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5th GLOBAL REVIEW OF AID FOR TRADE - MONITORING AND EVALUATION

This document is submitted to delegates for INFORMATION.

The aim of this joint OECD/WTO background note is to outline the monitoring and evaluation (M&E) exercise that will underpin the 5th Global Review of Aid for Trade. The theme of the 2014-2015 Aid for Trade Work Programme and the 5th Global Review is: "Reducing Trade Costs for Inclusive, Sustainable Growth".

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**FIFTH GLOBAL REVIEW
AID-FOR-TRADE MONITORING EXERCISE**

"REDUCING TRADE COSTS FOR INCLUSIVE, SUSTAINABLE GROWTH"

BACKGROUND NOTE BY THE WTO AND OECD SECRETARIATS

1 INTRODUCTION

1.1. The aim of this background note is to outline the monitoring and evaluation (M&E) exercise that will underpin the 5th Global Review of Aid for Trade. The theme of the 2014-2015 Aid-for-Trade Work Programme and the 5th Global Review of Aid for Trade is: "Reducing Trade Costs for Inclusive, Sustainable Growth". The next M&E exercise will explore this theme in detail. The purpose of this working document is to explain how this exercise will be organized and to invite comments and suggestions.

2 OVERVIEW

2.1. The 2014-2015 Aid-for-Trade Work Programme (WT/COMTD/AFT/W/51) is built around, and will lead to, the 5th Global Review of Aid for Trade. Past Global Reviews have been informed by a joint OECD-WTO monitoring and evaluation (M&E) exercise that had surveyed Aid-for-Trade implementation by partner countries, bilateral and multilateral donors, South-South partners and regional economic communities. Efforts have also been made to reach out to the private sector and to engage other partners in the M&E exercise. The results of the M&E exercise have been reported at Global Reviews in a joint OECD-WTO publication "Aid for Trade at a Glance". The 5th Global Review of Aid for Trade, to be held in mid-2015, will follow the same approach, using the M&E exercise to inform discussion at the Global Review meeting, and as the basis for a further edition of the "Aid for Trade at a Glance" publication.

2.2. The M&E exercise for the 4th Global Review identified trade costs as a key factor influencing the ability of developing country firms to connect to value chains, both regionally and globally, and to deliver inclusive economic growth. The accompanying M&E exercise included a private sector questionnaire to which some 700 firms responded. Key issues identified as negatively affecting the ability of developing country suppliers to connect to value chains included: access to trade finance, transportation costs and infrastructure capacity, customs procedures, and standards. These same issues, which are an especially important cost component for lower value goods, also ranked highly in the survey of partner countries and donors – albeit with somewhat differing emphasis.¹ The issues cited in the last M&E exercise are key determinants of trade costs. As such, the M&E exercise for the 5th Global Review will aim at continuity of analysis by examining in more detail how Aid for Trade can help reduce trade costs and the associated impacts to deliver inclusive sustainable growth.

2.3. The purpose of the M&E exercise for the 5th Global Review is to review implementation of the Recommendations of the Aid-for-Trade Task Force, notably as regards steps taken to strengthen the "demand side" by mainstreaming trade in national and regional development planning frameworks, and the response from donors, providers of South-South cooperation and the private sector, by examining Aid-for-Trade flows and alignment with national and regional priorities together with effectiveness and efficiency.² A key component of the M&E framework will also be sharing good practice and examining results on the ground, with a view to creating positive incentives for more and better Aid for Trade.

2.4. The Ministerial Decision on Aid for Trade (WT/L/909) and the Bali Package added a significant, novel dimension to ongoing work on Aid for Trade. The 2013 M&E exercise highlighted the priority being given to trade facilitation among partner countries.

