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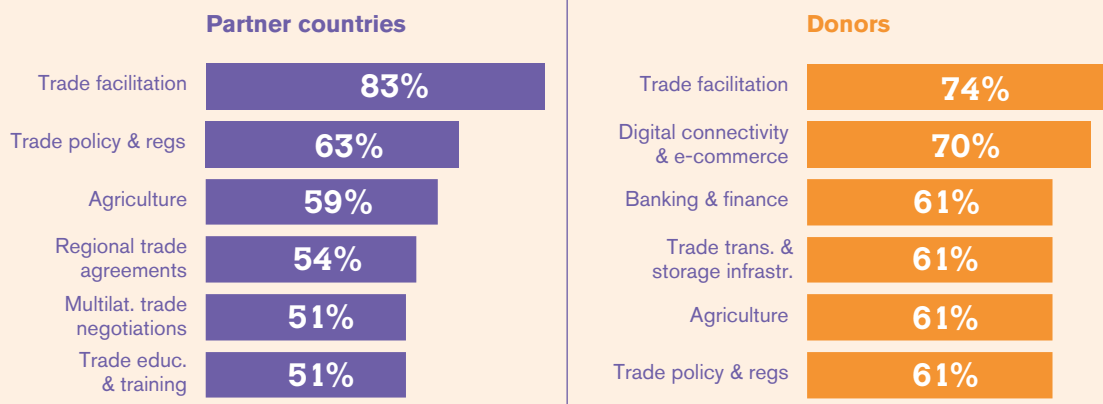
## Impact and effectiveness of Aid for Trade

Fishermen fish for tuna in the Indian Ocean, Maldives.

# IMPACT AND EFFECTIVENESS OF AID FOR TRADE

Based on the responses given in the 2024 joint OECD–WTO Aid for Trade monitoring and evaluation exercise

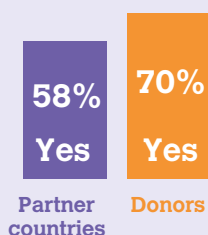
## Top areas where Aid for Trade has an impact



## Top challenges encountered in aligning Aid for Trade with policy objectives



Can Aid for Trade effectiveness be measured?



Does Aid for Trade align with the priorities?

**YES, 80%**  
of partner countries and donors agree

The joint OECD–WTO Aid for Trade monitoring and evaluation (M&E) exercise promotes transparency and accountability. It seeks to foster continual improvement in supporting developing economies and least-developed countries (LDCs) to enhance their trade capacity and overcome the supply-side constraints they face, and which prevent them from engaging more fully in the multilateral trading system.

Several approaches have been used to explore how Aid for Trade is making a difference. One approach is to measure whether Aid for Trade financing succeeds in achieving a set of defined objectives. The 2006 *Recommendations of the Task Force on Aid for Trade*<sup>1</sup> can serve as the guide for that purpose. The Task Force envisaged Aid for Trade as helping:

“To enable developing countries, particularly LDCs, to use trade more effectively to promote growth, development and poverty reduction and to achieve their development objectives”.

In other words, Aid for Trade should help unlock the full potential of trade as a driver of development. Various approaches, including surveys, project and programme evaluations and economic studies have researched the impact of initiative across different trade-related dimensions.

Many donors and partner countries have made efforts to assess whether specific Aid for Trade projects and programmes achieve their intended objectives. The self-assessment questionnaire supports this process by allowing respondents to share information on the alignment and effectiveness of Aid for Trade received and to provide examples of best practice or suggestions on how it could be improved. This information is also complemented by research on the impact and effectiveness of Aid for Trade, such as independent evaluations of Aid for Trade programmes and academic studies.

It is important to note that the questionnaire invites responses based on perceived outcomes. Direct outcomes of Aid for Trade are more clearly demonstrated at the project level –

and based on independent evaluations. As a general rule, the effects of Aid for Trade outside the project is more difficult to establish – for example, causal linkages between inputs such as financing and impacts such as increases in export diversification. New approaches using artificial intelligence may make such linkages easier to track in the future.

Econometric modelling can address this challenge. Hence, this chapter explores some of the economic research on Aid for Trade effectiveness, with a focus on export performance. An encouraging finding in this regard is that economies with a narrower initial export base have demonstrated an expansion in their export product range and markets reached. This is complemented by information on export diversification collected by the WTO Secretariat which show that in aggregate, LDCs, landlocked developing economies and small, vulnerable economies have improved export diversification.



**Beekeepers in Zambia benefit from the support of the Enhanced Integrated Framework and the International Trade Centre.**

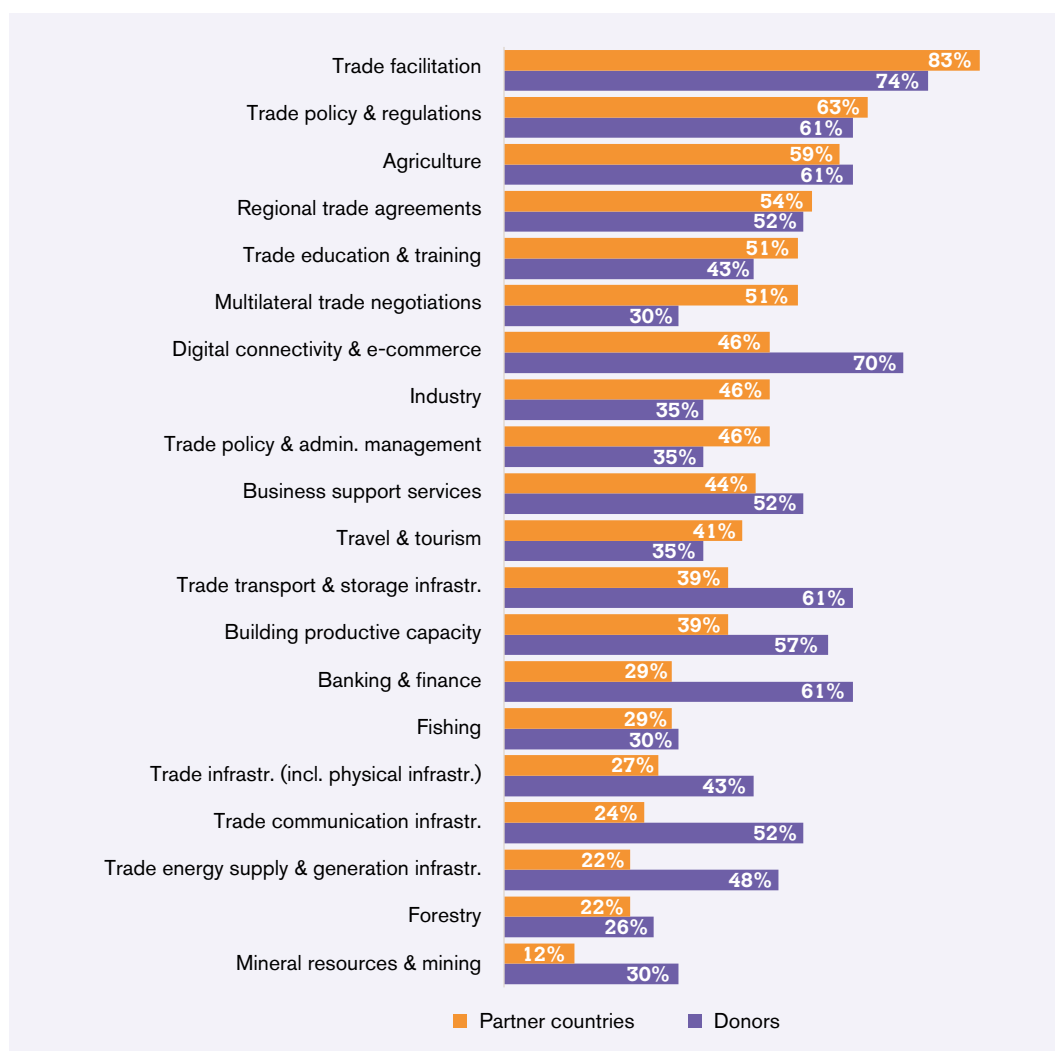
## Aid for Trade impact

Responses to the M&E exercise point to impacts across a broad range of thematic areas. Partner country respondents cite trade facilitation, support for trade policies and regulations (including regional trade agreements and multilateral trade negotiations), agriculture, and trade education and training as areas in which Aid for Trade has the most impact (see Figure 1).

Figure 1 shows that donors also reported that Aid for Trade had an impact on trade facilitation and agriculture. Donor responses also suggest that Aid for Trade has positively impacted digital connectivity and e-commerce, trade-related transport and storage infrastructure, and banking and financial services.

It is encouraging that all categories included in the questionnaire attracted replies from

**Figure 1 Areas where Aid for Trade has an impact**  
(As a percentage of responses)



Source: Joint OECD–WTO M&E exercise.

