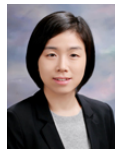



# For Effective Aid for Trade



JUNG Jione

Ph.D., Research Fellow, Development Cooperation Team  
Korea Institute for International Economic Policy 

The 2030 Agenda for Sustainable Development defines international trade as "an engine for inclusive economic growth and poverty reduction" that contributes to the promotion of sustainable development. By adopting Agenda 2030, the international community is committing to the continuous promotion of trade liberalization over the next 15 years. International trade will play its role as an effective means of implementation with development finance to achieve the Sustainable Development Goals (SDGs).

The objective of Aid for Trade (AfT) is to help developing countries to build trade capacity and the infrastructure that they need to benefit from trade liberalization. Since the launch of the AfT initiative at the WTO Hong Kong Ministerial Conference in 2005, official development assistance (ODA) targeting trade-related programs and projects has been rising.

The scope of AfT is very broad, ranging from technical assistance for developing trade strategies and negotiating trade agreements to economic infrastructure such as roads and ports that link local markets to global markets. Providing support for productive capacity and adjustment due to the opening of domestic markets is an example of AfT.

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As of 2015, the size of AfT reached about 53.4 billion dollars, a three-fold increase from 2000 levels. The share of AfT in ODA currently reaches around 38%. Economic infrastructure forms the most important sector of AfT, accounting for 59% of the total AfT in 2015, while production capacity accounts for approximately 39% of the total AfT. More recently, according to a survey jointly conducted by the OECD and WTO in 2017, 65% of donor respondents indicated that trade facilitation is a top priority in their AfT programs, followed by trade policy analysis, negotiations and implementation, connecting to value chains, international competitiveness and other agendas.

Let us look at Korea. The nation's AfT support has steadily increased since 2006 and ranks among the top 10 donors overall in the area of AfT. For the period of 2006-15, support for economic infrastructure accounts for most of Korea's AfT (81%). The share is not significant; however, there are some noteworthy projects for supporting production capacity, such as the KOICA-CJ public-private partnership project for strengthening rural value chains in Vietnam, the Kathmandu social enterprise activation project, and a technology cooperation project for quality assurance inspection technology in the Indonesian textile industry. Modernizing customs administration in Tanzania is internationally known as one of the best practices in the area of trade facilitation.

Korea achieved its economic growth through trade liberalization. Once a war-torn country, Korea today is ranked at 6th in the world in terms of trade volume, based on 2016 figures. Korea holds an advantage in the global AfT initiative based on its development experience, but the government exhibits a disappointing lack of clear strategy or action plan for AfT. As a cross-cutting issue, AfT should be mainstreamed in Korea's ODA policy, however it is practically difficult to implement, particularly under current circumstances within Korea where many implementing ministries provide ODA to developing countries.

In the longer-term, an AfT strategy based on Korea's experience should be developed for more effective and systematic cooperation with partner countries. The strategy needs to clearly define objectives, principles, and priorities; and most importantly, due consideration must be made for performance management. Because Korea has no separate AfT strategy, no monitoring and evaluation was completed for Korea's AfT despite the fact that Korea is one of the top 10 AfT donors. As mentioned above, there are several good AfT practices in place, but there has been no clear effort to define the developmental outcome and impacts of each project.

Korea should consider an approach to ODA which focuses on its strengths while cooperating with a wide range of actors. For example, in the case of infrastructure projects such as roads and bridges, which constitute the largest portion of AfT in Korea, such projects can contribute to improving trade conditions in developing countries, particularly in the form of joint projects with other donor agencies to generate an economy of scale. It would also be possible to consider public-private partnership projects to enhance the production capacity of SMEs in developing countries to integrate into GVCs. In addition, projects which are small in size but have been established as effective should not be neglected, such as implementing trade facilitation agreements, supporting customs clearance systems, establishing IT infrastructures for spreading e-commerce, and strengthening capacity for regional economic integration.

It is important to consider trade as a cross-cutting issue and designate AfT as one of the major priority areas in Korea's ODA. Trade-related performance indicators should be included in an overall result-based management system. A performance indicator pool can be constructed for project managers to adopt and use to monitor performance in the context of promoting the trade conditions of partners, whenever this becomes necessary. To assess the effectiveness of an AfT project, the project document should include a quantitative baseline to measure improvements in trade performance or trade capacity.

In the absence of a national-level AfT strategy, the biggest challenge in Korea is that there is no separate budget and human resources to manage and execute AfT programs, and therefore no incentive for project managers to voluntarily make additional efforts to identify AfT projects. The KOICA's private sector development program can be a good start. Accumulating evidence-based best practices from the field will contribute to the systemization of Korea's AfT programs. [KIEP](#)