



A Guide to Developing National Aid-for-Trade Strategies

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I. Background

The percentage of total Aid-for-Trade (AfT) received by Latin America and the Caribbean (LAC) is relatively small compared to other regions. According to OECD estimates for 2007, Asia received 42 percent of total AfT, Africa 37.5 percent, LAC 8.0 percent, Europe 4.7 percent, and Oceania 1.1 percent.¹

Through its ongoing policy dialogue, programming processes, and project design and execution, the Inter-American Development Bank (IDB) aims to bridge the significant gap between demand and supply of AfT in LAC. **The purpose of this Technical Note is to provide guidance to governments in the elaboration of their Aid-for-Trade Strategies, in conjunction with technical assistance provided by the IDB.**

II. Objective

According to the responses from the region to the 2008 Aid-for-Trade questionnaire, there is a disconnect between the priorities established by governments and those set by donors. This strategy is designed to support governments in identifying priorities, improving coordination between Ministries, designing a monitoring and evaluation mechanism, and initiating a dialogue with donors and investors, whether local or foreign. The Aid-for-Trade Strategy begins with the assumption that the priorities have been identified and validated by the government. It seeks to reconfirm their continuing relevance and to propose ways in which government or donor support can match these priorities. The strategy can be designed as a stand-alone country product or modified to serve as an input to the country's WTO Trade Policy Review, which provides a consistent and comparable monitoring mechanism for trade-related assistance.

The following sections propose a methodology for governments to use to develop their AfT Strategies and create a mechanism for engaging investors and donors. This process is collaborative and interactive, engaging all relevant stakeholders, but coordinated by a designated counterpart (usually the Ministry of Trade) to work closely with the IDB. This ensures ownership and sustainability at the country level.

¹ OECD and WTO. 2009. "Aid for Trade at a Glance 2009: Maintaining Momentum." Paris: OECD.

III. Methodology for Developing an Aid-for-Trade Strategy

A. Desktop Research

Since the AfT Strategy is not intended to include a full diagnostic, all information pertaining to the country's macro and trade environment should first be gathered and assessed for relevance. For example, country strategies (IDB, WB), Investment Climate Assessments (WB), Investment Policy Reviews (UNCTAD), Trade Policy Reviews (WTO), and countries' own development and growth strategies may be used, taking care to avoid duplication and ensure consistency with other policy recommendations. Governments can write a brief policy note summarizing the findings of the desktop research; if validated and deemed relevant and sufficient, this information may be adequate to proceed with the recommendations and implementation strategy. If the information is not sufficient, the government and the IDB should discuss the possibility of complementing and updating the information found in existing policy notes and diagnostics.

B. The Strategy

i. Executive Summary (1/2 page)²

ii. Section 1: Introduction (max 1 page)

The introductory section should provide background information, the rationale for developing the strategy, and a quick overview of the challenges and any remedial actions needed.

iii. Section 2: Trade Snapshot (max 4 pages)

This section should be very brief since much of the information is covered in other diagnostic or analytical contributions. If the strategy is part of the WTO TPR, this section should draw upon the information found therein.

a. Macroeconomic Environment

A brief description of the country's general macroeconomic environment should include those issues most related to trade activity, including but not limited to: exchange rate policy; the relationship between the balance of payments, government budget, and real/nominal exchange rates and the impact of trade liberalization at the

² Information in round brackets provides a suggested page length for each section.

regional and global levels; impact on net food-importing countries; vulnerability to energy fluctuations; impact on commodity-exporting countries and the possibility of Dutch disease, etc.

b. Structure and Pattern of Trade

A brief description of the country's investment and trade trends, from information gathered from international and national statistics. Specific issues could include but are not limited to: balance of trade; volume, value, and composition of imports and exports; main trading/investment partners; trade performance relative to the rest of the world and/or region; main corridors of economic activity (national and regional); role in existing supply chains (if any); regional/global comparative advantage; and quality of trade data.

