase in the mainstreaming of trade-related priorities in partner countries' national development strategies. Bilateral and multilateral donors, and providers of South-South co-operation, are responding with more concessional and non-concessional financing. The private sector is also examining how it can contribute toward making trade work for development and poverty reduction. A review of aid for trade – focusing on both progress and further improvements needed – is building confidence that the Initiative is delivering tangible results.

The trade and development landscape has changed since the start of the Initiative. Research on trade in value added – led by the WTO and the OECD – is shedding light on the complex production networks that now characterise global trade. The deepening and widening of value chains has boosted the share of intermediate goods in trade as more firms and countries join these diffuse networks. As firms focus more on trade in certain specific tasks and less on the complete production process, new opportunities arise for firms in developing countries, including in the least developed countries, to become part of these regional and global networks. Furthermore, the trade performance of developing countries is more intertwined as South-South trade and investment expand.

In the area of development co-operation, the optimism is giving way to new fiscal realities as OECD countries experience pressure on their aid budgets. Despite this downturn in OECD countries' aid expenditure, which will hopefully be short-lived, substantial funding is still available, including via South-South co-operation, triangular co-operation, and the private sector.

The enthusiastic response to the latest OECD/WTO monitoring survey highlights the continued engagement of donors, South-South partners, developing countries and the private sector in achieving the objectives of the Aid-for-Trade Initiative. There is still room for improvement, in particular with regard to trade-related barriers at and behind borders, as there is evidence that they might constrain the ability of developing country firms to establish, connect and move up value chains. However, countries are addressing these concerns by tackling many of the binding constraints that are affecting the connectivity of developing countries.

The encouraging message of this publication is that our efforts to put focus on the Aid-for-Trade Initiative were well placed. We need to continue working along the same lines but redouble our efforts to achieve development results. The report also calls attention to the need to further engage providers of South-South co-operation and the private sector, give more prominence to the issue of skills, expand the role of development finance and improve the conditions for cross-border projects and regional integration.

The *Global Partnership for Effective Development Co-operation* can play a catalytic role in ensuring that developing countries leverage diverse forms of development finance to promote trade and development through an "investment for trade" approach. This publication examines these and other issues to help ensure that the Aid-for-Trade Initiative remains relevant in this changing trade and development landscape. The report will also provide a good basis for discussion and guidance at the 9th WTO Ministerial Conference which will be held in Bali in December 2013.

Aid for trade has achieved a great deal, and is an established part of the focus of our two organisations. But our work is far from finished. It is our collective hope that the global membership of the Initiative tackles these remaining challenges with renewed vigour in the years to come.

Angel Gurria
Secretary-General
OECD

Pascal Lamy
Director-General
WTO

ACKNOWLEDGEMENTS

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The report has been prepared under the overall guidance of Frans Lammersen (OECD) and Michael Roberts (WTO).

The core team was composed of William Hynes, Richard Newfarmer, and Michael Plummer, with assistance from Deborah Barker, Olivier Cattaneo, Michael Cornish, Maria Alvarez de Cozar, Rebecca A. Freeman, Ann Gordon, Marion Jansen, Rainer Lanz, Aime Murigande, Se Eun Park, Ben Shepherd, Alissa Tafti, Conor Trodden, and Cristian Ugarte.

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ABBREVIATIONS AND ACRONYMS

AANZFTA	ASEAN-Australia-New Zealand Free Trade Area
ACi	African Cashew Initiative
ACP	African, Caribbean and Pacific Group of States
ADB	Asian Development Bank
ADC	Austrian Development Cooperation
ADVANCE	Agriculture Development Value Chain Enhancement Programme
AEC	ASEAN Economic Community
AECSP	AANZFTA Economic Cooperation Support Programme
AfC	Agenda for Change
AfDB	African Development Bank
AfT	Aid for Trade
AFTA	ASEAN Free-trade Area
AFTi	Africa Free Trade Initiative
AGOA	African Growth and Opportunity Act of the United States
AITIC	Agency for International Trade, Information and Co-operation
AMS	Accompanying Measures for Sugar Protocol Countries
ANI	Agencia Nacional de Infraestructura
APEC	Asia-Pacific Economic Co-operation
Arab Fund	Arab Fund
ASEAN	Association of Southeast Asian Nations
AU	African Union
BADEA	Arab Bank for Economic Development in Africa
BMGF	Bill & Melinda Gates Foundation
BMZ	German Federal Ministry for Economic Co-operation and Development
CAFTA	Central America Free Trade Agreement
CAREC	Central Asian Regional Economic Cooperation
CARICOM	Caribbean Community
CARTFund	Caribbean Aid for Trade and Regional Integration Trust Fund
CBA	Cost-Benefit Analysis
CBI	Centre for the Promotion of Imports from Developing Countries
CIDA	Canadian International Development Agency
CPAF	Common Performance Assessment Framework
CRS	Creditor Reporting System

CSO	Civil Society Organisation
CSR	Corporate Social Responsibility
CTPSD	Caribbean Trade and Private Sector Development Programme
DAC	Development Assistance Committee
DDA	Doha Development Agenda
DFID	United Kingdom Department for International Development
DIME	Development Impact Evaluation
DPAF	Donor Performance Assessment Framework
DTIS	Diagnostic Trade Integration Study
EAC	East African Community
EBRD	European Bank for Reconstruction and Development
EAC	East African Community
EC	European Commission
ECA	Economic Commission for Africa
ECOWAS	Economic Community of West African States
EDPRS	Economic Development and Poverty Reduction Strategy
EIF	Enhanced Integrated Framework
EPA	Economic Partnership Agreement
ETLS	East African States Trade Liberalization Scheme
EU	European Union
EUR	Euro
ExPECT	Exports Promotion & Enterprise Competitiveness for Trade
FAO	Food and Agriculture Organisation of the United Nations
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
FTAAP	Free Trade Area of the Asia-Pacific
G7	Group of 7
G20	Group of 20
GDP	Gross Domestic Product
GEF	Global Environment Facility
GFP	Global Facilitation Partnership for Transportation and Trade
GIZ	German Gesellschaft für Internationale Zusammenarbeit
GMS	Greater Mekong Sub-region
GNI	Gross National Income
GVC	Global Value Chains
HIPCs	Heavily Indebted Poor Countries
HLF-4	Fourth High Level Forum on Aid Effectiveness

