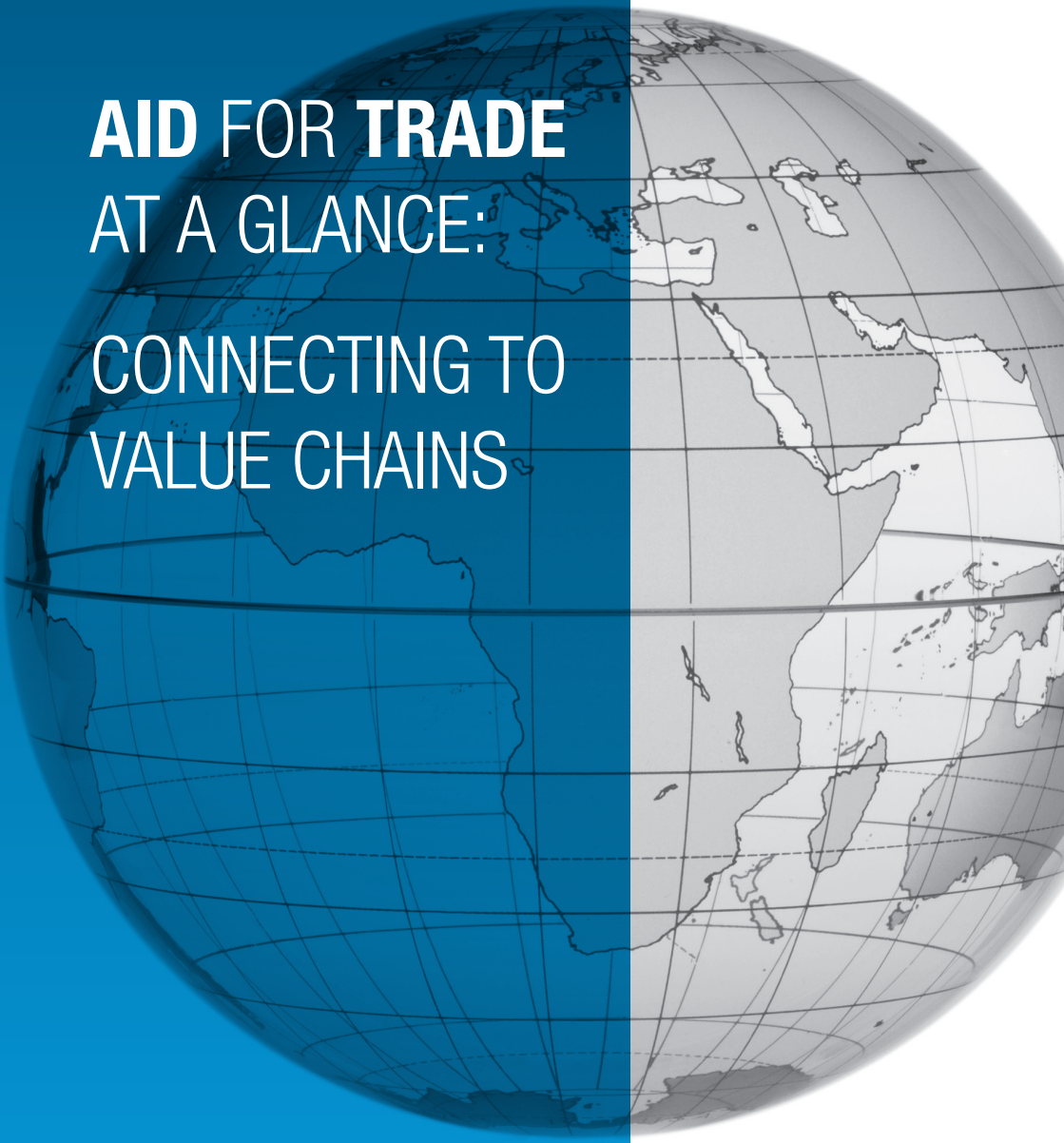
WORLD TRADE ORGANIZATION

OECD

# AID FOR TRADE AT A GLANCE: CONNECTING TO VALUE CHAINS



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# Overview

Since the 2005 WTO Ministerial Conference agreed on the aid-for-trade mandate, much has changed in the trade and development environment. The deepening and widening of value chains has boosted the share of intermediate goods and services in trade as more firms and countries join these networks. This fragmentation of the production process creates new opportunities for developing country firms. They can enter value chains by focusing on a specific task in the production chain that reflects their comparative advantage and national factor endowments - they need no longer invest in mastering the entire production process. But in order to connect to value chains, developing countries require aid to ease their trade related constraints, improve their business environment, and reduce the thickness of their borders.

Findings from the OECD/WTO 2013 monitoring exercise show that:

- Connecting to value chains has increasing resonance in developing countries' trade-related strategies. The objective is to generate economic growth and reduce poverty.
- Developing country firms are increasing their participation in value chains and even firms in the Least Developed Countries (LDCs) are joining value chains, notably in the agrifood, textiles and tourism sectors.
- Developing countries cite three main constraints to value chain participation: inadequate infrastructure, access to finance, and standards compliance. Donors concur with this assessment.
- The private sector lists five more specific constraints: customs procedures, lack of skilled labour, licensing requirements, transportation costs, and unsupportive regulatory and business environments.
- In 2011, USD 41.5 billion was spent in aid to help developing countries overcome their trade related constraints.
- South-south trade-related co-operation is also expanding.
- A growing number of lead firms are helping, both on their own and together with development agencies, to upgrade the trade performance of developing country suppliers, offering scope for closer cooperation between the public and private sector on aid for trade.
- Research shows that all this assistance reduces trade costs and enhances the trade performance of developing countries.

