AID FOR TRADE FOR LEAST DEVELOPED COUNTRIES IN THE GLOBAL TRADE SYSTEM

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1. The Objectives of Aid for Trade

Although developing countries are witnessing economic progress their gains from trade have been uneven. One outcome has been the two faces of developing countries that we see today: one of robust growth built on outward-looking policies that encourage trade and the other where the potential for enhanced trade remains constrained and therefore suboptimal. These two faces are due partly to the opportunities trade liberalization creates for development, but other factors determine the extent to which those opportunities are realized. In addition, any gross welfare gains from trade liberalization must be balanced against its associated costs. To realize the full benefits of global trade opportunities, least developed countries (LDCs) must incur production costs, marketing costs and policy costs. These costs are automatic and usually up front, and may be beyond the reach of entrepreneurs and governments in poor countries, thus inhibiting participation in global trade.

To help close the gap, the proposal that World Trade Organization (WTO) members develop an aid for trade (AfT) package arose in the context of negotiations on the Doha Round. Aid for trade was officially put on the WTO agenda at the 6th Ministerial Conference in Hong Kong in December 2005. The objective of the Hong Kong mandate is "to help developing countries, particularly LDCs, to build the supply capacity and trade-related infrastructure that they need to assist them to implement and benefit from WTO agreements and more broadly to expand their trade". Aid for trade is also expected to assist developing countries in trade policy reform. This includes, for example, training trade negotiators, improving customs procedures and ensuring countries implement laws to comply with the Trade-Related Intellectual Property Rights Agreement (TRIPs).

At the Hong Kong Ministerial Conference, WTO members instructed the WTO Director-General, Pascal Lamy, to set up a task force to provide recommendations on how to make aid for trade work. The first set of recommendations was submitted to WTO members on 27 July 2006. The task force recommended among other things that AfT be guided by the Paris Declaration on Aid Effectiveness, applicable to all parties (WTO AfT Task Force, 2006). The task force also said that country approaches were key, including mainstreaming trade in national development strategies; that donors should integrate trade more fully into aid programming, strengthen trade expertise and coordinate their efforts better. The role of regional development banks was emphasized, and assistance for regional integration and monitoring and evaluation of AfT was termed a critical component.

The Task Force recommended several additional guidelines for the implementation of aid for trade. These included strengthening country ownership of aid programmes and country-based formulation of trade-related needs and priorities, and strengthening the donor response to trade-related needs and priorities. In short, the bridge between country demands and donor responses at the country, region and global level needs to be stronger.

While these challenges should motivate donors and help identify recipients, aid disbursements should serve the purpose of promoting future exports, not compensating the loss of past exports. The objective should be to put resources into increasing the volume and value-added of exports, diversifying export products and export markets, and attracting foreign investment to generate jobs and exports and reduce poverty.

This paper is intended to point out the crucial and necessary connection between aid for trade and more trade in the development process of the poorest countries. It was apparent in the WTO agenda at the 6th

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Ministerial Conference in Hong Kong that LDCs need both more aid and more trade, but will more aid imply more trade and economic growth? After this brief introduction, the remainder of the paper is organized as follows: in the next section we discuss possible institutional frameworks for the delivery of aid for trade, then move on to areas in which AfT is needed. The next stage is to analyse what can be done, then to examine AfT priorities and assess the challenges in AfT operations. Drawing on this foundation, the presentation makes some recommendations on the way forward for both donor and recipient countries, and then provides a brief concluding statement.

2. Institutional Framework for Aid for Trade Delivery

In most LDCs the political economy jeopardizes the use of trade as a tool for growth and the capacity for sophisticated economic interventions is limited. Any institutional framework for implementing aid for trade should consider alternative models and theories. Of particular importance here are the aid effectiveness principles of the Paris Declaration, the spirit of which requires donors to tailor their approach to building trade capacity and level of ambition to a country's political and economic reality and its capacity to design and run effective programmes. The Drivers of Change (DOC) approach articulated by the Department for International Development is one method of applying such an analysis to the development of donor strategy. The DOC approach is not intended to manipulate local political economy conditions per se, but rather to ensure that the country and the donors understand the nature of the obstacles posed by political economy, including both formal and informal institutions, power bases and vested interests. One way of facilitating this effort is by involving local research institutions and publishing the results of the studies. The DOC approach can provide an explicit evidence base for the assumptions that inform programmes. It can also determine the nature and extent of "political will" for reform or the lack thereof, and the role this may have in the success of a programme. Other aspects of the DOC approach are the identification of the role of non-poor groups in change processes and collaboration with non-traditional partners. It is also necessary to take steps to discontinue programmes that have little chance for success.

In the case of small, localized projects for which a full scale DOC analysis may not be practical, other tools may have to be used. These could include analyses of the key stakeholders in the effort – the actors and institutions that need to own the programme to ensure a minimum level of effectiveness – and the development of pilot projects that are likely to deliver good results relatively quickly. Finally, when a state is weak, projects aimed at building capacity in the private sector and civil society might perform better. Adapting initiatives such as the one village-one product approach developed by Japan to work directly with local authorities or the private sector can tangibly increase the benefits from trade, and may also stimulate and strengthen the demand for change and better policies from the private sector and civil society (OECD, 2006).

More formally, the most comprehensive institutional AfT approach is the Integrated Framework (IF) for Trade-Related Technical Assistance to LDCs, which brings together multilateral agencies (the International Monetary Fund [IMF], International Trade Centre [ITC], United Nations Conference on Trade and Development [UNCTAD], United Nations Development Programme [UNDP], WTO and the World Bank) and bilateral and multilateral donors. The IF has two objectives: to integrate trade into national development plans such as the poverty reduction strategies (PRS) of the LDCs and to assist in the coordinated delivery of trade-related technical assistance in response to needs identified by these countries. The basic principles of the IF are country ownership and partnership. Financing is through a two-window Trust Fund, Window I finances the Diagnostic Trade Integration Studies (DTISs), and Window II, created in May 2003, provides a special facility to finance high priority projects. To date, however, the IF has had very limited success. The main problem lies in poor implementation at the country level. For example, a June 2006 report from the IF Task Force found significant shortcomings including lack of finance and human resources, low levels of implementation, disjointed governance structures, inadequate donor responses, and very weak country ownership (IATP, 2006).

