

Committee on Trade and Development
Aid for Trade

WTO WORK PROGRAMME ON AID FOR TRADE

RESULTS OF THE SYMPOSIUM ON MONITORING AND EVALUATION
15-16 SEPTEMBER 2008

"IDENTIFYING INDICATORS FOR MONITORING AID FOR TRADE"

Background Note by the Secretariat

I. INTRODUCTION

1. The aim of the symposium was to help identify suitable indicators for monitoring the WTO work programme on Aid for Trade on the basis of the results of the first Global Review of Aid for Trade in November 2007 when it was suggested *inter alia* that future monitoring should aim to begin tracking progress in the implementation and the impact of Aid for Trade.

2. Background material for the monitoring exercise was provided in the note for the symposium (WT/COMTD/AFT/W/8), which drew attention in particular to the following:

- With regard to monitoring, the 2006 Task Force on Aid for Trade recommended that beneficiary countries should "report on trade mainstreaming in national development strategies, such as PRSPs, the formulation of trade strategies, Aid-for-Trade needs, donor responses, and implementation and impact". Donors should "report on funds dedicated to Aid for Trade, how they intend to meet their announced Aid-for-Trade targets, the Aid-for-Trade categories covered, and their progress in mainstreaming trade into their aid programming". International agencies should "report regularly on their Aid-for-Trade activities, progress and impact".¹
- In his December 2006 report on how the Task Force recommendations should be implemented², the Director-General proposed that monitoring take place on three levels covering, respectively, a global assessment of Aid-for-Trade flows, individual donor and agency progress on additionality and effectiveness, and in-country assessments of whether trade needs are being met, financial resources are being provided, and Aid for Trade is effective on the ground.
- The Director-General proposed also that the WTO's role should be largely limited to providing "outputs" – evaluating information and disseminating results and best practices – while relying on the experience in this area of other agencies and organizations in addition to

¹ WT/AFT/1, Recommendations of the Task Force on Aid for Trade.

² JOB(06)/262, Follow-up to the Aid-for-Trade Task Force Recommendations, WTO Monitoring and Evaluation, Report by the Director-General.

resources on the ground to provide the necessary "inputs" for the monitoring exercise – including data, information and case studies.

3. The Director-General's 2008 Aid-for-Trade Roadmap that was presented to the Committee on Trade and Development (CTD) in February 2008 set out several tasks for improving the quality of information available for the monitoring exercise.³

4. One is to update the donor/agency and the partner (recipient) country questionnaires on Aid for Trade and to find ways to increase partner country involvement in the preparation of, and response to, these questionnaires. At the symposium, the OECD Secretariat reported on steps that were being taken to revise the questionnaires so as to improve the quality, the timeliness and the usefulness of the information that can be provided for the monitoring exercise in the WTO. Following consultations by the OECD Secretariat with member governments and other stakeholders a new draft of the partner country questionnaire will be discussed at an informal meeting of the CTD on 13 October. Once finalized, the questionnaires will be circulated to capitals, arrangements will be made among the intergovernmental organizations represented on the Director-General's Aid-for-Trade Advisory Group to assist, on request, developing countries and LDCs to fill out the questionnaires, the responses will be summarized by the OECD and WTO Secretariats, and the results will be presented as a contribution to the monitoring exercise in the WTO.

5. A second task is to examine how information on Aid for Trade that is collected in the context of WTO Trade Policy Reviews (TPRs) can contribute to the monitoring exercise, and how input from the work carried out under the Enhanced Integrated Framework (EIF) can be used so as to provide more detailed supplementary information on various aspects of progress being made by individual LDCs to implement their Aid for Trade strategies. The WTO Secretariat is handling this task and will report on its conclusions to the CTD in due course.

6. A third task contained in the Director-General's Roadmap is to identify a cluster of indicators to benchmark progress in building trade capacity. This was the main focus and objective of the symposium.

II. MONITORING PROGRESS IN BUILDING TRADE CAPACITY

7. In selecting indicators for use in the Aid-for-Trade monitoring exercise in the WTO, a number of factors should be kept in mind.

8. One is that the indicators should be used to provide factual information about the implementation and impact of the Aid-for-Trade work programme, not to try to point to possible causation between different variables or to make normative statements about what the proper state of affairs ought to be. It is the responsibility of WTO Members through the monitoring exercise in the CTD and the global review to analyse the situation on the basis of the indicators and to draw any conclusions that they think are appropriate.

9. A second is that the monitoring exercise that was agreed to by the General Council on the basis of the recommendations of the Aid-for-Trade Task Force needs to be well focused if it is to be manageable and meaningful. It needs to cover, at a minimum, flows of Aid for Trade, their use in terms of progress made in building trade capacity in developing countries, in particular LDCs, and their trade impact in terms of improvements in the trade performance of the recipient countries. The Task Force recommended that it cover also a number of process issues that are related to successful collaboration between donors and beneficiaries, such as mainstreaming trade into national

³ WT/COMTD/AFT/W/6.

development strategies in the case of beneficiaries, and mainstreaming trade into aid programming in the case of donors.