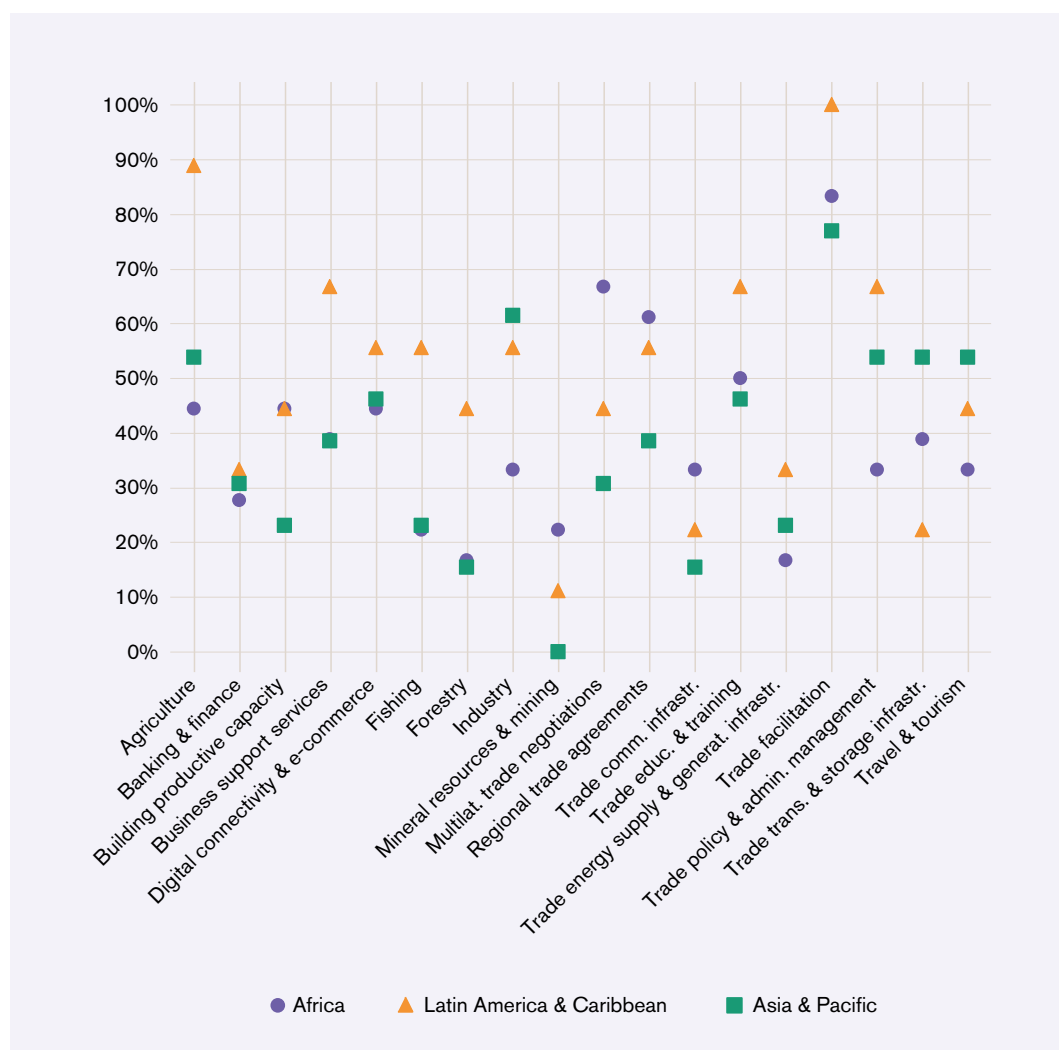
both partner countries and donors. This indicates that Aid for Trade support has an impact across a wide range of topics.

Figure 2 provides a regional breakdown of partner country views displayed in Figure 1. Trade facilitation is the most cited category in all three regions, capturing 100 per cent of responses from Latin America and the Caribbean. Agriculture also scored high in responses

from this region. Digital connectivity and e-commerce attracted similar large responses.

Figure 2 also highlights some differences. For example, industry was cited less by African respondents than respondents from the other regions indicated. The same was also true of trade policy and administrative management and travel and tourism, which scored more highly outside Africa.

**Figure 2 Areas where Aid for Trade has an impact, by partner country region**  
(As a percentage of responses)



Source: Joint OECD–WTO M&E exercise.





## Aid for Trade assistance delivered through the Enhanced Integrated Framework

The Enhanced Integrated Framework (EIF) was frequently referenced by least-developed countries and donors in the questionnaire as an example of best practices. The following provides an overview of five such EIF projects.

### Bhutan

The EIF has helped to significantly advance export diversification and promote local products under the prestigious “Brand Bhutan” initiative and enhanced trade facilitation through upgraded systems and infrastructure. By supporting the establishment of product display shelves in supermarkets in the capital city, Thimphu, the initiative has increased the visibility of products from cottage and small industries.

The EIF has played a pivotal role in approving 68 products for the Made in Bhutan initiative and three products for the Grown in Bhutan initiative, with a noteworthy representation of women entrepreneurs. The Bhutan Trade Fin Net system marks a significant milestone in establishing a National Single Window for trade facilitation. By seamlessly integrating cross-border trade and financial transactions, this system addresses the imperative for automated processes to enhance the recording and monitoring of international transactions. As a result, it fortifies macroeconomic planning and management, fostering a conducive environment for sustainable economic development.

### The Gambia

Recognizing the critical need for enhanced trade infrastructure to support its growing export sector, The Gambia partnered with the EIF to upgrade the air cargo complex near Banjul International Airport. The complex, inaugurated in February 2018, represented a significant step towards facilitating trade and improving access to global markets for small enterprises.

The enhancements made to the air cargo complex, including improved infrastructure, packaging standards and staff training, have led to significant efficiency gains, reducing handling times by up to 40 per cent. Moreover, the complex now generates approximately US\$ 54,000 per year in customs fees, providing tangible evidence of its economic viability. These successes have not only garnered support from other funding partners but have paved the way for broader initiatives, such as those integrating trade and digital economy objectives, signalling a promising trajectory for sustained growth and development in the country.

### Lesotho

The EIF has helped small-scale horticultural farmers in Lesotho adopt greenhouse farming technology, in collaboration with the International Trade Centre, leading to the creation of the country's inaugural central market for fresh fruits and vegetables in Maseru. This endeavour not only helped alleviate poverty and unemployment but also directly benefited women and youth. Furthermore, the EIF has assisted the government in establishing an advantageous trade landscape and in securing entry to fresh markets for Lesotho's commodities and services.



The air cargo complex in The Gambia.

## Solomon Islands

The EIF has significantly contributed to the Solomon Islands' tourism sector through strategic investments and capacity-building initiatives. By supporting the development of policies, quality standards and infrastructure, the EIF has enhanced the country's tourism offerings and attracted a surge in visitor arrivals. This growth has not only contributed to the economy, with tourism services accounting for a notable percentage of GDP, but also empowered local communities, particularly women, who now play a pivotal role in the sector. With a focus on sustainability and resilience, EIF's interventions have positioned the Solomon Islands as a competitive player in the global tourism market.

## Zambia

The EIF has supported the honey sector, resulting in significant improvements in production, quality and environmental sustainability. This support led to an increase in export income from US\$ 684,000 in 2011 to US\$ 6,090,000 in 2022. These achievements have spurred financial backing after the EIF project's lifespan from other stakeholders to bolster this value chain. Notably, the Africa Development Bank's Africa Trade Fund, backed by the Government of Canada, provided US\$ 1.4 million, a direct result of the support from the EIF.

*Source:* EIF Secretariat.

The following sections examine the three areas of trade facilitation, agriculture and digital connectivity and e-commerce in greater detail.

## Impact on trade facilitation

Aid for Trade impacts  
trade facilitation

**83%**

of partner countries  
agree

**74%**

of donors agree

In total, 83 per cent of partner countries and 74 per cent of donors identified trade facilitation as a thematic area where Aid for Trade had an impact. The Asian Development Bank (ADB), Australia, the European Union, France, Germany, Kenya, the Netherlands, the United States and the World Bank all pointed to examples of trade facilitation projects with measurable impacts.

In its response to the questionnaire, France indicated that impacts on trade facilitation are more easily measured, and various metrics had been developed. Both the OECD and the WTO have developed metrics to measure implementation of the Agreement on Trade Facilitation (TFA) (see Box 13 in Chapter 1).

The ADB noted that the Central Asia Regional Economic Cooperation (CAREC) Program's Integrated Trade Agenda had achieved good progress most notably on implementation of the TFA. A report by the ADB's Independent Evaluation Department on the CAREC Program found that the "ADB has made significant progress in helping improve connectivity in the subregion but contributed modestly to improving regional economic competitiveness, due to continuing challenges in removing barriers to trade."<sup>2</sup> The report highlighted "the importance of strengthening support for investment climate and trade policy reforms, modernization of border crossing points and customs processes, development of a multimodal corridor network, climate change mitigation and adaption, and better results monitoring."

Australia pointed to the South Asia Regional Trade Facilitation Program as supporting economic growth and women's economic empowerment through trade, integration and



Expert  
opinion



## The transformative impact of Aid for Trade in Vanuatu

By Brill Palmer, Trade and Development Specialist,  
Vanuatu's Ministry of Trade and Commerce

Over the past 15 years, Vanuatu has used Aid for Trade support to bolster various development programmes. Support has been received from development partners such as Australia, New Zealand, the European Union and China, as well as international agencies like the Asian Development Bank and the World Bank.

The Vanuatu Tourism Infrastructure Project, funded by the New Zealand and Vanuatu Governments through the Enhanced Integrated Framework, exemplifies the positive outcomes of well-designed Aid for Trade initiatives. The project upgraded Vanuatu's tourism infrastructure, a crucial sector for the nation's economy. Improved facilities, enhanced infrastructure, upgraded transportation networks, and developed tourist attractions all played a part in expanding the tourism industry and creating opportunities for Ni-Vanuatu.

Aid for Trade helped streamline Vanuatu's border clearance procedures through digitalization and simplifying processes for importers and exporters. The Electronic Single Window between Vanuatu's Government and the United Nations Trade and Development simplified and modernized trading operations, enhancing efficiency, reducing barriers, and facilitating smoother international transactions, as highlighted in the Asia-Pacific Trade and Investment Report 2021 (ESCAP *et al.*, 2021).

Under Vanuatu's Trade Policy Framework and industrial policy, Aid for Trade was vital in supporting initiatives like Vanuatu Made. The global recognition of the quality and authenticity of Vanuatu-crafted products is elevating local brands, capturing international markets and enhancing the competitiveness of Vanuatu's products for economic diversification and sustainability, including products such as kava, cocoa, coconut, fisheries, forestry, fruits and vegetables and livestock.

Vanuatu urges the WTO, our development partners, international cooperation, and the wider international community to ensure our vulnerabilities, both natural and economic, are highly considered when allocating Aid for Trade. For small island developing countries, inadequate resources will translate to incomplete development outcomes, leaving our shores with vulnerable foundations for us today and risking our future for tomorrow. Climate change poses a significant threat to our shores, and we cannot discuss Aid for Trade without addressing climate change and its implications for our development, which entails our greatest risks.

In 2023, Vanuatu was hit by two category 4 cyclones just two days apart, affecting over 66 per cent of the population. Vanuatu is no stranger to the effects of climate change – hence the urgency of our concerns. Vanuatu is also susceptible to rising sea levels and increased ocean acidification. These factors magnify our natural and socioeconomic vulnerabilities, putting our resilience and adaptive capacity to the test.

Building resilience with support from Aid for Trade is crucial for us, requiring more support to ensure current and future Aid for Trade assistance is effective. The glaring impact of the COVID-19 pandemic is also a major hindrance to our development journey, causing delays in some of our major Aid for Trade funded initiatives in the industry and construction sectors, particularly our feeder roads connecting our large agricultural-producing communities. Furthermore, support provided under the Aid for Trade Initiative to our services sector has been considerably limited. Considering that this sector gives us a competitive advantage, we strongly urge development partners to enhance their support for Vanuatu in addressing this issue.

connectivity, primarily along the Eastern Corridor of South Asia (comprising Bangladesh, Bhutan, India and Nepal). Although trade between the four countries in the region grew six-fold between 2005 and 2019, much untapped potential remains.