IADB	Inter-American Development Bank
IBRD	International Bank for Reconstruction and Development
ICC	International Chamber of Commerce
ICT	Information and Communications Technology
ICTSD	International Centre for Trade and Sustainable Development
IDA	International Development Association
IDB	Inter-American Development Bank
IDH	Sustainable Trade Initiative
IF	Integrated Framework
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IFIs	International Financial Institutions
IMF	International Monetary Fund
IP	Intellectual Property
IPR	Intellectual Property Rights
IPRCC	International Poverty Reduction Center in China
IsDB	Islamic Development Bank
ITC	International Trade Centre
ITU	International Telecommunications Union
JICA	Japan International Co-operation Agency
LDC	Least Developed Country
LIC	Low Income Country
LMIC	Low Middle-Income Country
MDBs	Multilateral Development Banks
MDGs	Millennium Development Goals
MFN	Most Favoured Nation
MIC	Middle Income Countries
MIGA	Multilateral Investment Guarantee Agency
MOU	Memorandum of Understanding
MSME	Micro, Small and Medium Enterprises
MTBS	Medium Term Business Strategy
NAFTA	North American Free-trade Area
NEPAD	New Partnership for Africa's Development
NES	National Export Strategy
NGO	Non-governmental Organisation
NTB	Non-Tariff Barrier
OAS	Organisation of American States

ODA	Official Development Assistance
ODI	Overseas Development Institute
OECD	Organisation for Economic Co-operation and Development
OECS	Organisation of Eastern Caribbean States
OFID	OPEC Fund for International Development
OLICs	Other Low Income Countries
OOF	Other Official Flows
PACT	Program for Building African Capacity for Trade
PAGE	Programme for Accelerated Growth and Employment
PDR	People's Democratic Republic
PIDA	Programme for Infrastructure Development in Africa
PIRG	Public Interest Research Group
PPP	Public-Private Partnership
PRSP	Poverty Reduction Strategy Paper
PSD	Private Sector Development
PSI	Private Sector Investment
QI	Quality Infrastructure
RCEP	Regional Comprehensive Economic Partnership
RECs	Regional Economic Cooperation organisations
RESW	Rwanda Electronic Single Window
RISDP	Regional Indicative Strategic Development Plan
RTA	Regional Trade Agreement
SADC	Southern African Development Community
Sida	Swedish International Development Co-operation Agency
SIPPO	Swiss Import Promotion Programme
SMEs	Small and Medium-sized Enterprises
SPS	Sanitary and Phytosanitary
STDF	Standards and Trade Development Facility
SVEs	Small and Vulnerable Economies
SWGs	Sector Working Groups
TBT	Technical Barriers to Trade
TFP	Technical and Financial Partner
TMEA	TradeMark East Africa
TPP	Trans-Pacific Partnership
TPR	Trade Policy Review
TRIPs	Trade-Related Aspects of Intellectual Property Rights
TRTA	Trade-Related Technical Assistance

UEMOA	Union Économique et Monétaire Ouest-Africaine
UMICs	Upper Middle-Income Countries
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Africa
UNECE	United Nations Economic Commission for Europe
UNEP	United Nations Environment Programme
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
UNESCWA	United Nations Economic and Social Commission for Western Asia
UNHCR	United Nation High Commissioner for Refugees
UNICEF	United Nation Children's Fund
UNIDO	United Nations Industrial Development Organisation
UNPBF	United Nations Peacebuilding Fund
UNWTO	United Nations World Tourism Organization
USAID	United States Agency for International Development
USD	United States Dollar
VAT	Value Added Tax
WBG	World Bank Group
WEF	World Economic Forum
WFP	United Nations World Food Programme
WIPO	World Intellectual Property Organisation
WTO	World Trade Organisation

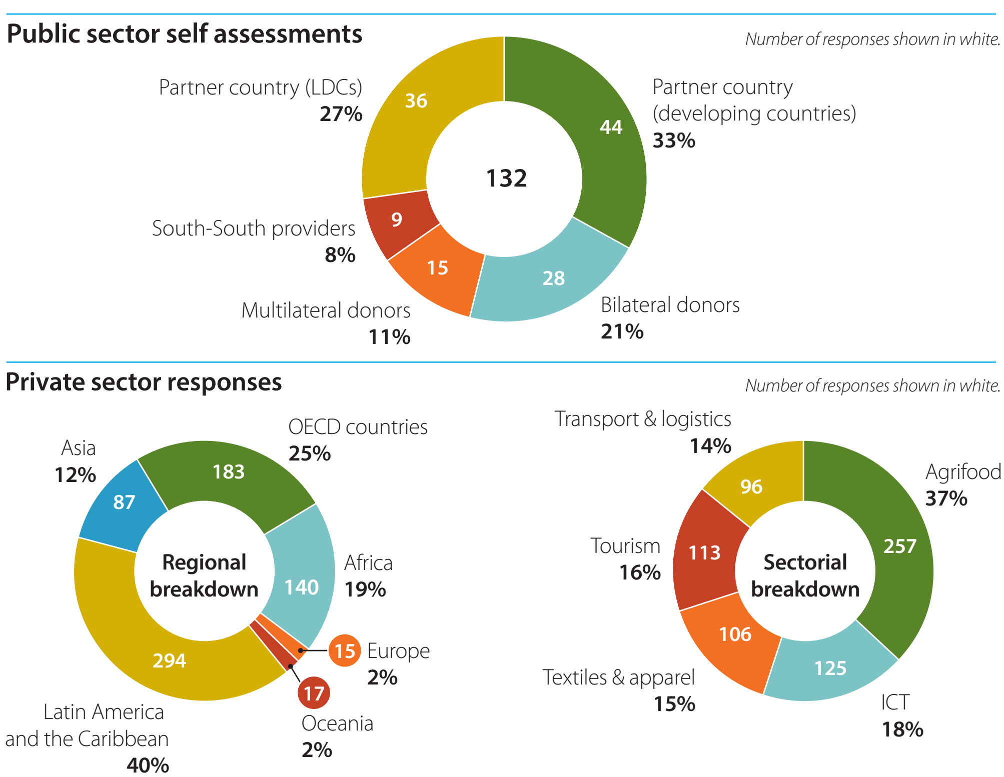
EXECUTIVE SUMMARY

The 2013 report *Aid for Trade at a Glance: Connecting to Value Chains* analyses the strategies, priorities, and programmes from the public and private sectors in developing and developed countries to connect developing country suppliers to value chains. The report suggests that the increasing fragmentation of production processes offers developing countries new trading opportunities, but also present risks. Value chains reinforce the rationale for keeping markets open and highlight the costs of burdensome procedures that create "thick borders".

