

Inclusion of Aid for Trade in Trade Policy Reviews: Strengthening Value of Development Instruments for LDCs (and developing countries)

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A fundamental activity of the WTO work is on-going surveillance of national trade policies. The Trade Policy Review (TPR) Mechanism ensures that all WTO Members are reviewed and assessed with the intent “to examine the impact of a Member’s trade policies and practices on the multilateral trading system.”¹ WTO Members agreed to set up the TPRs at the December 1988 ministerial meeting, during the Uruguay Round.²



TPRs can play a central role in mainstreaming trade into national development strategies. TPRs could be used to measure trade capacity gains of countries, a benefit from Aid for Trade (Aft) over time. To do so, it is important that TPRs become standardised in its methodology and reporting and the information pertaining to the Enhanced Integrated Framework (EIF) and other Aft investment be documented in the TPRs.

Trends in recent TPRs

A quick scan of selected TPRs (see table 1) shows that some of the most recent TPRs make reference to Aft and some even have a complete section on Aft. Recent TPRs of WTO members benefiting from Aft include some information on Aft.

A pilot project assessing TPRs of LDCs found that the selected LDC’s effectiveness in mainstreaming trade in the national development strategies is low. Ministries are often reluctant to disseminate their TPR and share it with other ministries in order to avoid possible internal policy disputes. Experiences also show that when Trade Ministries actively disseminate their TPRs and implement recommendations made in their TPRs, positive results emerge. Another relevant initiative has been put in place by Jamaica, for example, which organized a follow-up event after the new TPR process was concluded and improved the receptiveness of stakeholders to the recommended changes. Such post TPR actions could be useful for other developing countries as well.

What is the importance of Inter-Ministerial Coordination (IMC) for Aid for Trade?

IMC becomes crucial when a country faces cross-sector challenges. IMC is based on three functions: (i) eliminating redundancy of policy and project; (ii) managing cross-cutting issues; and (iii) integrating numerous international trade agreements and trade policies in a coherent manner.³ When facing the need for inclusive growth, developing countries and LDCs need to improve

their IMC mechanisms to achieve better Aid for Trade surveillance, more effective trade facilitation initiatives to reduce costs, and better implement action of existing trade agreements.⁴

As mentioned in the Third Aid for Trade Global Review (2001), trade policy is “interdisciplinary by nature, and thus co-ordination and co-operation among the numerous actors is critical. Ministries of every sector must work together to ensure efficient policy.”⁵ This vision however is often not supported by practice.

IMC and stakeholder consultations are essential in the five stages of policy making: 1) initiation; 2) formulation; 3) implementation; 4) evaluation; 5) monitoring. Poverty Reduction can be achieved through better alignment between the development and trade policy agendas. IMC and stakeholder consultation practices are often weak in many countries, including LDCs. To lock in good management practices, countries need monitoring systems to keep abreast of current practice, which in turn provides them with the possibility of continuous improvement and institutional learning.

Need to better report Aft in TPRs

It is important to check the Record of the Meetings of the Trade Policy Review Body in order to know more about the amount of Aid that has been received by a WTO LDC Member. For instance, the Aft section of Cambodia’s TPR is mostly focused on EIF and WTO Trade-Related Technical Assistance (TRTA) data. There is no information about the actual amount of money provided by donors like the EU, or its Member States.

The Record of the Meeting of the TPR Body (Document WT/TPR/M/253), annexed to the TPR, contains some information about the amount of aid provided to Cambodia by certain WTO Members. This information is however not incorporated into the Aft section of Cambodia’s TPR. Examples:
China: “... In order to help the Cambodian Government in its relief efforts, my Government has provided in kind 50 million RMB worth of

emergency humanitarian materials as well as US\$1,5 million cash aid to Cambodia...” (p.16, para. 80)

EU: “... Currently the EU is implementing a large number of different projects in Cambodia, aligned with Cambodia’s Rectangular Strategy and National Strategic Development Plan (NSDP). These ongoing efforts amount to about □00 million, with additional □40 million in the pipeline for the year 2011 alone...” (p.18, para. 90)

Centralisation of such information at one place makes tracking easier and monitoring more efficient and sustainable. Such a centralisation of Aft information in one document would also make the Global Trade Review better anchored in recorded evidence and hence more consistent.