The European Union pointed to the ECOWAS Interconnected System for the Management of Goods in Transit (SIGMAT – *Système Interconnecté de Gestion des Marchandises en Transit*) as an area where Aid for Trade is having a measurable impact. The SIGMAT programme is operational in nine ECOWAS members and interconnects customs IT systems with the aim of smoothing the flow of goods along the various road corridors in the region, by eliminating multiple checkpoints and load breaks at borders.

The World Bank highlighted support provided through its Trade Facilitation Support Program (TFSP) to the Western Balkans that has improved alignment with the TFA in the region and includes support for:

- national trade facilitation committees;
- Authorized Economic Operator schemes;
- joint border controls;
- review of fees and charges;
- risk management;
- time-release studies;
- digitalization of advance rulings;
- trade information portals;
- National Single Window blueprints.

The work has been leveraged into a World Bank lending operation to build Single Windows in six Western Balkan countries. The Netherlands also cited the World Bank's TFSP as an example where trade facilitation support is having a measurable impact.

The Global Alliance for Trade Facilitation initiative was cited by both Germany and the United States as an example of Aid for Trade with measurable impacts.

Responses to the questionnaire illustrate that trade facilitation projects are often bundled up in larger hard infrastructure projects that seek to enable the cross-border movement of goods (see Box 1).



**Kasumulu border post in Tanzania and a few metres from Malawi.**

Another example of how hard infrastructure projects can amplify trade facilitation reforms is a project impact fund jointly managed by France's Caisse des Dépôts and the Agence Française de Développement. A project run in Morocco has a direct trade-facilitation impact. In cooperation with the private sector, the construction of new warehouses and the optimization of distribution channels aims to reduce logistics costs, which currently amount to roughly 20 per cent of Morocco's GDP.<sup>3</sup>

China also highlighted several South–South projects which address both hard and soft infrastructure for trade facilitation. The wide range of initiatives include the renovation of border crossing infrastructure in Mongolia and Nepal and maritime facilities for Cameroon, Ghana, Guinea-Bissau and Sierra Leone. Beyond infrastructure, China has extended technological support to enhance customs clearance processes by providing essential equipment and technology to streamline customs operations in countries such as Cuba, Egypt, Georgia, Ghana, Indonesia, Kazakhstan, the Kyrgyz Republic, Tajikistan and Togo.

Expert  
opinion



## Global Alliance for Trade Facilitation

By Phillippe Isler, Executive Director, Global Alliance  
for Trade Facilitation

The Global Alliance for Trade Facilitation was born out of the successful negotiations of the WTO Trade Facilitation Agreement in 2013. The Alliance was conceived as a dynamic mechanism supporting the implementation of the TFA in developing economies and least-developed countries (LDCs). The Alliance embodies three pioneering features: deep collaboration with the private sector, spanning from governance involvement to on-the-ground operational support; a capacity for agile and responsive operations, able to pivot towards trade reforms with greatest political and stakeholder backing; and a commitment to measure the tangible impact of its initiatives in quantifiable terms.

As of 2024, the Alliance is successfully executing on its mandate, having delivered 20 impactful projects and currently spearheading 18 additional initiatives across 25 countries worldwide. To date, Alliance projects have generated US\$ 142 million in savings with a 264 per cent return on investment.

Our project portfolio illustrates how trade facilitation can take many forms and have diverse impacts. For example, in Guatemala, the digitalization of authorizations for vessels across four key ports is set to reduce process costs by 85 per cent and lead to savings of US\$ 4 million per year. While in Cambodia, digitalizing customs processes for small package shipments has helped pave the way for more MSMEs to venture into cross-border e-commerce. Other projects in Senegal, Fiji, Tunisia or Jordan are demonstrating how eliminating bottlenecks at borders can help to ensure that perishable food products reach markets in optimal condition therefore reducing waste.

Our project development work is rooted in a well-established co-creation methodology,

facilitated through public–private dialogues. Each project is crafted to address specific TFA articles with a focus on gauging the reduction in time and cost of trade and the resultant economic savings. Upholding stringent gender mainstreaming guidelines, our initiatives are designed to bolster small and medium-sized enterprises (SMSEs).

The wealth of experience gathered over the years, spanning the full spectrum of interventions, provides a portfolio of consolidated learnings that we use internally but can also benefit others.

A key development is the real progress made in relation to successful collaboration between governments and the private sector. When working in real and sustained partnership to deliver trade reform, trust is formed as a byproduct and becomes a catalyst for improving the trading environment.

Measuring impact remains paramount, and our Alliance places a premium on private sector evaluation of concrete trade benefits. Applying such an approach in the context of Aid for Trade is of tremendous benefit. The Alliance believes in bottom-up approaches, where small positive results lead to stakeholder confidence, enabling a controlled scaling up of activities.

As new regulations appear, we advocate for lean and digitized processes right from the start, mitigating paperwork, data requirements and pressures for all stakeholders involved.

Above all we remain a group of organizations working together with the single aim of making trade easier, towards creating jobs and opportunities for all, with special focus on the developing world.

## Box 1

### Kazungula Bridge trade facilitation project

Botswana reported that the construction of the Kazungula Bridge was an example of best practice. Financed by the Japan International Cooperation Agency and the African Development Bank, this landmark project spans 923 m, with border facilities on both sides. The opening of the Bridge, linking Botswana and Zambia over the Zambezi River, means travellers no longer need to rely on pontoon boats to cross at this location. The bridge is a combined transport configuration, including two car lanes in each direction, a single rail track and pedestrian walkways on both sides.

It serves as a crucial conduit for trade and transportation along the North–South Corridor, increasing economic growth and connectivity across the region. This project reflects a collaborative endeavour between the governments of Botswana and Zambia. The establishment of the Kazungula Bridge Authority underscores their shared commitment to its operation and maintenance, ensuring seamless connectivity and trade facilitation for years to come.

Source: See <https://www.afdb.org/en/news-and-events/kazungula-bridge-project-expand-regional-integration-and-trade-across-southern-africa-43688>.



Construction of the Kazungula Bridge, linking Botswana and Zambia.

### Impact on agriculture

Approximately US\$ 125 billion, or 18 per cent of all Aid for Trade financing, has been disbursed to the agriculture sector since the start of the Aid for Trade Initiative in 2006. Responses to the M&E exercise indicated that agriculture continues to be a priority area of focus for stakeholders. Table 1 outlines some of the impacts reported, and Boxes 2 and 3 present examples of agricultural support through electronic phytosanitary certification and cashew value chains in Tanzania, respectively.

Aid for Trade impacts agriculture

**59%**  
of partner countries agree

**61%**  
of donors agree



**Table 1** Aid for Trade impact on agriculture

Respondents	Impact
<b>Australia</b>	<p>Market Development Facility (MDF) initiative to stimulate the private sector in strategic economic areas, fight poverty and achieve sustainable economic growth and climate change adaptation</p> <p>MDF supports investments in agriculture, fisheries, tourism, services, information and communications technologies and finance</p> <p>In Fiji, MDF support resulted in fresh and chilled agricultural exports increasing from A\$ 69 million to A\$ 86 million in 2020, surpassing sugar exports for the first time, and mainly due to high-quality niche agricultural commodities (i.e. certified ginger products, fresh turmeric, kava)</p>
<b>Brazil</b>	<p>Support for the Cotton Sector in Africa helped increase cotton productivity and improve fibre quality in 18 African countries (Benin, Burundi, Burkina Faso, Cameroon, Chad, Côte d'Ivoire, Ethiopia, Guinea, Malawi, Mali, Mozambique, Kenya, Senegal, Sudan, Tanzania, Togo, Zambia, Zimbabwe)</p>
<b>European Bank for Reconstruction and Development (EBRD)</b>	<p>EBRD rolled over €4 million guarantee in May 2022, allowing LLC Technotorg, a key distributor of agricultural machinery in Ukraine, to continue importing goods Deal included in EBRD Shareholder Special Fund and occurred in the face of significant political and economic barriers</p>
<b>France</b>	<p>Fit for Market helped strengthen agri-food export sector of African, Caribbean and Pacific countries by:</p> <ul style="list-style-type: none"> <li>▪ facilitating market access (strengthening benchmarking, raising norms and standards)</li> <li>▪ strengthening value chains (technical assistance and training)</li> <li>▪ increasing impact (via the creation of networks and alliances and support for access to financing)</li> </ul> <p>Evaluation in 2023 showed 71 per cent of small and medium-sized enterprise (SMEs) and producers adopted good practices</p> <p>Ivorian Cooperative Society of Agricultural Producers obtained social and Fairtrade certification, upgrading to European standards and organic pineapple exports increased 3,500 tonnes per year</p>
<b>European Union</b>	<p>Within SWITCH-Asia initiative, the recently completed 2020-2023 project "Promotion of supply and demand of Eco-Fair Agri-food processing products in Vietnam" addressed sustainable supply chain management with a focus on green trade and facilitated the integration of micro, small and medium-sized enterprise into supply chains</p>
<b>Lesotho</b>	<p>Horticultural Productivity and Trade Development Project, financed through Enhanced Integrated Framework funds with support provided by the International Trade Centre, helped to improve productivity of small-scale farmers to produce high-value fruits and vegetables through adoption of greenhouse technology</p> <p>Using this technology, farmers grew non-traditional crops, such as cucumbers, and supplied to retail businesses and hotels</p>
<b>Zambia</b>	<p>Trade and Investment Project for Enhanced Competitiveness of Zambia's Apiculture Sector improved access to markets for honey and honey products</p>

## Box 2

### Agricultural support through electronic phytosanitary certification

The ePhyto Solution project run by the Standards and Trade Development Facility (STDF) until 2020 improved the capacity of developing economies to facilitate safe, secure and efficient trade in plants and plant products through electronic phytosanitary certificates – known as ePhytos. Countries can electronically exchange ePhytos through a central hub, quickly, accurately and at low cost. The risk of loss, damage or fraud to the certificate is greatly reduced, as is the administrative burden on both border agencies and business. The collaborative nature of the project also paves the way for countries to exchange other types of data with trading partners.

The project was successfully completed in 2020 at a cost of about US\$ 1.7 million, and currently 125 countries are connected to the exchange hub, with 76 of those regularly using the system to send, receive or both send and receive ePhytos. The project delivered efficiently at relatively low cost the expected output and impact of lowering trade barriers and trade costs, with a wide and diverse reach across country contexts, but it also added significant security to the process of plant trade, greatly reducing incidence of fraudulent certificates among countries using ePhytos. The OECD (2021) estimates that the total value of exports for selected agri-food product groups could increase by up to 32 per cent two years after implementation of SPS e-certificates.

