# Aid for Trade in Asia and the Pacific

## Driving Private Sector Participation in Global Value Chains

ADB

World Trade Organization

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# Foreword

**Trade organized through value chains has proven to be an important engine of growth for countries in Asia and the Pacific region.** The disaggregation of the production process offers new opportunities for export and to add value to trade from the region's developing countries. Today, more than 80% of Asia's merchandise trade by volume is in parts and components and this figure continues to grow. By pulling more countries into this dynamic network, we will continue to see improvements in economic development, employment, and in living standards throughout the region.

**The private sector has become an important partner in efforts to build trade capacity.** As development assistance continues to experience downward pressure from the global financial crisis, this partnership is becoming even more crucial. Aid for trade flows fell slightly in most regions during the latest reporting period and Asia and the Pacific is no exception. This necessitates a more efficient use of available resources to address trade capacity shortfalls. The rise of public–private dialogues and nontraditional forms of trade financing assistance are two ways that this is playing out in the region.

**Gains from participation in the global trading system in the region are strong but uneven.** While trade continues to be an engine of growth in the region, "frontier economies" struggle to access these potential gains. Aid for Trade can act as a tool to open up new economic opportunities and therefore reduce economic volatility in countries in Asia and the Pacific which face special challenges such as in landlocked or small island states.

**This report highlights the link between private sector participation in trade capacity building and the ability of firms to plug into value chains.** Information sharing promotes more efficient targeting of assistance and sequencing of reforms. The identification of bottlenecks such as trade finance gaps also enables donors and the private sector to diversify their resources and focus them on specific interventions. Aid for trade is a key input to ensure that trade capacity building is sustainable and has positive development spillovers.

**We would like to thank Cambodia and Japan for their work as co-chairs of this report.** Aid for Trade continues to help beneficiary countries meet the new challenges they face in the regional and global economy. By providing support for closer consultation and cooperation between the public and private sectors, Aid for Trade has proven to be an important enabling mechanism for developing countries in their pursuit of sustainable growth strategies.

Takehiko Nakao
President
Asian Development Bank

Pascal Lamy
Director General
World Trade Organization

# Preface

This report was prepared as the contribution to the Fourth Global Review of Aid for Trade in July 2013 with a view to sharing the experiences of our region with the rest of the world.

The formation of a Regional Technical Group (RTG) on Aid for Trade in Asia and the Pacific was a key recommendation from the Aid for Trade Regional Review meeting in Manila in September 2007. Since the establishment of the group in March 2009, we have held six meetings throughout the region.

Based on the presentations and discussions of the first three meetings, the first report of the RTG, entitled "Aid for Trade in Asia and the Pacific: Its Role in Trade Driven Growth," was prepared for the Third Aid for Trade Global Review which was held in Geneva in 2011.

This second report is based on the discussions held during RTG meetings in Seoul (May 2012) and Tokyo (March 2013), as well as further discussions with Asian delegates and in the Committee on Trade and Development of the World Trade Orgranization (WTO) in Geneva in June 2013.

The membership of the RTG comprises both country representatives and institutional partners participating in the development efforts of the region. The members which contributed to this second report include the Asian Development Bank (ADB), the Asian Development Bank Institute (ADBI), Australia, Cambodia, the European Union, India, Indonesia, Japan, the Republic of Korea, Tonga, Viet Nam, the United States, and the WTO.

As Co-Chairs of the RTG, we would like to express our sincere gratitude to the members of the RTG for their constructive engagement and valuable contributions. We wish to express our special thanks to those who acted as Secretariat of the RTG, including Ramesh Subramaniam and Alisa DiCaprio of ADB as well as Dirk Willem te Velde of the Overseas Development Institute. We are also grateful to the valuable contributions and guidance provided by Ganeshan Wignaraja of ADBI as well as Shishir Priyadarshi and Michael Roberts of the WTO.

**Tomochika Uyama**
Co-Chair
Regional Technical Group

**Sok Sopheak**
Co-Chair
Regional Technical Group

# Executive Summary

## Background

2013 marks the eighth year since the inception of the World Trade Organization (WTO) Aid for Trade (AfT) initiative. During this time, WTO members have discussed how to best assist developing countries to take full advantage of the benefits of trade liberalization. Under the heading of AfT, various initiatives have been explored and implemented by governments, the private sector, bilateral donors and development agencies.

The Regional Technical Group on Aid for Trade in Asia and the Pacific (RTG) has been working on issues related to AfT since 2009. The group has produced research based on the experiences of both donors and beneficiaries of AfT in Asia and the Pacific. The first RTG report in 2011 focused on the critical role played by foreign direct investment (FDI) in the promotion of trade and production capacity in Asia and the Pacific. Experiences highlighted in the 2011 report illustrated the ways that AfT supported domestic efforts to attract FDI.

Based on the conclusions of the first report, this second RTG report deepens our analysis of the overall context in which AfT can facilitate development through trade. Our analysis is again based on experiences from Asia and the Pacific, where AfT has supported key trade-related investments.

This second report also expands on the regional production component of Asia's impressive trade-led growth. The first report highlighted the role of integration as a way to reduce barriers to trade. We have seen that those economies that are better integrated into global value chains have been best positioned to gain from trade. Here, we highlight the specific role value chains play in promoting the assimilation of Asia's developing countries into dynamic production networks which can thereby promote growth.

## Main Findings

There are five main findings of the RTG report:

1. **AfT has played an important role in helping Asian economies build the productive capacity to integrate further into the global economy.** By supporting efforts by developing countries to adapt to the shifting nature of the trading system, AfT also builds stronger links to regional and global value chains. In this overall context, the critical factor is that AfT is most effective when it is used, together with other forms of finance, to encourage private investment.

2. **Domestic development strategies in Asia and the Pacific are increasingly incorporating measures that target improvements in the investment climate.** Investments, including FDI, can improve both production and export capacity. This is particularly true in the context of deepening participation in regional and global value chains. In the longer term, such investments may level-up technologies through human resource gains. Investment supports trade ("investment for trade") and is therefore also a key feature of successful and sustained development.

3. **Effective public–private dialogues (PPD) are an essential feature of modern development strategies in Asia and the Pacific.** Increasingly, regional governments are holding regular dialogues with the private sector to identify where bottlenecks for private sector activities exist. Asia's experience shows that PPDs can enable governments to more effectively prioritize reform agendas and better target development assistance.

4. **AfT can promote and work together with other financial flows, which together can enhance AfT's positive impacts on trade capacity.** These other financial flows can include development bank loans and guarantees, EXIM banks loans, and trade insurance as well as private bank loans and investments. Increasingly South–South cooperation is also emerging as a non-traditional source of development assistance. Since the resulting financial flows are large in size and relevant to business, they often play a significant role as a catalyst for business activities.

5. **Despite important successes, Asia's challenged states must more actively diversify AfT resources beyond their existing focus on physical infrastructure.** In particular, investors need support to provide the means to take advantage of open trade channels. These include activities such as human resource development, technological capacity in customs and logistics, and assistance to identify external trading opportunities.

# 1 Introduction

Economic development in Asia and the Pacific has been driven by investment flows. Where conditions are favorable, such flows can contribute financial resources, strengthen export capacity and provide skills and employment. Aid for Trade (AfT) has played an important supporting role by enhancing features of the domestic economy that promote such positive outcomes.

The first regional report, *Aid for Trade in Asia and the Pacific: Its role in trade-driven growth*, highlighted the role of AfT in creating a good business climate and integrating countries into regional value chains. The conclusions of this report (see Box 1) focused on the links AfT could build between investment and growth.[1]

In this second edition of the Regional Aid for Trade report, we update and build on the lessons of the first report. We begin with the first report's premise that investment is key to development success in Asia and the Pacific. We then highlight the role of global and regional value chains as a vehicle for countries to further expand trade and investment activities.

Our focus on the investment environment comes at a time when countries are increasingly incorporating investment policies into national development plans. Because the variables that

**Box 1 Main Messages from the First Regional Technical Group Report on Aid for Trade in Asia and the Pacific**

1. Certain economies in emerging Asia and the Pacific have been transformed into global factories—where trade liberalization has led to robust economic growth and rising prosperity.
2. Foreign direct investment (FDI) has been key to this success. Well-managed FDI brought with it technological transfer, new factories, competitive products, jobs, and exports.
3. Despite these success stories, however, two-thirds of the world's poor live in Asia.
4. Aid for Trade must help close this gap.
5. A regional approach backed by national strategies can maximize the benefits of available Aid for Trade.
6. Official Development Assistance must continue to play a critical role in helping attract FDI by improving the business climate.

[1] The first report "Aid for Trade in Asia and the Pacific: Its Role in Trade-Driven Growth" by the Co-Chairs of the Regional Technical Group on Aid for Trade for Asia and the Pacific is available from http://aric.adb.org/pdf/AfT_06-Sep-2011_print.pdf

affect the investment environment differ for every country (see Box 2), the challenges and opportunities countries face in promoting favorable conditions will also vary. As a result, the angle taken by this report is to highlight how developing countries in Asia and the Pacific can best identify the needs of investors and the bottlenecks to reform.

### Box 2 What Is the Investment Climate?

The investment climate includes all of the factors that impact the opportunities and incentives for a firm to invest and expand in a market. It is determined by both domestic and international factors, and balances market liberalization with the need to have a stable regulatory regime.

Policy measures that impact this climate include investment promotion measures, macroeconomic factors, codes and standards governing investment, and regional or international institutions and practices. Beyond these measures, the attractiveness of an economy is also affected by characteristics such as political stability, geography, human capital, technological capacity, physical infrastructure and export diversity among others.

Aid for trade can play an important supporting role in both identifying areas for reform and providing resources to accomplish these measures. This RTG report highlights in particular how national governments can work with the private sector to most effectively identify bottlenecks to investment that can be addressed through aid for trade.

The objectives of this second report are threefold. The first objective is to describe the fundamental role AfT plays in supporting the public–private dialogues which are needed to identify appropriate targets for national reforms. Secondly, this report highlights the importance of non-Official Development Assistance (ODA) sources of financing, which together with AfT, can help to improve the business environment for investment. Activities through non-ODA financial sources include development bank loans, public–private partnership projects, and South–South cooperation. Third, we explore how AfT has performed in countries with special challenges in Asia, such as landlocked developing countries and small island developing countries.

# 2 AfT in Context: A Better Investment Climate for Plugging into Global Value Chains

Global Value Chains (GVCs) have become a key characteristic of the global economy. United Nations Conference on Trade and Development (2013) now estimates that over 80% of world trade occurs within production networks. For emerging economies such as the People's Republic of China, close to 75% of imports are in intermediate goods (WEF, 2012). Such trade has been a driver of regional growth.

The rise of networked trade presents important opportunities to Asia's developing countries. The developing country share in global value-added trade has increased from 20% in 1990 to over 40% today. While much of GVC trade within Asia is dominated by high- and middle-income countries, increasingly nontraditional trading partners such as Cambodia are beginning to export into segments of existing networks.

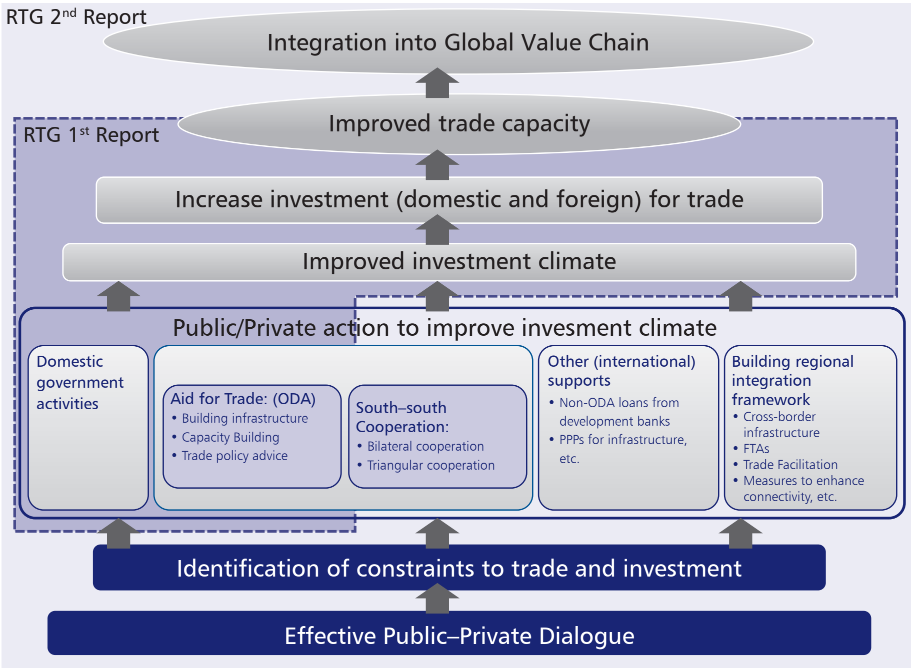
Aid for Trade (AfT) supports efforts of developing countries to take better advantage of the opportunities available in the global trading system. One important new trend is the organization of world trade into GVCs. The importance of trade costs for participation in GVCs underlines the need to engage the private sector in trade and investment policy making. The participation of business can facilitate the identification of domestic bottlenecks to a smoothly functioning investment climate. By contributing to a growth-enabling environment, AfT more closely links efforts to plug into value chains with developmental outcomes that result from increased efficiency and domestic trade capacity.

Figure 1 illustrates some of the major considerations developing countries go through as they seek to adjust the domestic investment environment to attract GVC trade. In Asia, there are many examples where AfT has been mobilized to identify challenges that face domestic and foreign firms to create an enabling investment environment and to enhance the capacity of exporters to identify and take advantage of trade opportunities.

## 2.1 Engaging the Private Sector

The foundation of developmentally sustainable participation in the global trading system is set out by a transparent relationship between the public and private sector (lower levels of Figure 1). In Asia, fostering private sector growth has a long and dynamic history. Japan was

Figure 1 **Using Aid for Trade to Connect to Global Value Chains**




one of the first countries to promote integration with GVCs in its efforts to achieve structural transformation.[2] More recently, the Asian Tigers famously engaged the private sector in national development strategies in order to produce the most rapid period of industrialization yet seen.

Active and open consultations with the private sector can provide governments with both additional capacity in trade negotiations as well as insight into the constraints to trade and investment that exist in the domestic economy. Since firms are best positioned to articulate productive constraints, they have an important role to play in advocating priority targets for AfT. Continued engagement can offer needed feedback about AfT programs and projects.

Once constraints are identified, actions can be taken on a number of fronts. Traditionally, Official Development Assistance (ODA) has provided resources to support reform. However, increasingly, it is being recognized that other types of investment and financial flows also support improvements to the investment environment. Operationally, this is reflected in continued engagement through public–private partnerships in areas such as infrastructure and education.

2 The development of Japan's textile industry benefited from shifts in production from the US. Akamatsu (1962) suggested in the 1960s that as economies advanced, the production of certain goods would shift to less developed economies where producing those goods would be cheaper. This 'flying geese model' was used to explain the experience of the industrialization process in East Asia, starting with Japan followed by the Republic of Korea, and more recently the People's Republic of China (Kasahara, 2004).

## 2.2 Improving the Investment Climate

The identification of existing investment bottlenecks then feeds into the improvement of the investment environment (middle section of Figure 1). This step is critical to the goal of plugging into GVCs since the quality of the domestic market affects the decision to invest, export and expand operations.

Increasingly investment policies are being integrated into national development policies. This is accompanied by a need to balance trade liberalization with regulatory regimes that ensure that the gains from investment are captured domestically. This balance underscores the importance of the private sector in identifying policies that are best suited to their needs.