Aid for trade plays an important role in easing the policies and trade-related binding constraints that prevent developing country firms from linking to or moving up value chains. The report emphasises that this can be done even more effectively by better engaging the private sector, improving the business environment, upgrading labour skills, creating the conditions for regional projects, targeting aid to achieve trade and development results, and using aid to mobilize productive investment.

All stakeholders remain actively engaged in the Aid-for-Trade Initiative as illustrated by the 132 self-assessments from 80 developing countries (including 36 least developed), 28 bilateral donors, 15 multilateral donors, and 9 providers of South-South co-operation. Moreover, 524 supplier firms in developing countries provided their views on the barriers they face in linking to value chains, while responses from 173 lead firms (mostly, but not exclusively in OECD countries) highlight the obstacles they encounter in integrating developing country firms in their value chain.

Figure 0.1 Stakeholder engagement in the Aid-for-Trade Initiative



Source: OECD/WTO Questionnaire 2013, *www.aid4trade.org.*

Note: Based on responses submitted from developing countries in Africa, Asia, Latin America and the Caribbean, Europe and Oceania, as well as from OECD countries (some of these categories overlap).

1 2 *http://dx.doi.org/10.1787/888932853777*

Aid for trade remains important…

The emergence of value chains strengthens the rationale for trade-related assistance and is reinvigorating the aid-for-trade debate. Developing countries seek value chain participation to achieve their economic growth, employment and poverty reduction objectives.

…to increase competitiveness, reduce trade costs, and connect to value chains.

Developing countries, including the least developed, are directing public investments (including ODA) to reduce the thickness of their borders, improve competitiveness and create conditions for their firms to connect to value chains. Donors are responding to these new priorities by focusing their support on private sector development and regional programmes to reduce trade costs.

The role of the private sector is increasing.

The importance of the private sector is increasingly recognised as a stakeholder in the aid-for-trade dialogue, as a partner in the delivery of aid for trade, and, in some cases, as a provider of capacity-building support. Public-private partnerships, however, remain challenging in terms of roles and expectations.

Aid-for-trade commitments reached USD 41.5 billion in 2011 up 57 percent over the 2002-05 baseline.

Although aid for building supply-side capacities remains an important priority, commitments dropped to USD 41.5 billion in 2011 due to the financial crisis that exerted downward pressure on DAC Member's aid budgets. In 2011, aid-for-trade commitments returned to 2008-09 levels and, despite the 14 percent drop, commitments still remain 57 percent above the 2002-05 baseline.

There is less support to economic infrastructure, but…

The decline in 2011 of USD 6.4 billion resulted in less support to large projects in economic infrastructure, with commitments to the transport and energy sectors falling by USD 3.5 billion and USD 3.2 billion, respectively.

…increases to building productive capacities, while…

However, commitments to building productive capacities increased to USD 18 billion in 2011 indicating the growing priority partner countries and donors attach to developing the private sector. Support for business services, agriculture and industry all rose by 10 percent.

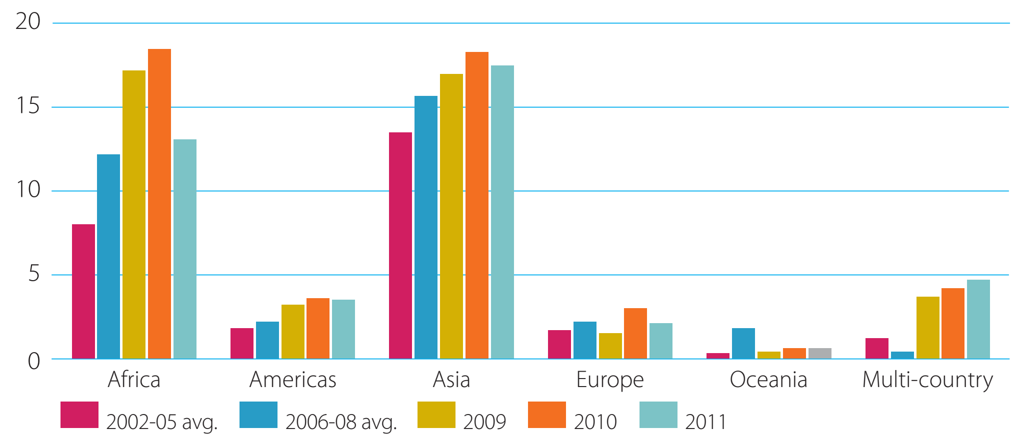
… the trade development component, and trade adjustment funding doubled.

Funding of programmes with a clear objective to promote trade doubled since 2007 and reached USD 5.4 billion, while trade-related adjustment financing more than doubled from the previous year to USD 62.8 million. Trade facilitation attained commitments of USD 380 million in 2011.

Asia is the largest recipient, and…

Asia is now the largest aid-for-trade recipient with USD 17 billion. The strong growth of aid for trade to Africa in recent years has been arrested and support declined to USD 13.1 billion. Aid for trade to emerging European economies also declined, while other regions continue to receive relatively stable, albeit lower, levels of support.

Figure 0.2 Aid for trade by region (USD billion, 2011 constant)



Source : OECD Creditor Reporting System Database, *http://stats.oecd.org/index.aspx?DataSetCode=CRS1#*.

1 2 *http://dx.doi.org/10.1787/888932853796*

…low income countries receive the largest share.

The tightening of ODA budgets and the resulting decrease in overall aid-for-trade commitments has touched all income groups. However, the LDCs were least affected and low income countries now receive the largest share of total aid for trade. The relatively better off developing countries rely increasingly on domestic and foreign direct investments to address their trade-related binding constraints.

G20-DAC countries risk falling short of their pledge, …

The G20-DAC countries are USD 831 million off track to meet their pledge to maintain beyond 2011 their aid-for-trade levels that reflect their average aid for trade for the period 2006-08.

…but China and India scaled up their support.

China and India, on top of their non-concessional support, doubled their ODA-like assistance in 2011 to USD 2.4 billion and USD 730 million respectively. South-South trade-related support is becoming increasingly an important complement to aid for trade.

The outlook points towards a further modest overall decline.

The 2012 outlook is for a modest further drop in bilateral aid-for-trade commitments which makes up 60 percent of total commitments. Multilateral donors are more positive while providers of South-South co-operation indicate continued growth of their funding.

Value chains potentially offer a path towards economic development…

Since the launch of the Aid-for-Trade Initiative in 2005, value chains have become the dominant feature of the global economy. By providing access to networks, regional and global markets, capital, knowledge and technology, value chains offer a path towards economic development that is easier to follow than building fully integrated production processes.