Source: See <https://standardsfacility.org/PG-504>.

## Box 3

### Innovating in the cashew value chain in Tanzania

Tanzania is among the world's largest producers of raw cashew nuts and accounts for 75 per cent of the total production in East Africa. Cashew nuts was the most exported cash crop in Tanzania in 2022, with exports generating US\$ 232 million. However, more than 80 per cent of the exports are raw cashew nuts sent to Viet Nam and India for processing, before entering the global market.



To address this gap, Care International, in partnership with the Danish International Aid Development Agency, is currently implementing a four-year project to improve the cashew value chain in Tanzania. The project aims to reach 3,000 smallholder cashew farmers the Tanga region of Tanzania through organized activities with local business schools, village savings and lending associations and agricultural cooperative societies. Under the project, cashew farmers will have the opportunity to co-own the cashew processing facility with the private company Out-Growers Tanzania Limited.

Source: Adapted from <https://danida-business-partnerships.dk/projects/innovating-the-cashew-value-chain-in-tanzania>.

Workers in a warehouse sort cashew nuts, Tanzania.

Canada's Climate-Smart Agriculture and Food Systems initiative helps to achieve agriculture growth by targeting smallholder farming development in developing economies, including LDCs. It has helped to provide tailored financial products to support business expansion, increasing revenues and added-value to products.

The ADB's Trade and Supply Chain Finance Program (TSCFP) committed US\$ 2.6 billion in 2022 in support of food security, including US\$ 530 million to underpin food security by enabling trade that supported farmers across Asia and the Pacific. In 2022, the TSCFP reached more than 6,300 small and medium-sized enterprises and delivered assistance within one to two days. Nearly 30 per cent of the transactions facilitated trade between developing economies. A Green Equipment Facility was also launched to help companies acquire energy-efficient equipment to cut the carbon intensity of their supply chains.

**A worker packs hilsa herring in ice at a fish market in Bangladesh.**

## Impact on digital connectivity and e-commerce

Aid for Trade impacts digital connectivity and e-commerce

**46%**

of partner countries agree

**70%**

of donors agree

Aid for Trade has had an impact in promoting digital connectivity and e-commerce, with 81 per cent of partner countries responding that expansion of the digital economy was a priority in their national development plans.

Partner countries wish to see continued assistance in this area: 84 per cent noted that cross-sectoral e-commerce required continued Aid for Trade support. Table 2 outlines some of the impacts reported.



**Table 2** Aid for Trade impact on digital connectivity and e-commerce

Respondents	Impact
<b>Asian Development Bank (ADB)</b>	<p>Central Asia Regional Economic Cooperation (CAREC) Program, the ADB has improved connectivity and accelerated digital trade in the region</p> <p>Through support delivered under the CAREC Program, Azerbaijan, China, Mongolia, Tajikistan and Turkmenistan have signed the Framework Agreement on Facilitation of Cross-Border Paperless Trade in Asia and the Pacific</p> <p>Azerbaijan, China and Mongolia now party to the United Nations Convention on the Use of Electronic Communications in International Contracts</p>
<b>China</b>	<p>Construction of fibre-optic networks in Angola, Nigeria, the Solomon Islands and Uganda</p> <p>Implementation of rural e-commerce projects in the Lao People's Democratic Republic</p>
<b>European Union</b>	<p>E-Tariff Book facilitates the publication of information on rates of duty applied by parties to the Agreement Establishing the African Continental Free Trade Area (AfCFTA Agreement) under their Schedules of Tariff Concessions</p> <p>It provides several search functionalities, comparison of applicable rates between all parties and options to download the results, making it a practical instrument for trading under the AfCFTA Agreement</p>
<b>Senegal</b>	<p>Implementation of a national e-commerce platform</p>
<b>Sri Lanka</b>	<p>Implementation of Electronic Certificate of Origin (eCoO), developed with the assistance of Germany's main development agency – GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit) and International Trade Centre</p> <p>Accessible to exporters from anywhere, the eCoO portal allows for easy registration and payments</p> <p>Entire process is digital, including the incorporation of e-signatures, ensuring compliance with prominent free trade agreements such as the India–Sri Lanka Free Trade Agreement and the South Asian Free Trade Area.</p> <p>Initiative has significantly reduced the burden on exporters by streamlining the process of obtaining an eCoO under preferential trade agreements</p> <p>eCoO system has led to a 94 per cent reduction in the total time required, slashing processing time to just 30 minutes</p> <p>Elimination of all processing costs offers exporters a highly efficient and cost-effective solution</p>

Source: Joint OECD–WTO M&E exercise.



## Impact on export growth and diversification

### (a) Economic research

Recent literature points to the effectiveness of Aid for Trade in expanding the trade potential of developing economies and LDCs. The positive effect of Aid for Trade on export development is reported in Yang *et al.* (2023). Moreover, their research indicates that Aid for Trade measures have been particularly helpful in improving the ability of recipients to meet the non-tariff measures imposed by trading partners.

The regional effectiveness of Aid for Trade was analysed by Lee and Oh (2022), who find that Aid for Trade has a significant positive effect on the exports of Asian economies, particularly the transition economies in the Greater Mekong Region (Cambodia, Lao People's Democratic Republic, Myanmar, Viet Nam). They note that Aid for Trade disbursed for trade policy and regulation which complements government-led initiatives can have a positive effect on the trade performance and regional integration of transition economies.

Interlinkages between Aid for Trade, export diversification and foreign direct investment (FDI) were investigated by Gnanon (2021). The study notes that Aid for Trade exerts a positive effect on inward FDI stock in countries that experience a high level of export product concentration, and the higher the degree of export product concentration, the greater is the magnitude of total Aid for Trade flows on inward FDI stock.

In a recent working paper, Aboushady *et al.* (2023) examine the effectiveness of Aid for Trade in improving export flows in a sample of over 155 developing economies. The study concludes that Aid for Trade flows tend to foster exports of recipients, both at the extensive margin (i.e. establishing new trading partners) and intensive margin (i.e. expanding established bilateral trade volumes). In line with Lee and Oh (2022), the study points at the effectiveness of Aid for Trade specifically directed towards improving trade



An employee at a clothes manufacturer in Cambodia inspects the quality.

policy and regulation flows. The authors also highlight that strengthening governance and institutional structures strengthens the effectiveness of Aid for Trade measures.

Nathoo *et al.* (2021) highlight the strong interlinkages between sectoral Aid for Trade support and export diversification in sub-Saharan Africa. In line with Aboushady *et al.* (2023), they find that Aid for Trade is conducive to exports and export diversification along extensive and intensive margins. Furthermore, when analysed by Aid for Trade category, they suggest that Aid for Trade towards trade facilitation is better at boosting exports at the extensive margin in the short run and that it has a greater impact on productive capacity building along both export margins in the longer term.

The scenario described in Aboushady *et al.* (2023) seems to be supported in part by

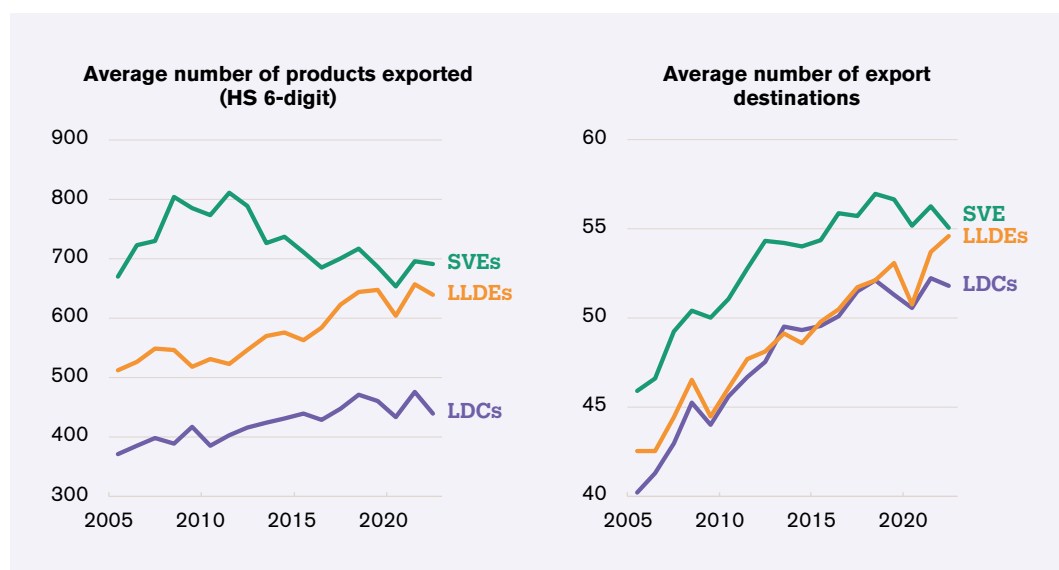
export diversification statistics. One of the key objectives outlined in the 2006 *Recommendations of the Task Force on Aid for Trade*<sup>4</sup> is that Aid for Trade must help “developing countries, particularly LDCs, to build supply-side capacity and trade-related infrastructure in order to facilitate their access to markets and to export more”. Export diversification emerges as a key metric for success in this context.

The 2019 edition of *Aid for Trade at a Glance* (OECD/WTO, 2019) examined export diversification as a key topic. It concluded that economic and export diversification in the agriculture sector had been achieved by most respondents. It also highlighted diversification in the industrial and services sectors, although this was more focused on respondents in certain regions (notably Asia). The analysis focused on the evolution of trade and did not include statistical analysis linked to Aid for Trade data.

### (b) WTO analysis of export diversification

The following analysis seeks to provide a more granular view of export diversification based on the earlier analysis. Figure 3 presents the evolution of export diversification based on this earlier analysis. Figure 3 sheds light on the evolution of export diversification based on the number of exported products at the level of Harmonized System (HS) 6-digit products<sup>5</sup> exported and the average number of export markets reached for three economy groups over the period 2005-2022 – LDCs, landlocked developing economies (LLDEs) and small, vulnerable economies (SVEs). The average number of products exported by LDCs and LLDEs increased as well as the number of markets reached. The picture for SVEs is more complex in that early progress made in 2005-2010 in product export diversification reversed in the 2010s.

**Figure 3** Number of exported products and export markets, 2005-2022



*Note:* European Union counted as one destination. Number of products is based on HS 6-digit products. To avoid that an increase/decrease in the number of product codes across HS versions causes an increase/decrease in the number of products exported, all product codes are converted to one HS version. To minimize distortions through the conversion, the HS2007 version was used. Results stay similar when no conversion is applied. They are qualitatively consistent with data from the World Bank's World Integrated Trade Solution (WITS) data, which convert to HS 1992.