Other frameworks for assisting LDCs include the Joint Integrated Technical Assistance Programme (JITAP), which helps African members participate in the Trade Integration Mechanism (TIM) of the

WTO and IMF, a policy to make it easier for countries to access IMF funds to help with problems arising from multilateral trade liberalization. To date, only two countries, Bangladesh and the Dominican Republic, have made use of the TIM. Evaluations of existing trade-related technical assistance programmes have highlighted serious weaknesses including unsystematic or incomplete needs assessments; weak project management; fragmented technical assistance interventions with insufficient linkages to broader development programmes; and weak linkages to poverty reduction (IATP, 2006).

Even the few developing countries and particularly LDCs that have accessed the available programmes have not experienced an optimal aid for trade effect. The best institutional structure for managing aid for trade would therefore address some of the most urgent challenges facing these countries, especially those related to development objectives. While the IF's Trade Diagnostic Studies form a solid basis for identifying needs, each country needs to develop a coherent trade strategy within which additional projects to support trade facilitation and adjustment could be planned. A modality towards this goal could be devoted to building sustained capacity within Ministries of Trade and other key agencies responsible for advocating and implementing trade policy reforms to engage in this kind of policy design and implementation. The IF could also assist with programmes intended to eliminate constraints to trade expansion, like poor infrastructure and high transaction costs. Extending IF activities beyond LDCs to other low income countries could support regional trade integration by addressing supply-side constraints at a multi-country level. Such an expansion of the IF, coupled with better integration into the poverty reduction strategy paper (PRSP) process would require increased donor resources, most particularly for the IF Secretariat (within the WTO Secretariat) and for the needed research to support linkages to the PRSPs. Another priority resource demand would be the institutional strengthening of in-country IF focal points and AfT Trust Fund management and fiduciary functions (IMF and WB, 2005).

3. Where Aid for Trade Is Needed

Aid for trade matters for LDCs because integration is critical to the realization of the benefits of trade in globalization. The productive capacity challenges, marketing constraints, trade policy and regulation challenges are key reasons why LDCs need AfT in order to realize their optimal trade potential in the global trading system.

3.1 Production Constraints

Productive resources, entrepreneurial capabilities and production linkages together determine not only the overall capacity of a country to produce goods and services, but also what goods and services the country can produce. The reason for this is that productive capacities are not always generic – rather, they are often activity-specific. Notwithstanding, LDCs' productive capacity is characterized by low productivity as a result of rudimentary tools, primitive techniques, lack of production skills, and limited application of research and development in the sector. For example, outside South Africa and Mauritius, training institutions are weak and their programmes are poorly endowed with necessary skills and tools to promote product diversification (Lyakurwa, 2007b).

Inadequate infrastructure is also an important source of supply constraints. Poor transport infrastructure can prevent local farmers from accessing large domestic markets and international ports; unreliable energy and water supplies can disrupt production or increase costs. In Uganda, for example, poor infrastructure cripples local exporters. More than 50% of Ugandan roads are in poor condition placing a large burden on farmers. Transport costs associated with poor roads add the equivalent of an 80% tax on exported clothing. Most companies rely on generators to bridge periods of blackout and to avoid damage to equipment from power fluctuations. This is far more costly than grid power, since the average generator installed by small and medium-sized enterprises in Uganda costs about US$25,000 and requires considerable ongoing maintenance and fuel costs. Power generation can increase business start up costs by more than 30% (Juma, 2005).

Furthermore, despite the spectacular development of technology around the world, the technology divide between developed and developing countries is widening. The current research and development (R&D)

model is one that largely precludes LDCs from defining or benefiting from the research agenda, and is instead dominated by international partnerships that do not interact effectively with indigenous knowledge systems. In LDCs themselves, capacity constraints and competing priorities mean that as little as 0.01% of GDP is allocated to R&D activities. This has implications for both promoting international competitiveness and fostering the link between traditional knowledge and innovation – a copy-cat approach with little innovation. Moreover, some new technologies are often not suitable or affordable to the LDCs who need them the most. Technology development agendas are driven by the needs of developed countries and the consumers who can afford to buy the technology. This has led to the stark contrast between the global research agenda and the needs of LDCs. For example, 90% of pharmaceutical research is focused on products for conditions prevalent in developed countries, while 90% of the disease burden is concentrated in developing countries (UNCTAD, 2006). In the global trading system these incongruities prompt the challenge to focus AfT towards enhancing the ability of firms to meet production requirements by building production infrastructure and capacity conducive to international trade.

3.2 Market Constraints

While the share of developing country and LDC trade is largely determined by a country's ability to produce high quality goods and services and bring them competitively to international markets, market share is also affected by de facto tariffs. Typical developing country exports face higher barriers, both in the markets of industrial countries and in those of other developing countries, than industrial country products. For example, applied simple average tariffs for merchandise imports into industrial countries are approximately 3%; for textiles and clothing and for agricultural products, which represent a relatively large share of developing country exports, average tariffs are 8% and 27%, respectively. Tariffs on imports into other developing countries are substantially higher, except for agriculture. Within product groups, tariff peaks that often exceed 50% or, in agriculture, 100%, are concentrated in labour-intensive products where least developed countries have comparative advantage. Furthermore, tariff escalation in which tariffs on processed goods exceed those on primary products substantially reduces the returns to developing country entrepreneurs engaged in activities with higher value-added. This hampers the diversification of exports, limits the accumulation of skills and capital, and thus helps to perpetuate dependence on a small number of unprocessed goods whose world demand grows little and whose prices are volatile (UNCTAD, 2006).

In addition, while liberalizing access to developed economy markets points to significant benefits for developing countries, the benefits are unevenly spread. Some LDCs enjoy de facto protection in third markets as a result of preference margins and bilateral quotas under the Uruguay Round Agreement on Textiles and Clothing (ATC), but liberalization erodes these preferences, causing LDCs to lose out to more competitive suppliers. A case in point is China's recent accession to the WTO, which allowed it to compete on equal terms with other developing countries, with sometimes disastrous results for the competitors. ATC quotas on textiles and clothing have constrained Chinese exporters, but upon conversion of quotas into multilateral tariffs, they are expected to gain market share from other suppliers, including low-income countries (UNCTAD, 2006).