In order to establish or scale up operations, investors require a supportive business environment. By aligning trade and investment policy with private sector needs, developing Asia has been fostering an unprecedented opportunity for growth. Yet it is here where financing gaps become restrictive. AfT itself is an important resource, but it can also mobilize other resources which may also contribute to an improved investment environment.

One AfT project that has made clear improvements to the regional business climate is the United States Agency for International Development (USAID)-assisted Association of Southeast Asian Nations (ASEAN) single window project. This project has the objective of improving the handling of goods at the borders of ASEAN countries. The single window will allow companies and traders to submit import, export and transit data to a single point and is intended to reduce the processing time for clearance of containers from a regional average of 5 days to 30 minutes. The project is being piloted in Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam.

Another important feature of an enabling investment environment, given our experience in Asia, is a vision and will to reform on the part of the government. The presence of a decisive plan and willingness to act facilitates donor assistance by incorporating various donor objectives into an existing national development framework. It is under these conditions that AfT is more effective in supporting the needs of both governments and the private sector.

## 2.3 Integrating into GVCs

The emerging concept of GVCs as a development tool in Asia (top level of Figure 1) is changing the basic thinking about industrialization. By becoming integrated into a GVC, a developing country that does not have the capacity to produce final electronics goods can still become an exporter of electronic products by producing intermediate components. The new reality of global trade is that manufacturing is now characterized by trade between countries that specialise in particular segments of a given production chain. This is particularly significant for the Asia and Pacific region, since it is here where the most dynamic change is occurring.

In Asia, the majority of regional trade today is in materials, parts and components.[3] Since a single good may be manufactured in several different countries, the success of export-led development is often determined by producers' positions within production networks. This means that the relevant indicator of success is no longer the volume of exports, but rather the amount of value added in a given stage of the production process.

The emergence of GVCs as a dominant feature of world trade means that firms have new opportunities to reduce the thickness of the national borders they face.[4] In Asia, the private sector has long been the engine of development. But even here, as integration via free trade agreements and other arrangements continues, business activities are becoming more border-blind. Though Asia was relatively late to begin negotiating FTAs, these efforts to promote the investment climate have become an important feature of growth (see Box 3).

### Box 3 **Regional Integration: Developments in ASEAN and Progress in Regional Trade**

Efforts to promote regional economic cooperation within Southeast Asia did not receive significant attention among member states until the mid-1970s. Since then activity aimed at fostering closer economic integration gained momentum; notably in the late 1980s and early 1990s with the implementation of the ASEAN Free Trade Area (AFTA) in 1992. More recent efforts to accelerate economic integration include an agreement to move towards a regional economic community by 2015.

Practically, regional integration has advanced more in Asia than in other developing regions. In 2011, the intra-regional share of exports was 53% (48% in 2001) in Asia, compared to 13% (8% in 2001) in Africa and 27% (17% in 2001) in South and Central America. This is lower than Europe (71%) but greater than North America (48%). See WTO (2011).

The regional angle is important to understand the utility of interventions particularly in challenged states. Cambodia, for example has received assistance in its efforts to upgrade and modernize the railway system in collaboration with the private sector. The total cost of $142.1 million has received contributions from ADB (60.9%), Australian Agency for International Development (AusAID) (14.7%), OPEC Fund for International Development (OFID) (8.8%), Government of Malaysia (1.9%) and the Government of Cambodia (13.7%). The completion of the rehabilitation is expected to provide better trade links to Thailand and Viet Nam, thus building better access to neighboring economies.

3 To quantify this phenomenon, a joint initiative of the OECD and WTO has constructed a dataset of Trade in Value Added indicators (TiVA), where trade in goods and trade in services both constitute value chains.

4 Economic data do not directly measure the importance of GVCs in a country's exports. OECD (2012a) however developed a database and index which can measure indirectly the importance of imports and intermediate exports in total exports. The participation index measures to what extent countries are involved in vertically fragmented production. Several Asian countries top the list of GVC participation, although some larger Asian countries are located nearer to the bottom. Cambodia's share of trade linked to value chains is particularly striking, given its LDC status.

# 3 Promoting Public–Private Dialogues

Aid for Trade (AfT) is most successful when it is targeted to address the specific impediments facing the private sector. One of the most effective ways to identify these impediments is to maintain an ongoing dialogue between the government and the private sector. The presence of a well-functioning public–private dialogue (PPD) smoothes the interface between the government, which is the official recipient of AfT, and the private sector, which is best able to identify challenges and opportunities in the domestic economy. PPDs can also have further spillover effects such as improving trade negotiation capacity and promoting transparency in the policy process. Both of these effects further promote AfT's goals of facilitating trade flows.

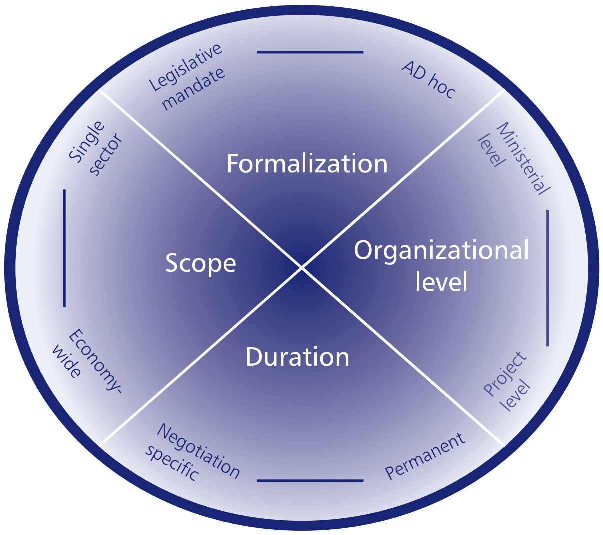
## 3.1 Effective PPD Formats Vary

PPDs exist throughout Asia and the Pacific in a variety of different formats, all of which can work effectively. Figure 2 illustrates four of the dimensions in which a national-level PPD may vary. The most obvious is in the level of formalization. The spectrum extends from countries that have a legal mandate for private sector consultations, such as the Philippines, to those where interaction is informal and often ad hoc, such as in Pakistan.

A second variation is in the scope of issues covered by PPDs. The most common coverage for a PPD is to include all sectors of the economy, such as Malaysia's PEMUDAH which aims to improve the business climate in general. At the other end of the spectrum are dialogues which exist only for a specific industry, such as the case in Nepal where a PPD was established with the Pashmina Industries Association to support efforts to obtain trademark certification for Chyangra Pashmina in 2010.

A third variation is the duration of PPDs. Some dialogues take place regularly and continuously and are not tied to any specific negotiating outcomes. This would include PPDs such as a 2011 initiative in the Philippines called One Country One Voice which seeks to improve utilization of existing trade agreements through information sharing. On the other side of the spectrum are dialogues which are created to service specific negotiations such those focused on WTO issues. Malaysia maintains a PPD specifically related to the ASEAN Economic Community negotiations for example (also see Box 4 for another example).

Figure 2 **Dimensions of Variation in PPD Design**




There is also a fourth dimension in which PPDs may vary, which is the organization level. The discussion above focused on national-level PPDs that support trade policy and national business climate development. However PPDs may also exist at the local or project level which can also align government assistance more closely with private sector needs in highly targeted projects. In Viet Nam for example, Japan International Cooperation Agency (JICA) has funded a successful program—Human Resource Development of Technicians at Hanoi University of Industry—which has linked the curriculum development of a vocational school to the skills demanded by industry. By aligning skills education with industry needs, the program has enabled 90% of the graduates of this school to successfully attain job placement.

### Box 4 **The Task Force for the WTO Agreement on Agriculture Re-negotiation (TF-WAAR)**

The TF-WAAR in the Philippines is an example of a formal PPD mechanism that has successfully brought together the public and private sectors in a way that promotes consultations and more effective trade negotiations.

In 1998, the Department of Agriculture of the Philippines established the TF-WAAR to help draft WTO negotiating positions. It is comprised of public representatives from more than 20 government agencies and private sector representatives from industry associations, changes of commerce, farmers, and business among others. Private sector representatives are appointed by the President to advisory councils. It has remained consistent despite changes of leadership, which is a problem informal mechanisms often face.

TF-WAAR's contribution to trade policy has been highly regarded. According to a recent ITC study, it has both helped the private sector to become more aware of how trade issues affect them, and helped the public sector to more effectively represent business interests in WTO negotiations.

Source: ITC (2013) Assessing PPD on Trade Policy in the Philippines.

### Table 1 Ease of Doing Business in East Asian and Pacific Countries and Other Regions (By Rank)

| Country | 2011 | 2012 | Income Group |
|---|---|---|---|
| Australia | 11 | 10 | High income: OECD |
| Brunei Darussalam | 83 | 79 | High income: non-OECD |
| Cambodia | 141 | 133 | Low income |
| China, People's Rep. of | 91 | 91 | Upper middle income |
| Fiji | 54 | 60 | Lower middle income |
| Hong Kong, China | 2 | 2 | High income: non-OECD |
| Indonesia | 130 | 128 | Lower middle income |
| Japan | 20 | 24 | High income: OECD |
| Kiribati | 115 | 117 | Lower middle income |
| Korea, Rep. of | 9 | 8 | High income: OECD |
| Lao People's Democratic Rep. | 166 | 163 | Lower middle income |
| Macao, China | | | High income: non-OECD |
| Malaysia | 14 | 12 | Upper middle income |
| Marshall Islands | 103 | 101 | Lower middle income |
| Micronesia, Fed. Sts. of | 146 | 150 | Lower middle income |
| Mongolia | 88 | 76 | Lower middle income |
| New Zealand | 3 | 3 | High income: OECD |
| Palau | 109 | 111 | Upper middle income |
| Papua New Guinea | 108 | 104 | Lower middle income |
| Philippines | 136 | 138 | Lower middle income |
| Samoa | 55 | 57 | Lower middle income |
| Singapore | 1 | 1 | High income: non-OECD |
| Solomon Islands | 94 | 92 | Lower middle income |
| Thailand | 17 | 18 | Upper middle income |
| Timor-Leste | 169 | 169 | Lower middle income |
| Tonga | 61 | 62 | Lower middle income |
| Vanuatu | 78 | 80 | Lower middle income |
| Viet Nam | 99 | 99 | Lower middle income |
| | | | |
| East Asia and Pacific (developing) | 98 | 98 | |
| East Asia and Pacific (all) | 76 | 75 | |
| Latin America and Caribbean | 95 | 97 | |
| Sub-Saharan Africa | 139 | 139 | |
| Small States | 103 | 105 | |

OECD = Organisation for Economic Co-operation and Development.

Note: Lower scores reflect more positive ease of doing business.

Source: World Development Indicators.

Wherever PPDs fall within the various dimensions, if managed transparently, their presence can promote more effective interaction between the state and the private sector. Some common characteristics to PPDs that were identified in recent International Trade Centre case studies as effective by both public and private sector actors include those with regular and well-publicized meetings, which involved a wide range of stakeholders, and where inputs were both well-researched and formally taken into account.

## 3.2 PPD Can Facilitate AfT

PPD facilities can assist both the government and the private sector to target AfT assistance in ways that improve the overall business climate. A functioning relationship between actors is a feature that is often reflected in positive or improving scores on the World Bank's Doing Business Index (see Table 1). Malaysia, which has a variety of PPD mechanisms at various levels scores very well for example, while countries with highly limited or non-existent PPD often fare poorly.

The presence of PPDs can make AfT more effective for both the public and the private sector. Consistent with the experience of the Philippines, the Asian Development Bank (2009) suggests support for public–private partnership (PPP) activities is more successful where effective PPDs exist. The reason is that PPDs give the private sector partner a means of raising and addressing project concerns as they arise.

In addition to their role in directing AfT to proper targets, PPDs are often funded directly by AfT. As developing countries have come to play a greater role in international trade institutions, their accession process often includes AfT resources aimed at the establishment of PPD. In Nepal for example, there are few functioning PPD facilities, but that associated with their participation in the Enhanced Integrated Framework, which was donor driven, is seen as bring a good role model for other initiatives.

An example of the volume of AfT resources that directly targets joint initiatives is the Japan–Philippines Economic Partnership Agreement. Under this project, $100 million has been allocated to improve the Philippines' emerging business environment. This program is cofinanced by ADB, with a $350 million loan. The aim of the program is to support policy actions which have been developed through dialogue between various stakeholders, including government agencies, business communities, and donor agencies. Such policy actions include the resolution of the VAT refund issue, supply of affordable and stable electricity, improvement of customs procedures and the development of specific infrastructure to remove the bottlenecks. Annex 2 includes further details.

# 4 Improving the Investment Climate by Engaging Non-ODA Financing

A second objective of this report is to illuminate the role Aid for Trade (AfT) can play in attracting or supporting development projects that receive other forms of financing. Trade capacity building is a multifaceted process that involves many actors in various sectors. As a result, traditional aid is only one of many resources that countries can access to support trade and private sector development. Below we highlight the ways that AfT interacts with other types of financial flows to promote the development of the investment climate and capacity to trade in developing countries.

The potential for private flows to bridge financing gaps is particularly important in Asia and the Pacific. Trade finance refers to the lending and guarantees that support import and export transactions. A recent Asian Development Bank (ADB) survey found a $1.6 trillion gap in trade finance, of which $425 billion is in Asia and the Pacific. Such unmet demand for lending and guarantees is holding back growth and jobs in Asia and the Pacific. According to the survey, a 5% increase in the availability of trade financing could result in an increase of both production and employment by 2%.

Infrastructure financing is also an issue. ADB has estimated that the demand for infrastructure in Asia will be $8 trillion over the period 2010–2020, an average of $730 billion per year. Meanwhile, public and private investments in infrastructure were estimated to be only around $30 billion. Of this, some $7 billion is in the form of loan assistance, grant aid and technical aid; and $20 billion is in the form of private investment in infrastructure.

There are various financial instruments that seek to address these gaps. These can include public loans, private loans, guarantees, and resources attached to South–South collaboration. We are particularly interested in understanding how the range of different financial flows can together promote the investment climate and build trade capacity so that developing countries can take part in global value chains.

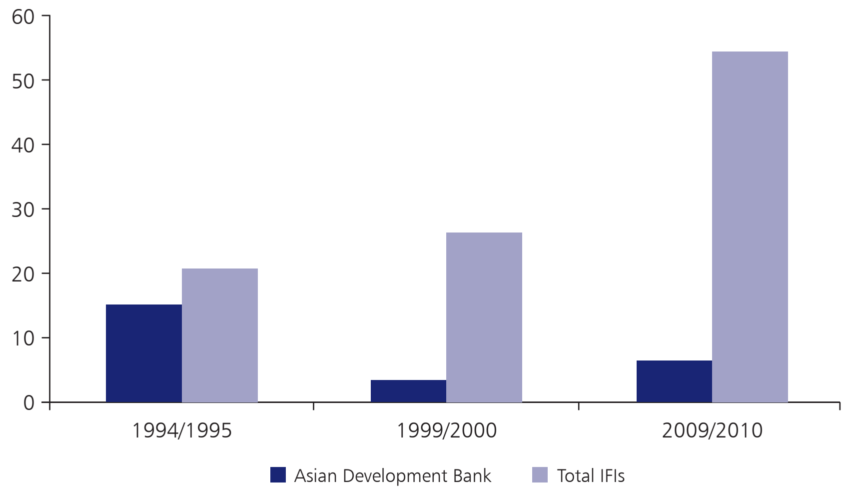
The variation in the importance of different types of financing across Asia and the Pacific suggests that we must consider a wide range of international financial flows in our efforts to understand the role of AfT. From the perspective of how best to improve the investment climate given Asia's experiences, the following merit attention—programs financed through development banks, projects financed using public–private partnership arrangements, and emerging forms of South–South cooperation.

