

DONOR-RECIPIENT CHALLENGES IN AID FOR TRADE

Esther Khoo¹

The successful implementation of Aid for Trade (AfT) initiatives requires the identification and understanding of the challenges faced by both donor and recipient countries. These include cultural differences, physical barriers, implementation costs, and managing the donor-recipient relationship. This brief explores some of these challenges in the donor-aid relationship, focusing on the Asia-Pacific region.

The first hurdle is in managing expectations of donor and recipient countries. Relationships are key in aid and trade sectors as the smooth implementation of AfT in recipient countries depends on clear areas of responsibility, communication and cooperative relationships formed by states.² AfT implementation may compete with national priorities; or expectations of both donor and recipient countries may not be fulfilled, as goals may be set beyond the scope of the project. One prominent example of this is when the UK government expressed disappointment in not securing the Typhoon jet contract from India, as expected in return for UK's ongoing aid to India.³ Donors may also push their own expectations and agendas, reflecting donor habits of designing projects in isolation and weak prioritization.⁴ The WTO/OECD Global Review Survey Report 2011 noted that trade was not proactively leveraged as an integral component in achieving development outcomes. This was despite 57% of recipient countries stating trade was a key priority, and 38% mentioning trade but failing to include specific operational objectives and action plans. The disparity between the stated key aims of trade and the actual implementation implies that both donor and recipient states may lose focus on AfT or are unclear on who takes responsibility for implementation. As a result, national development agenda is prioritized over AfT measures, instead of integrating and streamlining the two.

However, AfT is very effective when countries take ownership and establish strong government leadership. An example of this is Cambodia's rice export program, where the government integrated AfT policies into national development policies through a trade sector-wide approach (SWA).⁵ This SWA focused on cross-sector reforms concerning investments, customs and legal frameworks, sector-specific reforms focusing on tourism, rice and fisheries, and capacity reforms in improving the capacity of the Ministry of Commerce and surrounding bodies, while facilitating public-private partnerships. Basnett et al noted that the SWA model was successful due to 'strong government leadership'.⁶ Government leadership is important in both implementation and also in communication with the donor country.

The second challenge is ensuring effective communication between donor and recipient countries. Like most international agreements, donor and recipient countries will undergo a period of negotiation and adaption of general policies in each specific situation. If countries neglect to negotiate which party takes responsibility for specific outcomes, this creates issues later in implementation. According to the WTO/OECD Global Survey 2011, less than a third (29%) of developing countries had coordinated regularly with donors on AfT needs and financing, and less than half (48%) had limited coordination.⁷ Here, it is unclear who is responsible for organising or initiating these finance meetings. Miscommunication within country also affected structuring AfT delivery. This was mainly due to confusion among officials on how AfT was to be implemented, lack of coordination between ministries in implementing AfT policies, ministries being overburdened with competing AfT and national

¹ Esther Khoo prepared this Brief as part of a 3-month internship with Sustineo Group P/L in 2014.

² OECD & WTO 2013, 'Aid for Trade at a Glance: Connecting to Value Chains'.

³ Doane, D 2012, 'Aid for Trade Policy rears its ugly head', *The Guardian*, 6 February, online at <<http://www.theguardian.com/global-development/poverty-matters/2012/feb/06/old-british-aid-policy-rears-head>>.

⁴ Above n 1; Basnett, Y, Engel, J, Kennan, J, Kingombe, C, Massa, I & Willem te Velde, D 2012, 'Increasing the effectiveness of Aid for Trade: the circumstances under which it works best', *Overseas Development Institute: Working Paper 353*.

⁵ Ibid.

⁶ Ibid.

⁷ Ibid.

priorities, and governmental officials not responding well to sudden shocks in the economy. An Australian respondent in an OECD AfT assessment survey noted “there is still very little understanding of [the objectives of AfT] on the ground, particularly among those that manage and deliver development assistance”.⁸ Communicating clear areas of responsibility also assists in monitoring the success of AfT policies and implementation.

The third challenge is in monitoring and accountability, and the difficulty in measuring economic results. The WTO AfT Task Force identified three ways of monitoring AfT: reporting funds, AfT assessments in WTO working policy reviews, and biannual global review processes.⁹ In the Asia-Pacific region, almost 39% of projects included a monitoring framework and/or undertook some form of monitoring.¹⁰ The Australian government has indicated it will adapt its monitoring and evaluation framework to particular recipient countries, but have yet to release guidelines.¹¹ The challenge with monitoring and evaluation in AfT initiatives is that quantifiable indicators are very difficult to formulate, and consequently the attribution, or the contribution of the initiative to broader aid objectives can be subjective or unclear. It is difficult to isolate an infrastructure investment as an aid or trade item, as donors may view both as the same while recipients disagree. One approach is to follow Germany’s monitoring assessment in central Asia using baseline numerical indicators for valid and reliable results and impact indicators, while difficult to attribute single activities, measured structural changes and other framework conditions in addition to export success.¹² As illustrated in the ASEAN case studies, a critical factor is the commitment of partner countries to implement lessons learnt from monitoring and evaluation processes.¹³

In managing the donor-recipient relationship, governments of both countries need to be aware and communicate their expectations and areas of responsibility, and find a way to monitor the success of implementation AfT policies to further strengthen their relationship. Many of the donor-recipient challenges stem from a difference in cultural backgrounds and misunderstandings due to this. The next Ideas In Brief in this series will consider the cultural challenges to implementing AfT policies successfully, concentrating on the Indo-Pacific region.

⁸ Ibid.

⁹ Ibid.

¹⁰ WTO, OECD & UN ESCAP, ‘Asia-Pacific Case Studies: A Snapshot of Aid for Trade on the Ground’.

¹¹ Department of Foreign Affairs and Trade 2014, ‘Making Performance Count: enhancing the accountability and effectiveness of Australian aid’.

¹² Above n 10.

¹³ Ibid.