… particularly in agri-food, tourism and textiles, but...

Suppliers in developing countries are well-established in value chains in agri-food, tourism, and textiles and apparel, while value chains in information and communication technology, and transport and logistics offer opportunities to reduce the thickness of borders.

…barriers in infrastructure, access to finance and standards' compliance remain.

Partner countries consider inadequate infrastructure, access to trade finance, compliance with standards, lack of comparative advantage and high market entry costs as the main obstacles to their value chains integration. Donors and providers of South-South co-operation also point to the lack of a skilled labour force and the inability to attract FDI and trade restrictions.

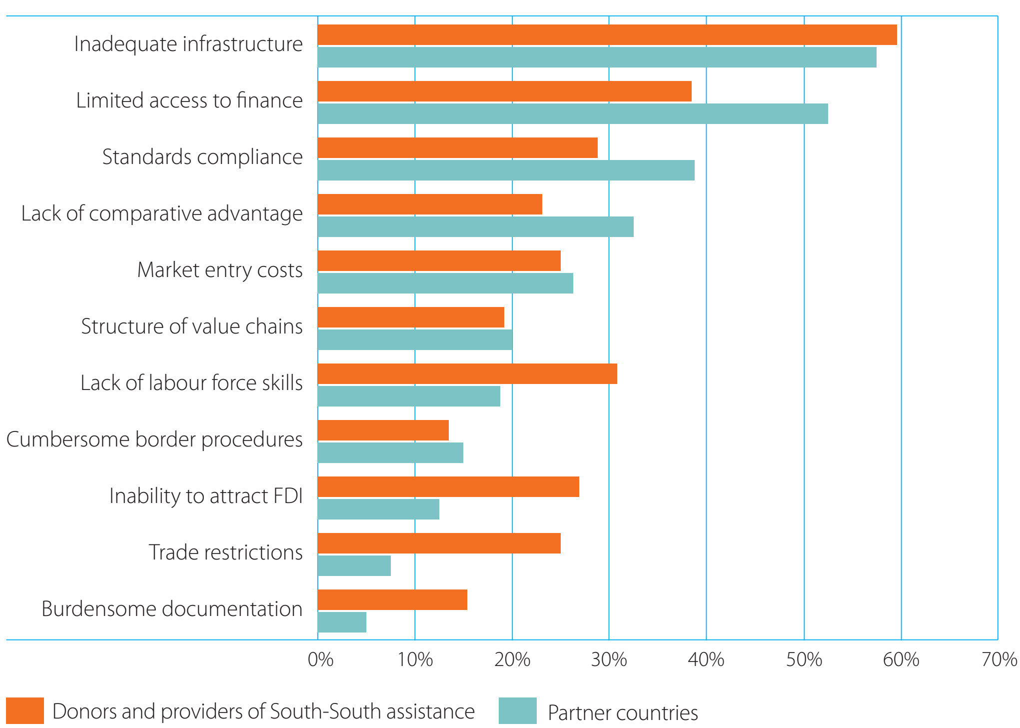
Suppliers highlight trade finance, infrastructure and regulatory uncertainty, while...

Suppliers in developing countries all rank the lack of access to trade finance as their main barriers to entering, establishing or moving up value chains. They also cite transportation and shipping costs, the business environment and certification requirements as obstacles.

…lead firms also stress custom procedures and licensing requirements.

Lead firms rank transportation costs as their main barrier. They also point to custom procedures, licensing requirements and the business environment as impediments to integrate developing country suppliers into their value chain.

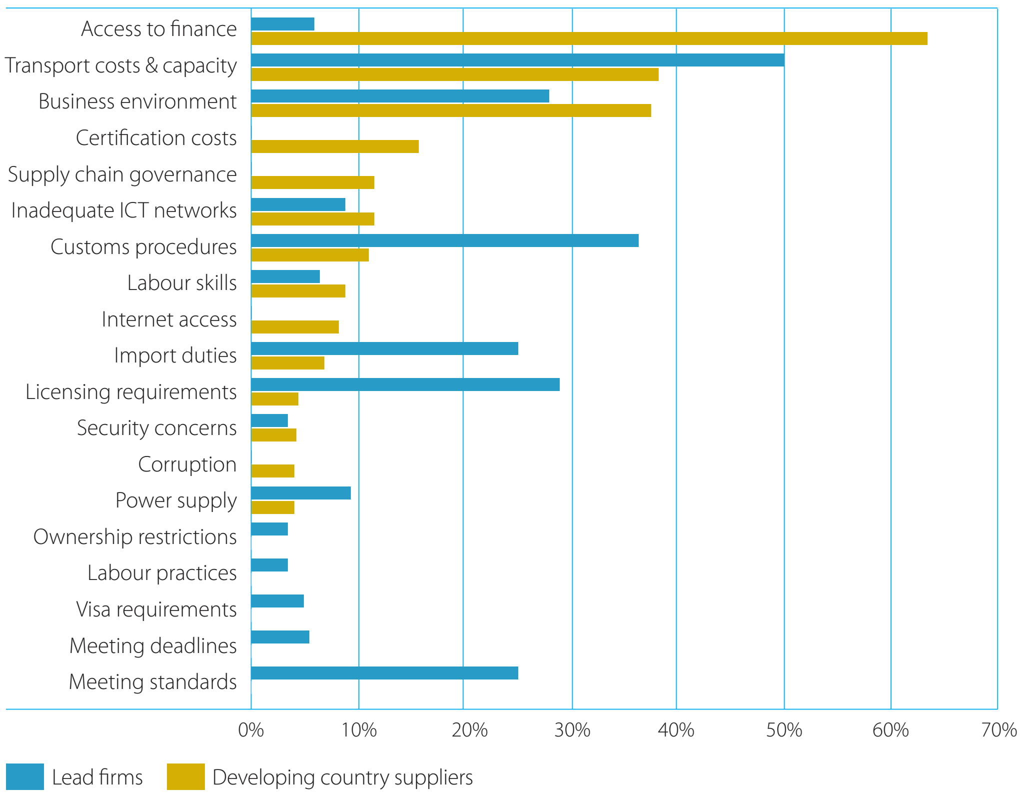
Figure 0.3 Public views of the main barriers in connecting firms to value chains
(percentage of responses)



Source: OECD/WTO Questionnaire 2013, *www.aid4trade.org.*

1 2 *http://dx.doi.org/10.1787/888932853815*

Figure 0.4 Private views of the main barriers in connecting firms to value chains
(percentage of responses)



Source: OECD/WTO Questionnaire 2013, *www.aid4trade.org.*

1 2 *http://dx.doi.org/10.1787/888932853834*

Regional aid-for-trade programmes are potentially more beneficial and...