## 4.1 Development Projects/Programs Financed by Development Banks

One category of support that is not categorized as AfT, but which has contributed to infrastructure projects and other elements of the investment climate is that of "other official flows." These include government-run projects and programs which are financed by development banks, but are not classified as AfT due to their lower level of concessionality than Official Development Assistance (ODA) (grants or loans with a minimum concessionality of 25%).

Figure 3 shows that non-ODA finance by international financial institutions is worth $55.2 billion on average in 2009/2010, of which $6.6 billion or 12.2% was provided by ADB.

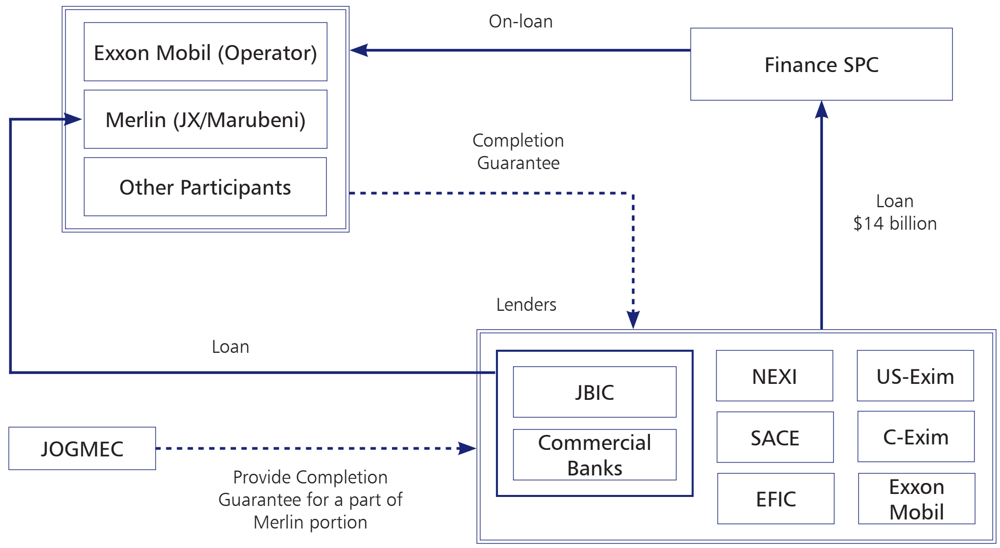
**Figure 3 Non-ODA Flows by Multilateral Organizations**




Note: IFIs include: AfDB, AsdB, CarDB, EBRD, EU inst, IBRD, IDB, IFAD, IFC and Arab Funds.
Source: Data from OECD (2012b), Development Co-operation Report 2012, Table A13.

Development banks use a range of tools to address market failures in capital markets. These can address long term financing gaps in both infrastructure and other sectors. One example where development bank resources have contributed financial services crucial for the financial closure is the Papua New Guinea (PNG)–Liquid Natural Gas project. Figure 4 shows the financing scheme for the project which involves several development banks, alongside commercial banks and private sector operators. In 2012 alone, $3.2 billion was spent on project activities; for the period of 2004–2012 the total amount was nearly $13 billion. The project is expected to double PNG's GDP and triple export revenues. This provides an important example of how non-ODA flows from development banks can help build trade capacity in Asian countries.

**Figure 4 Papua New Guinea Liquid Natural Gas Project—Financing Scheme**




Source: Presentation Marubeni Corporation, Tokyo, March 2013.

Loans are particularly useful for building infrastructure. For example, Cambodia is benefiting from loans from ADB, the World Bank and Japan, for infrastructure including new ports in Sihanoukville and Phnom Penh and a new railway which will connect Cambodia to Thailand and Viet Nam.

Development banks are particularly active in providing trade finance. Actions in this area by development banks are an important means to mobilize private sector resources through guarantees, cofinancing and knowledge dissemination. ADB's Trade Finance Program provides guarantees and loans through over 200 partner banks to support trade. The value of transactions supported has grown rapidly from its inception in 2004 to $4 billion in 2012. It aims to crowd-in banks and insurance through cofinancing of which it attracted $2.3 billion in 2012. Currently resources are focused on challenging environments and the program is active in countries such as Viet Nam, Pakistan, Bangladesh, Sri Lanka, Mongolia and Uzbekistan. Trade finance activities have the additional benefit of attracting international banks to new markets through guarantees.

EXIM Banks in Asia have also emerged as important facilitators of foreign investment originating within and beyond the region. For instance, the Republic of Korea's EXIM Bank, Japan Bank for International Cooperation (JBIC) and the People's Republic of China's (PRC) China Development Bank and China EXIM Bank were important financiers of a $2 billion, 1,200 megawatt power plant in Viet Nam.

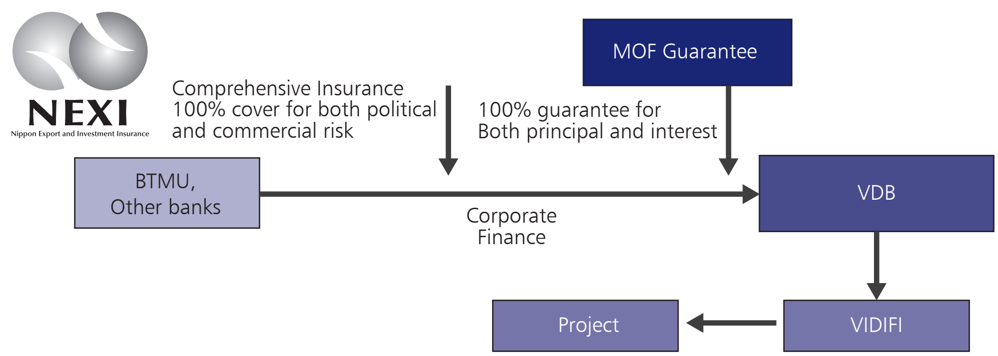
## 4.2 Public–Private Partnerships

Involving the private sector in efforts to build trade capacity is crucial, particularly following the decline in ODA that has occurred in the wake of the global financial crisis. Table A4.2 in Annex 4 reports that firms find that domestic private investment and FDI are the most important sources of finance available to them, followed by ODA, domestic public, remittances and non-concessional funding.

Increasingly governments are turning to Public–Private Partnerships (PPPs) as a tool to access resources to build infrastructure and support other sectors. By partnering with the private sector, the government increases its stock of expertise, finance and skills while still maintaining control over the allocation of resources.

The Ha Noi–Hai Phong expressway project in Viet Nam illustrates both the importance and complexity of PPPs (Figure 5). The highway is the lifeline for Northern Viet Nam, but it has become overloaded. This resulted in the design of an expansion via a build–operate–transfer project. Commercial banks provided the corporate finance with the assistance of guarantees of the Japanese risk insurers and the Ministry of Finance. The total size was $177 million in equity and $1,556 million in loans.

**Figure 5 The Project Financing Scheme for the Ha Noi–Hai Phong Expressway Project**




BTMU = Bank of Tokyo-Mitsubishi, MOF = Ministry of Finance, VDB = Viet Nam Development Bank, VIDIFI = Viet Nam Infrastructure Development and Finance Investment Company.

Source: BTMU presentation, Tokyo, March 2013.

## 4.3 South–South Cooperation

A third emerging category of support in Asia is South–South cooperation, i.e. resource flows coming from emerging economies. There has been a rapid increase in South–South trade and investment in recent years.[5] In part this reflects the growing economic role of rising powers such as the PRC and India. It also reflects increasing regional integration. A number of new players have emerged, which contributes to the range of resources available to promote trade.

5 Note: Figures of South–South cooperation by countries which are not member states of the OECD DAC are not based on OECD criteria for ODA, including in terms of concessionality level.

India is one prominent source of South–South cooperation in the region. The Department of Commerce of India (2012) details four principles of its South–South collaboration (SSC). These include: (i) voluntary partnerships based on commonalities, respect and non-interference; (ii) cooperation is demand-driven, response oriented and free from conditionalities; (iii) SSC countries must have flexibility to progress forward; and (iv) SSC must complement North-South Cooperation, not substitute it. India's SSC increased from $426 million in 2009/2010 to $618 million in 2011/2012. The EXIM bank's lines of credit amounted to $6.7 billion.

Table A1.9 shows that aid from the PRC amounted to $1.4 billion in 2009. The PRC's development cooperation is largely channeled through buyer's export credits, which are popular in the PRC's investment in Africa. Between 2009 and 2012, the PRC's commitment to Africa was worth $10 billion in packages of preferential credits and non-concessional loans. That amount is expected to double over the next 3 years.

Increasingly, other developing countries in Asia are also participating in South–South cooperation addressing trade barriers. Indonesia and Malaysia, for example, have long provided technical cooperation to their trading partners in and outside of the region. Indonesia has provided $42 million in foreign assistance over the past decade; and their humanitarian assistance has amounted to $7 million in the past two years alone. Annex A1.2 describes the forms of SSC from the following providers: the PRC, India, Malaysia and Indonesia.

FDI is an increasingly important element in South–South regional cooperation. United Nations Conference on Trade and Development (UNCTAD) finds that intraregional FDI in ASEAN increased from $6.3 billion in 2003–2005 to $14.4 billion in 2009–2011. Landlocked countries in particular have sought FDI from neighboring countries to build up their productive capacity in ways that will promote their participation in GVCs.

For example, international companies are building cross-border production networks in landlocked Lao PDR, from their existing manufacturing bases in Thailand, leading to more investment from Thailand. Improvement in the investment climate, especially infrastructure development such as the East–West Economic Corridor, have made a significant contribution to the expansion of value chains from Thailand to the Lao PDR. An example of this is the decision by two Japanese manufacturing companies to expand their production networks from their existing base in Thailand to the Savan-Seno Special Economic Zone in the Lao PDR.

UNCTAD (2013) suggests that greenfield FDI has increased in manufacturing since the adoption of the ASEAN Investment Area. Low-income countries in ASEAN, including Cambodia, the Lao PDR, Myanmar and Viet Nam, have benefited from growing investment from more advanced member States (Malaysia, Singapore, Thailand, the PRC and the Republic of Korea). Increased intraregional FDI has accelerated the development of production networks within ASEAN.

Another element that can enhance the inclusiveness and development potential of South–South trade, is the creation of intercontinental bank links between emerging economies. ADB's trade finance program has successfully supported links among banks in developing Asia, however there has not yet been a dedicated effort to address the weak links between Latin American, African and Asian banks.

# 5 Challenges in Different Contexts

In the first Regional Technical Group (RTG) report, we found that while many countries in Asia and the Pacific have made considerable progress in their efforts to expand trade and realise economic growth, there are a number of countries which are still struggling. The first report characterized this divergence as the "two faces of Asia." The final objective of this second report is to highlight how Aid for Trade (AfT) operates under conditions of volatility and other development and governance constraints.

Table 1 in Section 3 has shown that the business climate and quality of institutions in challenged states such as landlocked developing countries and small islands is on average much weaker than other developing countries in the region. The cost of infrastructure is also comparatively higher in smaller states since the initial fixed cost is spread over less economic activity. This contributes to a higher than average cost of transportation which drives up the cost of exporting goods.

Complex financing programs are often needed to address these multifaceted development constraints. In the case of the landlocked Kyrgyz Republic, export volatility associated with a narrow economic base is compounded by skilled outmigration and a chronically negative current and fiscal account. Development partners have acknowledged the compounded difficulties and turned to focus on the importance of investment climate reform. Asian Development Bank's (ADB) Investment Climate Improvement Program focuses on both reducing costs of regulatory compliance and improved access to finance as well as engaging the private sector through public–private partnership (PPP) and worker skills building projects. More than $50 million has been disbursed since 2008 through policy based grants, complemented by technical assistance and other project loans.

The domestic capacity of challenged states to leverage assistance to plug into global value chains (GVCs) is more limited than more central states and larger economies. This is the result of over-specialization, high production costs and weak human resources. In these countries, AfT tends to concentrate in economic infrastructure projects. But for small states to take part in GVCs, AfT also needs to address enabling factors behind participation in GVCs including quality standards (through development of standards) and human resources (through, for example, business scholarship schemes).

A success story of effective support in a landlocked country comes from the Nepal Multimodal Transit and Trade Facilitation Project. With the support of World Bank and Government of India, Nepal was able to establish two dry ports, one with road links and another with rail links. The cost of this project was $28.5 million. As a landlocked, least developed country Nepal bears significant transport costs. Moreover, Nepal is unique among the landlocked developing countries group in that it only has one viable trade-corridor option, which connects to India. A UNDP funded project titled 'Enhancing Nepal's Trade-Related Capacity project' has also played an important role by conducting feasibility studies as well as facilitating the dialogue between the private sector and the government around these issues.

AfT for human resource and skills development can also play a key role in promoting trade for development. For example, the EU's Centre for Development Enterprise (CDE) has provided support for a family business in Fiji called Pure Fiji. CDE funded technical assistance, business know-how, marketing and networking. Supported by an investment of $2,000 in 2002, Pure Fiji is currently worth $3.2 million. It exports high quality beauty products such as oils and soaps. Importantly, it still maintains close links with rural villages that supply the raw materials.

There are also potential niches for small island developing states in the services sector (e.g. health care) and especially information and communications technology based services (e.g. offshore education, or call centers). Important factors in the development sector are human resources and options to migrate. In addition, there is evidence that even small island developing states small island developing states such as Samoa can benefit from global value chains through producing for globally-established companies.

Countries in this group face substantial constraints in many areas of trade capacity. Infrastructure financing remains in high demand, but infrastructure support alone has not been sufficient to plug challenged countries into the global value chains that have driven the region's dynamism. While no "one-size-fits-all" approach is appropriate, further efforts need to be made to ensure that trade capacity building efforts can improve trade outcomes where development challenges are most complex.

# 6 Conclusions

Since our previous regional report in 2011, Aid for Trade (AfT) has remained an important feature of the development landscape in Asia and the Pacific. As the global economy continues to adjust in the aftermath of the global financial crisis, countries have taken on a broader view of the development agenda and the ways in which both aid flows and investment flows can play a part in building trade capacity.

AfT flows have grown since 2006, but have fallen over the last year. This highlights the importance of leveraging all possible avenues for building trade capacity. By describing some of the features of the regional economy that have supported the development of global value chains, this report adds support for the observation that we are moving towards a broader use of “investment for trade” as well as traditional AfT.

This report has illustrated how packages of financial flows come together to build trade capacity. Loans from EXIM banks or development banks are used to seek financial closure in complex projects such as Papua New Guinea’s Liquid Natural Gas project or the public–private partnership (PPP) for highway construction in Viet Nam. Formalized public–private dialogues help to set the right framework and investment climate. Regional cooperation and investment is also doing a great deal to help landlocked countries to take part in global value chains.

Continued action by the Regional Technical Group (RTG) will be framed by the renewed mandate for the Aid-for Trade initiative and the specific elements that will come out of the 4$^{th}$ Global Review and WTO’s 9th Ministerial Conference in Bali, Indonesia. Mobilization of Aid-for-Trade resources and continued action to promote trade mainstreaming are likely to remain central elements of this mandate. Additionally, a monitoring mandate which focuses on development impacts is likely to be combined with a better understanding of how AfT can mobilize other forms of development financing, namely an Aid and Investment for Trade approach. The role that AfT can play in regional integration, in supporting countries efforts to integrate into value chains, in addressing the capacity constraints faced by small and medium-sized enterprises, and in trade facilitation are among the elements that the RTG can consider focusing on in its future work.