# Introduction

Successive rounds of multilateral trade liberalisation, preferential market access arrangements, regional free trade agreements, and expanding South-south trade have created many more trading opportunities. Supply-side capacity limitations and trade-related infrastructure constraints, however, prevent some developing countries from converting these new trade opportunities into trade flows. Superfluous and restrictive regulatory requirements increase the cost of doing business for firms and the costs of products and services for consumers. In a global economy characterized by the emergence of fragmented production chains, these inefficient policies create 'thick borders', which exclude local firms from international markets, limiting their potential for trade expansion, for economic growth and poverty reduction.

The Aid-for-Trade Initiative was launched at the 2005 Hong Kong WTO Ministerial Conference to address these problems. The Initiative has succeeded in raising awareness among developing countries and donor agencies about the positive role that trade can play in promoting economic growth and development. Successive Global Reviews of Aid for Trade have shown that developing countries, notably the LDCs, are getting better at articulating, mainstreaming and communicating their trade-related objectives and strategies. In turn, this has had a positive impact on the alignment of donor support with aid for trade flows steadily growing since 2005. Recently, they have come under pressure due to fiscal constraints in donor countries. Econometric analysis suggests that aid for trade is broadly correlated with improvements in trade performance, which in turn is related to reductions in poverty. These effects are confirmed by a growing number of studies, using different methods, which yield a strong narrative about the positive impact of aid for trade programmes.

The emergence of value chains strengthens the rationale for and relevance of the Aid for Trade Initiative. As developing countries look to connect their firms to production networks, aid for trade can help create the right framework conditions and mobilise domestic and foreign investment. As such, significant scope exists for closer co-operation and synergies between the public and private sector on Aid for Trade. Most providers of South-south trade-related co-operation plan to increase their expenditure, potentially unlocking further access to their markets – the most dynamic segment of world trade  Moreover, by connecting the 'least connected', aid for trade plays an important role in delivering the inclusive economic growth agenda that lies at the heart of the Post-2015 Development Agenda.

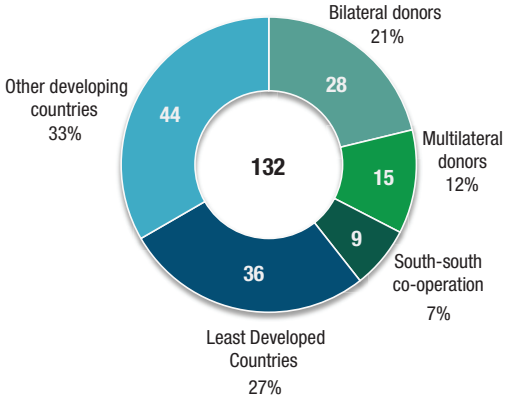
# Stakeholder engagement

The need to integrate trade priorities into national and regional development planning is a central objective of the Aid-for-Trade Initiative. Developing country ownership of the Aid-for-Trade Initiative and mobilisation of additional financial resources are intrinsically tied to these mainstreaming processes. Without effective national and regional dialogues, governments and regional economic communities face problems in setting clear priorities. Without clear priorities, development partners are unable to respond appropriately to demand-driven requests. Mainstreaming trade in development planning is also required for assuring coherence between trade and other broader objectives, such as, inter alia, food security, poverty reduction, sustainable development, and green growth. Deepening coherence requires an on-going commitment to mainstream trade and operationalise trade objectives across the broad spectrum of policy areas with which trade interacts.

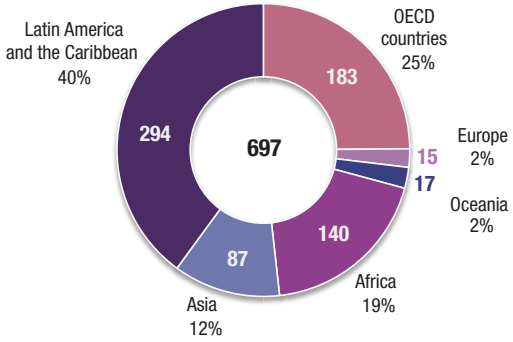
Engagement is critical to this process. The latest Aid for Trade monitoring exercise conducted jointly by the OECD and WTO has shown that engagement remains strong; 132 self-assessments were submitted from 80 developing countries (including 36 LDCs), 28 bilateral donors, 15 multilateral donors, and 9 providers of South-South co-operation. Moreover, 524 supplier firms in developing countries provided their views on the barriers they face in linking to value chains, while responses from 173 lead firms (mostly, but not exclusively, in OECD countries) highlight the obstacles they encounter in integrating developing country firms into their value chain.

FIGURE 1. **PARTICIPATION IN THE OECD-WTO MONITORING EXERCISE, 2013**

*Public Sector*



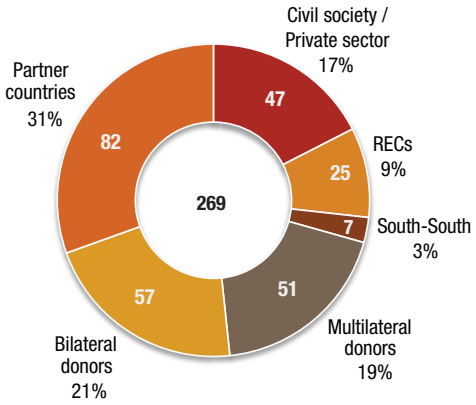

*Private Sector*




*Source:* OECD/WTO Aid-for-Trade Questionnaire, 2013

In 2011, 269 case stories were submitted by beneficiary governments (82), bilateral donors (57), multilateral donors (51), regional economic communities (25), providers of South-south co-operation (7) and civil society and the private sector (47).