*Source:* WTO Secretariat estimates based on importer data.

Figure 4 presents a combined index of export diversification, taking into account both the number of products as well as the number of export markets. From the charts, a series of high performers emerge, as well as a good number of other economies that have made steady progress. In the LDC and SVE category, there are also economies that have remained largely static over the period in terms of export diversification achieved.

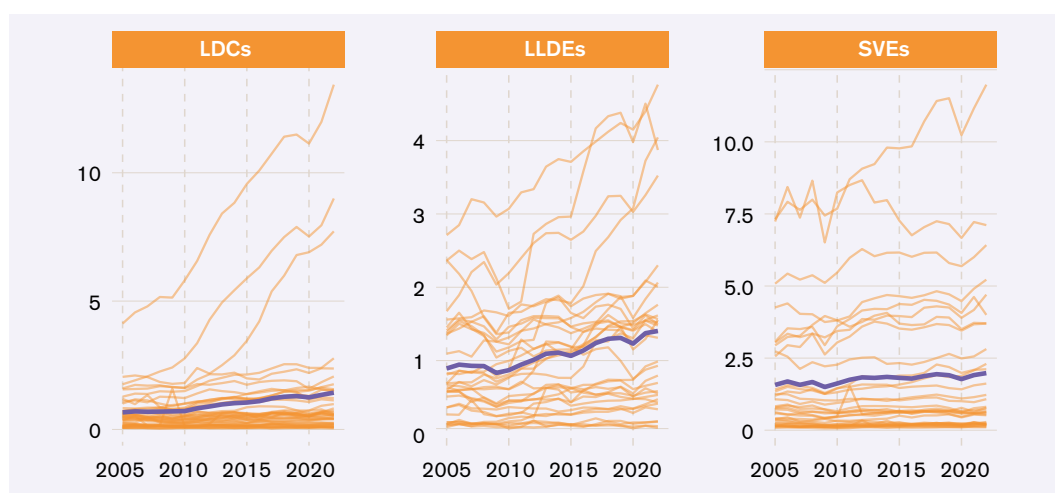
A similar analysis of export diversification for services is complicated by data constraints. For instance, classifications for types of services are not as detailed as those for merchandise products. In addition, data availability is a persistent issue when focus on developing economies. Figure 5 shows that among LDCs, LLDEs and SVEs, the COVID-19 pandemic pushed services exports downwards. This effect has been universal, not just limited to the economy groups shown in the figure. This pandemic effect is also evident when considering the number of destinations by services exports.<sup>6</sup> After a more or less steady increase since 2010, the number of export markets reached declined

markedly due to the COVID-19 pandemic. Since then, some economies managed to increase their share of services trade and the number of destinations, but in 2021 remained largely below pre-pandemic levels.

The three economy groups have seen the value of their services exports grow over much of the past decade. SVEs enjoyed a rapid rate of increase over this period with services exports, driven upwards by tourism, expanding from US\$ 49 billion in 2010 to US\$ 81 billion in 2019. This sector was hit hard by COVID-19 (see Figure 5). Services exports of LDCs and LLDEs also track upwards over the same period, although less steeply.

An analysis of the statistics on export diversification reveals that economies with a narrower initial export base, such as Bangladesh, Cambodia and Viet Nam (see Box 4), have demonstrated an expansion in their export product range and markets reached. Figure 6 shows the export diversification within the Multilateral Trade Negotiations (MTN) categories, which are the broad product categories used by the WTO for trade statistics and policy analysis.

**Figure 4 Export diversification index, 2005-2022**

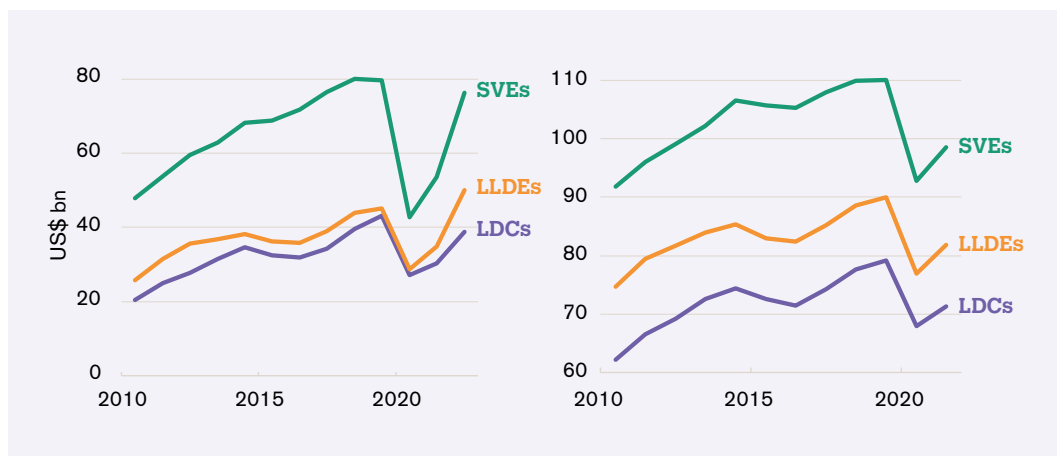


*Note:* Orange lines show individual economies; the purple line illustrates the regional average. Number of products is based on HS 6-digit products.

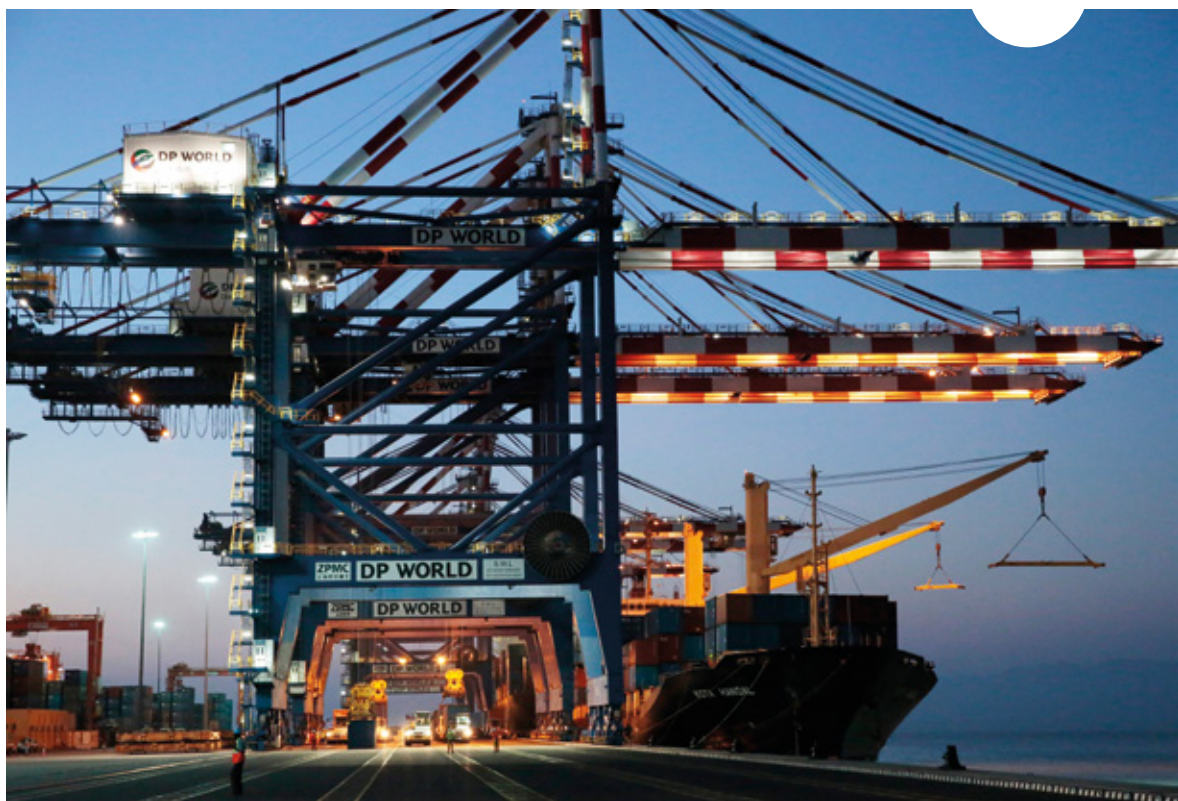
*Source:* WTO Secretariat estimates.

**Figure 5 Services exports and markets reached, 2010-2022**

(In US\$ billion and average number of destinations)



Source: (Left) WTO Secretariat calculations based on WTO–United Nations Trade and Development (UNCTAD) estimates. (Right) WTO Secretariat calculations based on the WTO–OECD Balanced Trade in Services (BaTiS) dataset.

Port of Doraleh,  
Djibouti.



## Box 4

### Aid for Trade in Viet Nam and expanding export diversification potential

Viet Nam has enjoyed considerable success in realizing export diversification and trade integration potential. A growing number of product lines are exported by Viet Nam to an increasing number of destinations. While the country exported fewer than 3,000 different products before 2000, it exported more than 4,000 products in 2022.

Viet Nam's success in capturing trade potential corresponds to a period during which it was a major Aid for Trade recipient. Viet Nam was the second largest Aid for Trade recipient in 2006 to 2021, with aggregate flows valued at US\$ 29 billion. Roughly 25 per cent of this funding was disbursed to help build productive capacity. It thus provided a platform to expand firm-level productivity and export diversification capacity. Data from the World Bank also suggest that the country was able to attract US\$ 13.26 billion in foreign direct investment over the same period.\*

#### Inclusive, sustainable and connected coffee value chains

Viet Nam is the second largest coffee exporter in the world. A project initiated in 2018 by the Japan International Cooperation Agency and the Asian Development Bank explored ways to upgrade Viet Nam's coffee value chain potential by diversifying into processed coffee production. Domestic coffee production was generally restricted to raw coffee, which is at the lowest stage of added value creation.

Valued at US\$ 163 million, the project aimed to expand Viet Nam's ability to process and export coffee products (e.g. for roasted coffee) by providing working capital investments to smallholder farmers. The funding also helped farmers integrate into value chains, thus adding more value into local markets and improving agricultural value chains. This project aligned with the Government of Viet Nam's development objective of advancing the domestic agricultural product processing industry.

Vietnamese farmer harvests coffee cherries.