c. Trade Policy and Institutions

An assessment of the country's trade policy and institutions should be based on existing information (including Trade Policy Reviews or other studies, indicators on governance and transparency, the Doing Business Report, etc.) or identified as part of the strategy. Specifically, this section should review: institutional capacity and existing coordination mechanisms; coordination and consultative mechanisms with civil society and the private sector; overall trade regime including tariffs, non-tariff barriers, investment/competition policies, antidumping/countervailing duties, state trading enterprises, government procurement, subsidies, and export restrictions; and government trade incentives, including export processing zones and tax incentives.

d. Preferential and Regional Trade and/or Investment Agreements

Many low- and middle-income countries have signed regional trade and/or investment agreements and/or preferential agreements with developed countries. This section should include an analysis of any overlapping obligations and the country's institutional capacity for implementing one or more agreements simultaneously. Specific attention should be focused on: status of negotiation and implementation of multilateral, regional, or bilateral trade and/or investment agreements; market access opportunities; market access barriers including sanitary and phytosanitary measures, technical barriers to trade, standards, intellectual property, etc.

e. Regional Integration

This section should identify the level and mechanisms for regional integration, including regional agreements, supply and value chains, joint border crossings, regional infrastructure or transport projects, common legislation, and monetary or customs unions. Assessment should be made on the degree of implementation of various integration initiatives and the bottlenecks to full implementation.

f. Poverty Reduction through International Trade - Development dimension [OPTIONAL]³

This section should highlight the impact of increased trade and investment on poverty reduction, using available statistical data if possible. Specific issues include: impact on rural poverty and remote areas, land-locked countries, and small and vulnerable economies; gender issues; and impact of trade on incomes, welfare, prices, consumption, production, etc.

iv. Sectoral Challenges and Cross-cutting Issues (max 8 pages)

This section should identify the principal sectors of the economy (e.g., agriculture, manufacturing, services) and provide a brief overview of each. Sectoral studies can be developed if there is a need and agreement from the government, e.g. value-chain analysis, export diversification strategies. In addition, this section should identify the key cross-cutting issues and their impact on the main sectors of the economy. As with Section C, this section should refer to recent information compiled by the WTO TPR. Some examples of cross-cutting issues include but are not limited to:

a. Trade Facilitation, Logistics, and Customs

When a country already faces favorable market access conditions, improving the efficiency of bringing goods to international markets becomes increasingly relevant, since the major constraint to exports is less likely to be the ability to access these markets, but rather the ability to supply markets. At the same time, reductions in trade barriers more broadly are eroding some of the traditional preferences enjoyed by countries, particularly in the Caribbean, further elevating the importance of trade facilitation in maintaining a competitive advantage vis-à-vis other countries. Logistics

³ Information in square brackets suggests that this section may be omitted, based on relevance and availability of information.

are defined by a variety of factors that determine performance in a given territory, such as a country, region, or sub-national entity within a country (province, city), or area belonging to two or more countries (for example, a trade corridor). This section should gather all relevant information regarding a country's logistics, customs, infrastructure and transport, including the quality of its trade facilitation measures. If additional assessments are required, these could include a diagnostic on trade facilitation and freight logistics; quality of infrastructure and transport networks; regional initiatives and/or mechanisms, e.g., transport and trade corridors; all relevant regulations and processes; and level of automation/information and communication technologies.

b. Sanitary and Phytosanitary Measures (SPS), Technical Barriers to Trade (TBT), and Standards

Technical regulations and industry standards, particularly on agricultural goods, remain a hotly contested subject in the politics of international trade. Government regulations or industry standards can impact trade positively by clearly defining product characteristics and improving compatibility and usability and protect domestic public health goals by creating safety requirements and establishing minimum standards. However, these same regulations may also distort trade and hide protectionist policies. This section should identify key market access constraints to exports, e.g., U.S. regulations on food security, hormones, genetically modified organisms, and products where standards could arise with increased exports. Costs of compliance should be assessed. In addition, an assessment of the country's own initiatives and policies with raising domestic standards would be useful.

c. Climate Change

The link between trade and climate change is poised to become a key factor in the ability of developing countries to export to OECD countries. This section should seek to identify external climate change and/or trade mitigation policies affecting exports and any domestic initiatives affecting imports.