Regional aid-for-trade programmes are, in general, more cost-efficient than single country programmes in supporting efforts to reduce border thickness and infrastructure deficits. Benefits which are especially important when donor budgets are stretched.

…are attracting more funds to address trade facilitation and infrastructure barriers.

The tripling of regional aid for trade to USD 7.7 billion in 2011 testifies to the rising awareness among partners and donors about the potential impact of regional aid-for-trade programmes in achieving trade and development goals.

Aid for trade is lowering trade costs,…

There is now abundant evidence that aid for trade in combination with complementary policies is helping to lower trade costs – in the form of additional infrastructure, better institutions such as customs and standards authorities, as well as more trade friendly policies and regulations, or in regulatory procedures that increase competition and reduce prices.

…increasing trade performance, as well as…

Econometric analysis suggests that bilateral aid for trade is broadly correlated with increases in trade performance. This report calculates that 1 USD in aid for trade is associated with an increase of nearly 8 USD in additional exports from all developing countries, 9 USD for all low and lower-middle income countries and 20 USD for International Development Association (IDA) countries.

…trade in parts and components.

Econometric analysis has also found that aid for trade is even more positively and significantly associated with growth in trade of parts and components.

There is no need for major refocusing of aid for trade, but…

The progressive proliferation of value chains is changing global trade flows and widening trading opportunities for developing countries' suppliers. Aid for trade is already addressing the right set of issues to further support this process. No major refocusing of the Aid-for-Trade Initiative seems required.

…import efficiency requires more attention.

At the same time, improving import efficiency appears to be one area that requires additional attention. Too frequently aid-for-trade programmes fail to exhibit sufficient concerns about this dimension of competitiveness, which is nevertheless vital for connecting developing country suppliers to value chains.

Aid effectiveness principles could better applied, and…

All stakeholders emphasize that aid needs to be managed better to deliver tangible trade and development results. Governments that are working with donors to design aid-for-trade programmes with clear targets and performance indicators for each phase of the results chain are likely to have the greatest pay-off.

… aid-for-trade programmes should take account of the broader policy environment.

Aid-for-trade programmes also need to take into account the broader policy environment, particularly trade policy but also complementary policies.

What seems most needed now is a renewed commitment by all stakeholders to continue supporting developing countries in building the supply-side capacities and infrastructure they need to make trade an engine of growth and poverty reduction. The 4th Global Review in July 2013 and the 9th WTO Ministerial Conference in December 2013 provide important opportunities for Members to discuss how to ensure the continued relevance of the Aid-for-Trade Initiative in a changing environment for trade and development.

INTRODUCTION

There is a general consensus in the economic literature that strong links exist between trade, economic growth and poverty reduction. Countries that have embraced an outward-oriented development strategy, with trade liberalisation at its heart, have not only outperformed inward-looking economies in terms of long-term aggregate growth rates, but have also succeeded in lowering poverty rates and registering improvements in other social indicators. There are many channels through which trade-induced growth leads to poverty reduction. Indeed, exports act as the conduit through which countries exploit their comparative advantage, improve their overall efficiency and productivity, and enable industries to employ their resources more efficiently and profitably. These factors expand demand, spur consumption, and reduce risks associated with reliance on the domestic market. They also increase employment in labour-intensive sectors and raise wages and standards of living. Imports permit countries to gain access to a wider range of goods and services and allow local firms to benefit from more, cheaper and newer technologies that increase productivity and competitiveness (OECD, 2011).

Although access to OECD and emerging markets could be further improved, successive rounds of multilateral trade liberalisation, regional free trade agreements, and various preferential arrangements have provided developing countries with more trading opportunities. Nonetheless, where there are capacity constraints or where trade-related infrastructure is lacking, it can be difficult for developing countries to turn trade opportunities into trade flows. Moreover, domestic trade-related constraints can limit the impact of trade expansion on economic growth and poverty. The Aid-for-Trade Initiative was launched to address these problems. The Initiative has succeeded in raising awareness among partners and donor countries about the positive role trade can play in promoting economic growth and development. Furthermore, increased resources (both concessional and non-concessional) are being devoted to alleviate binding trade-related constraints and to make trade more pro-poor.

Successive Global Reviews of Aid for Trade have shown that partner countries are getting better at articulating, mainstreaming and communicating their trade-related objectives and strategies, notably the least developed countries (LDCs). In turn, this has had a positive impact on the alignment of official development assistance (ODA), which has grown steadily since the 2002-05 base line average. The 2011 Global Review yielded a strong narrative about the results of aid for trade on the ground. The case stories presented at the Global Review suggested that aid-for-trade efforts are substantial, that they have taken root across a wide spectrum of countries, and that they are becoming more central to development strategies. Collectively they reveal in rich detail the efforts of governments and the international community to promote trade as a tool for development. Moreover, and although it is not always easy to attribute cause and effect, the case stories show clear results concerning how aid-for-trade programmes are helping developing countries to build the human, institutional and infrastructure capacity they require to integrate into regional and global markets and benefit from trade opportunities.

Since the launch of the Initiative in 2005, value chains have become an increasingly dominant feature of world trade and investment. By providing access to networks, global markets, capital, knowledge and technology, integration into an existing value chain can provide a valuable step to economic development that is easier than building a fully integrated value chain. With expansion in South-South trade flows, global value chains (GVCs) are also becoming more global in their reach and character. Developing economies can integrate into value chains by opening their markets for trade and foreign direct investment, improving their business and investment environment and strengthening their domestic supply-side capabilities.

The development landscape has also changed with the Global Partnership for Effective Development Co-operation. The Partnership was launched in 2012 to provide a new framework for strengthening efforts to help developing countries leverage and improve the results of diverse forms of development finance and ensure that all these have a catalytic effect on trade and development. At the same time, trade-related South-South co-operation and triangular co-operation have increased in importance and are contributing significantly to deliver the objectives of the Aid-for-Trade Initiative. Increasingly, the private sector is also helping low-income countries reduce their trade costs and integrate into GVCs – a trend driven by private sector bottom-line calculus. With aid budgets from OECD countries under pressure, these diverse forms of public and private trade-related co-operation will likely assume increasing importance.