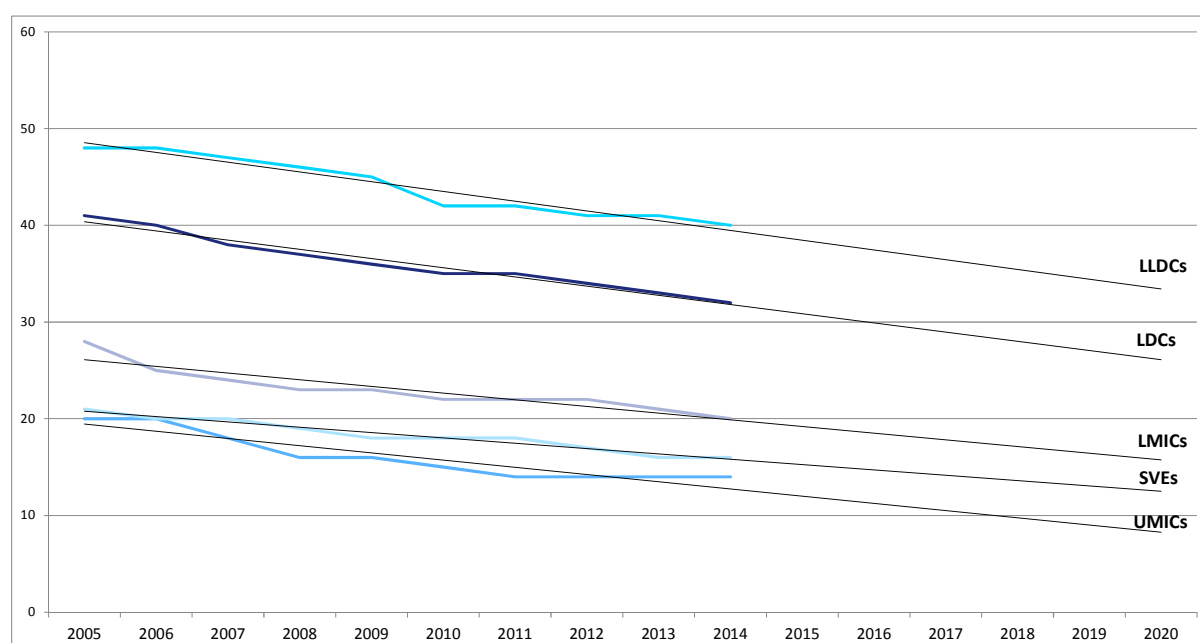
¹ For a more detailed overview of the results of the private sector monitoring exercise, see "Aid for Trade at a Glance 2013: Connecting to Value Chains".

² See document WT/AFT/1, 27 July 2006.

2.5. A growing body of research is available on trade costs and the economic impact of efforts to reduce these costs. The World Bank, for example, publishes data on trading across borders (as part of the Doing Business Index), the Logistics Performance Index, and research on trade costs. A variety of other international organizations have also conducted extensive research in this area, including, *inter alia*, the OECD, regional development banks, UNCTAD, UN regional economic commissions, and the World Customs Organization. Other international non-governmental organizations, such as the World Economic Forum, are also actively engaged in looking at this topic. The aim of the M&E exercise is to harvest key lessons from this growing body of work on (i) the role that Aid for Trade can play in reducing trade costs and (ii) the impact that reducing trade costs is having on supply-side capacity, employment, income growth and poverty reduction.

2.6. Research on trade costs shows a trend towards declining trade costs in developing countries, but also that the rate of change is slower than among developed countries, and has started from a much higher baseline.³ This message is borne out by Figure 1 below.

Figure 1 - Time to export in days by different income groups 2005-2014 and projected trends for the period 2014-2020



Source: World Bank Doing Business Index. WTO Secretariat calculations. Income groups: LLDCs: landlocked developing countries; LDCs: least-developed countries; LMICs: low middle income countries; SVEs: small, vulnerable economies; UMICs: Upper middle-income countries

2.7. Figure 1 analyses the World Bank Doing Business Indicator "time to export" (in number of days) over the period 2005-2014. On the basis of the trend line for the period 2005-2014, Figure 1 also projects time to export for each income group until 2020. From the time series, it is clear that progress is being made to reduce trade times. However, this progress needs to be sustained. In 2005, exports from landlocked developing countries (LLDCs) and least-developed countries (LDCs) on average took more than double the number of days than upper middle-income countries (UMICs) to export. While the rate of decline has been faster for LLDCs and LDCs, the gap in terms of time remains wide, even when projected forward to 2020.

2.8. Nearly 50 of the 275 case stories submitted for the 2011 M&E exercise concerned trade facilitation projects. Many of the case stories highlighted progress in reducing trading times and associated costs.⁴ Initial progress reported in these case stories has been consolidated. For

³ Arvis, Jean-François; Duval, Yann; Shepherd, Ben; Utoktham, Chorthip. 2013. *Trade costs in the developing world: 1995 - 2010*. Policy Research working paper; no. WPS 6309. Washington, DC: World Bank

⁴ OECD/WTO (2013) Aid for Trade at a Glance

instance, Table 1 shows the changes in transit times and costs on the Northern Corridor in East Africa.⁵

Table 1- Progress in reducing trade costs and time on the Northern Corridor

Impact of the Northern Corridor Transport Corridor on trade times in East Africa	Past Scenario	Current Status
Border delays	3 days	3 hours
Mombasa-Kampala cost per container	US\$3,300	US\$1,700
Mombasa-Kampala transit time	18 days	4 days
Mombasa Port average waiting time	19 days	13 days
Average truck's number of trips per month between Mombasa and Kampala	1.5	3
Mombasa-Kigali cost per container	US\$4,900	US\$3,300
Mombasa-Kigali transit time	22 days	6 days

Source: 5th Northern Corridor Ministerial Report, 1 May 2014⁶

2.9. The scope of the literature on trade costs is broad and growing. To ensure that the M&E exercise remains a manageable and clearly defined one, it is suggested that the following four areas be its focus: (i) access to finance; (ii) costs of compliance with non-tariff measures (e.g. standards and technical regulations); (iii) trade facilitation; and (iv) trade-related infrastructure. In addition, the M&E exercise will aim to clarify how these barriers affect the opportunities of local business to contribute to the overall objective of achieving inclusive sustainable growth.

