

OXFAM NZ SUPPLEMENTARY SUBMISSION THREE: WHAT IS AID FOR TRADE?

Aid for Trade is essentially ODA that assists developing countries to make the most of trade opportunities through building and expanding the systems and infrastructure required to support trade across their borders. There are four key areas that the OECD and World Trade Organisation (WTO) include as Aid for Trade:

- trade policy and regulation – building the capacity to make trade policy, take part in negotiations, and implement trade agreements
- building productive capacity – strengthening economic sectors to enable competitiveness in markets
- economic infrastructure spending – building, and maintaining, the roads, ports, telecommunications and other infrastructure that support trade
- trade-related adjustment – assisting with the impacts of tariff reductions, preference erosion and declining terms of trade.

The OECD's webpage on Aid for Trade states:

Aid for Trade helps developing countries, and particularly least developed countries, trade. Many of them face a range of supply-side and trade-related infrastructure obstacles which constrains their ability to engage in international trade. The Aid for Trade Initiative was launched at the 2005 Hong Kong WTO Ministerial Conference, and it aims to support developing countries' access to markets by helping countries to articulate, communicate and mainstream their trade-related objectives and for donors to align with these. The OECD and WTO have established an [aid-for-trade monitoring framework](#) to track progress in implementing the Aid-for-Trade Initiative. It consists of the following four elements:

- *mainstreaming and prioritising trade (demand)*
- *trade-related projects and programmes (response)*
- *enhanced capacity to trade (outcome)*
- *improved trade performance and reduced poverty (impact).ⁱ*

The impact of Aid for Trade efforts on poverty reduction is complex and debated, and depends significantly on the country context and the structure of its economy. To be classed as successful, Aid for Trade needs to create jobs and wage increases for those who experience poverty and inequality. Further, if trade leads to improved government revenue, this revenue needs to be channelled back into social spending to assist people who are poor. Aid for Trade evaluations are not well-focused on whether or not trade contributed to poverty reduction.ⁱⁱ To ensure Aid for Trade is contributing to achievement of the Sustainable Development Goals, and assisting women and youth, Aid for Trade activities need to be well-designed with clear and specific objectives articulated, rather than long causal chains with abstract goals about broad gender empowerment or poverty reduction.

Like all trade-related work, Aid for Trade must ensure that it is based on solid social and environmental analyses about the impacts of trade, and support stakeholder participation in decision-making and monitoring of Aid for Trade activities. In particular, it is crucial that Aid for Trade works to enable young people, women and micro, small and medium sized enterprises (MSMEs) to engage in international trade.

The latest report from the WTO and OECD highlights that Aid for Trade is contributing to development outcomes, but that this is not uniform. In particular countries that are least-developed, landlocked, fragile, conflict-affected, and small island developing states, (such as those of the Pacific region,) encounter specific challenges in making trade work for development. While the OECD “found that one dollar extra invested in aid for trade generates nearly eight additional dollars of exports from all developing countries – and twenty dollars for the poorest countries”ⁱⁱⁱ, results varied considerably depending upon the type of Aid for Trade activity, the sector involved, and the income level and location of the recipient country.^{iv} Successful Aid for Trade tended to be aligned with country or regional priorities, and half of partner countries state that differences in priority alignment between partners and donors was a constraint. Donors saw weak institutional capacity as one of the key barriers to Aid for Trade success, while recipients/partners viewed alignment and lack of coordination as key barriers.^v

ⁱ Aid for Trade: <http://www.oecd.org/aidfortrade/>

ⁱⁱ Sanaa Consulting, 2013, *Aid for Trade: Reviewing EC and DFID Monitoring and Evaluation Practices*, Tradecraft and Cafod, Accessed here: <https://static1.squarespace.com/static/59242ebc03596e804886c7f4/t/5a0046089140b72e251d1206/1509967372729/Aid+for+Trade+evaluation.pdf>

ⁱⁱⁱ WTO and OECD, 2019, *Aid for Trade at a Glance 2019: Economic Diversification and Empowerment*, Accessed at: <https://www.oecd.org/dac/aft/aid-for-trade-at-a-glance-22234411.htm>, p. 60.

^{iv} WTO and OECD, 2019, *Aid for Trade at a Glance 2019: Economic Diversification and Empowerment*, Accessed at: <https://www.oecd.org/dac/aft/aid-for-trade-at-a-glance-22234411.htm>, pp. 60-62

^v WTO and OECD, 2019, *Aid for Trade at a Glance 2019: Economic Diversification and Empowerment*, Accessed at: <https://www.oecd.org/dac/aft/aid-for-trade-at-a-glance-22234411.htm>, pp. 60-62.