FIGURE 2. **CASE STORIES BY TYPE OF AUTHOR**




*Source:* OECD/WTO (2013) Aid for Trade in Action

# Value chains: A path towards development

Value chains provide access to networks, global markets, capital, knowledge and technology. Integration into a value chain can offer a path towards economic development that is easier to follow than building a fully integrated value chain. With expansion in South-south trade flows, value chains are also becoming more global in their reach and character. Developing economies can link to these value chains by opening their markets to trade and foreign direct investment, improving their business and investment environment, and strengthening their domestic supply-side capabilities.

The 2013 Global Review of Aid for Trade focused on value chains as a path towards development. Increased trade and economic growth, together with employment and poverty alleviation, were rated by developing countries as the most important objectives. The analysis of value chains in agrifood, information and communication technology (ICT), textiles and apparel, tourism, and transport and logistics highlights that developing countries are integral to these production and service networks. But there is room for improvement.

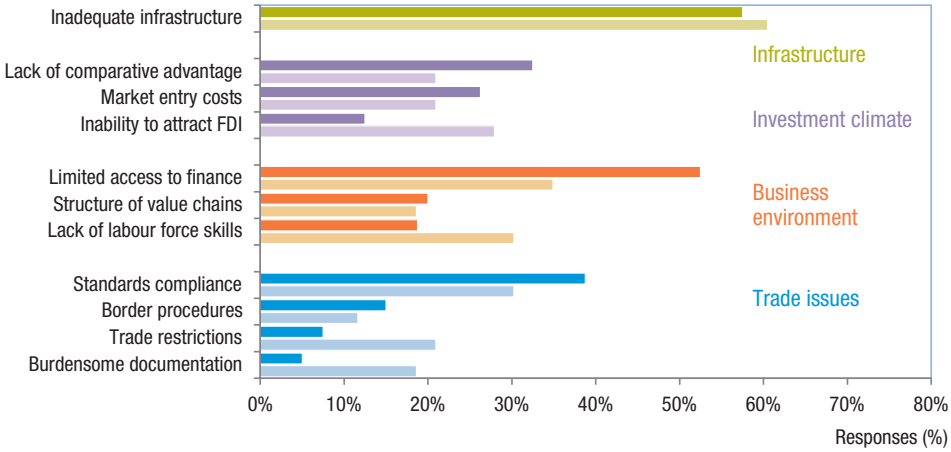
# Impediments to connecting to value chains

Many developing countries pay a 'competitivity penalty' due to their inefficient border procedures, high tariffs and non-tariff barriers that unnecessarily constrain goods or services trade, restrictions on the flow of information, impediments to foreign direct investment and limits on the movement of people. The challenge for developing economies is to design and implement broad strategies that tackle these key barriers to the integration into and upgrading in value chains.

Partner countries and providers of trade-related assistance (i.e. bilateral, regional, multilateral, and providers of South-south co-operation) highlight three main barriers developing country firms face in connecting to value chains: inadequate infrastructure, access to finance and standards compliance. They place differing emphasis on the lack of comparative advantage and labour force skills, as well as the inability to attract foreign direct investment and the effect of trade restrictions (Figure 3).

FIGURE 3. **BARRIERS FIRMS FACE IN ENTERING VALUE CHAINS - PUBLIC SECTOR VIEWS**

*Partner countries (in bold), compared to donors*



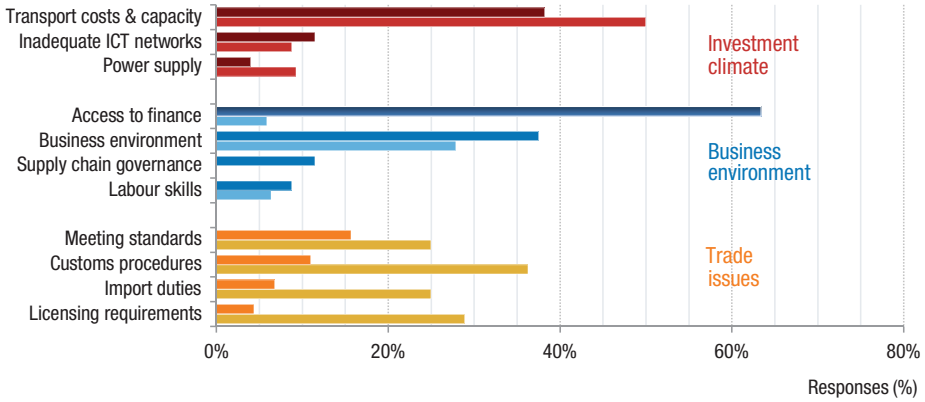

*Source:* OECD/WTO Aid-for-Trade Questionnaire, 2013

The views of the private sector were also sampled across five key sectors that are of particular importance for developing countries. Suppliers from developing countries all ranked access to finance (and particularly trade finance) as the main obstacle preventing them from entering, establishing or moving up value chains. They also cited transportation and shipping costs, inadequate infrastructure, and regulatory uncertainty (often tied to a complex business environment) as major obstacles, together with a lack of labour force skills (Figure 4).

Among lead firms customs procedures ranked high as a particular obstacle to bringing developing country suppliers into their value chains. Other prominent concerns included regulatory uncertainty (reflecting developing country suppliers' issues with the complex business environment) and standards compliance issues. Informal practices and payment requests were also cited as of particular concern in their relationships with suppliers (Figure 4).