The emergence of value chains also has important implications for how aid is viewed and delivered. Aid funding, national expenditures, and private investment (both domestic and foreign) increasingly need to be considered in an integrated manner. While aid for trade has been defined in terms of official development assistance (ODA), there are increasingly other sources of finance which can help build trade capacities in lower and middle income countries. For instance, other official flows (OOF) provide trade-related non-concessional loans mostly to middle income countries. And both ODA and OOF strengthen the framework conditions for facilitating foreign direct investment (FDI) and enticing the private sector to engage in trade capacity building, especially that related to skills, standards and logistics.

The 4th Global Review on Aid for Trade will discuss the development benefits of value chains, examine the strategies and programmes for linking firms in developing countries to value chains (including through regional approaches), and assess the trade and development results performance of these strategies and programmes. The analysis is based on self-assessment from partner countries, bilateral and multilateral donors, and the private sector. It is complemented with aid-for-trade data extracted from the OECD Creditor Reporting System (OECD/CRS) database, findings from evaluations, case studies and stories, empirical studies, and references to the broader trade and development literature.

HOW AID FOR TRADE IS MONITORED

To assess progress towards the agreed objectives of the Aid-for-Trade Initiative, the OECD and the World Trade Organization (WTO) have jointly developed a monitoring framework. This framework links accountability at the country (or regional) level with accountability at the global level. As outlined in the Paris Declaration on Aid Effectiveness, mutual accountability is designed to build genuine partnerships and focus these partnerships on delivering results. Three elements are central in establishing mutual accountability: a shared agenda with clear objectives and reciprocal commitments; monitoring and evaluating these commitments and actions; and, closely inter-related, dialogue and review. The Aid-for-Trade Initiative is one of the clearest international examples of how these three elements create powerful incentives to carry out commitments and, ultimately, to change behaviour.

The logical framework for assessing the Aid-for-Trade Initiative is based on four main elements identified by the WTO Task Force[1]:

- demand (*i.e.* mainstreaming and prioritising trade in development strategies);
- response (*i.e.* aid-for-trade projects and programmes);
- outcomes (*i.e.* enhanced capacity to trade); and
- impacts (*i.e.* improved trade performance and reduced poverty).

The framework consists of a qualitative and quantitative monitoring exercise. The qualitative monitoring is based on self-assessment surveys completed by donors, South-South partners, and recipients of aid for trade. In line with the theme of the 2013 monitoring exercise, not only were the views of donors and South-South partners solicited, but also those of the private sector. All were asked about the binding constraints faced by the private sector in linking to value chains and how, in particular, building trade-related productive capacities (or private sector development programmes) is impacting on developing countries' trade performance, economic growth, employment and poverty alleviation. In addition, partner countries and donors were asked about the mainstreaming of trade objectives in development strategies and the funding outlook for these trade-related development programmes.

Quantitative monitoring tracks aid-for-trade flows at the global, regional and national level. The data provide detailed information about the "response" (*i.e.* the volume of aid-for-trade commitments and disbursements). These data are extracted from the OECD/CRS database following the aid-for-trade proxies that most closely match the measurement of aid-for-trade flows as agreed by the WTO Task Force, that is:

- technical assistance for trade policy and regulations;
- trade-related infrastructure;
- productive capacity building (including trade development);
- trade-related adjustment; and
- other trade-related needs if identified as development priorities in partner countries' national development strategies.

The CRS (a database covering around 90 percent of all ODA and OOF) was identified by the Task Force as the best available data source for tracking global aid-for-trade flows. The CRS aid-activity database, established in 1967, is the internationally recognised source of data on aid activities (allowing for geographical and sectoral breakdowns) and is widely used by governments, organisations and researchers to review ODA and OOF trends over time and between agencies.

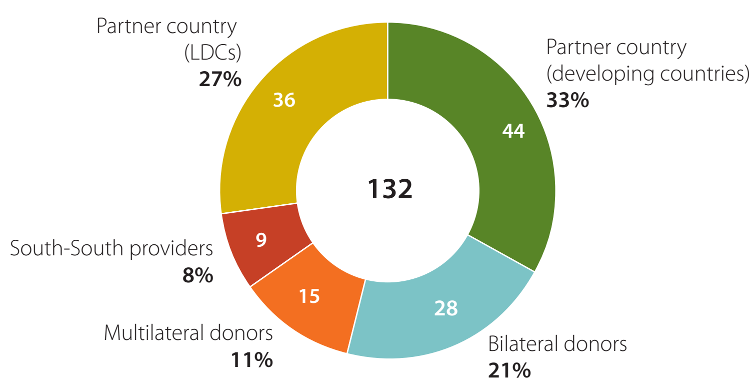
An innovation to the 2013 edition of *Aid for Trade at a Glance* is the new edition of the aid-for-trade fact sheets. These fact sheets use a results-based management approach focusing on inputs (development finance flows), outcomes (trade performance), outcomes (changes in key trade indicators and impacts (both economic and social) to seek to stimulate debate on results at the national level. The aim of the fact sheets is to compare performance in the four categories of indicators over the period 2005-10. The fact sheets are not an attempt to establish attribution at a macro level for aid-for-trade results. Methodological difficulties prevent such causality from being established. Instead, the fact sheets are a spur for further in-depth, country-based research and may provide valuable insights on where contributions may be apparent – contributions which can be critically examined in further in-depth research.

WHO PARTICIPATED IN THE 2013 MONITORING EXERCISE?

In 2013, 80 partner countries (including 36 LDCs) submitted an aid-for-trade self-assessment. This number is similar to the number of partner countries that participated in the 2011 monitoring exercise. In fact, LDC participation was considerably improved as compared with 2011, with five additional replies received to what was a more complex questionnaire. In total, these 80 partner countries received USD 22.8 billion in aid-for-trade commitments in 2011. This covers 67.4 percent of total country programmable aid for trade (excluding multi-country programmes). In 2013, 43 bilateral and multilateral donors submitted an aid-for-trade self-assessment, which is the same number as in 2011. Taken together, these agencies provided practically the totality of aid-for-trade commitments. Nine providers of South-South co-operation (including China) participated in the 2013 monitoring exercise, again similar to the 2011 exercise. South-South partners are more forthcoming with information on their programmes than in the past, but data on aid-for-trade flows remain anecdotal and harvested from secondary sources.

Figure 0.5 Self-assessments by respondent

Number of responses shown in white.