d. Gender

Gender-sensitive approaches to support trade-related activities are key to ensuring that the most economically marginalized can take advantage of market access opportunities. Aid-for-Trade is a mechanism to support women's effective participation in regional and international trade, identify concrete programs and quick wins, and mainstream gender issues into the initiative. This section should identify women's participation in tradable sectors of the economy and ways in which the government is addressing this issue.

e. Transport Infrastructure and Services

In addition to trade facilitation and enterprise logistics, the main activity block that influences logistics is transport infrastructure and services, including domestic and international freight flows, trade interface operations, and transferences. This section should seek to identify the main infrastructure bottlenecks (based on existing information) whether these are related to physical nodes (ports, airports), domestic flows of goods (railroads, roads, fluvial transportation), international flows (maritime or air transport), or interfaces (multimodal transport). If this information is unavailable, this analysis can be done independently if required by the government. This section can be combined with Trade Facilitation if adopting a supply-chain approach to the analysis of constraints.

f. Migration [OPTIONAL]

Barriers to work migration across borders, or anti-poor trade policies, create economic distortions and can pose conflicts between Mode 4 commitments under the GATS and domestic migration policies. This section should provide information on temporary foreign worker schemes and cooperative mechanisms at the national, bilateral, regional, and multilateral levels, as well as the administrative arrangements implemented at all levels.

v. Identification of Existing Donor Support and Aid Flows (3 pages)

Using the Aid-for-Trade questionnaire and the OECD Credit Reporting System (CRS) data, this section should:

- Identify donors and flows for the previous five years, plus any commitments

- Validate the aid flows as reported by the CRS
- Specify the type of assistance—grants/loans, public/private
- Specify the type of execution: Country, donor, or joint execution
- Describe the impact of projects (anecdotal)
- Assess the match between bottlenecks/priorities and aid/technical assistance

Further details of these flows can be added as an Annex.

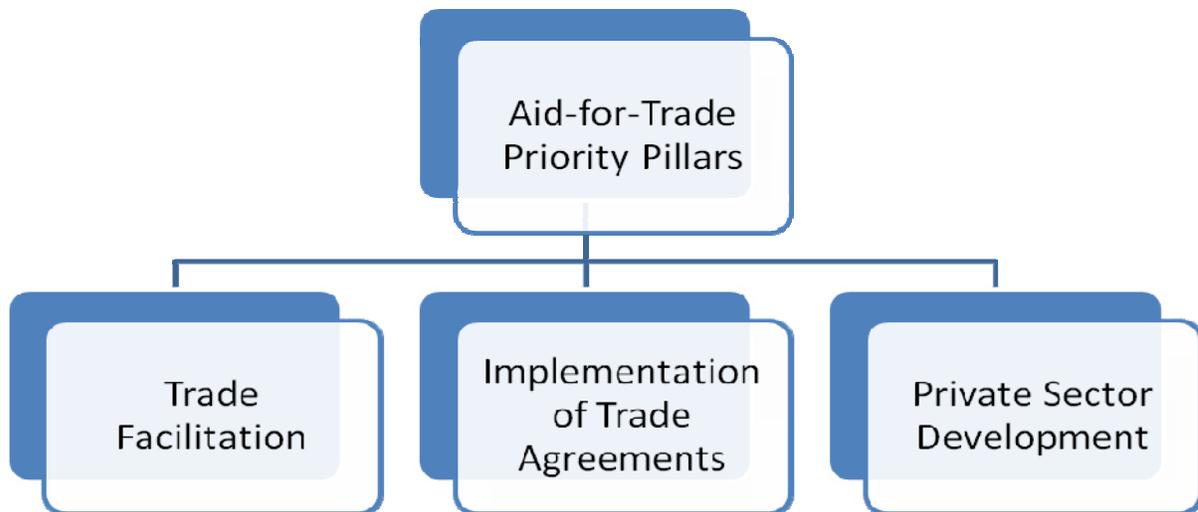
vi. Mainstreaming (1 page)

Using the Aid-for-Trade questionnaire as a guide, this section should establish the degree (if any) that trade is mainstreamed into a country’s national development plan and/or some policy tool such as sectoral policies or annual budgets. This should also include an assessment of the integration of key stakeholders including the private sector, civil society, universities and think tanks, and other ministries.

