

**Background note for the
Launch Meeting of the Research Project on
*Evaluating Effectiveness of Aid for Trade in Nepal***

**18 January 2011
Hotel Himalaya, Lalitpur**

Background

The Aid for Trade (AFT) initiative, launched during the Sixth Ministerial Conference of the World Trade Organization (WTO) in Hong Kong in December 2005, has formally completed five years of its existence. During this period, AFT resources have been significantly ramped up, two biennial Global Reviews of the initiative have taken place, and preparations are underway for the third Global Review. The Organisation for Economic Cooperation and Development (OECD) and the WTO—two major multilateral agencies responsible for monitoring the effectiveness of AFT—are claiming that AFT has been effective in some, if not all, areas.

The AFT initiative came on the heels of several unsuccessful trade-related technical assistance programmes ostensibly designed to integrate developing countries, in particular least-developed countries (LDCs), into the global trading system. It is, therefore, natural that these countries have been pinning their hopes on what is seen as a novel and well-resourced initiative to expand their trading prospects. However, as pointed out by the critics of the initiative, the way the AFT is being currently delivered leaves much to be desired. Moreover, given the fact that the monitoring of the initiative is being done largely at the global level, through a largely top-down approach, there has been a demand for conducting such an exercise at the national level. Despite the need being felt by the OECD, the WTO and the academic community, precious little has been done to develop a methodology for evaluating the effectiveness at the national level.

Context

Immediately following the Hong Kong Ministerial Conference, the WTO Director General constituted the AFT Task Force to provide recommendation on the modalities of the delivery of AFT. The report of the Task Force, which formally adopted by the General Council of the WTO in October 2006, lays down guiding principles for the implementation of AFT agenda at the global level. The report divides AFT into the following broad categories:

- Trade-related infrastructure (e.g., road, telecommunication, electricity).
- Building productive capacity (e.g., enhancing the productivity of agriculture, industry, fishery sectors).
- Trade development (e.g., investment promotion, trade promotion, business services).
- Trade-related adjustment (e.g., retraining of workers, compensation for retrenched workers).
- Trade policy and regulations (e.g., training of officials and stakeholders, help in designing policies and complying with trade rules).
- Other areas (e.g., other needs of the recipient countries that are not included above).

The Task Force recommended that the Paris Declaration on Aid Effectiveness should be followed to measure the effectiveness of AFT. The Paris Declaration was agreed in 2005 and defines a number of commitments on the part of donors and partner countries, and a set of indicators to measure progress in the areas of ownership, alignment, harmonization, result management and mutual accountability. It also recommended that the WTO should be responsible for monitoring the flow and effectiveness of AFT. This means that donors would continue to provide resources to developing countries on a bilateral basis, but the WTO would be responsible for overseeing the implementation of the commitments made. According to the latest documents, produced by the OECD and the WTO, AFT reached US\$25.42 billion in 2007 and US\$41.3 billion in 2008.

Critics are of the view that AFT has not been able to deliver on its promises mainly due to: a) broadness of definition and blurring of difference between AFT and other official development assistance (ODA) in general; b) donors' predilection for providing assistance based on their foreign policy objectives rather than based on the real needs of the partner countries as can be seen from the AFT provided to countries such as Afghanistan, India, Iraq and Vietnam as opposed to countries such as Bangladesh and Nepal; c) excessive provision of concessional loans rather than grants, thus defeating the whole concept of "non-debt creating" nature of AFT funding; and d) a lack of donor coordination and frequent duplication of efforts.

Although the latest reports of the OECD and WTO show that Nepal received a total of US\$225 million in 2007 in AFT commitments, which was reduced to US\$ 231 million in 2008, Nepalese stakeholders are not fully convinced that the country actually received those amounts in the form of AFT. This is not only due to the broadness of definition as discussed above, but also a gap between commitment and delivery of AFT resources. The problem is further exacerbated by the lack of coordination between the various government agencies responsible for implementing AFT programmes/projects.

The global project

The idea of a global project was jointly conceived by South Asia Watch on Trade, Economics and Environment (SAWTEE), Kathmandu and International Centre for Trade and Sustainable Development (ICTSD), Geneva at an international dialogue on trade, climate change and poverty co-organized by these two institutions in May 2010 in Kathmandu. Following this, the two institutions collaborated in the preparation of a methodology for assessing the effectiveness of AFT at the country level, which was presented, tested and finalized in Geneva in October 2010. The two organizations have now decided to implement the project, in collaboration with several other organizations, in six countries in Africa, Asia and Latin America/Caribbean. The objective of the project is as follows:

- To prepare a benchmark for monitoring the progress in commitment, disbursement, and utilization of AFT resources, and evaluate the effectiveness of AFT on the ground.
- To collect/collate data/information to help stakeholders, including donors, partner governments, the private sector and civil society, make informed interventions/decisions on AFT issues.
- To contribute to the regional/global review processes.

The results of the national-level evaluation to be conducted in six countries will be consolidated into a report and presented at the third Aid for Trade Global Review to be held at the WTO headquarters in Geneva in July 2011.

The national-level evaluation

Since Nepal has been selected as one of the countries in which the case study is going to be conducted, SAWTEE has taken up the responsibility of implementing the project in Nepal. While the project will be implemented over the next five months, the launch meeting is intended to provide a platform for:

- Introducing the project concept as well as methodology to stakeholders and seek their feedback on how to fine tune the latter in the Nepali context.
- Identifying the key stakeholders/allies who could provide useful information to the evaluation, and eliciting their support.

Organizers

SAWTEE: Founded as a loose network in 1994 and formally registered in Kathmandu in 1999, SAWTEE is a regional network that operates through its secretariat in Kathmandu and member institutions from five South Asian countries, namely Bangladesh, India, Nepal, Pakistan and Sri Lanka. The overall objective of SAWTEE is to build the capacity of concerned stakeholders in South Asia in the context of liberalization and globalization.

ICTSD: Founded in Geneva in September 1996, ICTSD aims to influence the international trade system such that it advances the goal of sustainable development. As an independent, non-profit and non-governmental organization, ICTSD engages a broad range of actors in the ongoing dialogue on trade and sustainable development policy. In advancing its mission, the Centre has become a leading broker of knowledge and information on trade policy and sustainable development.

Participants

Government officials who are directly involved in the AFT initiative, representatives of private sector organizations, the academic community, non-governmental organizations, and the media are invited to participate at the event.

For further information, please contact:

Ms. Prabina Maharjan

SAWTEE

Tukucha Marg, Baluwatar, Kathmandu

Tel: 977-1-4444438, 4424360, Fax: 977-1-4444570

E-mail: prabina.maharjan@sawtee.org