Non-tariff measures further increase the barriers faced by developing country exporters, and reduce the transparency of market access conditions. For example, 40% of LDC exports face substantial non-tariff barriers (NTBs), including import quotas and licensing, domestic content requirements, sanitary and phytosanitary (SPS) requirements, customs procedures in developed country markets, and contingency measures. According to UNCTAD (2006), these NTBs doubled in the period 1994–2004, and there has been a sevenfold increase in testing and certification requirements since the conclusion of the Uruguay Round. Technical and SPS standards are increasingly complex and are generally developed with little involvement by developing countries; they have strained the capacity of developing countries to meet them. Furthermore, there are concerns about the scope for the discriminatory use of these measures. Together, non-tariff measures can add considerable uncertainty over market access – a market that appears accessible at the time of an export-oriented investment can close if the activity proves "too" successful.

Furthermore, product diversification in many LDCs, whether in agriculture, manufacturing or services, is hampered by low capacity. The export competitiveness of LDCs in particular indicates that the basic productive capacity in these countries is often rudimentary, with limited technological or export value added. Very few have been able to move away from the syndrome encompassing commodity dependency, low value addition and realization, lack of viable diversification, and unfavourable terms of trade. The result is that their ability to cope with the emerging complex of sophisticated market access and entry conditions is negligible. Target areas of intervention by AfT could include trade-related infrastructure funding – including help to fund warehouses, cold chains, grading systems, marketing and promotion bodies, roads and port infrastructure, energy grids, and so on (UNCTAD, 2006).

A European Union evaluation of a selection of Latin American countries brings this point home. The analysis found that only 27% of commitments had been disbursed over the study period, and resources dedicated to diversification were not used. Besides indicating weak strategies for diversification, the report also found that the scope of disbursed funding was limited. Support went mostly to large exporters rather than small ones because the bigger businesses were able to anticipate the necessary investments needed for increasing productivity, thus bypassing domestic smallholders whose productivity was much lower (OECD and WTO, 2007).

3.3 Policy Constraints

The implementation of relevant policies can lead LDCs to competitive participation in the global trading system, resulting in economic growth. However, trade policy capacity building is often narrowly focused on encouraging these countries to participate in the negotiations of interest to rich countries. It is often targeted at one-off issues, rather than contributing to building national capacity to understand, negotiate and implement trade agreements in a way that maximizes development (Stiglitz and Charlton, 2006). Furthermore, WTO regulations designed to create a level playing field circumscribe traditional as well as innovative approaches to development. For example, there is concern that the kinds of strong industrial policies that played such an important role in the success of the East Asian countries may be circumscribed by current WTO rules.

In addition, developing countries are subject to the interpretations of regulations demanded by the advanced industrial countries. In the agriculture negotiations, net food importing developing countries have been assured that assistance will be provided in the event of rising food import bills (IATP, 2006), but they face a core need that AfT should address: Many lack trade policy capacity and simply do not have the staff, finance or depth of skills to adequately represent their interests in trade negotiations – or to implement agreements and integrate their own trade policies into the changing global trade environments.

At the country level, actions of private persons who bribe and otherwise attempt to influence public officials so as to gain an undue competitive advantage or secure profitable government contracts corruptly skew trade advantage. In customs services, one of the major corruption risks is a high rate of duty to be paid, especially if the duty is discretionary. In such a situation it is easier and cheaper and often faster for businesses to bribe a customs officer rather than pay the duties or to avoid paying customs duties by underdeclaring goods at customs – although such declaration is arguably riskier because customs officers may reveal the cheating during the verification of cargo (UNECA, 2005).

Furthermore, according to the World Bank (2005), administrative hurdles (for example, customs and tax procedures, clearances, and cargo inspections) contribute to 75% of trade facilitation delays. Africa suffers from the highest average customs delays in the world, 12 days on average. Estonia and Lithuania require one day for customs clearance; Ethiopia averages 30 days. Unstable electricity supplies, congested borders and bureaucratic procedures make it a challenge to run a business in Africa (UNCTAD, 2006). It is logical therefore to conclude that actions by governments and the private sector to remove these administrative barriers are urgently needed. Moreover, where possible, the assistance of intergovernmental and international organizations like the World Customs Organization, United Nations Economic Commission for Africa (UNECA), the African Development Bank (AfDB) and the Bretton Woods institutions can significantly improve the situation with customs procedures (UNECA, 2005).

4. What Can Be Done

Despite the range of existing trade facilitation programmes, many developing countries and particularly LDCs do not have easy access to these programmes. Moreover, existing programmes fail to address some of the most urgent challenges facing developing countries, especially those related to development objectives, including trade competitiveness and the need to increase productivity in their agriculture, manufacturing and service sectors with a view to increase employment and hence reduce poverty. For trade to strengthen LDCs' development processes, these countries must be enabled to address the challenges they face in production and trading with each other and with the rest of the world. AfT thus becomes an essential complement to international trade liberalization as it can help these countries to realize the potential development gains and to mitigate the costs of adjustment and implementation. Developing countries need aid for trade designed for reducing transaction costs of various kinds (production costs, marketing costs, policy costs and infrastructure costs), many of them "behind the border", and for alleviating the social cost of trade liberalization (UNCTAD, 2005; World Bank, 2005).

4.1 Build Productive Capacity

Productive capacities, trade and investment are interlinked and are mutually reinforcing elements of the national and international economic structure. The various production complementarities to which all kinds of production linkages give rise mean that the competitiveness of particular activities and individual enterprises depends not only on the productive resources and entrepreneurial capabilities within those activities and enterprises, but also on the competitiveness of the production system as a whole (Porter, 1990). Building international competitiveness in tradeable sectors should be a basic objective to be pursued in a step-by-step way focusing on real economy targets.

4.2 Improve Quality

Selling to the world requires that there be concerted efforts to benchmark quality of output, mindful of the competition in the markets. Production and quality can both be increased through staff motivation but also require technical capacity, including relevant and appropriate technology acquisition for improved performance. Quality assurance schemes and conformity with standards will address the issue of quality. Investing in full-scale research and development can be done with the aim of un-packaging and adapting technology to local conditions and addressing the needs of local producers to enable them to compete in international markets. However, there is also a need to reorganize institutions and set appropriate targets, while ensuring that there are adequate resources for arisingchallenges. Examples of institutions that would play a key role are national research institutes and agricultural research organizations. Clustering for benefits deriving from economies of scale is another way to strengthen the capacity of local producers. In agriculture, the creation of conditions for technology-based production capable of producing meaningful volumes would be desirable. Compliance with standards can be the only basis on which products will be accepted and ensure expansion (Juma, 2005).