Annex 1

# Aid for Trade Flows in Asia and Pacific

## A1.1 Flows in Asia and Pacific and recent changes in AfT

Table A1.1 shows total disbursements to ADB developing member countries in the period 2006–2011. Total Aid for Trade (AfT) to ADB member countries increased by an average annual 13%, but with large differences among recipients. The top 5 recipients in terms of total AfT during the period were India, Afghanistan, Viet Nam, Indonesia, and the People's Republic of China (PRC). The bottom five in terms of average AfT per capita were Turkmenistan, Myanmar, the PRC, India, and Pakistan.[1]

### Table A1.1 AfT Disbursements to ADB Members

| | Current ($ million) | | | | | | Average Annual Change (%) | Average per Capita ($) |
|---|---|---|---|---|---|---|---|---|
| **Country** | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** | **2006–11** | **2006–11** |
| **Individual country disbursements:** | | | | | | | | |
| Afghanistan | 762 | 890 | 1,180 | 1,671 | 1,750 | 1,590 | 16 | 39.6 |
| Armenia | 54 | 87 | 162 | 224 | 168 | 124 | 18 | 44.3 |
| Azerbaijan | 64 | 79 | 93 | 115 | 62 | 158 | 20 | 10.8 |
| Bangladesh | 247 | 330 | 550 | 289 | 467 | 480 | 14 | 2.7 |
| Bhutan | 29 | 24 | 20 | 37 | 87 | 70 | 19 | 63.0 |
| Cambodia | 100 | 125 | 140 | 132 | 211 | 256 | 21 | 11.6 |
| China, People's Rep. of | 662 | 797 | 874 | 620 | 509 | 505 | –5 | 0.5 |
| Cook Islands | 1 | 1 | 1 | 2 | 3 | 9 | 60 | n/a |
| Fiji | 9 | 7 | 7 | 5 | 9 | 11 | 4 | 9.7 |
| Georgia | 101 | 121 | 215 | 227 | 239 | 179 | 12 | 40.8 |
| India | 907 | 1,053 | 1,661 | 1,887 | 2,298 | 2,232 | 20 | 1.4 |
| Indonesia | 694 | 646 | 925 | 795 | 1,124 | 860 | 4 | 3.6 |
| Kazakhstan | 16 | 104 | 153 | 88 | 58 | 37 | 18 | 4.8 |
| Kiribati | 10 | 12 | 6 | 6 | 4 | 13 | 6 | 85.6 |
| Kyrgyz Republic | 56 | 48 | 50 | 57 | 81 | 131 | 19 | 13.2 |
| Lao People's Democratic Rep. | 102 | 125 | 113 | 104 | 149 | 157 | 9 | 20.6 |

*continued on next page*

1 Calculated using population data from the World Bank's World Development Indicators. No data available for Cook Islands or Nauru.

Table A1.1 *continued*

| Country | Current ($ million) 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | Average Annual Change (%) 2006–11 | Average per Capita ($) 2006–11 |
|---|---|---|---|---|---|---|---|---|
| Malaysia | 52 | 223 | 118 | 115 | 52 | 9 | –30 | 3.4 |
| Maldives | 0 | 5 | 7 | 11 | 33 | 7 | 86 | 33.8 |
| Marshall Islands | 1 | 2 | 2 | 4 | 11 | 4 | 26 | 77.4 |
| Micronesia, Fed. States of | 8 | 9 | 10 | 8 | 15 | 28 | 29 | 116.7 |
| Mongolia | 45 | 60 | 91 | 122 | 136 | 155 | 28 | 37.7 |
| Myanmar | 15 | 11 | 21 | 27 | 45 | 86 | 41 | 0.7 |
| Nauru | 7 | 7 | 12 | 6 | 1 | 1 | –28 | n/a |
| Nepal | 103 | 116 | 157 | 154 | 251 | 278 | 22 | 6.1 |
| Pakistan | 280 | 386 | 349 | 383 | 327 | 606 | 17 | 2.3 |
| Palau | 7 | 5 | 12 | 5 | 8 | 1 | –27 | 308.0 |
| Papua New Guinea | 45 | 106 | 112 | 82 | 125 | 151 | 27 | 15.6 |
| Philippines | 312 | 604 | 492 | 559 | 383 | 357 | 3 | 5.0 |
| Samoa | 8 | 9 | 9 | 19 | 32 | 36 | 34 | 103.6 |
| Solomon Islands | 18 | 17 | 11 | 19 | 26 | 50 | 23 | 45.5 |
| Sri Lanka | 254 | 222 | 374 | 434 | 363 | 472 | 13 | 17.4 |
| Tajikistan | 39 | 46 | 49 | 72 | 172 | 129 | 27 | 12.5 |
| Thailand | 258 | 128 | 112 | 114 | 200 | 263 | 0 | 2.6 |
| Timor-Leste | 18 | 16 | 35 | 31 | 44 | 49 | 22 | 29.4 |
| Tonga | 4 | 10 | 4 | 10 | 33 | 17 | 36 | 126.0 |
| Turkmenistan | 1 | 1 | 4 | 3 | 3 | 3 | 19 | 0.5 |
| Tuvalu | 7 | 3 | 4 | 7 | 2 | 4 | –12 | 452.8 |
| Uzbekistan | 47 | 25 | 76 | 71 | 87 | 73 | 9 | 2.3 |
| Vanuatu | 5 | 15 | 45 | 47 | 36 | 18 | 29 | 119.2 |
| Viet Nam | 795 | 1,103 | 1,191 | 1,367 | 1,716 | 2,069 | 21 | 16.0 |
| **Regional disbursements:** | | | | | | | | |
| Central Asia, regional | 44 | 27 | 34 | 39 | 61 | 30 | –7 | |
| Far East Asia, regional | 68 | 41 | 18 | 10 | 21 | 18 | –24 | |
| Oceania, regional | 19 | 16 | 108 | 24 | 49 | 68 | 29 | |
| South and Central Asia, regional | 11 | 7 | 6 | 4 | 6 | 11 | 1 | |
| South Asia, regional | 28 | 22 | 34 | 13 | 6 | 18 | –8 | |
| **Total** | **6,314** | **7,690** | **9,646** | **10,018** | **11,461** | **11,824** | **13** | |

Sources: Derived from data obtained from OECD CRS database (downloaded April 2013) and World Bank World Development Indicators (downloaded May 2013).

Table A1.2 shows total AfT disbursements by sector. Over 50% of flows were concentrated in just two sectors—Transport and Storage (35% of the total) and Energy (23%). Although Tourism disbursements were the lowest in absolute terms (at only 0.3% of the total), they were the fastest growing during the period (at an annual average 23%) along with the Energy sector which experienced annual average increases of 17%.

### Table A1.2 AfT Disbursements to ADB Members (By Sector)

| | Current ($ million) | | | | | | Average Annual Change (%) | Share of Total (%) |
|---|---|---|---|---|---|---|---|---|
| **Country** | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** | **2006–11** | **2006–11** |
| Transport and Storage | 2,079 | 2,344 | 3,086 | 3,756 | 4,229 | 4,510 | 16.8 | 35.1 |
| Communications | 101 | 129 | 241 | 193 | 181 | 145 | 7.5 | 1.7 |
| Energy | 1,285 | 1,699 | 2,492 | 2,015 | 2,778 | 2,779 | 16.7 | 22.9 |
| Banking and Financial Services | 531 | 789 | 828 | 863 | 661 | 760 | 7.5 | 7.8 |
| Business and Other Services | 570 | 841 | 521 | 428 | 359 | 422 | –5.8 | 5.5 |
| Agriculture | 984 | 1,075 | 1,337 | 1,698 | 2,028 | 1,827 | 13.2 | 15.7 |
| Forestry | 263 | 291 | 288 | 285 | 383 | 331 | 4.7 | 3.2 |
| Fishing | 61 | 69 | 169 | 138 | 101 | 107 | 11.7 | 1.1 |
| Industry | 315 | 284 | 438 | 447 | 498 | 676 | 16.5 | 4.7 |
| Mineral Resources and Mining | 29 | 44 | 36 | 50 | 42 | 61 | 15.6 | 0.5 |
| Trade Policies and Regulations | 84 | 109 | 190 | 121 | 160 | 171 | 15.3 | 1.5 |
| Tourism | 13 | 16 | 21 | 23 | 41 | 36 | 22.7 | 0.3 |
| **Total** | **6,314** | **7,690** | **9,646** | **10,018** | **11,461** | **11,824** | **13.0** | **100.0** |

Source: Derived from data obtained from OECD CRS database (downloaded April 2013).

Disbursements in the categories of Economic Infrastructure and Productive Capacity Building accounted between them for 99% (59% and 40% respectively) of total AfT flows in the period 2006–2011 (Table A1.3). AfT in the Trade-Related Adjustment category, although representing only a tiny (0.01%) proportion of the total, have grown quickly in the four years that they have been recorded by the OECD; from zero in 2007, they increased rapidly over 2008–2010. There are only a few recipients of Trade-Related Adjustment disbursements such as Afghanistan, Azerbaijan, Kazakhstan, the Lao PDR, and Papua New Guinea.

AfT disbursements to Asia as a whole, although the largest among regions in absolute terms, have grown more slowly than those to any other region—at an annual average 6.7% 2006–2011 (Table A1.4).[2] Disbursements to Asian subregions, however, have varied—with those to the Middle East falling by an annual average of 17% in the period 2006–2011 (the only subregion to experience a fall in flows) while those to South and Central Asia increased by an annual average 20% over the same period. The strongest growth in disbursements has been to the Americas (particularly North and Central America), although the value of these is small compared to disbursements in Asia and Africa.

2 Although it should be noted that the fastest rate of growth is in disbursements to 'unspecified' destinations.

# Table A1.3 AfT Disbursements to ADB Members by Task Force Category (Current $ million)

| Recipient | Economic Infrastructure | | | | | | Productive Capacity Building | | | | | | TA for Trade Policy and Regulations | | | | | | Trade-Related Adjustment[a] | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2007 | 2008 | 2009 | 2010 | 2011 |
| Afghanistan | 229.7 | 255.4 | 652.9 | 928.6 | 958.8 | 801.7 | 513.6 | 609.1 | 473.6 | 719.7 | 762.9 | 745.2 | 19.1 | 25.0 | 53.7 | 22.5 | 28.5 | 41.8 | – | – | – | – | 1.4 |
| Armenia | 16.0 | 20.9 | 84.8 | 138.9 | 97.4 | 45.3 | 38.3 | 62.4 | 67.2 | 80.4 | 69.4 | 77.8 | – | 3.8 | 10.4 | 4.8 | 0.8 | 1.1 | – | – | – | – | – |
| Azerbaijan | 24.4 | 31.9 | 21.4 | 42.8 | 21.5 | 133.5 | 37.2 | 46.4 | 66.2 | 69.7 | 34.0 | 21.5 | 2.3 | 0.8 | 4.9 | 1.4 | 6.0 | 2.6 | – | 0.6 | 1.4 | 0.4 | 0.0 |
| Bangladesh | 192.7 | 220.3 | 279.7 | 177.3 | 298.2 | 337.2 | 53.0 | 95.4 | 240.7 | 105.8 | 153.4 | 136.9 | 1.7 | 14.7 | 29.5 | 5.9 | 15.1 | 5.8 | – | – | – | – | – |
| Bhutan | 17.5 | 13.2 | 10.2 | 22.7 | 74.0 | 53.3 | 11.3 | 10.4 | 9.2 | 13.9 | 12.9 | 17.0 | 0.4 | 0.4 | 0.6 | 0.1 | 0.0 | 0.1 | – | – | – | – | – |
| Cambodia | 43.2 | 55.0 | 70.8 | 57.6 | 93.4 | 129.5 | 53.2 | 62.6 | 60.7 | 70.2 | 109.5 | 120.4 | 3.6 | 7.1 | 8.7 | 3.7 | 8.1 | 6.5 | – | – | – | – | – |
| China, People's Rep. of | 379.0 | 453.4 | 500.0 | 370.9 | 270.1 | 295.6 | 273.8 | 331.8 | 362.7 | 243.6 | 228.8 | 205.4 | 9.0 | 12.2 | 11.0 | 5.1 | 9.8 | 3.9 | – | – | – | – | – |
| Cook Islands | 0.0 | 0.0 | 0.0 | 0.7 | 1.5 | 5.4 | 0.8 | 1.3 | 1.1 | 0.9 | 1.2 | 3.4 | 0.0 | – | 0.1 | 0.0 | 0.1 | 0.0 | – | – | – | – | – |
| Fiji | 5.7 | 1.2 | 0.8 | 0.4 | 3.2 | 3.0 | 3.7 | 5.8 | 6.0 | 4.9 | 5.6 | 7.6 | 0.1 | 0.3 | 0.0 | 0.1 | 0.1 | 0.7 | – | – | – | – | – |
| Georgia | 57.8 | 71.1 | 122.7 | 152.2 | 200.2 | 119.8 | 43.5 | 46.6 | 84.7 | 62.6 | 30.6 | 51.1 | – | 3.0 | 7.8 | 12.0 | 8.4 | 7.8 | – | – | – | – | – |
| India | 586.4 | 559.4 | 910.4 | 968.4 | 1,490.0 | 1,426.5 | 314.8 | 488.1 | 745.4 | 914.6 | 805.5 | 804.6 | 5.7 | 5.6 | 5.3 | 3.8 | 2.8 | 0.5 | – | – | – | – | – |
| Indonesia | 421.6 | 349.3 | 650.2 | 467.8 | 744.9 | 599.1 | 267.4 | 289.7 | 262.9 | 318.7 | 369.6 | 247.4 | 4.6 | 7.3 | 11.7 | 8.8 | 9.3 | 13.6 | – | – | – | – | – |
| Kazakhstan | 10.4 | 47.0 | 135.0 | 71.1 | 50.4 | 27.6 | 4.8 | 54.1 | 15.4 | 14.6 | 6.4 | 7.6 | 0.8 | 2.6 | 2.5 | 2.1 | 1.1 | 1.2 | – | – | – | – | 0.3 |
| Kiribati | 3.5 | 3.0 | 1.2 | 3.6 | 1.0 | 11.0 | 6.1 | 8.9 | 5.1 | 1.8 | 2.5 | 2.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 | – | – | – | – | – |
| Kyrgyz Republic | 18.0 | 14.2 | 13.9 | 22.3 | 50.8 | 85.4 | 37.1 | 33.4 | 34.4 | 30.4 | 28.5 | 43.5 | 0.6 | 0.7 | 1.8 | 4.5 | 1.8 | 2.2 | – | – | – | – | 0.0 |
| Lao People's Democratic Rep. | 57.7 | 55.0 | 48.3 | 43.2 | 74.0 | 77.4 | 43.6 | 67.9 | 58.4 | 56.8 | 65.8 | 69.9 | 0.9 | 1.6 | 5.7 | 4.2 | 8.7 | 8.8 | – | 0.6 | 0.0 | 0.2 | 0.6 |
| Malaysia | 44.8 | 193.1 | 79.4 | 104.0 | 41.9 | 3.0 | 6.7 | 28.9 | 38.2 | 10.9 | 8.1 | 5.3 | 0.5 | 0.6 | 0.6 | 0.5 | 1.6 | 0.6 | – | – | – | – | – |
| Maldives | 0.3 | 5.2 | 6.6 | 10.3 | 31.4 | 4.7 | 0.0 | 0.0 | 0.1 | 0.1 | 1.1 | 2.6 | 0.0 | 0.0 | 0.0 | 0.2 | 0.0 | 0.0 | – | – | – | – | – |
| Marshall Islands | 0.1 | 1.1 | 1.5 | 0.8 | 6.8 | 1.0 | 1.0 | 0.4 | 0.9 | 3.6 | 4.7 | 2.7 | 0.0 | – | – | 0.0 | – | 0.1 | – | – | – | – | – |
| Micronesia, Fed. Sts of | 2.9 | 6.0 | 5.5 | 3.8 | 13.5 | 26.0 | 4.9 | 3.1 | 4.2 | 4.2 | 1.6 | 1.5 | 0.0 | – | – | 0.0 | 0.1 | 0.1 | – | – | – | – | – |
| Mongolia | 22.9 | 34.3 | 40.2 | 58.1 | 74.9 | 64.4 | 21.5 | 24.9 | 47.6 | 63.1 | 57.6 | 88.2 | 0.6 | 0.7 | 3.6 | 1.2 | 3.1 | 2.1 | – | – | – | – | – |
| Myanmar | 2.6 | 2.3 | 2.3 | 3.1 | 4.8 | 4.4 | 12.6 | 8.9 | 19.1 | 24.0 | 38.5 | 78.4 | 0.1 | 0.2 | 0.1 | 0.4 | 1.2 | 3.0 | – | – | – | – | – |
| Nauru | 6.3 | 7.1 | 11.3 | 5.1 | 0.2 | 0.0 | 0.4 | 0.4 | 0.3 | 0.8 | 0.6 | 1.2 | 0.0 | – | – | 0.3 | 0.1 | 0.1 | – | – | – | – | – |
| Nepal | 70.7 | 82.7 | 123.9 | 119.1 | 159.6 | 188.8 | 32.6 | 32.5 | 32.4 | 34.4 | 91.2 | 84.5 | 0.1 | 0.9 | 0.2 | 0.5 | 0.5 | 4.9 | – | – | – | – | – |
| Pakistan | 67.4 | 94.2 | 183.2 | 87.6 | 130.2 | 408.8 | 211.2 | 291.1 | 165.2 | 290.9 | 190.2 | 189.0 | 1.7 | 0.2 | 1.0 | 4.9 | 6.6 | 7.7 | – | – | – | – | – |
| Palau | 1.9 | 2.8 | 11.6 | 4.0 | 7.3 | 0.9 | 4.6 | 2.0 | 0.6 | 0.5 | 0.7 | 0.4 | 0.0 | – | – | 0.0 | 0.0 | 0.1 | – | – | – | – | – |
| Papua New Guinea | 26.5 | 72.7 | 85.1 | 47.7 | 85.3 | 112.4 | 18.4 | 33.1 | 26.3 | 33.2 | 37.2 | 37.1 | 0.2 | 0.3 | 0.5 | 0.7 | 1.3 | 1.5 | – | – | – | 1.0 | – |
| Philippines | 211.2 | 502.3 | 345.7 | 429.8 | 221.5 | 232.2 | 98.2 | 99.4 | 142.1 | 126.0 | 153.3 | 117.0 | 2.3 | 2.4 | 3.8 | 3.2 | 8.7 | 7.5 | – | – | – | – | – |
| Samoa | 2.6 | 4.9 | 3.2 | 17.9 | 25.4 | 30.2 | 5.6 | 3.7 | 5.5 | 1.1 | 7.0 | 5.2 | 0.0 | 0.0 | 0.1 | 0.1 | 0.0 | 0.6 | – | – | – | – | – |
| Solomon Islands | 11.5 | 14.0 | 6.7 | 11.3 | 14.6 | 34.4 | 6.7 | 2.7 | 3.7 | 6.2 | 10.7 | 14.3 | 0.1 | 0.1 | 0.6 | 1.1 | 0.8 | 1.8 | – | – | – | – | – |
| Sri Lanka | 138.2 | 137.1 | 300.2 | 374.4 | 298.3 | 360.2 | 114.6 | 83.1 | 72.5 | 59.4 | 64.5 | 111.2 | 1.1 | 1.5 | 1.5 | 0.6 | 0.4 | 0.9 | – | – | – | – | – |
| Tajikistan | 8.1 | 10.2 | 11.8 | 29.8 | 102.0 | 87.1 | 29.4 | 35.2 | 35.9 | 40.8 | 65.0 | 39.3 | 1.1 | 0.4 | 1.0 | 1.6 | 4.5 | 3.0 | – | – | – | – | 0.0 |
| Thailand | 162.1 | 75.6 | 78.6 | 70.9 | 163.5 | 243.3 | 91.4 | 50.9 | 32.2 | 41.6 | 34.9 | 17.6 | 4.6 | 1.7 | 1.4 | 1.3 | 1.9 | 2.3 | – | – | – | – | – |
| Timor-Leste | 13.1 | 9.2 | 10.1 | 7.2 | 16.2 | 18.0 | 5.0 | 7.1 | 24.4 | 23.4 | 27.3 | 30.4 | 0.0 | 0.0 | 0.3 | 0.4 | 0.2 | 0.6 | – | – | – | – | – |
| Tonga | 1.3 | 0.7 | 0.9 | 9.2 | 30.1 | 10.2 | 2.1 | 9.6 | 3.0 | 0.9 | 3.1 | 6.5 | 0.3 | 0.1 | –0.1 | 0.0 | 0.2 | 0.1 | – | – | – | – | – |
| Turkmenistan | 0.7 | 0.2 | 0.4 | 0.7 | 0.9 | 0.5 | 0.6 | 0.5 | 3.2 | 2.4 | 1.7 | 2.5 | 0.0 | – | – | – | 0.0 | – | – | – | – | – | 0.0 |
| Tuvalu | 6.8 | 1.5 | 4.0 | 6.0 | 0.8 | 3.2 | 0.4 | 1.4 | 0.4 | 0.4 | 0.7 | 0.6 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 | – | – | – | – | – |
| Uzbekistan | 33.3 | 8.6 | 60.7 | 45.9 | 57.4 | 37.4 | 13.2 | 16.2 | 14.2 | 24.2 | 29.4 | 35.5 | 0.3 | 0.1 | 0.7 | 0.4 | 0.6 | 0.3 | – | – | – | – | 0.0 |
| Vanuatu | 1.5 | 6.4 | 41.7 | 44.4 | 32.9 | 11.3 | 3.5 | 8.0 | 3.7 | 2.2 | 2.7 | 5.9 | 0.0 | 0.1 | 0.0 | 0.1 | 0.1 | 0.6 | – | – | – | – | – |
| Viet Nam | 530.8 | 730.0 | 860.9 | 986.2 | 1,217.7 | 1,375.0 | 252.5 | 365.5 | 318.3 | 370.3 | 480.4 | 680.2 | 11.2 | 7.6 | 11.5 | 10.7 | 18.1 | 13.9 | – | – | – | – | – |