FIGURE 4. **BARRIERS FIRMS FACE IN ENTERING VALUE CHAINS - PRIVATE SECTOR VIEWS**

*(Developing country suppliers in bold, as compared to lead firms)*




*Source:* OECD/WTO Aid-for-Trade Questionnaire, 2013

There is a clear match between the perception of partner governments, donors and the private sector on the issues that need to be addressed. The priorities revealed by the survey should provide guidance about the focus of aid for trade to help developing countries connect to value chains. They could also help to establish closer co-operation and synergies between the public and private sectors in identifying aid-for-trade projects, financing their implementation, improving monitoring and impact assessment, and ultimately increasing aid effectiveness. Such an approach would be very much in line with the 2005 Paris Declaration on Aid Effectiveness and the 2011 Busan Partnership for Effective Development Cooperation.

# Agrifood

The agrifood sector is in a state of dynamic change due to technological progress, logistics innovation in logistics and the penetration of global agribusinesses into local markets. Changes in food retailing are leading to a greater involvement of the private sector in agriculture and a focus on developing and improving agriculture value chains in terms of quality, productivity, efficiency, and depth. As (urban) consumer demand related to safety, quality and convenience grows, the pace of change in food markets is quickening. In many agricultural markets, this is leading to a more active and assertive role for the private sector vis-à-vis the state.

Developing countries process only 38% of their agricultural products compared to 98% in industrialised countries, and who add over four times more value when processing agricultural products compared to developing countries. Thus, significant potential to add value exists. For developing country suppliers, transportation costs and access to finance are the two main difficulties to joining or moving up the agrifood value chain (Table 1). Lead firms put a greater emphasis on trade issues, including customs procedures, and also on the regulatory and business environment. Firms operating in agrifood value chains have to comply with a variety of food safety regulations: suppliers consider related certification costs as a major difficulty, while lead firms regard inadequate standards and infrastructure as an obstacle to establishing a commercial presence.

TABLE 1. **CONNECTING TO AGRIFOOD VALUE CHAINS – THE BARRIERS**

| **Developing country suppliers** | | **Lead firms** | |
|---|---|---|---|
| Transportation costs & delays | 54% | Customs procedures | 51% |
| Certification costs | 41% | Transportation costs and delays | 41% |
| Access to trade finance | 34% | Licensing requirements | 37% |
| *Supply side constraints* | | *Obstacles to establishing commercial presence* | |
| Access to finance | 52% | Regulatory transparency | 50% |
| Labour skills | 38% | Business environment | 49% |
| Transport infrastructure | 37% | Standards compliance | 42% |

*Source:* OECD/WTO Aid-for-Trade Questionnaire (2013)

# Information and communication technology

Information and communication technology services offer developing countries the potential to integrate into ICT value chains, as distance and scale economies are less important than for manufacturing. Furthermore, ICT services such as telecommunications and computer services are crucial ingredients for the productivity of domestic firms and a country's broader economic development.

ICT manufacturing is highly fragmented internationally with significant trade in intermediate products. Value chains in ICT manufacturing are concentrated in the so-called "Factory Asia", with China accounting for 37% of world ICT exports. The spread of mobile telephony has been a development success story with mobile phone penetration in LDCs increasing from 7% in 2005 to 46% in 2011. However, the digital divide between developed countries and developing countries remains wide, with only 7% of LDC inhabitants using the internet and fixed broadband penetration below 1%.

Similar to other value chains, ICT firms consider access to finance and the business and regulatory environment as the main barriers (Table 2). More specific to ICT is that both suppliers and lead firms regard customs procedures as a major difficulty, reflecting the importance of time in the trade of ICT products, while suppliers struggle to find personnel with adequate skills. Finally, developing country suppliers also experience difficulties with internet access, which is crucial for ICT services firms.

TABLE 2. **CONNECTING TO ICT VALUE CHAINS – THE BARRIERS**

| **Developing country suppliers** | | **Lead firms** | |
|---|---|---|---|
| Access to trade finance | 49% | Customs procedures | 44% |
| Customs procedures | 28% | Licensing requirements | 44% |
| Unreliable/slow internet access | 24% | Import duties | 37% |
| *Supply side constraints* | | *Obstacles to establishing commercial presence* | |
| Access to finance | 46% | Business environment | 58% |
| Labour skills | 44% | Regulatory transparency | 58% |
| Business environment | 33% | Inadequate standards infrastructure | 38% |

*Source:* OECD/WTO Aid-for-Trade Questionnaire (2013)

# Textiles and apparel

The textiles and apparel industry plays a central role in the industrial development of many low income and least-developed countries. The industry, particularly the apparel sector, accounts for a significant share of total manufacturing exports for some LDCs, such as Lesotho (70%), Bangladesh (71%), Cambodia (85%) and Haiti (86%). It has also generated significant employment opportunities for unskilled workers, mostly women.

Supply chains have undergone profound reconfiguration since the quantitative restrictions in global textiles and clothing trade expired and the market is demanding "fast fashion". This reconfiguration has put a premium on shorter delivery cycles, improvements in factory skills and supply chain management, including fabric production, material sourcing and finishing processes. Supply chain consolidation has been one result, with fewer countries and larger suppliers and the emergence of strategic sourcing relationships.

Trade policies such as import duties and export/import licensing requirements remain important barriers in the textiles and apparel industry (Table 3). Furthermore, both developing county suppliers and lead firms regard customs procedures as a major obstacle. Efficient customs procedures are extremely important in a value chain that is characterised by low retail inventories, high order volumes and just-in-time manufacturing processes that respond swiftly to changing fashion trends. The need for speed is also reflected in the high priority accorded to constraints related to transportation costs and delays and inadequate transport infrastructure.