4.3 Harness Technology

LDCs should build their technological capabilities in order to increase productivity, competitiveness and profitability and to address a changing external environment in terms of supply and demand conditions (Dahlman and Westphal, 1983; Dahlman and Amsden, 2001; Lall, 1992, 2004). Aid for trade can improve African business environments by contributing to the removal of supply-side constraints and the provision of trade-related infrastructure. This is the case in Germany and Spain, where although donor strategies are implicit, support for trade is expressed in many ways, from aid for agriculture and infrastructure to support for private sector development. Sometimes an agency-wide strategy paper on development cooperation overall has trade as a core component, e.g., the Australian Government White Paper (as noted in OECD and WTO, 2007). AFT in Africa should be seen in terms of its role in developing the capacity of the private sector.

4.4 Improve Skills

Improving access to labour markets, particularly by enhancing workers' skills, is a powerful tool for poverty reduction and a fundamental source of economic progress. Combining LDCs' lower-cost labour with improved skills would enable these countries to compete more effectively in the global market. One of the classic success stories here is SingaporeFifty two percent of Singapore's real GDP per worker growth rate is explained by an increase in capacity to absorb new technology by investing in quality education and effective links to the world's technological leaders through trade (particularly machinery imports). Investment in R&D and technological cooperation at the regional and international level are also needed in order to build the scientific and technological basis for future economic relations. Coe et al. (1997) show that how much any single follower economy benefits from international R&D positive externalities depends on its distance from the frontier and its stock of human capital, as well as its integration with technology leaders through trade and foreign direct investment (FDI). These improvements can be achieved by channelling AfT to promote tertiary education, formal training, learning by doing and innovation (R&D).

4.5 Enhance Information and Communication

Information and communication technologies (ICTs) are unique in the way they can allow newcomers to leapfrog to state-of-the-art technologies. For one thing, ICTs play a critical role in the fragmentation of the global value-added chain and in shifting parts of production to different geographical locations. By using ICTs, firms are able to exchange knowledge and information online from anywhere in the world, communicate just-in-time with clients and suppliers, and deliver services efficiently and promptly. Biggs and Shah (2004) argue that members of ethnic networks do not have to rely on establishing long-term relationships with suppliers to get credit, as their reputation in the network provides enough information to lenders. It is also an indication that with readily available information, smaller firms in the business network have access to credit. The *2006 Global Competitiveness Report* (World Economic Forum, 2006) presents striking evidence to conclude that investment in ICT boosts competitiveness. In order not to hinder international competitiveness, both the trading communities and the public administrations in developing countries need to be institutionally and technologically aligned with their counterparts in neighbouring and overseas trading partner countries.

4.6 Seek Technical and Financial Assistance

Technical and financial assistance should be provided for improving infrastructure, productivity and diversification, and for development of facilities and systems to achieve compliance with SPS requirements and technical barriers to trade (TBTs). The Integrated Framework (IF) discussed earlier has considerable potential to assist these countries in identifying their trade needs. Strengthening export promotion agencies through technical assistance and institutional capacity building is crucial for attaining the objective of improved exports in the LDCs, moving from resource-based exports to value-added and high technological-content exports. It should be recognized that trade, investment and domestic reform, not aid alone, were the main drivers of economic development, but that financial assistance, strategically invested, could provide an important catalyst for export growth and competitiveness.

Most developing countries have limited access to overseas development assistance (ODA) grant resources and concessional lending. Non-concessional lending and equity investment will therefore be key in addressing the region's trade-related capacity and infrastructure needs. AfT grants can provide crucial seed money for – and thus help activate – larger infrastructure programmes and other supply-side interventions that require non-concessional financing. Among the challenges are how to make multilateral lending more accessible, for example by facilitating "blending" with donor assistance, and how to increase the incentives for private investment in trade capacity building and expand the scope for public-private partnerships. There are ongoing policy decisions (and announcements) about infrastructure funding, but these are generally outside AfT discussions. One example is the Infrastructure Consortium for Africa jointly supported by African countries and by the European Commission, Group of 8 and key multilaterals (UNCTAD, 2006). A challenge is how to bring these issues together.

Further, there is potential for large returns from regional investments, as coordination failures may create a gap in the optimal provision of regional public goods. The availability of grant financing for regional public goods may help to bridge this gap. Likewise, the complexity of aligning national sovereign guarantees to access lending facilities for regional projects calls for the development of new regional financial instruments. The identification of a small number of pilot projects to test new instruments may help to build support for further regional initiatives.

4.7 Build Marketing Capacity

Given the untapped trade, investment and development potential for LDCs, proposals for building their market access take many forms. Several policy initiatives can be implemented to reduce the negative impact of such trade barriers and make market access and entry more effective. One major challenge for LDC producers and exporters, therefore, is the increasing prevalence of anti-competitive practices by foreign enterprises in their own markets and in international markets. In areas such as food and agriculture exports, where LDC exports are concentrated, these exports often face monopolistic and oligopolistic situations and are therefore at the mercy of price, quality and other stipulations set by large buyers with concentrated economic power rather than any WTO agreements. There is a need for capacity building in LDCs to create awareness about competition policy and establish their own legislation and mechanisms to deal with such anti-competitive practices. The international community should also be sensitive to the vulnerability of LDCs to anti-competitive practices and take measures to afford international consultation and cooperation as required. UNCTAD has been working with LDCs in this area (UNCTAD, 2005).

This is not to say that standards are not important; reasonable standards must be observed as they may enable LDCs to improve the technical quality of their products and processes. This is becoming critical for entry into high-income markets. But the imposition of standards in major markets that affect key products of export interest to LDCs needs to be disciplined, and positive measures need to be taken to build capacity in LDCs to monitor and comply with such standards. For example, the provision of WTO bound duty free quota free treatment (DFQF treatment) by developed countries, coupled with effective standards-related capacity building in LDCs to overcome market entry barriers, is a move in the right direction (UNCTAD, 2005). More specifically, effective awareness raising, notably among LDC producers, particularly small and medium enterprises, of existing and upcoming standards and regulations should be promoted. This can be done through effective communication with governments and standard-setting bodies in importing countries about the impact of environmental requirements on the compliance costs and profitability of producers in developing countries. The envisaged billion-dollar Aid for Trade Fund would provide much needed finance for meeting adjustment costs arising from trade reform, help provide the hardware and software of trade-related infrastructure, and supply capacity and competitiveness building in commodities, manufacturing and services (UNCTAD, 2005).