### Enhancing the export competitiveness of small and medium-sized enterprises in spice, fruit and vegetable subsectors

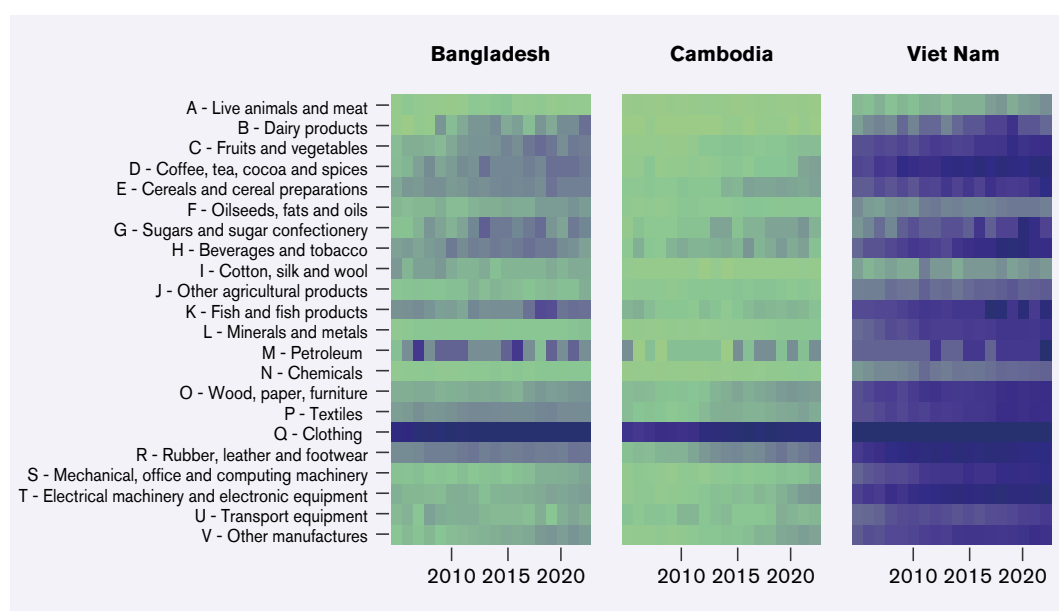
Viet Nam's agriculture sector is a strong export earner, with annual revenues exceeding US\$ 1 billion over recent years. However, exports are concentrated on raw or semi-processed products. According to the Vietnam Chamber of Commerce and Industry (VCCI), this is due to the lack of advanced processing capacity, a deficit in preservation technologies and reduced awareness on the regulations and standards of importing markets.

Funded by the European Union and implemented by Oxfam in Viet Nam and the VCCI, the project aims to strengthen exports to the European Union by enhancing the competitiveness of small and medium-sized enterprises and increasing industry-wide capacities. Started in 2022, it aims to enhance the profitability and sustainability of smallholder vegetable farmers in this region, through improved engagement with high-value markets (domestic and export) and integrated resource management practices. The project will provide specific technical support packages designed for each enterprise in terms of quality and supply chain management, and market development to export to the European Union, so providing tangible benefits to the European Union–Viet Nam Free Trade Agreement.

\* See <https://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD?locations=VN>.

Source: OECD Creditor Reporting System and <https://www.adb.org/news/adb-jica-support-20000-smallholder-farmers-163-million-inclusive-agribusiness-deal>, <https://www.agroberichtenbuitenland.nl/actueel/nieuws/2022/06/29/evfta-helps-push-up-vietnams-spice-fruit-vegetable-export-to-eu> and <https://sfv-agriexport.vn/en/about>.

**Figure 6 Export diversification within MTN groups, 2005-2022**



Source: WTO Secretariat estimates based on importer data. Darker colours indicate more product types within that category were exported in the given year.

A closer examination of the diversification within product categories highlights that both Bangladesh and Cambodia have maintained their product diversification within the apparel sector, exporting a near-complete spectrum of HS 6-digit products in the category clothing. Cambodia also grew its export portfolio in the areas of rubber, leather, footwear, and electrical machinery and electronic equipment.

Focusing on individual countries highlights some success stories. Several economies, many of which are located in East Asia, saw their number of exported products increase (see Figure 7). Similarly, the number of export markets, measured as the average number of export markets across MTN product categories, also gives a positive picture.<sup>7</sup> All the economies considered in this chart increased their average number of destinations, showing that products tended to increase their global reach.<sup>8</sup>

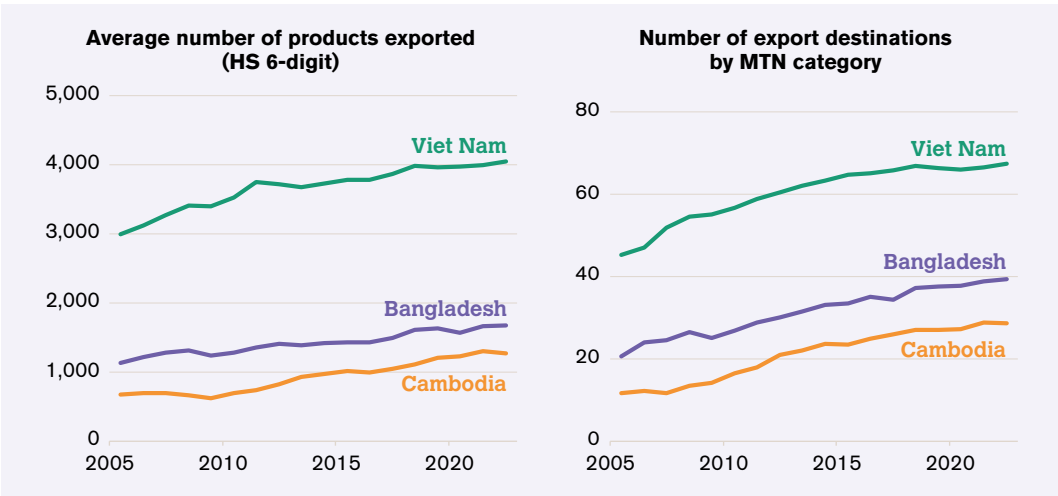
The scope of export diversification across global economies shows considerable variation. In 2022, the number of products exported ranged from fewer than 50 to approximately 5,000, and the markets reached ranged from around 25 to



Glamour Boutique House and Training Center, in Jessore, Bangladesh.

almost 120, representing almost all destinations in the analysis (see Figure 8).<sup>9</sup> This range implies a significant variance in economic resilience; advanced economies, distinguished in the graph by darker hues corresponding to higher GDP, demonstrate robustness through their diversified export portfolios across a multitude of markets.

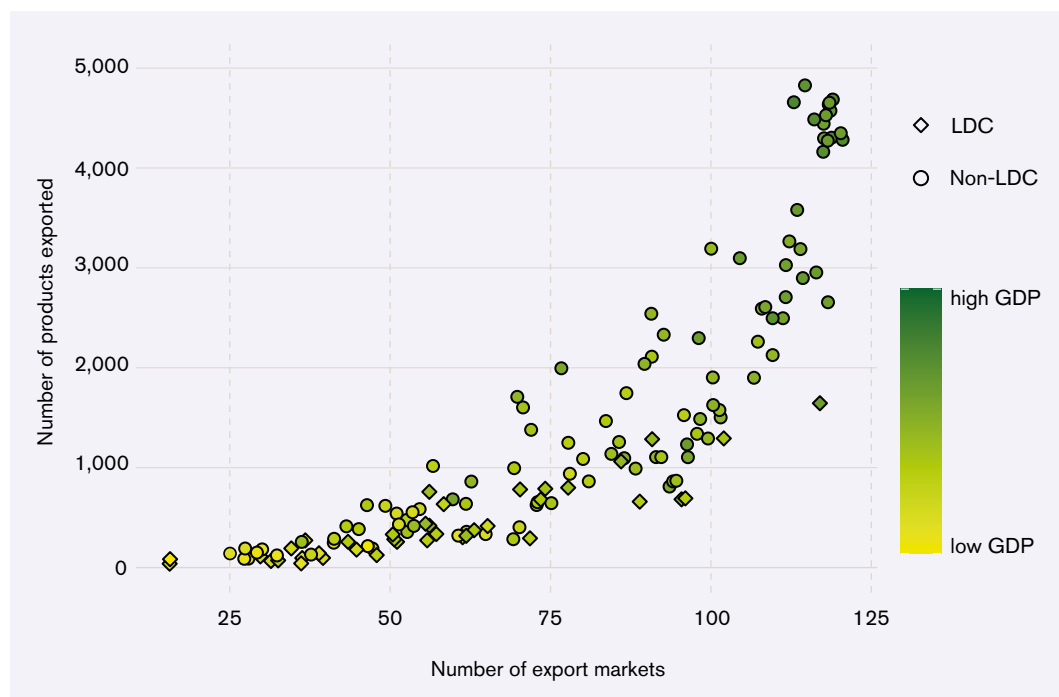
**Figure 7** Number of export products and export markets within MTN groups, 2005-2022



Note: European Union counted as one destination.

Source: WTO Secretariat estimates based on importer data.

**Figure 8** Range of export diversification regarding exported products and destinations, 2022



*Note:* European Union counted as one destination. Colour grading is not uniform across the full range of GDP values. Data include developing as well as developed economies.

*Source:* WTO Secretariat estimates with World Bank data on GDP.

Conversely, those with lighter hues demonstrate limited export diversification.

Economies primarily reliant on a narrow selection of export goods are disproportionately susceptible to global demand shocks. This vulnerability can be compounded when an economy is also reliant on a narrow range of trading partners. Figure 8 highlights that economies with fewer export destinations tend also to have a less varied product range, exposing them both to global downturns and the policies of their trading partners. Diversification of exports, encompassing both products and destinations, is pivotal for bolstering economic resilience and economic development.