vii. Identification of Pillars (examples) (2 pages)

Following the descriptive analysis of the country’s trade policy regime and its aid commitments, broad pillars for development should be identified (a maximum of 3-4 is suggested to ensure feasibility of implementation and representation of a true consensus). If these pillars have already been identified in the country’s development strategy or in other forms, they should be validated to ensure their current relevance. For example, key pillars for action could include trade facilitation and logistics, implementation of trade agreements, building private-sector capacity, domestic and export competitiveness, or SPS/standards. Each pillar should clearly identify remedial actions, including proposed grant or lending operations, further studies, or technical assistance/capacity building. The greater the specificity, the easier it is to provide concrete project activities for donor funding.

Figure 1: Priority Pillars (examples)



viii. Recommendations (2 pages)

Once the analysis is completed, the strategy should provide recommendations for actions across the various pillars. This information will feed into the action matrix and could be, for example, policy-oriented, operational, training, or research. For example, in the area of trade agreements, the recommendation could be an audit of existing regulations and a tailor-made roadmap for implementing and administering these agreements.

ix. Implementation (1 page)

A key aspect of this strategy is identifying the existing mechanisms to ensure implementation of the activities identified in the strategy. If there are any, do they work? What new mechanisms are needed? For example, is there an existing committee that will be tasked with implementing the strategy? At the project level, how will these be implemented and by whom? This should be included as a recommended activity in the action matrix.

x. Monitoring and Evaluation (1 page)

An in-country routine assessment of how the objectives of the strategy and projects themselves are progressing is essential. With regard to the pillars identified in the strategy and the respective projects, this assessment must consider progress in terms of

expenditure, resource use, implementation of activities, delivery of results, and the management of risks. This is achieved through **monitoring**, which is the systematic and continuous collection of data on specified indicators to provide management and the main stakeholders of an ongoing development intervention with indications of the extent of progress on the achievement of objectives and the use of allocated funds.⁴ Monitoring of the objectives of the AfT strategy and its respective activities should be the responsibility of the Ministry or Agency responsible for trade-related technical assistance or ODA, though in some cases internal monitoring will be complemented on specific projects by the executing agency. Regular reviews provide an opportunity for government stakeholders to reflect on progress, agree on the content of progress reports, and perform any follow-up action required. Implementation should thus be seen as a continuous learning process whereby experience gained is reviewed and fed back into ongoing planning. In this respect, an effective feedback loop for the sharing of information gathered from monitoring should be established by the coordinating agency (such as the creation of an Aid-for-Trade Committee if needed).

The following Table provides an example of a results or monitoring framework for the Strategy. Each individual project will have its own set of outcomes, outputs, and indicators thus the framework for the Strategy should take a broader approach.

⁴ See "Monitoring and Evaluation: Enhancing Development Results", background paper prepared for the Third International Roundtable on Managing for Development Results in Hanoi/Vietnam, 5-8 February 2007 (http://www.mfdr.org/RT3/Glance/Documents/E&M_final.pdf).

Table 1: Example of a Monitoring Framework for Aid-for-Trade Activities

Outcome	Indicators	Sources of information
Increased knowledge and capacity to implement trade agreements	# of provisions implemented	Meetings of the Implementation Committee, CARICOM, WTO
Increased international and regional trade flows	Volume of imports Volume of exports # of products exported/imported	Customs, National Statistics offices
Increased competitiveness and business climate	Doing Business Ranking World Economic Forum Ranking Level of Foreign Direct Investment	World Bank, IFC, WEF, IDB World Trade Indicators National Statistics offices
Increased inter-institutional cooperation on trade	# of joint programs/initiatives	Public announcements
Harmonization of standards	# of regional standards adopted # of mutual recognition agreements	CROSQ, CAHFSA, Bureau of Standards
More efficient delivery of goods along the supply chain	Logistics Performance Indicators Freight times/costs WCO Time Release Studies # trade officers processing documents # of days/steps in issuance of certificates of origin # of transport services providers # of logistics services providers	WCO, IDB, World Bank, Customs, Transport/shipping associations
Increased quality of perishable goods	# international standards adopted	CROSQ for regional standards, and CAHFSA for SPS
Increased knowledge of market access opportunities by the private sector	# of new market entrants in existing markets #of market entrants in new markets # of new SMEs engaged in trade	Communication networks, information tools and resources, internet information, surveys

Results of domestic monitoring should be fed into the larger OECD DAC and/or WTO TPR process.