4.8 Build Trade Policy Capacity

A good policy environment is a key requirement for trade development, and it can also help ensure that the gains from trade are distributed equitably. But many poor countries need help to build the institutional capacity to address policy challenges and to participate optimally in globalization and the continuing trend towards trade liberalization and regional economic integration. Perhaps the most basic move would be a clear commitment by developing countries themselves to create appropriate policy and institutional conditions. To this end many low-income countries have developed PRSPs in which national policies and donor priorities converge.

Notwithstanding, a fundamental goal of capacity building is to enhance the ability to evaluate and address the crucial questions related to policy choices and modes of implementation, based on an understanding of environment potentials and limits and of needs perceived by the people of the country concerned (UNCED,1992). Efforts by WTO, the African Development Bank (AfDB) and UNECA to organize joint trade policy courses for African countries and the Trade Policy Training Centre in Africa (trapca) are steps towards trade development. In order to achieve trade-related policy objectives, infrastructure improvements have to be coupled with good policies. Research indicates that returns to infrastructure projects can vary widely and are affected by the quality of the business environment. Good roads and port facilities, for example, do not by themselves guarantee an expansion of trade. The value of such infrastructure projects is easily eroded by poor economic policies, or inefficient and corrupt customs services.

As the global marketplace becomes increasingly liberalized and competitive, countries also need to constantly upgrade their technological capabilities. Governments need to regularly assess the policies governing the transfer of technology and the requirements for upgrading technological capacity. They also need to identify weaknesses in their science and technology policy, including in their innovation policies, and ensure they have the appropriate institutions to support their science and technology strategy (UNECA, 2005).

4.9 Curb Corruption

Urgently reforming customs services could go a long way towards improving the trade environment by eliminating corrupt practices that hinder trade. As noted earlier, clearing agents may connive with customs officials to demand facilitation fees and other payments from importers and exporters, especially when documentation is not fully in order. If customs procedures are not defined clearly and are complicated, or if there are no clear terms of reference for customs officers, or the procedure of running some activities is not clearly defined, then the freedom of action of officers is virtually unlimited. The challenge is to limit the freedom of action of officers in order to eliminate the risk of corruption. Partnership agreements with the European Union or WTO commitments can go a long way to intensify the existing internal systems of control and outward audit leading to the elimination of corruption risk. Up to 75% of the delays experienced by business can be controlled through actions by customs authorities, other government agencies and the private sector. Better still, singly and within coalitions, the private sector can actually provide impetus to customs reform procedures (UNECA, 2005). Companies should also develop and implement Codes of Ethics specifying clearly what is acceptable and unacceptable in dealings with government officials and third party service providers like clearing agents since fraud and corruption are not confined to Customs.

5. Aid for Trade Priorities

The challenges facing AfT limit its ability to deliver efficient trade development. The demand for AfT in least developed countries is seemingly infinite, but having failed so far in the Doha Round the concept seems in danger of dying a slow death. AfT priorities and limits need a rethink and re-evaluation by the participants, as suggested ahead, so as to regain momentum and commitment. This is perhaps even more urgent given the current crisis that is gripping the global economy.

5.1 Adjustment Assistance

Trade liberalization prompts changes in relative prices that, in turn, trigger structural adjustment, which occurs as more productive firms – especially export-oriented ones – expand their outputs as less productive enterprises in sectors that face greater import competition begin to contract. In many developing countries, adjustment is constrained by the degree of rigidity in the economy and export patterns – high dependence on a few export commodities and markets. Also the costs of implementing new WTO agreements can be disproportionately higher in developing countries where previous practice and regulation might differ substantially from international standards. Empirical evidence suggests that stringent standards can have a negative effect on trade. For example, African exports of cereals will decline by 4.3% and that of nuts and dried fruits by 11% with a 10% tighter EU standard on contamination levels of aflatoxin in these products (Lyakurwa, 2007a; Wilson and Otsuki, 2003). The EU has also estimated the costs of technical standards as being equivalent to a tax of 2% of the value of goods traded (Otsuki et al., 2001).

Complying with international standards requires additional efforts that might be impossible to afford in sub-Saharan economies. Finger and Schuler (2001), for example, show that the World Bank spent US$82.7 million between 1991 and 1996 in Argentina on a project to assist in the implementation of sanitary and phytosanitary regulations. In accomplishing standards, LDC exporters face administrative, technical and financial burdens that can act as an entry barrier for individual suppliers (Sanchez et al., 2007; Lyakurwa, 2007a).

Chen et al. (2004) find that technical regulations adversely affect a developing country firm's propensity to export and impede market entry for exporters, reducing the likelihood of exporting to multiple countries. Three years ago the fish harvest from Lake Victoria was worth more that US$400 million. But unless the fish meet specific standards in the destined market, such as in the EU, then the duty-free quota-free market access would not count for much, with serious impact on the three East African countries of Kenya, Tanzania and Uganda. African countries therefore should consider theadjustment of standards as a priority area for their AfT activities.

Because so many low-income countries depend heavily on trade revenue, liberalization may also entail significant losses of government revenue. Under the new Non Agriculture Market Access Agreement (NAMA), for example, lost trade revenue could account for more than 40% of all government revenue in the Dominican Republic, Guinea, Madagascar, Sierra Leone, Swaziland and Uganda to name a few (*Reality Check*, 2008).

Additionally, liberalization may make it more difficult for net food-importing developing countries to afford necessary food imports, because the reduction in rich country agriculture subsidies will push up world food prices. The World Bank has estimated that total losses for net food importers would be between US$300 million and US$1.2 billion per year (Mitchell and Hoppe, 2006). Depending on assumptions, between 7 and 16 countries risk having food import bills increase by 5% or more (Stiglitz and Charlton, 2006). These additional costs threaten food security and add to existing balance of payments difficulties.

Preference erosion – the trade losses resulting from liberalization in other countries – is another potentially serious concern for many poor countries (UNCTAD, 2005). From these perspectives, facilitating structural adjustment should be at the heart of efforts to eliminate supply-side constraints, and as such should be fully included in the Hong Kong Declaration on Aid for Trade.

5.2 Harmonization

In the new move on AfT, partner countries confirmed the importance of harmonization and encouraged coordinated analyses of trade development needs. According to this principle of aid effectiveness donors are expected to work aggressively to reduce transaction costs by increasing complementarities, making greater use of local systems, expanding the use of delegated cooperation and better integrating their programmes with local spending plans.