TABLE 3. **CONNECTING TO TEXTILES VALUE CHAINS – THE BARRIERS**

| **Developing country suppliers** | | **Lead firms** | |
|---|---|---|---|
| Access to trade finance | 54% | Customs procedures | 48% |
| Customs procedures | 49% | Inadequate transport capacity | 39% |
| Transportation costs & delays | 42% | Licensing requirements | 36% |
| *Supply side constraints* | | *Obstacles to establishing commercial presence* | |
| Business environment | 50% | Business environment | 59% |
| Access to finance | 47% | Transport infrastructure | 38% |
| Labour skills | 45% | Regulatory transparency | 34% |

*Source:* OECD/WTO Aid-for-Trade Questionnaire (2013)

# Tourism

Global tourism arrivals surpassed one billion for the first time in 2012. Despite occasional shocks, international tourist arrivals have enjoyed virtually uninterrupted growth – from 277 million in 1980 to 528 million in 1995, and 1.035 billion in 2012. Developing countries are playing an increasingly prominent role in this expanding sector. Tourism is one of the top three exports for the majority of developing countries and the lead export for at least 11 LDCs.

Tourism is employment intensive and has strong backward linkages to many other parts of the economy. To fully exploit these linkages and the development potential of tourism, increased co-ordination at the national level between ministries, business communities and local authorities as well as at the international level, is required.

Labour skills are a particular constraint faced by developing country suppliers (Table 4). The role of skills does not come as a surprise given the frequency and importance of personal contacts between service providers and clients in the tourism sector. The availability and quality of infrastructure plays a key role in the development of the tourism sector. Openness to imports, security and a smoothly functioning visa scheme are further elements that are crucial for the tourism sector to engage in a strong and sustainable growth path.

TABLE 4. **CONNECTING TO TOURISM VALUE CHAINS – THE BARRIERS**

| Developing country suppliers | | Lead firms | |
|---|---|---|---|
| Labour skills | 47% | Access of suppliers to finance | 52% |
| Business environment | 47% | Visa regimes for foreign tourists | 44% |
| Access to finance | 42% | Business environment | 44% |
| *Supply side constraints* | | *Obstacles to establishing commercial presence* | |
| Transport infrastructure | 29% | Business environment | 50% |
| Domestic licensing requirements | 24% | Inadequate standards infrastructure | 46% |
| Supply chain governance | 24% | Transport infrastructure | 41% |

*Source:* OECD/WTO Aid-for-Trade Questionnaire (2013)

# Transport and logistics

In addition to its role as a value chain, the transport and logistics sector is also crucial for the performance of other economic sectors. In many countries, transport and logistics costs can be as high as 20% - 60% of the price the final consumer pays. Manufacturing and agriculture both depend on the ability to ship goods to consumers quickly, cost-effectively and reliably. Data suggest that countries with better logistics performance tend to specialise more in manufacturing value chains.

Inadequate transport infrastructure remains a serious constraint in many developing countries, hindering the establishment of efficient transport and logistics chains (Table 5). However, there is some evidence of improvement over recent years in Sub-Saharan Africa, the Middle East and North Africa. Investments in physical infrastructure also need to be accompanied by improvements in soft infrastructure to have maximum impact – including customs and border procedures, and in particular, customs co-operation, red tape, and private sector development.

Governance remains a significant constraint. Excessive red tape often means that operators are more willing to make unofficial "speed money" payments, thus increasing the cost and uncertainty of doing business. Reducing red tape and improving border processes can reduce the incentives to make irregular payments and increase government revenue.

TABLE 5. **CONNECTING TO TRANSPORT AND LOGISTICS VALUE CHAINS – THE BARRIERS**

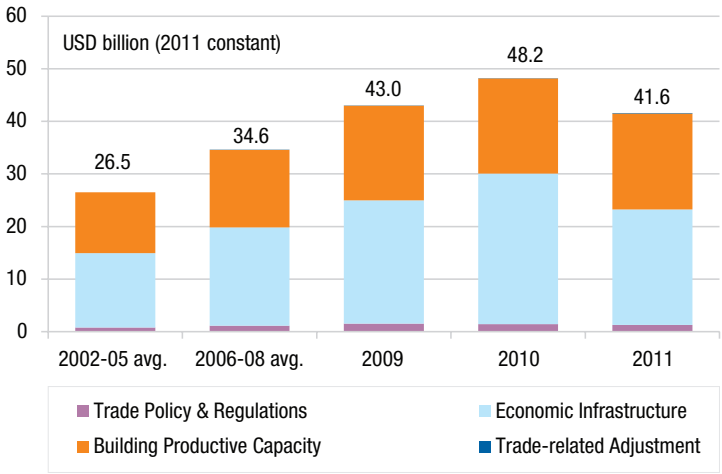
| Developing country suppliers | | Lead firms | |
|---|---|---|---|
| Customs procedures | 42% | Customs procedures | 70% |
| Transport capacity | 39% | Inadequate transport capacity | 47% |
| Port dwell times | 37% | Port dwell times | 37% |
| Informal or corrupt practices | 37% | Informal or corrupt practices | 33% |
| *Supply side constraints* | | *Obstacles to establishing commercial presence* | |
| Transport infrastructure | 48% | Regulatory transparency | 61% |
| Access to finance | 47% | Transport infrastructure | 50% |
| Lack of transparency in regulatory environment | 40% | Labour skills | 46% |

*Source:* OECD/WTO Aid-for-Trade Questionnaire (2013)

# Addressing the constraints: Aid-for-trade flows

After years of increasing aid flows, the financial crisis and subsequent economic challenges faced by OECD member countries have put pressure on aid budgets. This has led to a decrease in aid-for-trade commitments, which in 2011, declined by 14% compared to 2010. This brought total aid-for-trade commitments back to USD 41.5 billion and in line with the level of previous years (Figure 5). This still constitutes a 57% increase in 2011 compared to the 2002-05 average baseline. Similarly, gross disbursements, which declined by USD 1.3 billion in 2011 were 53% above those in 2006.