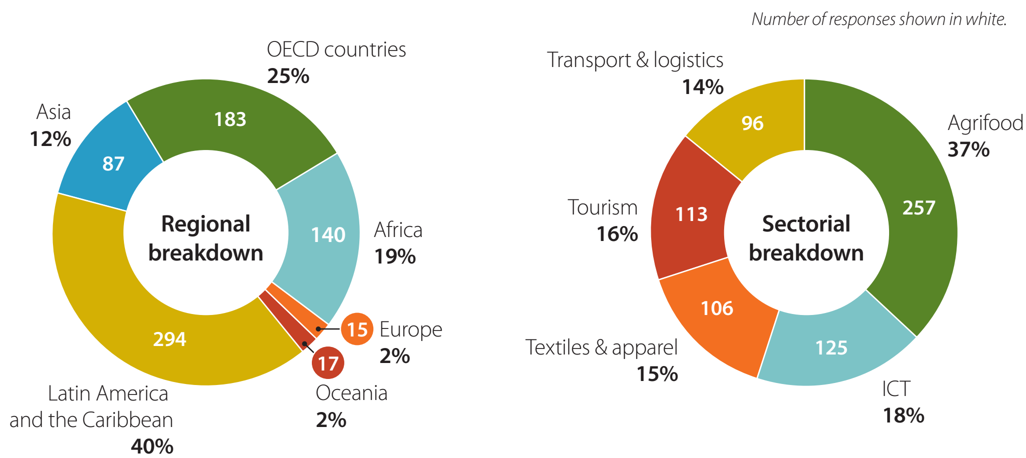
Source: OECD/WTO self-assessments and questionnaires 2013, *www.aid4trade.org*.

1 2 *http://dx.doi.org/10.1787/888932853853*

Another innovation of the 2013 monitoring exercise was to solicit the views of the private sector on linking to value chains and on how aid for trade can assist in this regard. Not only was the exercise itself an innovation, but so too were the partnerships established to undertake the exercise. In addition to the OECD and WTO, the exercise extended the monitoring partnership to Grow Africa, the International Chamber of Commerce (ICC), the International Trade Centre (ITC), the International Telecommunications Union (ITU) and the United Nations World Tourism Organization (UNWTO). By extending the collaborating organisations, firms and business associations in each of the five sectors targeted could be approached.

The private sector questionnaire focused on businesses engaged in value chains in five key sectors: agri-food, information and communications technology (ICT), textiles and apparel, tourism, and transport and logistics. The large number of responses to the questionnaire is a clear reflection of the interest of the private sector in the Aid-for-Trade Initiative. The 524 responses submitted by firms and business associations in developing countries present strong views on the binding constraints they face in linking to, moving up and establishing value chains, while the 173 responses from lead firms (mostly, although not exclusively, located in OECD countries) show the obstacles they face in engaging with enterprises in developing countries. Together the 697 responses from the private sector indicate the areas that offer the greatest potential for public-private partnerships to deliver the objectives of the Aid-for-Trade Initiative.

Figure 0.6 Private sector questionnaire
(697 responses)



Source: OECD/WTO self-assessments and questionnaires 2013, *www.aid4trade.org*.

Note: Based on responses submitted from developing countries in Africa, Asia, Latin America and the Caribbean, Europe and Oceania, as well as from OECD countries (some of these categories overlap).

1 2 *http://dx.doi.org/10.1787/888932853872*

STRUCTURE OF THE REPORT

This report examines strategies and programmes for helping firms in developing countries, particularly the least developed countries, connect to value chains; how these firms can move up the value chain; and what the associated development benefits are in the context of the global debate about the post-2015 development agenda.

Chapter 1 sets out the trade and development context and how recent changes affect aid for trade. In this context, and using the responses to the OECD/WTO questionnaire the chapter examines how aid-for-trade policies, priorities and strategies are evolving. In particular, it investigates how much resonance value chains have in establishing developing country objectives, and the extent to which they are considered in the programmes of donor agencies and providers of South-South co-operation.

Chapter 2 highlights that aid funding, national expenditures, and public policies, as well as private investment, increasingly need to be examined in an integrated way. While aid for trade has been defined in terms of ODA, other sources of finance are increasingly helping to build trade capacities in lower income as well as middle income countries. Trade-related OOF provide non-concessional loans mostly to middle income countries. Both ODA and OOF strengthen conditions for facilitating FDI. The private sector has also engaged in trade capacity building.

Chapter 3 discusses the development opportunities created by value chains. Taking advantage of the opportunities offered by regional and global value chains can only be facilitated through a strong private sector. Firms trade and organise the flows of capital, labour, knowledge and technology, albeit with differing degrees of regulation. Using the public and private sector questionnaire responses and case stories, as well as other case studies, this chapter provides examples of where value chain investments are working and why. The importance of value chains is examined in five key sectors (agri-food, information and communications technology (ICT), textiles and apparel, tourism, and transport and logistics). The chapter summarises the main findings and draws conclusions from these five sectors based on the responses to the questionnaire from donors, partner countries and, in particular, the private sector. Strategic partnerships at the sectoral/thematic level with relevant international organisations aided the dissemination and completion of the private sector questionnaire.

Chapter 4 considers how regional aid for trade contributes to the development process; identifies existing challenges facing developing economies as they endeavour to increase regional integration; underscores emerging opportunities, particularly through regional value chains; and evaluates how effective regional and multi-country aid for trade has been thus far. It considers partner country strategies that can best mainstream regional aid for trade in development planning, and how donor countries can collaborate with partner countries in crafting the best possible aid-for-trade projects and programmes. Finally, it considers implementation issues, which are particularly complicated in the case of regional aid for trade, with examples of recent initiatives from Africa, Asia and Latin America and the Caribbean.

Chapter 5 focuses on the results of aid-for-trade projects and programmes. It reviews how aid for trade, in the context of broader development finance flows, has contributed to the trade performance of developing countries and discusses ways in which aid for trade can most appropriately and efficiently address the diverse challenges of developing countries at different levels of development. This chapter provides an update on relevant empirical studies, impact assessments and recent evaluations relevant to aid for trade, with a focus on how aid for trade has contributed to value chains (including sectoral and private sector development evaluations). The chapter suggests ways in which partner countries and donor agencies can better track progress and manage resources to achieve trade and development results.

Chapter 6 emphasises the promise of aid for trade. Aid for trade has succeeded in raising the profile of trade in development strategies. It has helped developing countries to overcome supply-side constraints and has helped firms connect to value chains. Regional approaches and ways of managing aid to achieve trade and development objectives are improving, and aid for trade continues to show results. However, there are challenges ahead, aid budgets remain under pressure, and the effectiveness of aid will be compromised if donors and South-South partners tie the assistance they provide. The international community must continue to make a strong case for more and better aid for trade. This chapter concludes the report, comments on the future of aid for trade, and suggests a way forward to ensure that the Initiative remains relevant in a changing trade and development environment.