2.10. In general, the literature on trade costs is more developed in the area of merchandise goods where these topics have been studied extensively, and for which data sets are available for at least some of these four variables. In contrast, the issue of trade costs as they affect trade in services is less developed, especially concerning developing countries.⁷ Indeed, this is an area where the Secretariat will seek to undertake further work and seek input in developing the M&E framework. Preliminary research suggests that issues that may be worthy of more in-depth study in relation to trade costs and the services include: professional qualifications; standards; network services; and ICT infrastructure.

2.11. Reducing trade costs is one aspect of the theme for the 5th Global Review. The other aspect is that of effect of trade costs on "inclusive, sustainable growth". The M&E exercise is also being placed in the context of ongoing discussions on the post-2015 Development Agenda.

3 APPROACH

3.1. This M&E exercise, like in the past, will also be based on a self-assessment questionnaire. The questionnaires will be complemented by a case story exercise in which respondents will be invited to provide, in more detail on their experiences of Aid for Trade reducing trade costs and associated impacts. An effort will also be made to assess what the Aid-for-Trade Initiative has achieved since 2006 in making trade an engine of economic growth and poverty reduction.

⁵ The World Bank and the Northern Corridor Transit Authority submitted case stories about this programme in 2011. See, respectively, <http://www.oecd.org/aidfortrade/47811454.pdf> and <http://www.oecd.org/aidfortrade/48293562.pdf>

⁶ As reported in the "The East African". Source: <http://www.theeastafrican.co.ke/news/New-clearing-system-saves-Uganda-and-Rwanda--469m/-/2558/2310260/-/43lmr8z/-/index.html>

⁷ See for instance the OECD Services Trade Restrictiveness Index Regulatory Database <http://qdd.oecd.org/subject.aspx?Subject=063bee63-475f-427c-8b50-c19bffa7392d>

3.1 Key questions to be surveyed

3.2. The following questions will, *inter alia*, be the focus of the self-assessment questionnaires:

- What priority do developing countries' national and regional development strategies give to reducing trade costs? How are trade costs tracked in national and regional planning frameworks? What have been respondents' experiences with programmes to reduce trade costs? What impacts can respondents report from Aid-for-Trade programmes directed to reducing trade costs?
- How do donors' Aid-for-Trade strategies address the issue of reducing trade costs? How are donors working to align their assistance with national and regional needs in this area, including with the private sector? What are donors' experiences of Aid-for-Trade assistance to address the issue of reducing trade costs? What impacts can be reported from these programmes also in terms of inclusive, sustainable growth? Has the delivery and alignment of Aid for Trade around country strategies and priorities improved?
- How are South-South partners working with other developing country suppliers to tackle the issue of trade costs? What can South-South partners see in terms of impact from their programmes?
- What can be learnt from regional approaches to addressing the issue of reducing trade costs? What are the main difficulties and opportunities associated with regional approaches to addressing trade costs? What impacts can be reported from these programmes also in terms of inclusive, sustainable growth?
- What is the private sector doing to address the issue of reducing trade costs? What does the private sector in developing countries view as the main economic benefits from addressing the issue of trade costs? What has been the experience of the private sector in developing countries with programmes to reduce trade costs?

3.2 Who will be surveyed?

3.3. Questionnaires and the call for case stories will be disseminated using electronic survey tools and completed on-line. The self-assessment questionnaires and the call for case stories will be distributed to the following recipients:

- Donors (Bilateral and Multilateral)
- Partner countries
- South-South partners
- Regional economic communities.

3.4. Efforts will also be made to reach out to the private sector, notably by engaging other organizations in the M&E exercise. In 2013, Grow Africa, the International Chamber of Commerce, the International Trade Centre, the International Telecommunications Union and the World Tourism Organization collaborated in the M&E exercise. Outreach will similarly be undertaken with other organizations to utilize their expertise and networks with respect to outreach to the private sector.

4 HOW WILL THE INFORMATION COLLECTED BE ANALYSED?

4.1. Information collected will be analysed and published in the edition of the joint OECD-WTO publication "Aid for Trade at a Glance 2015". The analysis will also inform the 5th Global Review agenda, for example through the organization of specific sessions. Conclusions arising from the analysis may be used by trade and development researchers, and as input for future policy and aid programming.