FIGURE 5. **AID-FOR-TRADE COMMITMENTS 2002 - 2011**




*Source:* OECD-DAC aid activity database (/CRS)

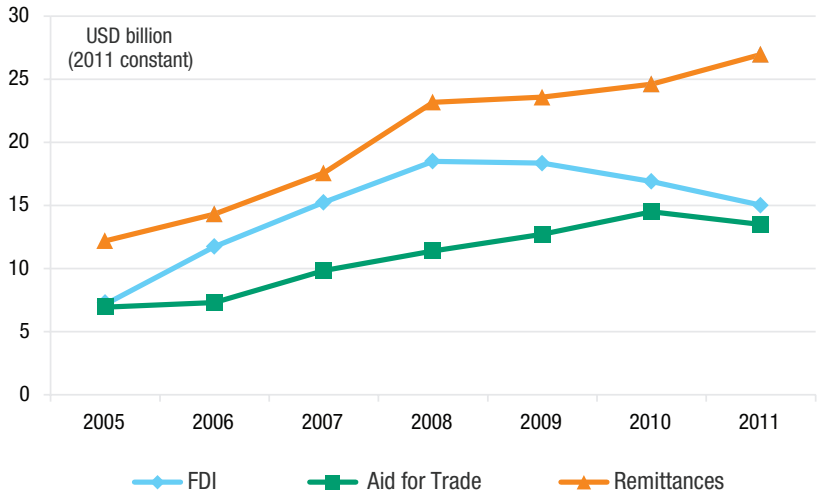
The decline in aid for trade mainly reflects decreased support for economic infrastructure; in particular, smaller commitments to programmes in the transport and energy sectors (down USD 3.5 billion and USD 3.2 billion, respectively) in Africa. The rise in support for building productive capacity in 2011 to USD 18 billion indicates the increasing priority donors attach to private sector development (commitments to agriculture, industry, and business services rose by a total of 10%). In conjunction, funding for programmes with a specific trade development objective doubled between 2007 and 2011 to reach USD 5.4 billion.

While the outlook for future aid flows is uncertain, a further decline in aid for trade is likely. In 2012, for a second year in a row, overall aggregate ODA fell by 4% in real terms. On the basis of the DAC Survey on donors' forward spending plans, a moderate recovery in overall aid levels is expected in 2013. While the outlook points to either stagnation or further modest declines in aid flows, the G20 has pledged to maintain its aid-for-trade resources beyond 2011 – at average commitment levels for 2006-2008.

Furthermore, the findings of the OECD/WTO monitoring survey suggest that most providers of South-south trade-related co-operation plan to increase their funding. In addition, collaborative private sector ventures and value chain investments are growing in number and impact and are charting an innovative way forward for business involvement in trade-related capacity building.

Finally, the development finance landscape is changing. In 2011, remittances of USD 27 billion constituted the largest source of external development finance for LDCs, followed by foreign direct investment (USD 15 billion) and Aid for Trade (USD 13.5 billion) (Figure 6). South-south investment is also increasing in importance in LDCs.

FIGURE 6. **SELECTED CAPITAL INFLOWS IN LDCS**




*Source:* OECD-DAC aid activity database (CRS)

# Aid-for-trade effectiveness

There is now abundant empirical evidence suggesting that aid for trade is broadly correlated with increases in trade. One dollar invested in aid for trade is on average associated with an increase of nearly USD 8 in exports from all developing countries – and with an increase of USD 20 in exports for the poorest countries. A number of other studies find similarly strong associations between aid for trade and export growth.

The role of aid for trade in promoting trade in regional and global value chains is also starting to receive attention from policy-makers and academics. Three pieces of evidence point to a contribution of aid for trade to value chain development. First, aid for trade provided to both sides of the bilateral trading partnership reveals a synergistic effect. This stands to reason: if aid for trade helps make border crossings more efficient in both directions, it will facilitate bilateral trade expansion as well as in third countries. Similarly, aid for trade to infrastructure, such as roads or communication, stimulates cross-border trade. A second indication that aid for trade promotes regional and global value chains is the fact that trade increases are even higher when the aid-for-trade recipient is a member of a regional trade agreement, shares a common border, and has a common language. Finally, even more compelling is the direct evidence that aid for trade stimulates trade in intermediate parts and components, key indicators of value chains. Econometric analysis found that aid for trade was positively and significantly associated with the growth in parts and components.

The evidence for Aid for Trade's positive impact on trade development is also buttressed by the results of 269 case stories submitted by partner countries, bilateral and multilateral donors and providers of South-South co-operation, regional economic communities and the private sector. This constitutes a vast amount of unique information. The case stories cover more than 150 countries – ranging from the smallest states, such as Lesotho, Solomon Islands and Comoros, to the largest, such as China and India – and all major developing regions and income categories. The sheer quantity of activities described in these stories suggests that aid-for-trade efforts are substantial, that they have taken root across a wide spectrum of countries, and that they are becoming central to development strategies. The fact that nearly half of the stories were provided by developing countries underlines the salience of these programmes – and highlights the potential for knowledge-sharing.