But, although harmonizing donor procedures and aligning their support is rising, more remains to be done. Many donors – including the AfDB, Australia, Denmark, the ITC, Japan, New Zealand, the Netherlands, the United Kingdom and the United States – do support coordinated country-level programming and analysis as a matter of course. Others, like Portugal, Korea and Spain, have not yet done so, and Korea plans to expand coordination in the future. Finland has undertaken such coordination, but not in all countries. Because of its small size, the Czech Republic builds on the analytic work performed by others (OECD and WTO, 2007).

The WTO, in close collaboration with the World Bank and IMF, is the focal point of the aid for trade agenda at the international level. There has been limited consultation with other agencies, such as UNCTAD, the Food and Agriculture Organization (FAO), or the UN Development Programme (UNDP). At the national level, trade ministries have assumed the main responsibility for aid for trade. This puts a very narrow trade-driven focus to the agenda. If WTO members are serious about tackling weaknesses in productive capacities and infrastructure in developing and least developed countries, they will have to take a much broader and more integrated approach that actively involves other stakeholders, other national ministries and the wider multilateral system, including UN special agencies.

5.3 Financing

Finance can to help countries to achieve the necessary developmental pre-conditions for trading by alleviating the external constraints on development. In his speech to the 2007 AfT Regional Review Conference in Manila, WTO Director-General Pascal Lamy highlighted the need to focus on the required financing, how to mobilize it, and how to deliver it more efficiently and effectively – getting donors and international agencies to focus more on trade and growth. However, even though the potential for aid and trade to work together to help developing countries seems obvious, there has been a history of mistrust and apparent conflict between them (Page, 2007). Aid agencies in developed countries and finance ministries in developing countries are normally separate from trade ministries, so that there is rarely an institutional spur to consider the possibility of using trade measures. Again, the inadequacy of grant funding for trade-related assistance to middle-income countries is a serious challenge, and what is available is not predictable because it is budgeted annually. And finally, the lack of regional finance and a flexible rapid response facility contrast with the long-term programming suggested by the World Bank and the IMF. LDCs, through a WTO agreement, should ask for financial certainty through aid for trade mechanisms.

6. The Challenges in Getting the Delivery of AID for Trade Right

The Paris Declaration on Aid Effectiveness is built around broad principles on how to deliver and manage aid accompanied by action plans that can be monitored in order to improve aid for trade delivery. Delivering on these principles means overcoming a number of challenges, as described in the next section.

6.1 Insufficient Funds to Accomplish Objectives

The Hong Kong WTO Ministerial Conference and the G8 summits in Gleneagles (in 2005) and St. Petersburg (in 2006) pledged to increase aid for trade. At the Hong Kong conference, Japan pledged US$10 billion over three years, the United States pledged US$2.7 billion a year by 2010 and the EU pledged €2 billion (US$2.6 billion) a year by 2010. In St. Petersburg, G8 leaders said they expected spending on aid for trade to increase to a total of US$4 billion. However, the money pledged to date is insufficient to cover the proposed aid for trade agenda: The current pledges amount to around US$4–8.6 billion, yet according to calculations by the Organization for Economic Cooperation and Development (OECD) the estimated costs stood at US$22.8 billion in 2004 (IATP, 2006). In addition, OECD members have already made their ODA commitments until 2010 and thus prospects for additional money are unlikely (OECD, 2006).

There is also no negotiating momentum behind the initiative and it might be hard to shift aid more towards improving the trading and productive capacities of developing countries. From the pledges announced so far, there appears to be little or no increase in total AfT and its share of total aid may actually fall(ODI, 2007). Concerned about the limited progress in the area of funding, the Agency for International Trade Information and Cooperation (Aitic) remarked that the political will of the major players to deliver on their Hong Kong promises is weak and will need to be tested (Aitic, 2006). Aitic also indicated that the conditions attached to enhance trade-related aid will have to be watched carefully and that the means of delivery and coordination among agencies remain a concern.

Regarding other questions, it is clear, as indicated earlier, that trade-related infrastructure has not been well defined. It is therefore important to find a common understanding which parts of infrastructure are to be considered AfT (Olanrewaju, 2007). Additional funds also come with the challenges of Dutch disease and absorptive capacity. To harness effective pledges the Aid for Trade Task Force should clarify how much money is being pledged and which programmes the AfT money will prioritize, if the full agenda proves too big – as seems likely (Olanrewaju, 2007).

6.2 Skewed Trade Negotiations

There should be no link between AfT and countries' negotiating positions. Yet promises of aid are used to pressure developing countries to accept greater commitments in the WTO. Developed countries consistently use their aid budgets to pressure developing countries to move closer to developed countries' trade negotiating positions. In the agricultural market access (NAMA or industrial tariff) negotiations, for example, the IMF assured many developing countries that there would be suitable mechanisms for addressing any balance of payment problems that might arise from lost tariff revenues. In the trade facilitation negotiations, which include improving customs procedures, developing countries were similarly assured that assistance would be available to help them implement their obligations. Furthermore, the Aid for Trade Task Force consumes time and resources from developing countries, leaving them with less capacity to engage in the trade negotiations (IATP, 2006). The challenge is that the pressure on developing countries distracts them from pushing for better trade rules and they may end up signing agreements they would rather not sign.

6.3 Mutual Accountability

Arguably, the accounting of aid for trade and its effectiveness is ultimately more important than the amounts available. The Aid for Trade Task Force argued that a global picture of AfT flows is important to assess whether additional resources are being delivered, to identify where gaps exist, to highlight where improvements should be made, and to increase transparency on pledges and disbursements. Furthermore, the design, implementation and review of trade development strategies, and the associated aid for trade, are challenged by the involvement of a wide spectrum of stakeholders. Although some Aid for Trade Committees or equivalent bodies have been established to review progress on AfT commitments, there are challenges yet to be addressed (OECD and WTO, 2007). In Peru, for example, a large number of public entities are involved in supporting the National Competitiveness Plan, but there is no aid for trade committee as such; the Peruvian Agency for International Cooperation takes a lead role on coordination of aid for trade. Mauritius also has no aid for trade committee, although a designated body meets as often as required to monitor progress and review strategy. In Uruguay there is no aid for trade committee. Malawi does follow general aid-related processes that encompass the trade sphere and the budget framework and key policies are discussed with representatives of the private sector, donors and civil society (OECD and WTO, 2007).