a Data available since 2007.

Source: Derived from data obtained from OECD CRS database.

Table A1.4 **AfT Disbursements (By Region)**

| Country | Current ($ million) | | | | | | | Average Annual Change (%) | |
|---|---|---|---|---|---|---|---|---|---|
| | 2002–5 Ave. | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2002–11 | 2006–11 |
| Africa | 4,335 | 5,460 | 7,474 | 9,337 | 10,909 | 11,142 | 12,271 | 14.3 | 17.6 |
| *North of Sahara* | *737* | *1,090* | *1,257* | *1,763* | *1,790* | *2,261* | *2,160* | *16.0* | *14.7* |
| *South of Sahara* | *3,489* | *4,290* | *5,892* | *6,923* | *7,689* | *8,259* | *9,225* | *13.4* | *16.5* |
| *Africa, regional* | *109* | *80* | *325* | *652* | *1,430* | *621* | *886* | *24.2* | *61.9* |
| Americas | 854 | 1,086 | 1,633 | 1,981 | 2,495 | 2,879 | 2,926 | 20.0 | 21.9 |
| *North and Central America* | *373* | *476* | *638* | *889* | *1,128* | *1,496* | *1,593* | *19.9* | *27.3* |
| *South America* | *444* | *538* | *906* | *874* | *1,054* | *1,240* | *1,192* | *19.1* | *17.2* |
| *America, regional* | *36* | *72* | *89* | *218* | *312* | *143* | *141* | *33.9* | *14.5* |
| Asia | 6,486 | 9,329 | 9,520 | 10,841 | 11,075 | 12,779 | 12,893 | 13.4 | 6.7 |
| *Far East Asia* | *2,488* | *3,111* | *3,870* | *4,124* | *3,974* | *4,549* | *4,699* | *12.1* | *8.6* |
| *Middle East* | *1,227* | *3,012* | *1,878* | *1,283* | *1,144* | *1,434* | *1,173* | *33.1* | *–17.2* |
| *South and Central Asia* | *2,728* | *3,060* | *3,604* | *5,194* | *5,807* | *6,563* | *6,715* | *12.3* | *17.0* |
| *Asia, regional* | *43* | *146* | *168* | *240* | *151* | *233* | *305* | *37.7* | *16.0* |
| Europe | 617 | 1,128 | 1,016 | 1,711 | 1,885 | 2,024 | 1,690 | 12.8 | 8.4 |
| Oceania | 147 | 151 | 227 | 351 | 246 | 365 | 437 | 15.1 | 23.7 |
| Unspecified | 641 | 1,091 | 1,378 | 1,736 | 2,003 | 3,051 | 2,972 | 23.7 | 22.2 |
| **Total** | **13,079** | **18,244** | **21,248** | **25,957** | **28,613** | **32,240** | **33,189** | **14.9** | **12.7** |

Source: Derived from data obtained from OECD CRS database (downloaded April 2013).

Disbursements per capita are highest to Oceania (Table A1.4), followed by North Africa and the Southern Africa. Those to Far East Asia and South and Central Asia are the lowest, at around $2–3 per capita (average, 2006–10). Growth in per capita disbursements was strongest to the Americas (both North and Central and South) in the period 2006–11, followed by Oceania and South and Central Asia. In line with the value of disbursements shown in Table 3, per capita disbursements to the Middle East have fallen sharply (by an annual average 17%, 2006–11).

AfT disbursements average less than 0.5% of GNI in all regions except Oceania and Sub-Saharan Africa (Table A1.5). In Far East Asia the share is declining, but all other regions saw an increase 2006–11.

## A1.2 Asian South–South Development Cooperation

### India

India's aid-related expenditures can be seen in Table A1.7. They are broken down into three main sectors: training, export credits (lines of credit) and project-related activities. Training makes up the largest proportion of expenditures at 60%. This includes training for civil servants, engineers and public sector managers in developing countries. India's largest assistance program is the Indian Technical and Economic Cooperation (ITEC), in which India delivers its assistance to other

### Table A1.5 AfT Disbursements per Capita (By Region)

| Region | | Current $ 2002–5 Ave. | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | Average Annual Change (%) 2002–11 | 2006–11 |
|---|---|---|---|---|---|---|---|---|---|---|
| Africa | North of Sahara | 4.9 | 6.7 | 7.3 | 10.5 | 10.7 | 13.2 | 11.4 | 12.4 | 11.3 |
| | South of Sahara | 4.6 | 5.3 | 7.1 | 8.1 | 8.6 | 8.9 | 9.7 | 10.2 | 12.7 |
| Americas | North and Central America | 1.9 | 2.2 | 2.8 | 4.1 | 5.3 | 6.7 | 6.9 | 17.3 | 26.0 |
| | South America | 1.2 | 1.3 | 2.2 | 2.2 | 2.6 | 3.0 | 2.8 | 17.1 | 16.0 |
| Asia | Far East Asia | 1.4 | 1.6 | 2.1 | 2.2 | 2.1 | 2.4 | 2.4 | 11.2 | 8.3 |
| | Middle East | 7.0 | 16.6 | 10.0 | 7.9 | 6.9 | 8.5 | 6.8 | 32.5 | –16.2 |
| | South and Central Asia | 1.7 | 1.8 | 2.1 | 3.0 | 3.3 | 3.7 | 3.7 | 10.6 | 15.8 |
| Europe | | 5.4 | 6.2 | 6.1 | 9.5 | 11.2 | 11.5 | 10.0 | 6.9 | 10.3 |
| Oceania | | 15.7 | 14.6 | 22.8 | 25.6 | 23.7 | 33.2 | 35.9 | 10.4 | 19.7 |

Note: In any given year, the regional AfT/population totals used to derive these amounts do not include: (1) AfT disbursements to any country for which population data are not also available and (2) population figures for any country which did not receive an AfT disbursement. This means, for example, that because of lack of population data the per capita amounts shown for Oceania take no account of AfT to Cook Islands, Nauru, Niue, Tokelau and Wallis and Futuna.

Sources: Derived from data obtained from OECD CRS database (2002–5 downloaded November 2012, 2006–11 downloaded April 2013) and World Bank World Development Indicators (downloaded May 2013).

### Table A1.6 AfT Disbursements as Percentage of GNI, by Region

| Region | | 2002–5 Ave. | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|---|---|
| Africa | North of Sahara | 0.29 | 0.28 | 0.26 | 0.30 | 0.34 | 0.43 | 0.35 |
| | South of Sahara | 0.72 | 0.56 | 0.67 | 0.70 | 0.79 | 0.69 | 0.69 |
| Americas | North and Central America | 0.04 | 0.03 | 0.04 | 0.06 | 0.09 | 0.10 | 0.09 |
| | South America | 0.04 | 0.03 | 0.04 | 0.03 | 0.04 | 0.03 | 0.03 |
| Asia | Far East Asia | 0.10 | 0.08 | 0.08 | 0.07 | 0.06 | 0.06 | 0.05 |
| | Middle East | 0.18 | 0.39 | 0.20 | 0.20 | 0.17 | 0.42 | 0.39 |
| | South and Central Asia | 0.29 | 0.22 | 0.21 | 0.29 | 0.30 | 0.28 | 0.25 |
| Europe | | 0.13 | 0.12 | 0.10 | 0.13 | 0.19 | 0.17 | 0.14 |
| Oceania | | 1.59 | 1.18 | 1.59 | 1.56 | 1.57 | 1.95 | 1.70 |

Note: In any given year, the regional AfT/GNI totals used to derive these shares do not include (1) AfT disbursements to any country for which GNI data are not also available and (2) GNI figures for any country which did not receive an AfT disbursement. This means, for example, that because of lack of GNI data the shares shown for Oceania take no account of AfT to Cook Islands, Nauru, Niue, Tokelau and Wallis and Futuna, and that because of a lack of recent GNI data for several countries growth rates may be somewhat skewed.

Sources: Derived from data obtained from OECD CRS database (2002–5 downloaded November 2012, 2006–11 downloaded April 2013) and World Bank World Development Indicators (downloaded May 2013).

emerging economies through technical training. Within the past decade, ITEC has grown from 2,544 training slots to 7,400 slots.[3] The second category of aid expenditures is in the form of concessional export credits which make up 30% of total expenditures. Export credits are used to enable foreign countries to purchase Indian equipment and services. The final 10% is spent on project-related activities, such as feasibility studies and deployment of technical experts

3 "South–South Cooperation on Aid for Trade," Vimal Srivastava, Dept. of Commerce, India, 2012.

### Table A1.7 Principal Destination of India's Aid and Loan Programs (Excluding Lines of Credit), Current $ million

| Country/Region | 2009/2010 | Country/Region | 2010/2011 | CountryRegion | 2011/2012 |
|---|---|---|---|---|---|
| Bhutan | 235.01 | Bhutan | 311.01 | Bhutan | 366.43 |
| Afghanistan | 51.81 | Afghanistan | 55.96 | Afghanistan | 52.35 |
| Nepal | 27.08 | Nepal | 27.08 | Maldives | 49.28 |
| African countries | 22.56 | African countries | 27.08 | Nepal | 27.08 |
| Mongolia | 22.56 | Sri Lanka | 16.25 | African countries | 22.38 |
| Sri Lanka | 14.44 | Myanmar | 16.25 | Sri Lanka | 24.01 |
| Myanmar | 9.93 | Eurasian countries | 5.42 | Myanmar | 20.18 |
| Eurasian countries | 3.61 | Maldives | 1.99 | Eurasian countries | 5.42 |
| Bangladesh | 0.68 | Latin American countries | 0.72 | Bangladesh | 1.44 |
| Maldives | 0.63 | Bangladesh | 0.54 | Latin American countries | 0.36 |
| Latin American countries | 0.36 | Others | 64.32 | Mongolia | 0.09 |
| Others | 37.1 | | | Others | 48.84 |
| **Total** | **425.77** | **Total** | **526.6** | **Total** | **617.85** |

Rupee exchange rate $1 = Rs55.4.
Source: Government of India, Ministry of External Affairs, Annual Reports 2009/10, 2010/11, 2011/12.

from India. Overall, India delivers its aid as a part of comprehensive investment packages and trade deals.