Evaluation is the systematic and objective assessment of an ongoing (periodic evaluation) or completed project (final evaluation), program or policy, its design, implementation and results, with a view to determining the relevance and fulfillment of objectives, development efficiency, effectiveness, impact and sustainability.⁵ Evaluation of Aft activities should be initiated by the coordinating Ministry or Agency for review and comment by the respective consultative mechanisms.

⁵ Ibid.

Figure 2: Aid-for-Trade Strategy Roadmap



IV. Dissemination Workshop

Following the completion of the strategy, the government should host a dissemination workshop, convening all stakeholders, to validate the priorities set out in the action matrix. However, this should be predicated on the determination of interest from both donors and the government to support the recommendations in the strategy. If there is no buy-in from the executive and legislative branches, the Ministry of Finance, and/or donors for trade-related priorities, a workshop could create expectations the Ministry of Trade is unable to fulfill. A national champion for the AfT Strategy is key to ensuring its success. The Ministry of Trade should consider carefully who might best promote their interests.

If there is sufficient support for the strategy, the dissemination workshop will focus attention at the national level for trade-related activities. For example, if one of the priorities identified is trade facilitation, then the government should invite the participation of all logistics services providers, distribution and warehousing enterprises, customs brokers, and in-country multinationals, in addition to the relevant government agencies (customs, finance). The government can separate the stakeholders according to their respective interest in the identified pillars, thereby ensuring that priorities are validated by the most relevant parties. Each group should validate the recommended actions and the priority timeframe for these actions. Once the action matrix has been validated by the key stakeholders, the government should revise, and seek donor support for technical assistance needs. The government should ensure the participation of

all in-country donors and agencies in the dissemination workshop to gauge the level of interest and to ensure coordination among all donors and agencies. A follow-up donors/agencies meeting is recommended.

Annex 1. Action Matrix (example)

Action no.	Objectives	Recommended Actions	Needs for Technical Assistance	Agencies involved	Funding agencies (if known)	Priority (1-3) Timeframe
Trade Facilitation and Customs						
Customs Modernization						
1.1	Implement trade facilitation obligations under regional and multilateral agreements	<ul style="list-style-type: none"> Harmonize legal and regulatory framework to conform to the Kyoto Protocol, EPA, and CSME. 	<ul style="list-style-type: none"> TA required for conformity assessment and implementation roadmap 	IDB, WCO	EDF	2, 2011
1.2	Upgrade equipment and infrastructure of customs environment	<ul style="list-style-type: none"> Support investment in the customs infrastructure and equipment at key border posts and improve performance 	<ul style="list-style-type: none"> Assess needs and prepare technical assistance project 	IDB, WB		1, 2010, Q4
Logistics						
1.3	Reduce transit costs	<ul style="list-style-type: none"> Prepare a transit strategy 	<ul style="list-style-type: none"> TA required 	IDB, WB, US		2, 2011
Implementation of Trade Agreements						
Trade institutions						
2.1	Improve the negotiating skills of officials	<ul style="list-style-type: none"> Strengthen the trade policy unit within the Ministry of Trade 	<ul style="list-style-type: none"> Support for staff and training 	IDB, OAS, EU	OAS	3, 2011, Q2
Market access						
2.2	Ensure effective implementation of the Economic Partnership Agreement	<ul style="list-style-type: none"> Preparation of an Action Plan for Implementation Improving buy-in from the private sector and fostering greater awareness of market access opportunities 	<ul style="list-style-type: none"> Training and budget support to regional and/or national institutions Advocacy and constituency-building activities with the private sector 	IDB, OAS	OAS	1, 2010, Q3