Donors and partners should be more committed to enhance mutual accountability and transparency in the use of development resources. Partner countries should reinforce participatory processes by systematically involving a broad range of development partners when formulating and assessing progress in the implementation of national development strategies. Donors should be committed to provide timely, transparent and comprehensive information on aid flows.

6.4 Alignment

Partner countries should help facilitate donor alignment through national planning and budgeting frameworks with the development priorities and results-oriented strategies set out by the partner country. This process needs to be strengthened in some countries, however, which may require investment in capacity development on the part of partner countries.

In Mauritius, Panama and Peru, the major donors do work through national planning and budgeting frameworks. Mauritius's external partners align their interventions with the government reform programme. External resources – in the form of general budget support – are channelled to the government on the basis of mutually agreed performance indicators. A significant proportion of Malawi's overall support is deemed extra-budgetary (i.e., involving finances not directly managed by a government institution). The Philippines does not verify whether all external partners use its policy planning and budgeting framework (OECD and WTO, 2007).

Furthermore, many partner countries are unable to specify how well aid for trade matches their overall priorities, and more work is required in the development of aid management information systems. In 2005, some 80% of aid for trade to Peru went to different forms of capacity development, with 19% going to trade-related infrastructure. Peru's experience affirms that infrastructure is a priority, but does not indicate whether the overall composition of aid for trade is striking the right balance. No aid management information system is referred to. Malawi uses the Commonwealth Secretariat Debt Recording Management System for capturing information on external loans. No other type of information management system is used (OECD and WTO, 2007).

In delivering this assistance, donors may have to progressively depend on partner countries' own systems – and provide capacity-building support to improve these systems – rather than establishing parallel systems of their own. Partner countries should undertake the necessary reforms that would enable donors to rely on their country systems.

6.5 Managing for Results

Partner countries embrace the principles of managing for better results, starting with their own results-oriented strategies and continuing to focus on results at all stages of the development cycle – from planning through implementation to evaluation.

A range of achievement indicators is used for trade development and AfT strategies. While some partner countries in consultation with donors do describe and frequently review an array of achievement indicators in these areas, this management measure is lacking in others. In Mauritius, partners collectively agree on strategies and benchmarks with line ministries and external partners make their own independent assessments of progress. Mandatory consultations are held with partners collectively three times a year in order to take stock of progress and agree on new indicators and targets. Cambodia, however, does not have formal mechanisms to monitor and evaluate the results and impacts of its aid for trade. Uruguay appears to have no overall AfT achievement measures; objectives are said to vary according to each ministry (OECD and WTO, 2007).

The Aid for Trade Task Force recommended that the WTO should convene a global periodic review of Aid for Trade. Yet the WTO lacks the necessary expertise to assess aid delivery and effectiveness and so will not be able to effectively evaluate aid for trade, at least not without help from other agencies. To date, WTO member governments have been reluctant, and occasionally hostile, to WTO cooperation with UN agencies, raising the question of whether the WTO is the most appropriate forum to hold a periodic review of aid for trade activities (OECD and WTO, 2007).

7. The Way Forward

If there is any landmark in the development process of LDCs' participation in the WTO initiative, it is the new attention in the linkages between aid and trade. LDCs should nevertheless observe that this success is so far suboptimal, given the challenges facing the implementation process, and must be reinforced by both the donor community and developing countries in the aid for trade space. Both players should take the opportunity to criticize and propose reforms that improve the present level of aid for trade delivery.

7.1 Way Forward – Donor Community

To make AfT work, donors need to rely on and support partner countries' own priorities, objectives and results. They should also work together to strengthen partner countries' institutions, systems and capabilities to plan and implement projects and programmes, report on results, and evaluate development processes and outcomes – all the while avoiding parallel donor-driven mechanisms (Stiglitz and Charlton, 2006). AfT funds should be additional, predictable and sustainable. Donors should clearly distinguish existing commitments from AfT pledges.

7.2 Maintaining the AfT Focus

It should be noted that AFT did not feature in the 2001 WTO Doha Ministerial Declaration that launched the Doha Development Agenda and therefore falls outside the negotiating mandate that was agreed at Doha. But as the negotiations progressed, it became evident that a major effort was required to provide assistance not only to build trade capacity to help least developed countries take advantage of improved market access from a more development-oriented Doha Round agreement, but also to address supply-side constraints and adjustment costs. To this extent the main AfT focus was to complement but not to be technically a part of the Doha Development Agenda.

Thus, it is necessary to take real, measurable steps to meet the most pressing challenges so that the momentum that remains is not lost. Three things must characterize aid for trade: the funds should be additional to existing aid, they should be predictable and they should be sustainable. Existing donor commitments need to be honoured and at the same time AfT pledges need to remain distinct so that they can be applied as intended – to build LDCs' trade-related capacity. One way to ensure additionality is to use AfT funding to leverage additional financial resources such as non-concessional lending and equity investment. Non-concessional multi-lateral financing could be used for larger infrastructure programmes and other efforts to overcome supply-side constraints. In this regard, regional financing instruments are also needed to facilitate grant financing of regional public goods. They would also reinforce national sovereign guarantees to access lending facilities and serve as a means of identifying pilot projects with broad regional appeal, thus building support for regional initiatives.

7.3 Harmonizing Priorities

The Paris Declaration clearly showed the way here: Donors committed to a more harmonized, transparent and collectively effective aid process. Aid for trade should not be an exception, and assistance to LDCs in their efforts at building trade capacity could be magnified by simplifying and harmonizing international trade procedures. Both multilateral financial institutions and bilateral donors should ensure consistency between a partner's macroeconomic framework and creditor/donor plans.

Donors need to implement the good practice principles they have committed to in the provision of development assistance. The Drivers of Change (DOC) approach discussed earlier is instructive, as it favours a more consensus driven, less top-down framework for delivering aid. Donors should aim at streamlining and harmonizing their policies, procedures and practices and intensify delegated cooperation. It is also necessary to increase the flexibility of country-based staff to manage country programmes and projects more effectively and to develop incentives within their agencies to foster management and staff recognition of the benefits of harmonization.

It is also important for the international financial agencies, in particular the World Bank, to take coherence seriously, and recognize that trade can have legitimate policy and lending priorities. The IMF has done this with its Trade Integration Mechanism, but the World Bank has not yet altered its position that it has no responsibility for WTO-related needs.