The remainder of the report contains the aid-for-trade country fact sheets and all the aid-for-trade data used in the analysis.

Finally, all the information used in the report is available on the joint OECD/WTO Aid for Trade website: *www.aid4trade.org*.■

Table 0.1 Responses to the aid for trade questionnaire

	Overall Total	Partner Country	LDCs	Donors (including IGOs)	South-South
Responses 2013	133	80	36	43	9
Responses 2011	146	84	31	43	10

Table 0.2 Partner country responses to the aid for trade questionnaire

Region	Responses to questionnaire 2013	Responses to questionnaire 2011
Africa (38)	Benin; Botswana; Burkina Faso; Burundi; Cape Verde; Central African Republic; Chad; Comoros; Congo, Dem. Rep.; Côte d'Ivoire; Djibouti; Ethiopia; Gabon; Gambia; Ghana; Guinea; Kenya; Lesotho; Liberia; Madagascar; Malawi; Mali; Mauritania; Mauritius; Morocco; Mozambique; Niger; Nigeria; Rep. of Congo; Rwanda; Senegal; Sudan; Tanzania; Togo; Tunisia; Uganda; Zambia; Zimbabwe	Angola; Benin; Botswana; Burkina Faso; Burundi; Cameroon; Cape Verde; Central African Republic; Chad; Comoros; Congo, Dem. Rep.; Côte d'Ivoire; Ethiopia; Gabon; Gambia; Ghana; Guinea; Kenya; Lesotho; Madagascar; Malawi; Mali; Mauritius; Morocco; Mozambique; Niger; Nigeria; Rep. of Congo; Senegal; Sierra Leone; Swaziland; Togo; Uganda; Zambia; Zimbabwe
Arab and Middle East (3)	Jordan; Oman; Yemen	Jordan; Lebanon; Yemen
Asia and Pacific (12)	Bangladesh; Bhutan; Cambodia; Fiji; India; Indonesia; Nepal; Pakistan; Papua New Guinea; Samoa; Tuvalu;[2] Vanuatu	Bangladesh; Fiji; India; Indonesia; Lao, PDR; Maldives; Mongolia; Nepal; Pakistan; Solomon Islands; Sri Lanka; Tonga; Tuvalu[3]
Central and Eastern Europe and Central Asia (2)	Afghanistan; Turkey	Afghanistan; Azerbaijan; Croatia; Kyrgyz Republic; Serbia
Latin America and the Caribbean (25)	Antigua and Barbuda; Bahamas; Barbados; Belize; Colombia; Costa Rica; Dominica; Dominican Republic; El Salvador; Grenada; Guatemala; Haiti; Honduras; Jamaica, Mexico; Nicaragua; Panama; Paraguay; Peru; St. Kitts and Nevis; St. Lucia; St. Vincent and the Grenadines; Suriname; Trinidad and Tobago; Uruguay	Antigua and Barbuda; Bahamas; Barbados; Belize; Chile; Colombia; Costa Rica; Dominica; Dominican Republic; Ecuador; El Salvador; Grenada; Guatemala; Guyana; Haiti; Honduras; Jamaica; Mexico; Nicaragua; Panama; Paraguay; Peru; St. Kitts and Nevis; St. Lucia; St. Vincent and the Grenadines; Suriname; Trinidad and Tobago; Uruguay
LDCs (36)	Afghanistan; Bangladesh; Benin; Bhutan; Burkina Faso; Burundi; Cambodia; Central African Republic; Chad; Comoros; Congo, Dem. Rep.; Djibouti; Ethiopia; Gambia; Guinea; Haiti; Lesotho; Liberia; Madagascar; Malawi; Mali; Mauritania; Mozambique; Nepal; Niger; Rwanda; Samoa; Senegal; Sudan; Tanzania; Togo; Tuvalu; Uganda; Vanuatu; Yemen; Zambia	Afghanistan; Angola; Bangladesh; Benin; Burkina Faso; Burundi; Central African Republic; Chad; Comoros; Congo, Dem. Rep.; Ethiopia; Gambia; Guinea; Haiti; Lao, PDR; Lesotho; Madagascar; Malawi; Maldives; Mali; Mozambique; Nepal; Niger; Senegal; Sierra Leone; Solomon Islands; Togo; Tuvalu;[4] Uganda; Yemen; Zambia

Table 0.3 Donor country responses to the aid for trade questionnaire

	Responses to questionnaire 2013	Responses to questionnaire 2011
Bilateral (28)	Australia; Austria; Belgium; Bulgaria; Canada; Czech Republic; Denmark, EU; Finland; France; Germany; Greece; Ireland; Italy; Japan; Korea; Lithuania; Netherlands; New Zealand; Norway; Portugal; Singapore; Spain; Sweden; Switzerland; Chinese Taipei; UK; US	Australia; Austria; Belgium; Canada; Czech Republic; Denmark; EU; Finland; France; Germany; Hungary; Ireland; Israel; Italy; Japan; Korea; Lithuania; Luxembourg; Netherlands; New Zealand; Norway; Portugal; Singapore; Spain; Sweden; Switzerland; Chinese Taipei; UK; US
Multilateral (15)	AfDB; EBRD; EIF; FAO; IaDB; IMF; IsDB; ITC; UNCTAD; UNDP; UNECA; UNECE; UNIDO; World Bank; WTO	AfDB; EBRD; FAO; IaDB; IMF; IsDB; ITC; UNCTAD; UNDP; UNECA; UNECE; UNIDO; World Bank; WTO

Table 0.4 Providers of South-South co-operation responses to the aid for trade questionnaire

Region	Responses to questionnaire 2013	Responses to questionnaire 2011
(10)	Chile; China, Colombia; Costa Rica; Indonesia; Mauritius; Mexico; Morocco; Oman.	Agentina; Brazil; Chile; China; Colombia; Ecuador; India; Indonesia; Mexico; Oman

Table 0.5 Private sector responses to the aid for trade questionnaire

Sector	Total	Lead firm*	Developing country supplier*
Agri-food	257	83	163
ICT	125	44	80
Textiles & apparel	106	37	63
Tourism	113	23	86
Transport & logistics	96	32	63
TOTAL	697	219	455

** Some of these categories overlap*

NOTES

1. WT/AFT/1(2006).
2. Neither WTO member nor observer.
3. Neither WTO member nor observer.
4. Neither WTO member nor observer.

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OECD (2011), *Strengthening Accountability in Aid for Trade*, The Development Dimension, OECD, Paris, *http://dx.doi.org/10.1787/9789264123212-en*.