10. The matter of coverage of the monitoring exercise is one for Members to decide, but there is widespread support for keeping the exercise well-targeted at the key variables that are considered central to the success of the Aid-for-Trade work programme, to base it on a limited number of indicators, and to aim for simplicity and clarity even at the expense of being less than comprehensive, particularly since the mandate for the General Council at the global reviews is to provide political guidance to the Aid-for-Trade work programme, not to engage in a complex technical debate.

11. There seemed to be general support at the symposium for breaking the monitoring exercise into three main elements, as follows, so as to begin tracking progress in the implementation and the impact of Aid for Trade in building trade capacity at the global, the regional and the country levels:

- **Aid-for-Trade flows.** Data on financial flows allow the supply-side of the Aid-for-Trade equation to be monitored, and provide a context within which to analyse factors that affect the demand for Aid for Trade and factors that affect the success of the process of matching supply with demand at the individual country and/or regional level.
- **Aid-for-Trade resource use and trade performance.** This is the demand side of the Aid-for-Trade equation. The working hypothesis is that building trade capacity is a necessary condition for increasing international competitiveness and improving the trade performance of developing countries, particularly the LDCs. However, building trade capacity is usually not a sufficient condition. Trade policies and pro-trade development policies matter as well. These can exercise a strong influence over (a) whether a recipient country is successful in attracting additional Aid for Trade, and (b) whether the increased trade capacity that results from the investment of Aid for Trade is used effectively to improve trade performance.
- **Assessing trade development needs, integrating them into the design of national development strategies, and building collaborative partnerships between donors and beneficiaries.** The process of matching resources with needs is crucial to the successful implementation of the Aid-for-Trade work programme. It is up to each country/region to make its case for attracting additional flows of Aid for Trade to help build up its trade capacity, and to back up its case with improvements, where necessary, in its trade and development policy framework and in its national or regional Aid-for-Trade strategy. International development organizations can assist developing countries, and low-income countries in particular, to play their part in constructing a successful relationship with their donor partners. Responsibility for building a collaborative partnership for accessing Aid for Trade is shared by donors and recipient countries/regions.

III. SELECTING INDICATORS FOR MONITORING THE AID FOR TRADE WORK PROGRAMME

12. Two types of indicators are needed to conduct the monitoring exercise.

13. "Macro" indicators provide the means of monitoring overall progress at the global level, of benchmarking the main trends in Aid for Trade and of making comparisons across countries and regions. There is a good range of off-the-shelf indicators of this kind available from databases collected and published by intergovernmental organizations, that can be accessed in a relatively easy and consistent way.

14. "Micro" indicators are suited to monitoring progress at a more detailed level, for example through case studies of Aid-for-Trade programmes at the level of individual countries and sub-regions

to help better understand what works and what does not work when it comes to mobilizing Aid-for-Trade resources, and to take account of the importance of differentiating one case from another in terms of national and regional priorities. The Director-General's Aid-for-Trade Roadmap for 2008 makes provision for case studies to be conducted at national and sub-regional reviews that are being organized by the Regional Development Banks. Material from these reviews will form an important source of information for conducting the monitoring exercise at the time of the next global review, as will the material gathered from the responses of individual Members to the Aid-for-Trade questionnaires that have been prepared by the OECD.

1. Aid-for-Trade flows

Illustrative list of indicators	
Macro:	OECD CRS database.
Micro:	Reports from individual donors and beneficiaries (e.g., E.U. AfT Monitoring Report; U.S. MCC country profiles);
	Reports on Aid-for-Trade grants and loans, as well as technical assistance and training activities, of multilateral and regional development banks and other development agencies. (e.g., World Bank "Business Warehouse" database).

15. The symposium confirmed that the OECD DAC's existing data collection and reporting system (the Creditor Reporting System, or CRS) should continue to be used as the principal data source and core indicator on Aid-for-Trade flows for monitoring purposes in the CTD and in future global reviews. The 2006 Task Force noted that the CRS is well placed to provide a global assessment of Aid-for-Trade flows, and CRS data were used successfully at the 2007 Global Review.

16. There was broad support for complementing the CRS data on Aid-for-Trade flows with material from individual donors, recipient countries and international financial institutions on their specific Aid-for-Trade activities so as to present a fuller picture of what Aid-for-Trade flows are taking place and what additional resources are being delivered, as well as to increase the transparency of donor targets and actual disbursements. In the case of donors, for example, it has been noted that the data they supply to the OECD for inclusion in the CRS database do not always equate with the data that they themselves collect on their Aid-for-Trade activities, in part because of the different ways in which trade-related ODA is defined by different donors, particularly in the area of infrastructure and other trade-related needs. That point applies also to multilateral and regional agencies.⁴ An additional point in the case of the agencies is that much of their assistance is in the form of non-concessional loans to middle-income developing countries as well as in the form of technical assistance, project preparation, etc. This is reported to the OECD, but it is not included in the CRS calculation of global Aid-for-Trade flows since the financing does not qualify as ODA.