7.4 Supporting the Development of Technological Capabilities

Building international competitiveness in tradeable sectors should be a basic objective to be pursued in a step-by-step way focusing on real economy targets. In this regard, African countries lack value- added production capacity. According to the World Bank's *Doing Business Survey for 2006/07*, only three African countries are among the top 50 countries in terms of ease of doing business ranking among the 178 countries surveyed. These are Mauritius (27), South Africa (35) and Namibia (43). Even when the list is extended to the top 100 countries, only nine African countries are included (IMF and World Bank, 2005).

7.5 Way Forward – Developing Countries

Developing countries are particularly vulnerable to policy shocks because their export industries are the least diversified – many are dependent on the exports and hence the world price of just one or two commodities. A deficient policy environment will not stimulate the development required to take advantage of new global trading opportunities. There is need to intensify economic reforms aimed at removing barriers that impede optimum performance of businesses.

7.6 Making Trade a National Priority

Certain economic orientations, such as what sectors or activities ought to be given priority, are important policy options but they are derived from, and therefore subordinate to, the ultimate goal of broad economic development. In this regard there is need for political commitment to making trade a central national priority. There should be a strategy for getting there; and that this strategy needs to be shared across government and business and mainstreamed in all facets of national trade development policy. Cambodia, for example, has prepared its Diagnostic Trade Integration Study (DTIS) to guide its trade development during the next three to five years. One way of ensuring a focused and sustained national commitment to trade-led growth is to mainstream into poverty reduction strategy programmes or national development programmes (PRSPs/NDPs) (World Bank, 2005).

7.7 Increasing Private Sector Involvement

For rapid capital accumulation and technological progress the nature of the relationship between the entrepreneurial class and the state is very important. But this is a question of the nature of the private sector as much as it is of the nature of good governance. Very poor countries face the problem of underdeveloped markets and a paucity of firms. In this situation the policy challenge is not to get the government out of the way but to create markets. Private sector advice will strengthen trade policy since the exporters know their markets, they pay the price for delays, bottlenecks and red tape, and hence they are best placed to identify the right set of priorities. AfT should be used to leverage private sector resources and dynamism since aid alone can never provide the whole answer to LDCs' trade capacity dilemmas.

7.8 Enhancing Infrastructure

The poor state of internal transport infrastructure in LDCs has deterred most countries from taking full advantage of the global market opportunities. Infrastructure projects to address specific bottlenecks need to be financed, but they should slso be driven by local users. There is a critical need to ensure that good projects are identified and matched quickly to finance and implementation. Latin America, for example, emphasized regional programmes such as the Initiative for the Integration of Regional Infrastructure in South America (IIRSA), which supports the development and integration of energy, transport and telecommunications infrastructure that covers 12 countries spanning two different regional trading blocs (ADB and WTO, 2007). In most cases, however, projects will require significant subsidies; in many developing countries, basic infrastructure projects are either not commercially viable at all or are not profitable unless they charge fees, which severely inhibits universal access.

7.9 Mobilizing Finance

High levels of risk in developing countries are a major barrier to investment. In particular, political risk and exchange rate risk deter foreign investors. There are several ways that multilateral finance could be mobilized to reduce risk and enhance credit in developing countries. A multilateral credit insurance facility, for example, could subsidize financial guarantee???? insurers of projects in developing countries, which would facilitate access to large volumes of credit. Currency risk is perhaps the greatest threat to developing countries' ability to trade and to attract investment. The development of multilateral assistance programmes to pool currency risk and subsidize hedging costs should be the subject of research. The Global Trade Facility (GTF) could work with existing initiatives, e.g., the Asian Bond Fund, as well as expanding such initiatives to other regions. At the same time, the GTF could work with the World Bank and other multilateral banks to encourage bond markets in local currencies and/or baskets of local currencies (Stiglitz and Charlton, 2006).

7.10 Adopting a Regional Outlook

In many LDCs, the regional dimension of global integration is likely to be important. International regimes governing private capital flows and aid, technology transfer and intellectual property rights, and international migration, both globally and regionally, enhance the opportunities provided by globalization and reduce its risks. One way of narrowing priorities is to concentrate on regional needs and projects – from transport corridors to customs modernization and power pools. The New Partnership for Africa's Development (NEPAD) has started to address this issue and efforts need to be intensified in this direction (World Bank and IMF, 2007).

Improving both national and international institutions is an important policy pressure point to promote the development of productive capacities within LDCs. The design and implementation of AfT strategies towards this end can be a beneficial factor if domestic policy works to ensure that foreign enterprises crowd in rather than crowd out domestic enterprises, and if there are dynamic linkages between them promoting learning and investment.

7.11 Building Institutional Capacity

Most donors now have institutional remits, dedicated structures, and professional teams and operational guidance that are specifically focused on delivering "more and better" aid for trade. Some have long experience in fields relevant to aid for trade, while others are relative newcomers, relying on the larger donors to guide the way. In this regard LDCs should realize that support for institutional capacity building is an essential complement to enterprise development. In the short run a key feature of an expanded aid for trade agenda should be to promote investments in new productive capacity. Support should also be extended to programmes to enhance in-country expertise and policy formulation, as well as research and trade development diagnostic studies. In the long run, regulatory and legal frameworks are essential to successful business environments (World Bank and IMF, 2007).

8. Conclusion

This paper has indicated the importance of aid for trade to the economic prosperity of underdeveloped countries. The widening gap between the developed countries and LDCs can be eliminated only if the later can achieve higher growth rates than the former. Aiding trade is one way of achieving development, and while it is necessary it isinsufficient. Good policies are important for growth. Aid will have positive impact on growth if developing countries have good policy environments – fiscal and monetary as well as trade policies.

Donors should realize that development cannot be imposed but facilitated. Therefore, trade related assistance should respect country ownership. The donor community should respect the right – and responsibility – of partner countries to exercise effective leadership over their development policies and strategies and to coordinate development actions. In addition, donor countries should respect their pledges and enhance management for results to ensure that expanding aid for trade delivers larger benefits to the least developed countries and enables them to effectively increase their trade competitiveness.

Finally, the Paris Declaration on Aid Effectiveness is built around five broad principles on how to deliver and manage aid. Those principles are accompanied by clearly defined action plans in order to increase the impact of aid on overcoming export supply capacity constraints and contributing to the economic development of least developed countries. As has been highlighted, AfT participants on both sides have not effectively followed these principles. Thorough application of the general principles of the Paris Declaration on aid effectiveness should be the way forward for all parties.

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