A large number of stories detail how industry-specific programmes ease market failures to help the private sector better access foreign markets and link to GVCs. For instance, an aid-for-trade project to support the competitiveness and the sustainability of the agricultural sector in Senegal increased exports by almost 80% between 2005 and 2009 and helped create 85 new businesses. Other stories describe how demand-driven, technical capacity-building programmes are helping countries define export-oriented growth strategies. For example, an aid-for-trade programme in Vietnam helped to increase the level of exports to the United States from USD 1.1 billion in 2001 to USD 8.6 billion in 2006, and increased the level of imports from the United States from USD 460 million to USD 1.1 billion. Another case story describes how aid for trade and WTO accession have

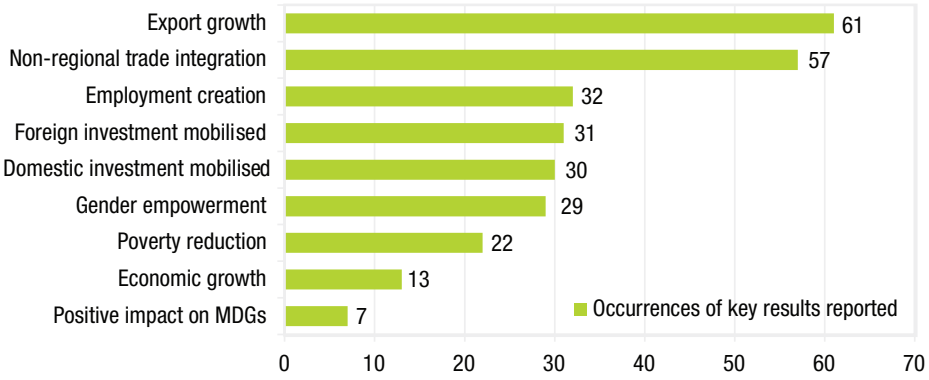
played a catalytic role in supporting Cape Verde's economic growth strategy – a strategy which has seen the country transform into a globally competitive economy, make significant progress on the Millennium Development Goals (MDGs) and graduate out of the LDC status

In trade, time is money. Accounts of trade facilitation programmes and economic infrastructure projects, including regional corridors, describe how trade costs are significantly reduced and how regional integration has been boosted. For example, a regional project in East Africa improved transit times at the border from three days to three hours. Another case story describes how improving the international transit of goods between El Salvador and Honduras reduced average clearance times from 62 minutes to eight minutes. The project's success has stimulated interest in neighbouring countries and the project has been extended to Mexico, Guatemala, Nicaragua, Costa Rica and Panama.

Although it is not always easy to attribute cause and effect, the stories show tangible evidence of how aid for trade is helping developing countries build the human, institutional and infrastructural capacities they need to benefit from trade opportunities. Results range from increased trade volumes, to more employment, faster customs clearance times, additional foreign and domestic investments, and impacts on poverty (see figure 7).

FIGURE 7. **KEY RESULTS REPORTED IN CASE STORIES BY AUTHORS**

*(from a total of 269 case stories)*

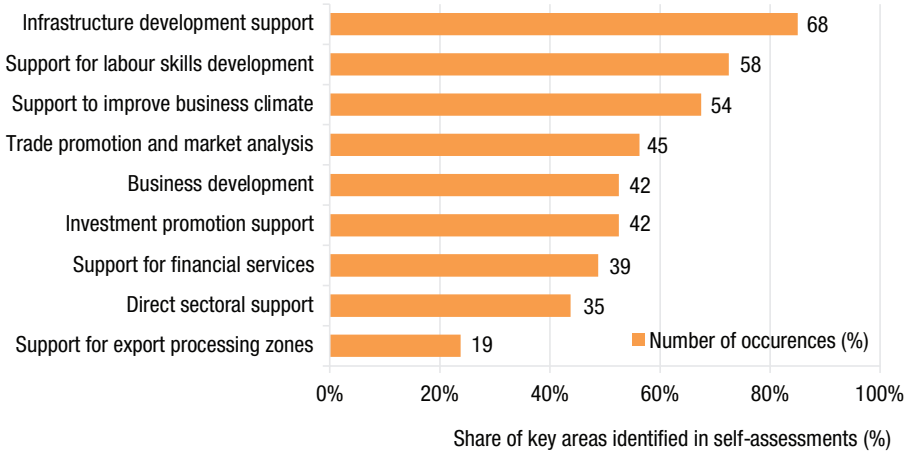



*Source:* OECD/WTO Aid for Trade in Action 2013

Furthermore, there is ample proof that aid for trade is appropriately targeted on lowering trade costs – in the form of additional infrastructure, better institutions such as customs and standards authorities, and more trade friendly policies and regulations, whether in regard to tariffs and non-tariff barriers or regulatory measures that expose logistics companies to new competition. Aid for trade is most effective at increasing trade and promoting trade-led growth when recipient countries have a supportive business environment, particularly stable macroeconomic policies and an investment climate that encourages private investment (figure 8).