17. It was suggested at the symposium that the CTD should take up the issue of additionality, to try to clarify the concept and to find a better indicator that might capture it.

⁴ There has been no support for trying to agree on a common definition of ODA for trade-related infrastructure for everyone to apply in the context of the WTO's Aid-for-Trade work programme, in part because it is felt that this would turn out to be a very resource-intensive exercise with probably limited value. A more practical conclusion for purposes of the monitoring exercise in the WTO is therefore to complement the CRS data, as the core indicator, with reports on Aid-for-Trade flows from individual donors and agencies to supplement the information contained in their responses to the questionnaires.

2. Resource use and trade performance

Macro:	Logistics Performance Indices (World Bank);
	Doing Business database "Trading Across Borders" Index (World Bank/IFC);
	Trade Performance Indices (ITC);
	World Trade Indicators; 5 main "macro" indicators (World Bank);
	Trade Profiles (WTO);
	World Investment Report; FDI flows data (UNCTAD);
	Country Policy and Institutional Assessment database (WB);
	African Competitiveness Report "Competitiveness Profiles" (AfDB, WB and WEF).
Micro:	Case studies of national and regional/sub-regional AfT projects and programmes (e.g. COMESA-EAC-SADC Regional Trade Facilitation Programme; Mauritius 10-year AfT compliant reform agenda).

18. The relationship between trade capacity-building and trade performance lies at the heart of the WTO's Aid-for-Trade work programme, and the symposium took up the recommendation made at the first Global Review that future monitoring should start to track progress in implementation and the impact of Aid for Trade. It focused on identifying macro-level indicators of the progress that is being made in building trade capacity in developing countries, especially the LDCs, and the consequent trade impact in terms of improvements in the trade performance of these countries. Key elements of trade capacity-building that were highlighted for the monitoring exercise were infrastructure and trade logistics, including trade facilitation.

19. It was noted that the relationship between the investment of Aid-for-Trade resources in capacity-building on the one hand, and trade performance on the other, was complex, given the number of other factors that can affect a country's trade performance. Two factors that were highlighted as worthy of monitoring in that regard were a country's domestic regulatory environment, including its openness to trade, and trade policies affecting its exports.

20. The symposium recognized the importance of complementing macro-indicators of capacity-building and trade performance with micro-indicators drawn from case studies of national and regional or sub-regional Aid-for-Trade projects and programmes. A point made in that respect was that it was more important to assess the impact of Aid for Trade in terms of whether the specific national or regional strategies and priorities under which it is invested are meeting their objectives, rather than whether it contributes to cutting a perceived regional or global deficit in trade capacity such as infrastructure or adjustment.

3. Assessing needs, integrating them into national development strategies, and building collaborative partnerships between donors and beneficiaries

Macro:	Compilation of responses to OECD donor and partner-country questionnaires;
	Surveys of PRSPs (e.g., UNDP study);
	Other evidence of mainstreaming (DTISs from EIF).
Micro:	Individual responses to donor and partner-country questionnaires;
	Progress in implementation of DTIS projects in individual LDCs;
	Case studies of national and regional/sub-regional AfT projects and programmes (e.g., EPA/FTA programmes).

21. Targets for this element of the monitoring exercise were identified by the 2006 Task Force, which recommended that recipient countries, through their National Aid-for-Trade Committees, should "*report on trade mainstreaming in national development strategies, such as PRSPs, the formulation of trade strategies, Aid-for-Trade needs [and] donor responses*", and donors should report on "*their progress in mainstreaming trade into their aid programming*". The symposium endorsed these as key variables that needed to be monitored regularly, in particular the trade mainstreaming objectives of both donors and recipient countries.

22. The micro-level, case-study approach for individual countries and/or sub-regions was felt to be critically important for this element of the monitoring exercise, particularly given the wide variety of factors that affect each recipient country's situation when it comes to setting priorities and seeking donor or agency support, and since it is at this level that the key conditions are established that allow progress to be made in advancing national Aid-for-Trade strategies. For that reason, it was felt that this part of the monitoring exercise may best be conducted around in-depth examinations of national and regional experience and of best practices, selecting different candidates for examination at Global Review.

23. An important source of information available to the WTO for this part of the monitoring exercise will be the responses to the donor and partner (recipient) country questionnaires that are being prepared by the OECD. The results will be summarized by the OECD and WTO Secretariats and presented to the CTD and the next global review.

24. In addition, the WTO Secretariat will draw on material available on in-country assessments on Aid for Trade from the TPR reports and from work carried out under the EIF to prepare a summary of country and sub-regional experiences for consideration in the CTD, including evidence of countries mainstreaming trade into their national development strategies for which additional inputs will be sought from the World Bank and ITC. A UNDP-sponsored survey of 72 PRSPs (those available up to April 2008) drew considerable interest at the symposium as a tool for monitoring the mainstreaming of trade into national development strategies, but as was noted this is not an exercise that will be repeated on a regular basis. It was suggested that the CTD could give more thought to how such information might be collected periodically, although without engaging the WTO or other agencies in a time- and resource-intensive exercise of constructing new databases.