Policy recommendations:

Several recommendations are of urgent nature, and need to be addressed by the WTO’s Trade and Development Division and the WTO members - be they donor or beneficiary of Aft - namely:

1. In-depth coverage of the overall impact of Aft in TPRs. Future TPRs need to show impacts, results and alignment with country’s WTO obligations as reported in the TPR. Recipient countries should be assessed in terms of their development needs and levels of donor support. It is also important to reference impact evaluations of TRTA by donor countries and to contrast this with the TPR findings.
2. The 2012-2013 Global Review should include an in-depth cross-analysis of TPRs and make comparative analysis in order to assess whether the supply side and trade related infrastructure constraints have been addressed by respective LDC’s Aft investments.
3. 60 TPRs have been written and published over the last three years, and the WTO expects to prepare another 20 to 24 in 2012. The sections covering Aft in future TPRs should include information on commitments made in regard to Aft and EIF by:
 - Developed countries (donors)

- South-South cooperation (donors like Turkey, Saudi Arabia, Kuwait, China, India),
 - LDCs, especially the countries that have been identified in the Graduation Schedule of the Istanbul Declaration (2011).
4. Link Diagnostic Trade Integration Studies (DTIS) and Poverty Reduction Strategy Papers (PRSP) with TPRs in order to ensure coherence in trade and development policies. The trade part of PRSPs should be covered in TPRs in order to generate closer ties between poverty alleviation and trade strategy.
 5. TPRs and Regional Trade Agreements (RTAs) should have a closer link. Many RTAs and FTAs have now a development chapter or provisions related to AfT and/or trade facilitation that should be monitored to ensure coherence between the multilateral and regional levels. It might also be useful for donors and recipient countries to think about the “value added” of preparing “regional TPRs” as well as to not include them in the list of those of WTO Members.

Conclusion

Future TPRs should assess the national and international coherence of trade and development policy design and policy mix in order to strengthen the value of TPRs for LDCs and low-income developing countries. Without policy coherence at both levels of

trade development, developing countries will less likely be able to increase national competitiveness and achieve sustainable development through improved trade performance. Economic competitiveness can be achieved by strengthening an LDC’s participation in the global supply and value chain. Without successful IMC, ministries do not harmonize their policies and a supply and value chain approach cannot be implemented. Opportunities exist for inclusive growth for developing countries and LDCs if a coherent approach to AfT is adopted. TPRs will be the central pillar to coalesce such strategic thinking.

Notes

1. See http://www.wto.org/english/docs_e/legal_e/29-tprm_e.htm
2. See http://www.wto.org/english/tratop_e/tpr_e/tpr_e.htm
3. Saner, Raymond (2010), “Trade Policy Governance through Inter-Ministerial Coordination: A Source Book for Trade Officials and Development Experts”, Republic of Letters - Publishing, Dordrecht.
4. For an analysis on IMC and Stakeholder Consultation see the CSEND Report (2010) http://www.csend.org/component/docman/doc_download/264-20100730-summaryreportofbookvernissagepublishableversion4pdf
5. WTO (2011), *Third Aid for Trade Global Review*, p. 142, available from http://www.wto.org/english/res_e/booksp_e/a4t11_2_chap_e.pdf

6. Istanbul Declaration, 3 May 2011, <http://www.un.org/wcm/content/site/ldc/home/pid/17029>
7. For an analysis on the value chain in LDCs, see Saner, Raymond, Yiu Lichia with Bhatia Alka study for UNDP “Commodity
8. Development Strategies in the Integrated Framework” (2009) available from <http://csend.org/publications/development-a-int-rel/48-commodity-development-strategies-in-the-integrated-framework>
9. CSEND Training Manual on Inter-Ministerial Coordination and Industrial Policy Making (2011) (Unpublished).

Author

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Table 1: Overview of AfT Sections in selected TPRs

	Burundi (2003)	Benin, Burkina Faso and Mali (2010)	Cambodia (2011)	East African Community (2006)	Madagascar (2008)	Malawi (2010)	Nepal (2011)	Rwanda (2004)	Sierra Leone (2005)	Southern African Customs Union (2009)	Zambia (2009)
AfT Section	x a	x b	✓	x c	x d	✓	✓	x e	x f	x g	✓
Funds	x	✓	✓	x	x	✓	✓	x	x	x	✓
Donors/Partners	✓	x	✓	x	✓	✓	✓	✓	✓	x	✓
Sectors describing where funds are allocated	✓	x	✓	x	✓	✓	✓	✓	✓	x	✓
Strategy on how to spend the funds	✓	x	✓	x	✓	✓	✓	✓	x	x	✓
Overall Secretariat report											
Link/Coordination to PRSP	✓	✓	✓	✓	✓	✓	x	✓	✓	✓	✓

(a) TPR has a section on TRTA, pp.22-25.

(b) “Regional” TPR does not have a section on AfT. AfT is briefly mentioned in p.viii. “National” TPRs annexed have a section on AfT.

(c) TPR does not include a section on AfT. TPR of EAC Members do not include a section on AfT nor TRTA.

(d) TPR has an Annex on TRTA, p.23.

(e) TPR has a section on TRTA, pp.23-26.

(f) TPR does not include a section on AfT but it has an annex on TRTA in p.30.

(g) TPRs of SACU Member States (excepting South Africa) have a section on TRTA.