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| Università degli Studi di TrentoSchool of International Studies | Master’s Degree in European and International StudiesEnglish Language Reading Comprehension**Text 2** | 2014 – 201515 June 2015 |

**READING TEXT 2) – Assessing the effectiveness of Aid for Trade: Lessons from the ground**

*Think of an appropriate heading for each of the sections of the article below and write it in the appropriate space on the answer sheet.*

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Ahead of the Fifth Global Review of Aid for Trade that will take place at the WTO from 30 June to 2 July 2015, a renewed sense of urgency has emerged among Least Developed Countries (LDCs) regarding the benefits of Aid for Trade (AfT) for achieving inclusive and sustainable economic growth. This has become even more pressing in the lead up towards the adoption of the Sustainable Development Goals in September, where discussions on post-2015 development are underscoring AfT as a means through which official development assistance can assist developing countries in improving their productive capacity in trade-related areas.

The AfT initiative was launched at the Hong Kong Ministerial Conference in December 2005 with the objective to mobilise resources to address the trade-related constraints identified by developing and least-developed countries.

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This paper examines the conditions that make AfT effective by looking at country-specific factors based on the direct experience with AfT of eight developing countries. A variety of methods have been proposed to evaluate AfT, and these have generated evidence of various kinds. The value of the ICTSD-SAWTEE methodology lies in its simplicity and intellectual appeal. It is largely based on the Paris principles of aid effectiveness, including:

• local ownership of AfT projects – the degree of trade mainstreaming and the extent of stakeholder engagement in the design and implementation of projects;

• absorptive capacity – the institutions and human capability needed to effectively manage AfT flows and AfT projects; and

• donor responses to recipients’ needs – alignment of donors’ objectives with the recipient’s priorities and the extent to which donors use in-country systems for aid delivery.

However, the methodology goes beyond the Paris Declaration and includes other quantitative and qualitative benchmarks. Specifically, it argues that the additionality and predictability of AfT funds are critical to aid effectiveness and assesses these by tracking AfT flows. Moreover, the methodology considers the extent to which AfT is green, looking at possible inter-linkages between AfT projects and environmental and climate change financing. Finally, it proposes a framework to assess the impact of AfT projects at the macro level and in a particular sector.

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On the whole, it seems that the AfT initiative has fallen short of its objectives in the countries studied. Focusing on the indicators that could be marked on a Likert-type scale – that is, the 8 indicators from additionality to donor coordination proposed by our methodology –, we can rank the constraints to aid effectiveness in decreasing order of importance as follows:

• Lack of absorptive capacity;

• Limited use of country systems (or inefficient/unreliable systems);

• Low degree of trade mainstreaming;

• Lack of stakeholders’ coordination/involvement;

• No additionality of AfT funding;

• Low predictability of AfT disbursements;

• Donors’ objectives misaligned with host-country priorities;

• Lack of donor coordination.

Overall, our findings are not radically different from what has emerged from the more general aid effectiveness debate. In that respect, AfT is no exception and might actually have done slightly better than other areas of ODA. In short, AfT is likely to be effective when the host country has the appropriate institutions and human resources to utilize aid; when the aid program enjoys broad local ownership, including political ownership, and when donor objectives are aligned with local priorities.

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An interesting observation from the above ranking is that the top four constraints are specific to the AfT recipient, and not specific to the AfT initiative itself. In other words, there is nothing inherently wrong with the way AfT is being conducted, and so elaborate studies aimed at assessing AfT effectiveness may be looking at the wrong problem. A corollary is that the biggest returns to effectiveness are to be derived from tackling local constraints.

One surprising finding from the case studies is that there is an abject lack of awareness about AfT and AfT projects, even in implementing agencies. This may be partly due to definitional problems as well as poor information flow and lack of coordination among line ministries and implementing agencies.

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The evidence gathered from the eight countries has several implications for the Aid for Trade initiative. First, AfT projects must address local capacity constraints and institutional weaknesses in their very design, and, more generally, the initiative should tackle problems related to additionality and misalignment. As the donor community calls for AfT to deliver results, it must share responsibility with partner countries to see if AfT brings value for money.

In this respect, the growing focus on AfT project evaluation may be counterproductive, as it can divert dwindling resources from more pressing needs. In most of the countries considered in the study, and especially in the LDCs, the conditions that make AfT effective are often absent. Significantly, most of these conditions are host country-specific and are independent of the way the AfT business is conducted. It might therefore be more efficient for the donor community to devote greater effort to tackling the key determinants of success of AfT – notably, local capacity constraints and supply-side constraints – rather than investing more resources in AfT evaluations.

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As donors come under a tightening budget constraint, there is a growing need to strengthen recipient countries’ ability to effectively manage AfT resources. Enhancing partners’ capacity to benefit from AfT requires the establishment of effective institutional arrangements and mechanisms at the domestic level for stakeholder participation and interagency coordination, supported by appropriate legal frameworks. Yet, most countries have not elaborated a national definition of AfT nor have they established clear AfT strategies, incorporating results-based management practices, to allocate resources and assess impacts. Supporting them in this endeavor might have more impact than simply trying to improve the design and delivery of individual AfT projects.

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Another problem emerging from the country studies is the limited coordination among relevant ministries and government agencies in the design and implementation of AfT programs. The private sector is generally poorly involved in the AfT process and country donor agencies do not always coordinate their activities among themselves and with national stakeholders. All these factors tend to affect local ownership, aid effectiveness and, ultimately, development outcomes regardless of the quality of the AfT projects.

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Overcoming the constraints that have limited AfT effectiveness is not an impossible task. Indeed, the eight countries have tried to address some of them with different degrees of success. There is a growing wealth of experience and creative solutions among recipient countries, particularly those who have been successful at making the most out of limited aid resources. As we move forward, identifying the best practices in managing AfT based on experiences so far, and sharing them among recipient countries might be one of the most efficient ways to improve the use of AfT resources and ultimately increase development impacts. Such South-South exchange of experiences should become part of a continuous learning process involving not only recipient countries but also traditional and emerging donors.

Adapted for exam purposes from <http://www.ictsd.org/bridges-news/bridges-africa/news/assessing-the-effectiveness-of-aid-for-trade-lessons-from-the-0>

AID FOR TRADE BRIDGES AFRICA ‘Assessing the effectiveness of Aid for Trade:Lessons from the ground’

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