FIGURE 8. **EFFECTIVENESS ACCORDING TO DEVELOPING COUNTRIES**

*(key areas identified in 80 partner countries' self-assessments)*



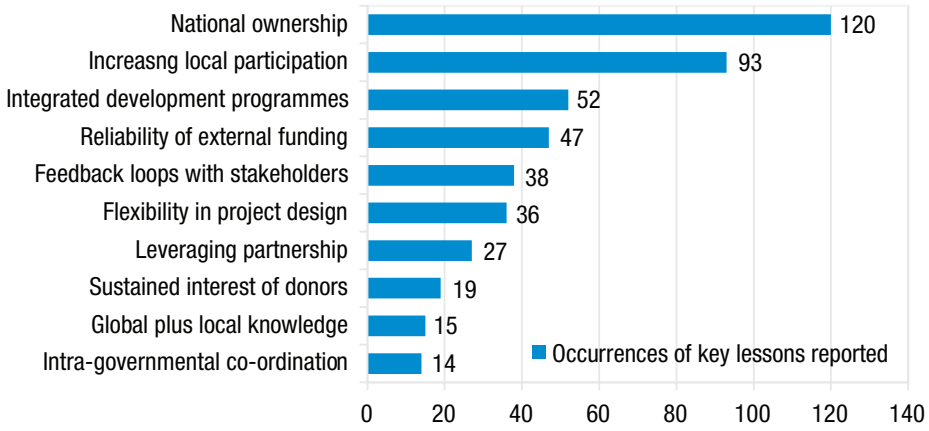

*Source:* OECD/WTO Aid-for-Trade Questionnaire, 2013

# Aid for trade success factors

Country ownership at the highest political level and effective intra-governmental coordination are frequently reported as critical factors for success in the case stories. Active local participation and involvement of stakeholders (including the private sector and civil society) in the preparation and implementation of activity is also crucial. Integrated approaches to development, for instance, by combining public and private investment with technical assistance, increase the success rate. Equally, long-term donor commitment and adequate and reliable funding are considered essential.

Other elements of success in the case stories include leveraging partnerships – including with providers of South-South co-operation – keeping project design flexible to facilitate adjustments in initial plans, and sharing knowledge and transferable lessons at local and global levels. Furthermore, supportive macroeconomic and structural policies as well as good governance are also vital for delivering the longer-term trade and development objectives of the Aid-for-Trade Initiative. Conversely, delays and changes caused by exogenous factors such as natural disasters, political crises and global recessions threaten successful outcomes (see Figure 9).

FIGURE 9. **KEY LESSONS FROM CASE STORIES**




*Source:* OECD/WTO (2013) Aid for Trade in Action

# The way forward

Much has been achieved since the start of the Aid-for-Trade Initiative in 2005. Successive Global Reviews of Aid for Trade and editions of Aid for Trade at a Glance have clearly shown that aid for trade is bettering the lives of many men and women in developing countries. Comprehensive monitoring has provided clear evidence that the Initiative has resulted in the prioritisation of trade objectives in development strategies and has galvanised donor support to tackle the bottlenecks that undermine the ability of producers in developing countries to exploit regional and global market opportunities.

Aid for trade is helping developing countries tap into the power of markets and connect to new growth poles in the global economy. The aid-for-trade case stories also paint an encouraging picture of numerous donor supported, trade-related projects and programmes that are delivering a wide range of tangible results in terms of trade performance, private investment and employment creation in a large number of developing countries.

Based on the findings of the OECD/WTO monitoring survey, the analysis of aid-for-trade flows, and conclusions in the broader trade and development literature, it appears that the proliferation and deepening of value chains and the concomitant widening of trade opportunities for developing countries further underscores the case for and value of aid for trade.

With inclusive economic development becoming a central theme of the post-2015 development debate, there is a clear continuing role for Aid for Trade to contribute to economic inclusion. Nevertheless, there is room for improvement, such as further engaging providers of South-South co-operation and the private sector, expanding the focus from ODA to development finance, improving the conditions for regional projects, and better managing aid for trade and development results. The Global Review on Aid for Trade – the premier forum for discussing trade and development issues – must continue to put a spotlight on aid for trade and strive to address these issues.

At the Bali Ministerial Conference on 3-6 December 2013, WTO Members recognized the continuing needs of developing countries, and in particular of LDCs and reaffirmed their commitment to Aid for Trade. They mandated the Director-General to move Aid for Trade forward with a new work programme that should be framed by the post-2015 development agenda.

## Further reading

- OECD/WTO (2013) Aid for Trade at a Glance: Connecting to Value Chains
- OECD/WTO (2013) Aid for Trade in Action
- OECD/WTO (2013) Sector Studies on Aid for Trade and Value Chains in:
    - Agrifood,
    - Textiles and Apparel,
    - Tourism,
    - Information and Communication Technology,
    - Transport and Logistics
- OECD/WTO/UNCTAD (2013) Implications of GVCs for trade, investment, development and jobs

# Organisation for Economic Co-operation and Development

The OECD is a unique forum where governments work together to address the economic, social and environmental challenges of globalisation. The OECD is also at the forefront of efforts to understand and to help governments respond to new developments and concerns, such as corporate governance, the information economy and the challenges of an ageing population. The Organisation provides a setting where governments can compare policy experiences, seek answers to common problems, identify good practice and work to co-ordinate domestic and international policies.

The OECD member countries are: Australia, Austria, Belgium, Canada, Chile, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States. The European Union takes part in the work of the OECD.

OECD Publishing disseminates widely the results of the Organisation's statistics gathering and research on economic, social and environmental issues, as well as the conventions, guidelines and standards agreed by its members.

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# World Trade Organization

The World Trade Organization (WTO) is the only global organisation dealing with the rules of trade between nations. At its heart are the WTO agreements, negotiated and signed by the bulk of the world's trading nations and ratified in their parliaments. The goal is to help producers of goods and services, exporters, and importers conduct their business.

Its main functions are to:

- administer WTO trade agreements
- act as a forum for trade negotiations
- settle trade disputes
- monitor national trade policies
- provide technical assistance and training for developing countries
- cooperate with other international organisations.

The WTO currently has 159 members accounting for 97% per cent of world trade. Members are mostly governments but can also be customs territories.

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