## People's Republic of China

Foreign aid from the PRC is broken down into seven main areas: agriculture, industry, economic infrastructure, public facilities, education, medical and health care, and more recently, climate change. The focus of the PRC's foreign aid is centered on laying a solid foundation for economic and social development in the recipient countries. This focus aims to increase recipients agricultural and industrial productivity, as well as improve basic education and medical care. The PRC designates its foreign aid through several instruments, such as complete (turn-key) projects, goods and materials, technical cooperation, human resource development cooperation, medical teams, emergency humanitarian aid, overseas volunteer programs and debt relief. Complete projects, especially in industry and public facilities, seem to receive the most attention, accounting for 40% of the PRC's foreign aid.

The PRC's development cooperation is often channeled through buyer's export credits, in which a foreign buyer is granted a long-term credit in order to purchase exports of goods and services from the PRC. These credits are popular in the PRC's investment in Africa, with the PRC's commitment to Africa of $10 billion in preferential credits to Africa between 2009–2012.[4] The Export–Import Bank of the PRC is a major player in supporting private sector investment in

4 http://www.american.edu/sis/faculty/upload/Brautigam-Chinese-Aid-in-Africa.pdf

## Table A1.8 Top 20 Recipients of Exim Bank's Operative Lines of Credit (As of 6 June 2012), $ million

| Country/Region | $ million |
|---|---|
| 1. Sri Lanka (6) | 1,216 |
| 2. Bangladesh (1) | 1,000 |
| 3. Ethiopia (6) | 705 |
| 4. Africa, multiple countries (12) | 630 |
| 5. Sudan (6) | 567 |
| 6. Nepal (2) | 350 |
| 7. D.R. Congo (4) | 269 |
| 8. Mali (7) | 267 |
| 9. Myanmar (7) | 247 |
| 10. Iran (1) | 200 |
| 11. Mozambique (8) | 173 |
| 12. Ghana (5) | 149 |
| 13. Senegal (8) | 137 |
| 14. Russian Federation (2) | 125 |
| 15. Syria (2) | 125 |
| 16. Lao PDR (3) | 123 |
| 17. Zambia (4) | 115 |
| 18. Cote d'Ivoire (4) | 112 |
| 19. Angola (5) | 108 |
| 20. Chad (2) | 90 |

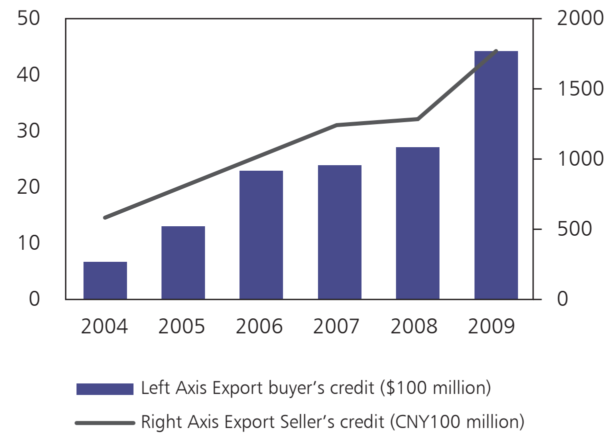
Figures in brackets are the number of operative lines of credit
Source: Calculations based on the Exim Bank data (http://www.eximbankindia.com/loc.asp).

## Table A1.9 Principal Destinations of PRC's Foreign Aid Funds, 2009

| Region | $ million |
|---|---|
| Africa | 639.8 |
| Asia | 459.2 |
| Latin America and the Caribbean | 177.8 |
| Others | 63.0 |
| Oceania | 56.0 |
| Europe | 1.4 |
| **Total** | **1,400** |

Sources: PRC's Information Office of the State Council (2011), Brautigam (2011).

Figure A1.1 **Actual Disbursements of Export Credit**




Source: Adapted from Chen (2010).

infrastructure, oil and gas, mining, and telecommunication projects abroad. However, these export credits cannot be classified as ODA because the PRC is not a member of the OECD and it does not have to conform to the guidelines.

## Malaysia

Despite its emerging place in the global economy, aggregate data on the amount and direction of Malaysia's foreign aid is not readily available. The last record of net disbursements of cooperation was released in 2006. However, a glimpse into Malaysia's foreign aid policy can be seen through one of its main development assistance programs: the Malaysian Technical Cooperation Programme (MTCP). Founded in 1980, MTCP encapsulates Malaysia's contribution to the international community by promoting South–South cooperation through professional training in areas that will sustain economic development in the partner country. MTCP is unique to other global assistance programs because of its two main principles: demand-driven assistance and untied aid. While most aid is locally distributed within the region, MTCP reaches a good portion of the Western world as well, as shown in Table A1.10.

Table A1.10 **Geographical Distribution of MTCP Participants, 2011**

| Country/Region | % of MTCP Expenditure |
|---|---|
| ASEAN | 33 |
| Africa | 21 |
| North Africa and West Asia | 15 |
| South Asia | 13 |
| Pacific Island | 5 |
| CIS | 4 |
| Non-ASEAN Asian states | 4 |
| East and Central Europe | 2 |
| Others | 3 |

Source: Asia Foundation, 2011.

Table A1.11 **Top Ten Recipient Countries of MTCP, (in Ranking Order) 2011**

| Country |
|---|
| 1. Indonesia |
| 2. Myanmar |
| 3. Cambodia |
| 4. Viet Nam |
| 5. Philippines |
| 6. Sri Lanka |
| 7. Thailand |
| 8. Lao PDR |
| 9. Bangladesh |
| 10. Sudan |

Source: Asia Foundation, 2011.

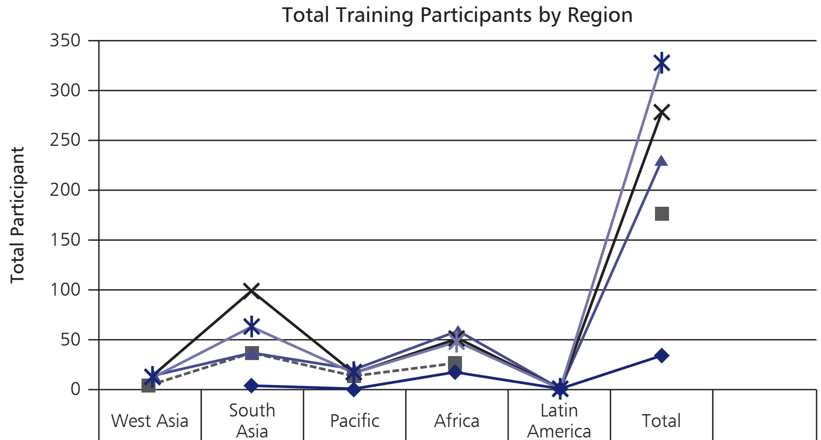
In addition to its commitment to South–South cooperation through MTCP, Malaysia is an emerging presence in terms of outward FDI. Total outward FDI flows totalled $15.5 billion, making up 5.3% of the country's GDP. Malaysia's FDI flows are broken down by sector as: non-financial services (35%), financial services (32%), oil & gas (19%), manufacturing (11%), and others, such as agriculture and construction (3%).[5]

## Indonesia

Similar to Malaysia, Indonesia is a rising source of South–South flows and regional development assistance, but it is not easy to undertake an aggregate analysis of its foreign aid policy. By Indonesia's estimates, $42 million has been given in foreign assistance over the past decade; and humanitarian assistance has amounted to $7 million in the past two years alone. In addition, in 2011, Indonesia pledged to give $1.5 million to the World Bank's South–South Exchange Facility, in order to continue its growing commitment to South–South trade and cooperation. At the end of 2011, Indonesia's net foreign direct investment outflows accounted for 0.9% of its GDP, coming to $7.621 billion. Indonesia, similar to Malaysia, devotes a large portion of its South–South assistance to technical cooperation, as shown in Figure A1.2. In addition, other popular sectors of Indonesia's South–South cooperation include health, infrastructure, financial management, fisheries, agriculture and tourism.[6]

5 BNM, 2011 http://www.bnm.gov.my/files/publication/ar/en/2010/ar2010_book.pdf
6 "Aid for Trade and Strengthening South–South Cooperation," Ministry of Trade, Indonesia

**Figure A1.2 Indonesia's Technical Cooperation: Total Training Participants by Region, 2006–2010**




| | West Asia | South Asia | Pacific | Africa | Latin America | Total | |
|---|---|---|---|---|---|---|---|
| 2006 | | 4 | 1 | 17 | 1 | 34 | |
| 2007 | 4 | 38 | 16 | 27 | | 176 | |
| 2008 | 15 | 37 | 21 | 58 | 2 | 232 | |
| 2009 | 10 | 99 | 15 | 52 | 3 | 276 | |
| 2010 | 16 | 66 | 14 | 47 | 2 | 326 | |

Source: SSC-Indonesia, 2011.

Annex 2

# Aid for Trade Experiences from the Asia and Pacific Region

This annex describes a range of experiences in Aid for Trade (AfT) programs from the Asia-Pacific region. Section A2.1 begins by detailing several projects that have financed aspects of the investment climate. Section A2.2 then discusses a number of projects that involve a strengthening of public–private dialogue. Finally, section A2.3 describes experiences in promoting other financial flows.

## A2.1 Building a Conducing Investment Climate—Illustrative Experiences

This section provides illustrative examples of AfT projects that have helped countries in Asia and the Pacific to improve their investment climate. It first deals with infrastructure and trade policy projects (2.1.1), then discusses the role of aid for regional projects (2.1.2) and finally moves onto the special challenges of specific contexts (2.1.3).

### A2.1.1 Supporting National Policy

*Infrastructure*

The Government of Cambodia is being supported in its efforts to upgrade and modernize the railway system, in collaboration with the private sector.[1] The total cost of $142.1 million has received contributions from the Asian Development Bank (ADB) (60.9%), the Australian Agency for International Development (AusAID) (14.7%), the OPEC Fund for International Development (OFID) (8.8%), the Government of Malaysia (1.9%) and the Government of Cambodia (13.7%).[2] The project seeks to rehabilitate Cambodia's railway network and assist the Government with transferring its management and operation to a private company through a 30 year concession. The national railway system had deteriorated due to war, neglect, poor management and asset stripping. ADB has been supporting the rehabilitation of Cambodia's physical railway infrastructure since 2002. An efficient railway system was identified as a key element of improving Cambodia's freight transport links. However, it was realized that mere rehabilitation of the physical infrastructure would not be sufficient and would require improved management and operations to meet the objectives of transforming Cambodia's railway system.

1 ADB. 2012. Greater Mekong subregion: Twenty years of partnership. Asian Development Bank.
AusAID. 2010. *Australian Aid for Trade in the Mekong: Reducing poverty through greater trade and economic growth.* Australian Government.

2 AusAID. 2009. *Greater Mekong subregion: Rehabilitation of the railway in Cambodia*. Australian Government

In 2009, the Government of Cambodia signed a concessionaire agreement with Toll Royal Railway, a joint venture between Toll (an Australian logistics group) and the Cambodian Royal Group of Companies.[3] The completion of the rehabilitation will provide better trade links to Cambodia's neighbors Thailand and Viet Nam. Thailand is also upgrading the rail link on its side of the border, which is crucial in realizing the full benefit of the rehabilitation of railway system in Cambodia. Improved links with the Thailand railways system, particularly cross-border railway links, will ensure more cost-effective movement of freights between ports in Thailand and Cambodia, which in turn will better connect Cambodia to regional markets of Malaysia and Singapore. Work has been progressing, although there have also been a number of delays.[4]

### *Trade Policy*

USAID is providing support to the Lao PDR's World Trade Organization (WTO) accession process as well as trade negotiations with the US. These include:[5]

- Establishment of a Trade Resource Centre to create a transparent trade regime by including and engaging the private sector (including business associations), the national assembly, academia, and the civil society.
- Provision of economic and legal analysis to increase the understanding of the reforms required for WTO accession, US–Lao PDR BTA compliance and ASEAN integration.
- Raising awareness and understanding of the obligations and opportunities presented by trade agreement.

Similarly, ADB has been providing trade-related technical assistance at the regional level in the areas of information and transparency, capacity building, research, and advocacy.[6] The Asian region is one marked with growing number of trade agreements. A study by ADB on the impact on the business from increasing free trade agreements found that businesses were using these FTAs.[7] However, it also found that many businesses, particularly small and medium-sized enterprises, lacked information to use as well as institutional support to benefit.

## A2.1.2 Supporting Regional Integration

### *ASEAN Single Window*

USAID is helping ASEAN develop a single window to improve the handling of goods across borders.[8] The objective is to reduce processing time for clearance of containers to 30 minutes from a regional average of about 5 days. The project is being piloted in Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore, Thailand and Viet Nam. The single window will allow companies and traders to submit import, export and transit data to a single point. Once

3 Railway Gazette International, see: http://www.railwaygazette.com/news/single-view/view/ausaid-pledges-funding-as-cambodian-rehabilitation-resumes.html.
4 AusAID. 2012. *Cambodia Annual Program Performance Report*. Australian Government
5 See: http://transition.usaid.gov/rdma/documents/ADVANCE_Laos_BTWWTO_200805_508.pdf
6 See: http://www.oecd.org/aidfortrade/47078022.pdf
7 Wignaraja, G. and Kawai, M. 2011. *Asia's free trade agreements: How is business responding?* Asian Development Bank.
8 See: http://transition.usaid.gov/rdma/documents/SS_ASEAN_Single_Window_20090218_FINAL.pdf

systems have been integrated between countries, the information will be processed through this single window. It is an example of how AfT can support deep regional integration.

*Trade in Agricultural Products in the Mekong Subregion*

A recent ADB study has shown that there is substantial intra-industry trade within the Mekong subregion.[9] However, it further found that there were weak integrated systems on sanitary and phytosanitary measures, quarantine, and standards, that created drag on the movement of goods. It proposed the automation of quarantine systems, issuance of permits that are mutually recognized, public–private partnerships with a focus on improving certification standards and processes, and increasing the capacity of quarantine agencies. ADB has provided support for efforts in the Mekong subregion towards increasing cross-border trade in agricultural products within and beyond the region.[10]

### A2.1.3 Supporting Specific Challenges in Different Contexts

*Trade Connectivity and Landlocked Developing Countries*

With the support of World Bank and the Government of India, Nepal was able to establish two dry ports, one with road links and another with rail links. The cost of the Nepal Multimodal Transit and Trade Facilitation Project was $28.5 million.[11] As a landlocked, least developed country Nepal bears huge costs due to lack of appropriate and adequate infrastructure for the movement of goods. Moreover, Nepal is unique among the landlocked developing country group in that it only has one viable trade-corridor option, which connects to India as the northern borders with the People's Republic of China (PRC) create geographical barriers that are hard to overcome. The terminals at the dry ports are managed by private companies, with a lease of 10 years. ADB is also supporting Government of Nepal to establish dry ports in other parts of the country. And a UNDP funded project titled 'Enhancing Nepal's Trade-Related Capacity (ENTReC) project' is playing an important role in conducting other feasibility studies as well as facilitating the dialogue between the private sector and the government around these issues.