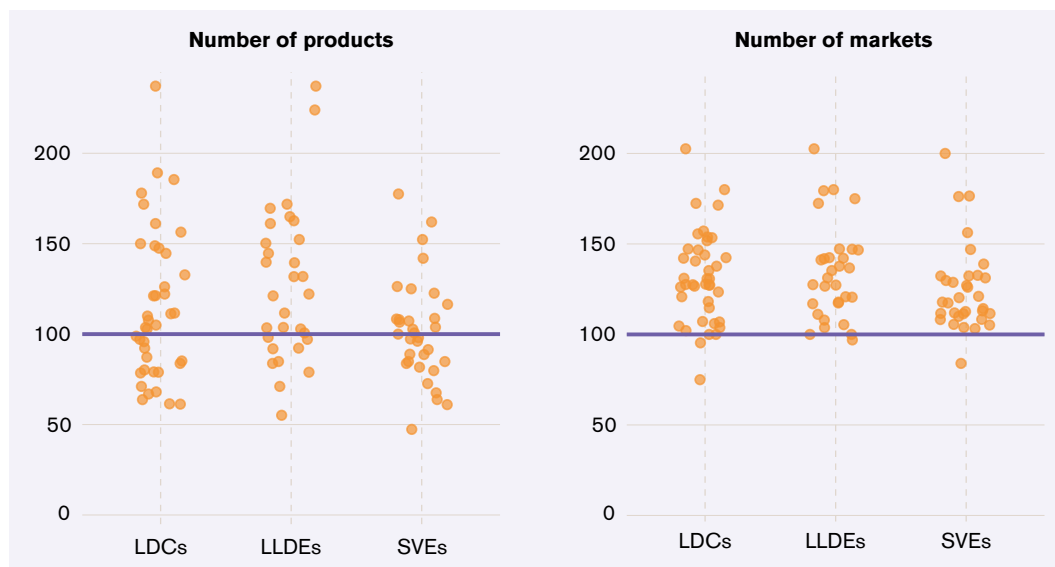
In aggregate, LDCs, LLDEs and SVEs have improved their export diversification potential

– increasing both the number of products exported and the number of export markets reached (see Figure 9).

Figure 9 shows that most LDCs and LLDEs were able to successfully expand the range of products exported by 2022 when compared to 2005. It highlights diffused progress, with a few high performers greatly expanding their export portfolio. Product diversification for SVEs appears more concentrated, with fewer success stories and more economies showing a downturn in product diversification performance. Progress is more positive with regard to the number of markets reached. Almost all economies in the three categories LDC, LLDEs and SVEs increased the number of destinations to which they exported between 2005 to 2022.



**Figure 9** Number of exported products and export markets, 2005 vs 2022  
(2005 = 100)



*Note:* Each dot represents one economy within each category. Some economies are in more than one group.

*Source:* WTO Secretariat estimates.

## Aid for Trade effectiveness

One critical factor that the Task Force recognized as key to success of the Aid for Trade Initiative is that financing is aligned with the trade and development objectives of recipients. This guiding principle of alignment is captured in the Task Force's recommendations<sup>10</sup> through reference to the OECD (2005)

*Paris Declaration on Aid Effectiveness*. Key principles in the Paris Declaration include:

- country ownership;
- mutual accountability;
- aligning aid to national development strategies;
- effective donor coordination;
- harmonization of donor procedures;
- use of programme-based aid modalities;
- managing for results;
- transparency;
- predictable and multi-year commitments.

The 2024 M&E exercise attempts to capture whether the financing provided corresponds

Aid for Trade aligns  
with priorities

**80%**  
of donors and partner  
countries agree

to the trade priorities and domestic strategies of recipients. As the Paris Declaration (and subsequent Busan Partnership for Effective Development Co-operation<sup>11</sup>) makes clear, ensuring that the financing matches the priorities enhances the efficiency of development assistance and ultimately leads to better and more effective outcomes for recipients. Responses to the questionnaire indicated that this is indeed the case: more than 80 per cent of donor and partner country respondents considered Aid for Trade support to be completely, mostly or moderately aligned with priorities (see Table 3).

**Table 3** Aid for Trade effectiveness

Donors	Responses in questionnaire
<b>Bilateral donors</b>	
<b>European Union</b>	<p>European Union fully subscribes to the development effectiveness principles, referenced in the Busan Partnership for Effective Development Co-operation, reaffirmed at the Nairobi High Level Forum in 2016</p> <p>European Union strives to strengthen the effectiveness of development cooperation by:</p> <ul style="list-style-type: none"> <li>▪ defining objectives based on partner countries' own development priorities</li> <li>▪ supporting policy processes through which these priorities are formulated</li> <li>▪ strengthening and building on partner countries' own systems to deliver on policy objectives and implement development programmes</li> <li>▪ providing more EU support through coordinated aid modalities, such as budget support</li> </ul>
<b>United Kingdom</b>	<p>UK representation in most developing economies, with one of the largest overseas diplomatic networks</p> <p>Engages with trade ministries on all subject matters, including sustainable development</p> <p>Several trade-for-development policy advisors present across the world, such as in the Caribbean, Fiji, Ghana, Kenya, Pakistan</p> <p>All Aid for Trade projects undertaken in collaboration with partner countries and regional organizations</p> <p>All UK official development assistance is spent with the primary objective of poverty reduction</p>
<b>Intergovernmental organizations</b>	
<b>Asian Development Bank (ADB)</b>	<p>Aspirations aligned with major global commitments that both members and ADB have pledged to support, including:</p> <ul style="list-style-type: none"> <li>▪ United Nations Sustainable Development Goals and related financing for development</li> <li>▪ Paris Agreement on climate change</li> <li>▪ Sendai Framework for Disaster Risk Reduction</li> </ul> <p>ADB continues to customize approach to meet needs of diverse client base</p> <p>Country Partnership Strategy will continue to be primary platform for defining ADB operational focus in a country</p>
<b>United Nations Industrial Development Organization (UNIDO)</b>	<p>Technical cooperation initiated upon request of partner countries, on the basis of priority needs</p> <p>Programmes developed in close consultation with relevant authorities and counterparts</p> <p>Mobilizing funding for the implementation of programmes done jointly and often the most challenging part</p> <p>Monitoring and evaluation mechanisms further serve to ensure close alignment with partner countries' priorities</p>

Donors	Responses in questionnaire
South–South partners	
India	<p>South–South development completely based on national ownership of the partner country, with no condition or priority attached by India in extended South–South cooperation</p> <p>Development projects in 78 countries that are demand-driven, transparent, empowerment oriented, environment friendly and rely on a consultative approach – all the while ensuring respect for sovereignty and territorial integrity</p> <p>Prime Minister Narendra Modi said in Mauritius in July 2020, “India’s approach to development partnership is mainly human-centric. India had undertaken projects that were diverse – commerce to culture, energy to engineering, health to housing, IT to infrastructure and sports to science”</p> <p>No specific themes or sectoral objectives in South–South cooperation – instead, there is commonality between South–South cooperation and India’s own development priorities</p>

Source: Joint OECD–WTO M&E exercise.

Jamaica noted that trade facilitation support was aligned with national priorities. The Economic Community of West African States (ECOWAS) also stated that EU support to the African Continental Free Trade Area was well aligned with the implementation strategy.

Donors generally perceived a higher level of alignment than partner countries, with a slightly higher share of responses that Aid for Trade financing was “completely aligned”. A small number of partner country respondents (6 per cent) considered Aid for Trade support to be “not at all aligned”.<sup>12</sup>

Monitoring feedback also pinpoints areas where alignment has improved. Bhutan observed that Aid for Trade financing is increasingly attuned to its national development plans, owing to better cooperation among trade-related institutions on national trade and development objectives.

Pakistan suggested where improvements could be made. It observed that although most Aid for Trade support corresponded to its priority areas, areas relating to climate change mitigation measures should be improved. This is indicative of efforts by partners to expand the scope of Aid for Trade to cover new areas of trade and development interest.

An example of alignment in practice is ensuring coordination of monitoring frameworks between developing economies and their financing partners. Coordinating monitoring and results frameworks promotes buy-in, ensures accountability and enhances the contextual relevance of projects. Responses to the M&E exercise indicate that Aid for Trade stakeholders are working to align their monitoring frameworks. A total of 48 per cent of partner country respondents and 83 per cent of donors noted alignment between their respective monitoring and national frameworks. Box 5 highlights how the use of artificial intelligence can promote Aid for Trade effectiveness.

Several donors provided specific examples of how alignment is prioritized in development cooperation strategies. The United Nations Development Programme (UNDP) highlighted that ownership was promoted in its programmes by ensuring that processes are co-led by the government and other national or community partners. The United Kingdom noted that projects are evaluated following guidance set out in its Programme Operating Framework. In this context, alignment is often prioritized on a case-by-case basis as per the monitoring or results framework of partner countries.

## Box 5

### Using artificial intelligence to promote Aid for Trade effectiveness

Artificial intelligence (AI) can be used at all stages of the programming cycle. It promises to enhance alignment and management for results through the use of advanced data analytics. For instance, the United Nations Development Programme is using AIDA – Artificial Intelligence for Development Analytics – to enable users to browse through more than 6,000 evaluation reports via a simple interface.\* The OECD is also working with the Agence Française de Développement to harness AI. Together, they have initiated projects such as the #Data4COVID19 Africa Challenge.\*\*

The 2024 M&E exercise highlights that AI is also being used at a project level. Agencies such as TradeMark Africa have leveraged AI-driven IT systems to facilitate trade monitoring and streamline the flow of goods, thereby bolstering regional integration and economic growth.

Developing economies such as the United Arab Emirates are also taking a keen interest in digital technology for trade facilitation and Dubai Customs is enhancing trade facilitation and border controls with the help of AI.\*\*\* Canada also highlighted that it is partnering with Senegal on a project to “Catalyse Equitable Artificial Intelligence” through advanced technology.

A programme cited by the Inter-American Development Bank seeks to use AI to help grow Argentina’s knowledge economy. It aims to bridge the gap between academia and industry, particularly in AI and other advanced technologies, and to promote the internationalization of companies. The programme anticipates upskilling 10,000 individuals and creating 35,000 new jobs. It targets a substantial increase in sector exports, envisioning an increase of US\$ 4.28 billion while significantly enhancing the adoption of AI and Industry 4.0 innovations by 27 per cent among participating entities.

The International Trade Centre (ITC) is also using AI to empower businesses to tap into global markets and capitalize on emerging opportunities in the e-commerce area. The ITC Market Analysis Tools suite leverages AI to enhance market intelligence so enabling businesses to navigate global market dynamics with confidence.

Harnessing AI presents through advanced analytics and predictive capabilities promises to enable stakeholders to gain deeper insights into the impact of trade interventions, thereby guiding more strategic and targeted efforts. The digital divide is one constraint to leverage these technologies. This divide limits access to digital technologies and also affects the ability of developing economies to engage with and benefit from new technologies. In addition, the acquisition, processing and management of large amounts of data poses significant hurdles.

\* See <https://aida.undp.org/landing>.

\*\* See <https://www.oecd-ilibrary.org/sites/4edb761e-en/index.html?itemId=/content/component/4edb761e-en>.

\*\*\* See <https://mag.wcoomd.org/magazine/wco-news-102-issue-3-2023/transforming-trade-how-dubai-customs-is-harnessing-ai-for-enhanced-trade-facilitation-and-border-control>.