*Private Sector Development, Trade and Small Island Developing States*

The EU's Centre for Development Enterprise (CDE) began supporting a family business in Fiji called Pure Fiji, in 2000, with an investment of $2,000.[12] At present, Pure Fiji is worth $3.2 million. The EU's CDE provides technical assistance, business know-how, and support for marketing and networking. Pure Fiji exports high quality beauty products such as oils and soaps to high value niche markets. In spite of expanding over time, it still maintains close links with the rural villages that supply the raw material. Pure Fiji has organized the suppliers of the raw material, mostly women, into cooperatives.

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9 ADB. 2012. *Agricultural trade facilitation in the greater Mekong subregion*. Asian Development Bank.

10 ADB has also supported regional road rehabilitation in the GMS region. See AfT case story submitted by ADB: http://www.oecd.org/aidfortrade/47078344.pdf

11 Regmi, D. R. 2012. *Development and operations of dry ports in Nepal. United Nations Economic and Social Commission for Asia and Pacific*.

12 EU. *Making trade work for development. Aid for Trade: A selection of case studies from around the world*. The European Union.

## A2.2 Aid for Trade and Public–Private Dialogue—Illustrative Experiences

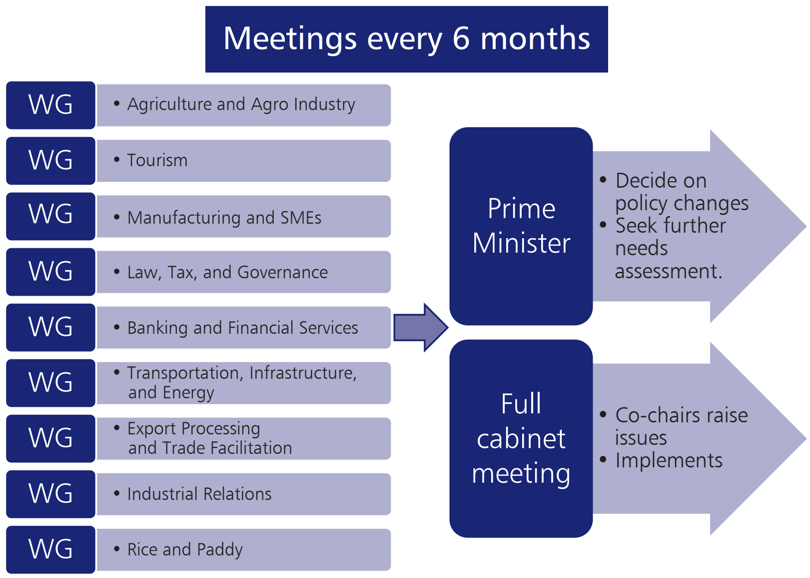
This section describes three projects aimed at improving public–private dialogues in the Asian context.

### *Cambodia's Dialogue with Private Sector*

The primary development objectives of the Cambodian government include the development of the private sector, enhancement of the agriculture sector, human resource development and improvement of physical infrastructure. Cambodia promotes its commitment to the development of the private sector by fostering an open dialogue. To promote this public–private sector dialogue, the Cambodian Prime Minister holds a government–private sector forum (G-PSF) every six months to discuss the interests and concerns of foreign and domestic investors. The G-PSF was established in 2000 and has accumulated a savings of over $100 million for the private sector.[13] In addition, there are nine government–private sector working groups that meet on a monthly basis and specialize in specific sectors and issues such as agriculture and agroindustry, tourism, manufacturing and SMEs, law, taxation and governance, banking and financial services, energy and infrastructure, export processing and trade facilitation, industrial relations, and rice and paddy.

In an assessment of the impact of the public–private sector dialogue in Cambodia, the steps of the policy process that were most affected were the steps that helped push the reform through

**Figure A2 Government–Private Sector Forum Model**




Source: Government of Cambodia.

13 "Public and Private Partnership: Cambodia's Experience," Pan Sorasak, 5th Regional Technical Group Meeting on Aid for Trade for Asia and the Pacific, ADB, 2012

into action. These included increasing access to Ministry-level authority, providing a mechanism for escalating issues to senior government, and providing a feedback opportunity for on-going reforms.[14] The public–private sector dialogue process in Cambodia is of high value in itself, especially in terms of long-run benefits, because a platform for this type of dialogue did not previously exist.

### *Japan–Viet Nam Joint Initiative*

The maintenance of peace and security within the ASEAN region is an important goal for Japan. One strategy to achieve this goal is to deepen intraregional cooperation by balancing the region's overall economic development. Viet Nam has articulated the goal to emerge as an industrialized nation by the year 2020. Japan's assistance program for Viet Nam is centered on four main areas: economic growth/international competitiveness, improvements in living conditions, environmental conservation, and the strengthening of governance. In each of these areas, Japan promotes open and effective communication between the government of Viet Nam and the private sector, both Vietnamese and Japanese, in order to develop a successful and long-term initiative.

In particular, the Japan–Viet Nam Joint Initiative to Improve the Business Environment with a view to Strengthen Viet Nam's Competitiveness (2009) aims to improve the business sector, transport sector, and sustainable resource supply through the development of the private sector. Japan's plan to achieve this includes the development of both hard and soft infrastructure-from the enhancement of power generation supply/capacity in the energy sector to the strengthening of policy planning for local companies and improving access to capital in the business sector.[15] The other important area that promotes public–private sector dialogue in the Japan–Viet Nam Initiative is the strengthening of governance within Viet Nam. The program promises to implement internal reforms through several programs, such as the Japan–Viet Nam Joint Committee for Preventing Japanese Official Development Assistance (ODA)-related Corruption, the Poverty Reduction Support Credit, and the "Basic Policy in terms of Legal System Improvement Support."[16] With the support of Japan's assistance, public–private sector alliances have formed through specialized sector policy dialogues with the Vietnamese government, as well as deliberations between the Japanese private sector and Vietnamese government regarding project formulation.

### *Japan–ADB–Philippines Government Consultative Process*

Japan has invested in the development of a successful business environment in the Philippines through the entry into force of the Japan–Philippines Economic Partnership Agreement (JPEPA) in December 2008. It has taken a major step in this relationship with its most recent program of assistance. On 5 October, 2012, the Japanese ambassador to the Philippines and the Philippines' Secretary of Foreign Affairs signed a note that appropriated $100 million as an ODA loan to improve the Philippines' emerging business environment.[17] This program is funded by the

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14 IFC, 2007, "Public-Private Dialogue Internal Report: Impact Assessment of PPD Initiative in Cambodia, Lao, Vietnam".
15 Government of Japan, 2009, "Country Assistance Program for Vietnam".
16 Government of Japan, 2009, "Country Assistance Program for Vietnam".
17 Embassy of Japan to the Philippines, 2012, Press Release. See: http://www.ph.emb-japan.go.jp/pressandspeech/press/pressreleases/2012/81.htm

Government of Japan and cofinanced by ADB. Its intention is to support the policy action achievements made already by the Philippines' government, such as the resolution of the VAT refund issue, supply of affordable and stable electricity, improvement of customs procedures and infrastructure development.[18]

In addition, in June 2012, the ADB issued a $350 million "Increasing Competitiveness for Inclusive Growth Program" loan, which aims to promote competitiveness and develop labor skills.[19] With this loan, ADB worked with the Department of Labor and Employment to develop MyFirstJob, a program that provided 1,600 out of school youth with career counseling, grants for vocational training and local internships.[20]

## A2.3 Non-ODA Project Loans—Illustrative Experiences

### *Development Bank Loans*

The ADB recognizes that the private sector is an essential engine for economic growth and development, especially for countries that are low-income or still developing. ADB has two strategic tools for growth within the private sector: investment in infrastructure and advice for governments on the contents of business-friendly environments (beneficial rules, regulations, etc).[21] As ADB's strategic private sector development framework explains, ADB provides these tools by establishing an enabling policy and institutional environment through policy dialogue, promoting public sector goods and services through public–private partnerships and financial assistance, and making direct private sector investments with transactions that promote private inward capital.[22]

In terms of implementation and operations, ADB has a department devoted to the planning and allocation of assistance: the Private Sector Operations Department (PSOD). This department assists a country's economy through two channels: the infrastructure sector and the financial sector. ADB provides loans, equities and guarantees to projects in both sectors, but with different objectives in each. In the infrastructure sector, ADB allocates resources for physical projects, such as transport, power generation, water supply, and any other infrastructural entity that requires upgrading. In the finance sector, ADB provides the funds to banks, insurance companies, private equity funds and other entities in order for them to in turn finance small and medium-sized enterprises that further boost the domestic economy. In particular, ADB developed the Trade Finance Program in order to support trade in Asia's most neglected markets by crowding in trade finance support so that eventually the domestic economy can become self-sustaining. In 2011, the TFP mobilized $2.4 billion in private sector capital from banks and insurance companies and has grown by more than 30% in the first eight months of 2012.[23] During 2011, ADB's PSOD approved 14 private sector projects with investments worth

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18 JICA, 2012, Press Release. See: http://www.jica.go.jp/english/news/press/2012/121010.html

19 ADB. 2012. "ADB, Philippines to Improve Investment Climate and Boost Youth Employment." See: http://www.adb.org/news/adb-philippines-improve-investment-climate-and-boost-youth-employment

20 ADB. 2012. "ADB, Philippines to Improve Investment Climate and Boost Youth Employment." See: http://www.adb.org/news/adb-philippines-improve-investment-climate-and-boost-youth-employment

21 ADB. 2012. http://www.adb.org/themes/private-sector-development/overview

22 ADB. 2006. http://www.adb.org/sites/default/files/pub/2006/PSD-strategic-framework-2006.pdf

23 ADB. 2012. Focus on Trade Finance. http://www.adb.org/features/focus-trade-finance-program?ref=themes/private-sector-development/features

$1.7 billion comprising $1.1 billion in loans, $89 million in equity investments, $417 million in partial credit guarantees and political risk guarantees, and $100 million in B loans.

As a further example, ADB has been supporting the Greater Mekong Subregion (GMS) for over 20 years. The ABD mobilises resources from development partners and the private sector for GMS programs. Supported by ADB and UNESCAP, the GMS business forum has been set up to strengthen private sector participation in GMS development. ADB is supporting the GMS's 'Cross-border transport facilitation agreement' (CBTA) to achieve seamless movement of goods, services and people.[24] A key feature of the agreement is that it fosters public–private partnership and dialogue. The agreement brings together in one legal instrument all the important non-physical measures to increase cross-border land transport. The CBTA includes mechanisms that enable (i) vehicles (on designated open routes), drivers (with mutual recognition of driving licenses and visa facilitation), and goods (with regimes for dangerous and perishable goods) to cross national borders through the GMS road transport permit system; (ii) avoidance of costly transshipment through a customs transit and temporary importation system and a guarantee system for goods, vehicles, and containers; (iii) the reduction of time spent at borders, through single-window inspection, single-stop inspection, information and communication equipment and systems for information exchange, risk management, and advance information for clearance; and (iv) increases in the number of border checkpoints implementing the CBTA in order to maximize its network effects and economies of scale.[25]

### *EXIM Bank Loans*

Export-Import Banks (EXIM) are playing an increasingly important role in facilitating trade and investments in the Asia-Pacific region. EXIM Banks are helping exporters through a number of financing instruments such as supplier's credit, buyer's credit, and lines of credit. In doing so, EXIM Banks assist their domestic exporters to meet international competition effectively through competitive financing packages.[26] The EXIM Banks in Asia have also emerged as important facilitators of foreign investment originating within and beyond the region. For instance, Republic of Korea's EXIM Bank, Japan Bank for International Cooperation (JBIC) and the PRC's China Development Bank and China EXIM Bank were important financiers of a $2 billion, 1,200-megawatt power plant in Viet Nam.[27] And JBIC is funding the one of the largest infrastructure projects in Asia—a $4 billion, 2,000-megawatt power project in Indonesia.[28] There is also increasing cooperation between the many EXIM banks. An EXIM Bank forum has been established in cooperation with ADB, which brings together the EXIM Banks of Australia, the PRC, India, Malaysia, Indonesia, Thailand, the Republic of Korea, Japan, and the Philippines.[29]

24 ADB. 2011. *Greater Mekong subregion cross-border transport facilitation agreement: Instruments and drafting history*. Asian Development Bank. See: http://www.adb.org/sites/default/files/gms-cbta-instruments-history.pdf.
25 Ibid.
26 See: http://www.asianeximbanks.org/detail.asp?id=22
27 See: http://www.ft.com/cms/s/0/a6f91c46-d4c2-11e1-9444-00144feabdc0.html
28 Ibid
29 See: http://www.asianeximbanks.org/detail.asp?id=22

### *South–South Collaboration*

Annex 1 described in detail the assistance programs of four providers of SSC: the PRC, India, and two others (Malaysia and Indonesia).[30] Some key aspects include:

- **India's SSC** increased from $426 million in 2009/2010 to $618 million in 2011/2012. It can be broken down into three main sectors: training, export credits (lines of credit) and project-related activities. Technical and Economic Cooperation, in which India delivers its assistance to other emerging economies through technical training for capacity building has grown from 2,544 slots to 7,400 slots over the past decade. The EXIM bank's lines of credit amounts to $6.7 billion.
- **The PRC's aid** amounted to $1.4 billion in 2009. Complete projects, especially in industry and public facilities, seem to receive the most attention, accounting for 40% of the PRC's foreign aid. The PRC development cooperation is also channeled through buyer's export credits, which are popular in the PRC's investments in Africa, with the PRC's commitment to Africa worth $10 billion in preferential credits to Africa between 2009–2012 and double that over the next 3 years.
- **Malaysia** and **Indonesia** have also long provided technical cooperation. Indonesia has provided $42 million in foreign assistance over the past decade; humanitarian assistance has amounted to $7 million in the past two years alone.

### *Examples of Business Supporting Agencies*

KOTRA—Provides business support to both inward and outward investment. It has opened a number of offices around Asia, for example, in India. Website: http://www.kotra.in/index.jsp

JETRO—Outward FDI and PPPs (Japan)
http://www.jetro.go.jp/en/invest/success_stories/pdf/1003_ipstar.pdf

[30] Note: Figures of South–South cooperation by countries which are not member states of the OECD DAC are not based on OECD criteria for ODA, including in terms of concessionality level.

Annex 3

# Data on ODA, FDI, and Exports for ADB Members

| | Net ODA received (% of GNI) | | | Exports of goods and services (% of GDP) | | | Imports of goods and services (% of GDP) | | | FDI, net inflows (% of GDP) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **ADB member** | **2000** | **2005** | **2010** | **2000** | **2005** | **2010** | **2000** | **2005** | **2010** | **2000** | **2005** | **2010** |
| Afghanistan | | 41.6 | 42.4 | | 25.2 | 15.5 | | 71.3 | 53.6 | | 4.0 | 0.4 |
| Armenia | 11.0 | 3.4 | 3.5 | 23.4 | 28.8 | 20.6 | 50.5 | 43.2 | 44.8 | 5.5 | 4.9 | 6.1 |
| Azerbaijan | 2.8 | 1.9 | 0.3 | 39.0 | 62.9 | 54.0 | 38.4 | 52.9 | 19.9 | 2.5 | 12.7 | 1.1 |
| Bangladesh | 2.4 | 2.1 | 1.3 | 14.0 | 16.6 | 18.4 | 19.2 | 23.0 | 25.0 | 0.6 | 1.3 | 0.9 |
| Bhutan | 12.7 | 12.6 | 9.2 | 30.5 | 39.1 | | 51.3 | 62.8 | | | 1.1 | 1.3 |
| Cambodia | 11.2 | 8.9 | 6.9 | 49.8 | 64.1 | 54.1 | 61.8 | 72.7 | 59.5 | 4.1 | 6.1 | 7.0 |
| China, People's Rep. of | 0.1 | 0.1 | 0.0 | 23.3 | 37.1 | 29.5 | 20.9 | 31.6 | 25.6 | 3.2 | 5.2 | 3.1 |
| Fiji | 1.7 | 2.2 | 2.5 | 65.2 | 52.9 | 52.7 | 70.3 | 65.1 | 64.7 | 0.0 | 5.2 | 6.2 |
| Georgia | 5.3 | 4.5 | 5.5 | 23.0 | 33.7 | 34.9 | 39.7 | 51.6 | 52.4 | 4.3 | 7.1 | 7.0 |
| India | 0.3 | 0.2 | 0.2 | 12.8 | 19.3 | 22.8 | 13.7 | 22.0 | 26.9 | 0.8 | 0.9 | 1.4 |
| Indonesia | 1.1 | 0.9 | 0.2 | 41.0 | 34.1 | 24.6 | 30.5 | 29.9 | 22.9 | –2.8 | 2.9 | 1.9 |
| Kazakhstan | 1.1 | 0.4 | 0.2 | 56.6 | 53.5 | 44.0 | 49.1 | 44.7 | 29.2 | 7.0 | 3.5 | 7.3 |
| Kiribati | 16.2 | 17.1 | 10.5 | 6.9 | | | 46.8 | | | 1.1 | 4.4 | 2.4 |
| Kyrgyz Republic | 16.7 | 11.3 | 8.5 | 41.8 | 38.7 | 55.6 | 47.6 | 57.7 | 85.8 | –0.2 | 1.7 | 9.1 |
| Lao PDR | 16.9 | 11.3 | 6.2 | 30.1 | 34.2 | 35.5 | 44.2 | 46.5 | 37.9 | 2.0 | 1.0 | 3.9 |
| Malaysia | 0.1 | 0.0 | 0.0 | 119.8 | 117.5 | 97.3 | 100.6 | 94.6 | 79.5 | 4.0 | 2.9 | 3.9 |
| Maldives | 3.2 | 8.0 | 5.6 | 89.5 | 48.8 | 45.7 | 71.6 | 87.5 | 61.9 | 3.6 | 5.3 | 7.9 |
| Marshall Islands | 38.9 | 31.9 | 45.9 | | | | | | | 112.8 | 4.7 | 5.3 |
| Micronesia, Fed. Sts. of | 42.3 | 40.6 | 40.2 | | | | | | | | 0.0 | 3.4 |
| Mongolia | 19.2 | 8.9 | 5.4 | 54.0 | 58.8 | 54.7 | 67.9 | 63.6 | 62.4 | 4.7 | 7.3 | 23.5 |
| Myanmar | | | | 0.5 | | | 0.6 | | | | | |
| Nepal | 7.0 | 5.2 | 5.1 | 23.3 | 14.6 | 9.6 | 32.4 | 29.5 | 36.4 | –0.0 | 0.0 | 0.5 |
| Pakistan | 1.0 | 1.4 | 1.6 | 13.4 | 15.7 | 13.6 | 14.7 | 19.6 | 18.8 | 0.4 | 2.0 | 1.1 |
| Palau | 31.2 | 15.8 | 19.5 | 9.6 | 77.2 | | 106.1 | 80.8 | | 12.4 | 0.6 | 1.4 |
| Papua New Guinea | 8.3 | 5.9 | 5.5 | 66.2 | 73.6 | 55.9 | 49.2 | 64.1 | 53.1 | 2.7 | 0.8 | 0.3 |
| Philippines | 0.7 | 0.6 | 0.3 | 51.4 | 46.1 | 34.8 | 53.4 | 51.7 | 36.6 | 2.8 | 1.8 | 0.7 |
| Samoa | 11.0 | 11.2 | 25.5 | 33.8 | 31.9 | 32.0 | 57.2 | 55.4 | 58.8 | –0.6 | –0.7 | 0.1 |
| Solomon Islands | 15.7 | 47.8 | 61.4 | 24.1 | 34.1 | 31.1 | 38.6 | 54.6 | 61.5 | 3.0 | 4.5 | 35.1 |
| Sri Lanka | 1.7 | 4.8 | 1.2 | 39.0 | 32.3 | 21.7 | 49.6 | 41.3 | 30.8 | 1.1 | 1.1 | 1.0 |
| Tajikistan | 15.0 | 11.3 | 7.8 | 98.8 | 26.0 | 15.2 | 100.9 | 52.8 | 61.1 | 2.7 | 2.4 | 0.3 |
| Thailand | 0.6 | –0.1 | –0.0 | 66.8 | 73.6 | 71.3 | 58.1 | 74.7 | 63.9 | 2.7 | 4.6 | 3.0 |
| Timor-Leste | 71.6 | 21.8 | 9.2 | | | | | | | | 0.2 | 32.0 |
| Tonga | 9.9 | 12.3 | 19.5 | 15.4 | 18.0 | 13.2 | 46.9 | 57.9 | 59.1 | 2.5 | 2.8 | 4.5 |
| Turkmenistan | 1.3 | 0.4 | 0.2 | 95.5 | 65.0 | 51.7 | 80.9 | 47.8 | 54.6 | 4.5 | 5.2 | 10.4 |
| Tuvalu | | 24.4 | 26.2 | | | | | | | –6.6 | –0.1 | 4.8 |
| Uzbekistan | 1.4 | 1.2 | 0.6 | 24.6 | 37.9 | 31.2 | 21.5 | 28.7 | 30.7 | 0.5 | 1.3 | 2.1 |
| Vanuatu | 17.7 | 10.7 | 16.2 | 39.2 | 45.0 | 48.0 | 48.0 | 52.1 | 54.4 | 7.4 | 3.4 | 5.6 |
| Viet Nam | 5.5 | 3.7 | 2.9 | 55.0 | 69.4 | 77.5 | 57.5 | 73.5 | 87.8 | 4.2 | 3.7 | 7.5 |

Source: World Bank, World Development Indicators. There are no data for Cook Islands or Nauru.

Annex 4

# 2013 WTO/OECD Questionnaire (6 Asian Developing Countries)

### Table A4.1 What Are the Top Three Obstacles to Greater Participation of Your Companies in Value Chains? (Rank the Three Most Important Factors in Order of Importance)

| | 1 | 2 | 3 |
|---|---|---|---|
| Inadequate domestic infrastructure | Bangladesh, Indonesia, Vanuatu, Tuvalu, Nepal | Pakistan | |
| Limited access to trade finance | Cambodia, Pakistan | Indonesia, Tuvalu | |
| Structure of value chains | India | Bangladesh | |
| Burdensome border procedures in export markets | Papua New Guinea | Vanuatu | |
| Lack of comparative advantage | Samoa | Papua New Guinea | Nepal |
| Standards compliance | | Cambodia, Nepal, India | Bangladesh, Indonesia, Vanuatu, Samoa |
| Burdensome documentation requirements | | | Cambodia |
| Inability to attract FDI | | Samoa | Tuvalu, Pakistan |
| Trade restrictions | | | India, Papua New Guinea |

Source: 2013 WTO / OECD questionnaire.

### Table A4.2 What Is the Most Important Source of Financing for Your Firms to Connect to Regional, South–South and Global Markets?

| | Most Important | Important | Non-Important | Not Sure |
|---|---|---|---|---|
| Domestic private | Bangladesh, Cambodia, Indonesia, Nepal, Vanuatu, Tuvalu, India, Pakistan, Papua New Guinea, Samoa | | | |
| FDI | Cambodia, Indonesia, Nepal, Vanuatu, Tuvalu, Pakistan, Samoa | Bangladesh, India, Papua New Guinea | | |
| Domestic public | Indonesia, Vanuatu, Tuvalu, India, Pakistan, Papua New Guinea, Samoa | Bangladesh, Cambodia, Nepal | | |
| ODA | Cambodia, Nepal, Vanuatu, Tuvalu | Indonesia, Pakistan, Samoa | Bangladesh, India, Papua New Guinea | |
| Non-concessional financing | Cambodia, | Nepal, Vanuatu, Tuvalu, India, Pakistan | Bangladesh, Indonesia, Papua New Guinea, Samoa | |
| Remittances | Tuvalu, Pakistan | Bangladesh, Cambodia, Indonesia | Vanuatu, India, Samoa | Nepal |

Source: 2013 WTO / OECD questionnaire.

## Table A4.3 What Policy Measures Do You Use to Achieve the Objectives Related to Trade?

| | Most Important | Important | Not Important |
|---|---|---|---|
| Industrial Policy | Nepal, Vanuatu, Papua New Guinea | Bangladesh, Indonesia, India, Pakistan | |
| Firm and industry subsidies | | Bangladesh, Pakistan, Papua New Guinea | Cambodia, Indonesia, Vanuatu, |
| Tax incentives | Papua New Guinea | Bangladesh. Indonesia, India, Pakistan, Samoa | Vanuatu |
| Local content requirements | | Indonesia, Nepal, Vanuatu, Pakistan | Bangladesh, India, Papua New Guinea |
| Export restrictions | | Indonesia | Bangladesh, Cambodia, Nepal, Vanuatu, India, Pakistan, Papua New Guinea |
| Infrastructure development | Bangladesh, Cambodia. Indonesia, Nepal, Vanuatu, India, Pakistan, Papua New Guinea | Samoa | |
| PPPs | Cambodia, Nepal, India, Pakistan, Papua New Guinea | Bangladesh, Indonesia, Tuvalu, Vanuatu, Samoa | |
| Improving the investment climate | Bangladesh, Cambodia, Indonesia, Nepal, Vanuatu, India, Pakistan, Papua New Guinea, Samoa | Tuvalu | |
| Import policy | Nepal, Pakistan, Samoa | Bangladesh, Indonesia, Tuvalu, India, Papua New Guinea | Cambodia, Vanuatu |
| Regulatory reform | Indonesia, Nepal, India, Pakistan, Samoa | Bangladesh, Cambodia, Vanuatu | |
| Service sector development | Nepal, Vanuatu, India, Pakistan, Papua New Guinea, Samoa | Bangladesh, Cambodia, Tuvalu | Indonesia |

Source: 2013 WTO / OECD questionnaire.

Annex 5

# Member List for the Regional Technical Group

## Co-Chairs

| | |
|---|---|
| Sopheak, Sok | Director General for International Trade, Ministry of Commerce, Kingdom of Cambodia |
| Uyama, Tomochika | Minister of Economic Affairs, Permanent Mission of Japan to the United Nations and Other International Organizations in Geneva |

## Members (past and present)

| | |
|---|---|
| Akamoto, Akio | Senior Advisor, Private Sector Development Division, Industrial Development Division, Industrial Development and Public Policy Department, Japan International Cooperation Agency (JICA) |
| Archibald, Edward | Acting Director, Economics Section, Australian Agency for International Development (AusAID) |
| Beck, Steven | Principal Investment Specialist, Private Sector Operations, Asian Development Bank (ADB) |
| Beed, John | Counselor for International Development, United States Agency for International Development (USAID), US Embassy Tokyo |
| Bryan, Elena | Deputy Assistant, Trade and Development, United States Trade Representative (USTR) |
| Butterfield, William | Program Economist, Regional Development Mission for Asia, United States Agency for International Development (USAID) |
| Conrad, Jurgen | Senior Financial Sector Specialist, Central and West Asia Department, Asian Development Bank (ADB) |

| | |
|---|---|
| DiCaprio, Alisa | Regional Cooperation Specialist, Office of Regional Economic Integration, Asian Development Bank (ADB) |
| Farbman, Michael | Senior Regional Coordinator, Regional Development Mission for Asia, United States Agency for International Development (USAID) |
| Gafoor, Asaf | Director General, Pakistan Institute of Trade and Development (PITAD) |
| Han, Hongyul | Director/Professor, Center for International Economic Studies, Republic of Korea |
| Harding, Matthew | Economic Advisor, Economics and Public Finance Section, Australian Agency for International Development (AusAID) |
| Hasanah, Nurul | Multilateral Foreign Aid Sub Division, Bureau of Planning, Ministry of Trade, Indonesia |
| Homma, Toru | Senior Advisor, Private Sector Development Division, Industrial Development and Public Policy Department, Japan International Cooperation Agency (JICA) |
| Iida, Manabu | Advisor, Private Sector Development Division, Industrial Development and Public Policy Department, Japan International Cooperation Agency (JICA) |
| Iijima, Toshiro | Director, International Trade Division, Economic Affairs Bureau, Ministry of Foreign Affairs, Government of Japan |
| Imamura, Keita | International Trade Division, Economic Affairs Bureau, Ministry of Foreign Affairs (MOFA), Government of Japan |
| Jorge, Arnold | Trade Adviser, Economics and Public Finance Section, Australian Agency for International Development (AusAID) |
| Kim, Hyun Keun | Deputy Director, Policy Planning Department, Korea International Cooperation Agency (KOICA) |
| Kim, Jiyoung | Assistant Manager, Korea International Cooperation Agency (KOICA) |
| Koke, Andra | Head, Trade and Development Unit, Directorate General for Trade, European Commission |
| Lee, Hyeri | 2nd Secretary, Regional Cooperation Division, Ministry of Foreign Affairs and Trade, Republic of Korea |
| Lim, Chze Cheen | Assistant Director, ASEAN Economic Community and Priority Integration Sectors Coordination Unit, Association of Southeast Asian Nations (ASEAN) |

| | |
|---|---|
| McCormick, James | Heath and Scientific Affairs Officer, Economic Affairs Unit, US Embassy Tokyo, Japan |
| Maryam, Ayu Siti | Section Head of Environment and New Issues, Directorate General of International Trade Cooperation, Ministry of Trade, Indonesia |
| Menon, Jayant | Lead Economist, Office of Regional Economic Integration, Asian Development Bank (ADB) |
| Mikic, Mia | Economic Affairs Officer, Trade and Investment Division, UN Economic and Social Commission for Asia and the Pacific (UNESCAP) |
| Minasyan-Pekovits, Charlotte | Attaché, European Commission, Manila |
| Naeem, Khawaja Muhammad | Additional Secretary, Ministry of Commerce, Pakistan |
| Nakamura, Masatsugu | Researcher, International Trade Division, Economic Affairs Bureau, Ministry of Foreign Affairs, Government of Japan |
| Ngo, Chung Khanh | Director, WTO Division, Multilateral Trade Policy Department, Ministry of Industry and Trade, Viet Nam |
| Nguyen, Tat Thanh | Deputy Director-General, Department of Multilateral Economic Cooperation, Ministry of Foreign Affairs, Viet Nam |
| Nguyen, Thi Hoang Thuy | Deputy Director of WTO Division, Ministry of Trade and Industry, Viet Nam |
| Nilsson, Bjorn | Policy Officer, Trade and Development Unit, Directorate General for Trade, European Commission |
| Ota, Mituyoshi | Researcher, International Trade Division, Economic Affairs Bureau, Ministry of Foreign Affairs, Government of Japan |
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**Aid for Trade in Asia and the Pacific**
Driving Private Sector Participation in Global Value Chains

The formation of a Regional Technical Group (RTG) on Aid for Trade for Asia and the Pacific was a key recommendation to emerge from the Aid for Trade Regional Review Meeting at the Asian Development Bank (ADB) headquarters in Manila in 2007 and the Global Aid for Trade Review Meetings at the World Trade Organization in Geneva in 2007 and 2009. Reflecting the principles of country ownership of Aid for Trade, the RTG operates under the stewardship of RTG co-chairs, representatives of Cambodia and Japan. The RTG comprises members from recipient and donor countries involved in formulating and implementing Aid for Trade policies and development agencies in the region. ADB is a member and serves as the Secretariat to the RTG. The RTG started as a pilot project to provide an informal regional forum for discussing Aid for Trade issues and proposals, sharing good practices, taking stock of available analytical work on Aid for Trade in the region, and building partnerships among actors and stakeholders. It seeks to formulate an integrated approach to operationalize Aid for Trade in the medium term.

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