Officials consulting a tablet computer inside Mombasa Port, Kenya.



## Monitoring Aid for Trade effectiveness

Currently measuring  
Aid for Trade effectiveness

**57%**

of partner countries  
agree

**70%**

of donors agree

M&E frameworks help track the effectiveness of development finance flows. By systematically tracking progress, Aid for Trade stakeholders can help promote evidence-based decision-making and create a facilitatory learning environment that helps inform future programming. Most Aid for Trade donors and partner countries measure the impact of Aid for Trade support. In total, 57 per cent of partner country respondents and 70 per cent of donor respondents highlighted that they had procedures in place to measure the effectiveness of Aid for Trade financing.

Some developing economies and LDCs highlighted difficulties in accurately assessing the extent of monitoring effectiveness. Bangladesh noted that this was complicated in cases where donors assessed the effectiveness of financing in aggregate terms. Equatorial Guinea highlighted difficulties when multiple agencies were involved in the same programme in separate roles (e.g. as donor and implementation partners). Saint Kitts and Nevis indicated complexities when donors work with different ministries with independent remits, strategies and thematic objectives.

Responses to the M&E exercise indicate that Aid for Trade donors are integrating monitoring frameworks into their development strategies. In total, 67 per cent of donor respondents highlighted that their development cooperation strategies includes a monitoring framework. Five donors (Austria, European Union, Inter-American Development Bank, Netherlands) have established monitoring frameworks that directly assesses their Aid for Trade programming. One such example is the Operational System (OPSYS) platform highlighted by the European Union.<sup>13</sup>

Trade outcomes may not be the only metric used for Aid for Trade projects and programming. A wide range of other indicators and measures may be used alongside trade metrics to measure success.



Probiotic health drink  
manufacturing plant in  
Calamba, Philippines.



## New approaches to measuring the results of the Aid for Trade Initiative

By María del Pilar Garrido Gonzalo, Director for Development Co-operation, OECD

Aid for Trade is playing a supportive role in promoting export diversification efforts in developing economies and least-developed countries (LDCs). Aid for Trade helps address infrastructure constraints, promote policy reforms and support the performance of sectors with high trade potential. By facilitating countries to expand their export base and access new markets, Aid for Trade contributes to key development indicators such as economic growth, employment generation and poverty reduction.

The adoption of international commitments including the Sustainable Development Goals (SDGs) and the Paris Agreement on Climate Change, combined with the emergence of new challenges and financing needs, has created additional objectives and priorities for Aid for Trade donors and partners. The results of the monitoring and evaluation exercise point to a convergence of trade and sustainable development objectives: 97 per cent of partner countries foresaw future needs in the financing the trade-related aspects of the SDGs and anticipated a role for Aid for Trade across all SDGs.

Commitments made by the members of the OECD Development Assistance Committee (DAC) to mainstream sustainability in development cooperation are affecting finance flows. For example, the 2021 OECD DAC Declaration on a new approach to align development co-operation with the goals of the Paris Agreement on Climate Change includes commitments to work to identify alternative sustainable, low-emission, efficient, clean and renewable energy solutions to any current ODA fossil fuel support. These objectives have

implications for Aid for Trade, as renewable energy solutions fall within the scope of the Initiative's economic infrastructure category.

The notion of mobilization, which is the ability of ODA (including Aid for Trade) to attract more private finance for development, is gaining prominence. In the context of scarcity and growing financing needs in investable sectors, Aid for Trade can leverage private capital and help bridge financing gaps in trade-related sectors. Between 2019 and 2022, however, only 13 per cent of private finance mobilized was in LDCs. Ensuring various objectives effectively complement each other is crucial to realize the ambitions of the Aid for Trade agenda for LDCs.

These evolutions raise new questions for measuring the impact of Aid for Trade. A recent review of monitoring frameworks used by the OECD DAC members suggests that some major donors are integrating a focus on the environmental and social impacts of Aid for Trade flows. Innovative tools, including machine learning technology, open new possibilities to assess Aid for Trade impacts. Datasets developed in recent years such as the Total Official Support for Sustainable Development, or OECD data on private finance mobilized, contribute to continuous improvements in the measurement of Aid for Trade flows and impact.

Ensuring alignment with partner countries' priorities remains an objective enshrined in development effectiveness principles. Frameworks and processes developed in the context of the Global Partnership for Effective Development Co-operation could provide entry points to foster alignment in national monitoring frameworks while supporting partnership with business and stakeholders.

## Challenges encountered in improving the impact and effectiveness of Aid for Trade for Trade

The responses from the M&E exercise have highlighted some areas to enhance collaboration and improve the effectiveness of Aid for Trade programmes. Figure 10 presents a comparative analysis of the challenges in ensuring Aid for Trade initiatives correspond to policy objectives, as perceived by partner countries and donors. The length of project and funding cycles emerges as a primary concern, with a significant number of both partners and donors indicating this as an issue. Partner countries particularly highlighted human capacity constraints in developing bankable projects.

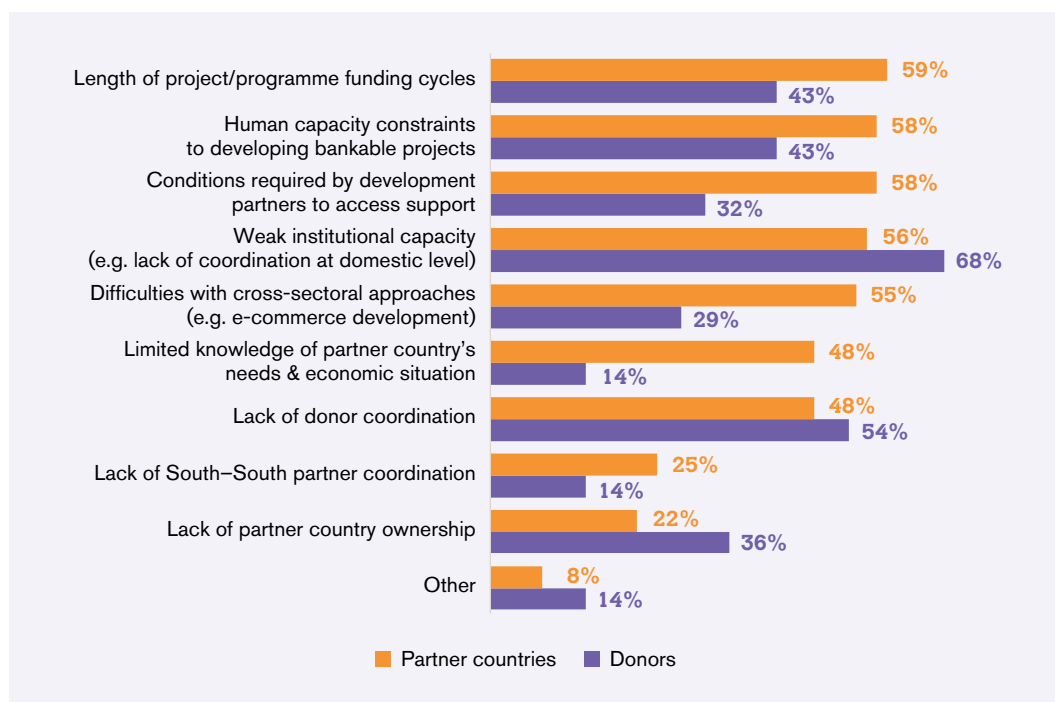
The conditions required by development partners and weak institutional capacity are also marked as substantial hurdles by both groups, although donors perceive weak

institutional capacity as a more pressing challenge than partners do. Difficulties associated with cross-sectoral approaches were acknowledged by a moderate percentage of respondents, underscoring the complexity of coordinating Aid for Trade efforts across different economic sectors.

A possible discrepancy arises in perceptions about the understanding of recipient needs and the coordination among donors and South–South partners. Another concern, more pronounced among donors, was the lack of partner country ownership.

Figure 10 highlights diverse viewpoints on the obstacles faced in optimizing the effectiveness of Aid for Trade. It highlights the need for improved collaboration, better understanding of on-the-ground needs, and enhanced ownership by recipient countries to align aid with desired policy outcomes.

**Figure 10** Challenges encountered in aligning Aid for Trade with policy objectives



Source: Joint OECD–WTO M&E exercise.

The importance of harmonizing funding cycles to domestic objectives was specifically highlighted by Canada, who indicated that the length of programmes and projects could be better strategized to cover longer periods of time addressing servicing gaps and consistent domestic coverage. Australia underscored the importance of addressing human capacity constraints to help improve alignment. The

scarce human resources available in the Pacific Region was highlighted as a particular example. It was noted that economies in the Pacific have limited capacity to engage on programmes, with officials often stretched thinly across many programmes and projects. Often capacity building is required before a programme or project can begin. Donor coordination remains an ongoing key challenge in this context.

## ENDNOTES

- 1 *Recommendations of the Task Force on Aid for Trade*, WTO document WT/AFT/1, 27 July 2006.
- 2 See <https://www.adb.org/sites/default/files/Evaluation%20Document/790821/files/ce-carec.pdf>.
- 3 See <https://www.stoainfraenergy.com/en/portfolio/bltransport-infrastructure-development-in-morocco>.
- 4 WTO document WT/AFT/1.
- 5 The HS uses codes to define products. A code with a low number of digits defines broad categories of products; additional digits indicate subdivisions into more detailed definitions. Six-digit codes are the most detailed definitions that are used as standard.
- 6 Note that this only considers markets as destinations if transactions of commercial services were above US\$ 1 million.
- 7 The 22 MTN categories are used here as product categories.
- 8 This does not necessarily mean that exporters reached new destination markets overall. For example, Bangladesh exported to more than 100 markets in 2022, but that was not evenly distributed among all product categories. Some products were only exported to a few dozen markets. Thus, the average in Figure 7 is smaller than the one shown in Figure 3.
- 9 In the HS 6-digit classification. The maximum is approximately 5,100 products. The maximum number of destinations in this analysis is smaller than the total number of countries and territories because: (i) importer data are used and not all importers report; and (ii) destinations count the European Union as one single market.
- 10 WTO document WT/AFT/1.
- 11 See <https://www.oecd.org/dac/effectiveness/Busan%20partnership.pdf>.
- 12 The respondents who noted that Aid for Trade was not at all aligned with domestic priorities were: Burundi, Mali, Niue and the Seychelles. Mali noted that their response was a personal opinion. None of the respondents provided further information.
- 13 For further information, see [https://capacity4dev.europa.eu/groups/opsys\\_en](https://capacity4dev.europa.eu/groups/opsys_en).