Chapter 5

Conclusions

A careful analysis of the aid for trade case stories submitted for this project gives rise to some conclusions about what is working – and what is working less well.

What is working well?

The sheer quantity of activities described in these stories suggests that aid for trade efforts are substantial, that they have taken root across a wide spectrum of countries and in a wide variety of forms, and that they are becoming central to development strategies. The fact that nearly 40% of the case stories were provided by developing countries underlines the salience of these efforts, and the importance of making them work. Recipient governments are clearly interested in gaining access to global information and knowledge on ways to harness trade to promote growth and raise incomes.

The diversity of stories also reveals many activities that do not normally show up in the OECD Creditor Reporting System (CRS) aid for trade data. For example, few of the stories from middle income countries in Latin America and other relatively well-off regions involve official development assistance (ODA), and thus risk remaining at the margin of discussions on aid for trade when defined narrowly. Moreover, projects undertaken by the private sector arms of multilateral and bilateral agencies are for the most part not included in the OECD CRS data, yet these projects figure prominently in the case stories. This is an important message for the community of trade negotiators, which often focuses more on the dollar amounts transferred than on the substance of capacity building, policy studies, technical assistance and knowledge transfers that are as important as financial transfers. The fuller picture that emerges from the case stories is extremely useful for planning the most effective policies and approaches for the future.

Four case stories reported on econometric studies that attempt to establish links between aid for trade and trade and investment outcomes across large samples of countries. The Commonwealth Secretariat reported on studies showing that a doubling of aid for trade for infrastructure, for example, would be associated with a 3.5% increase in merchandise exports, while a doubling of aid for trade facilitation would lower import costs by 5% [Global, 34]. Similarly, the UN Economic Commission for Africa (UNECA) reported that its econometric studies of Africa showed that an increase of 10% in aid for trade is associated with a 0.4% increase in the index of economic diversification; aid for trade also has a statistically significant impact in lowering trade costs as measured in container shipping costs [Africa, 104]. The Overseas Development Institute (ODI) studied a different question: whether grants leverage additional resources. It found that one unit of grant mobilised 5-6 units of loans and some 15 units of other finance [Global, 85]. Finally, the United States reported on its evaluation of its trade-related projects.[1] The review comprised 265 projects begun between 2002 and 2006, involving more than 20 US agencies and amounting to USD 1.5 billion in resources. The report concluded that trade capacity building projects had positive and measurable trade-related impacts which were attainable due to the synergies between modalities (technical assistance, training, equipment) as well as project adaptation to policy changes (trade agreements) and macroeconomic factors [Global, 201].

Finally, the apparent impact of "soft industrial policy" – or industry-specific, pro-active government policies – in the case stories is noteworthy. This category reported the highest percentage of positive effects measured in terms of outputs and outcomes. The projects generally appeared to be both pragmatic and fruitful, and often translated into benefits for low-income participants, including women.

What is working less well?

There were several "gaps" between the different types of programmes covered by the case stories and the overall volume of aid for trade resources invested. For example, the relatively small number of infrastructure case stories (just over 5% of all the case stories submitted) may indicate that trade officials are paying less attention to this area. Yet in 2009, infrastructure constituted some 46% of all aid for trade[2] and, according to one study, was among the categories of aid for trade that had the strongest direct impact on trade performance (Portugal-Perez and Wilson, 2008). As noted earlier, this may be because trade ministries providing the case stories have little direct influence over infrastructure activities, or because many governments see infrastructure and services as largely unrelated to trade.

The deficiency in infrastructure stories may reflect the declining ODA resources devoted to infrastructure since the early 1990s, as a share of aid for trade, as a share of overall development assistance, or as dollars per capita. This tendency should perhaps be reassessed in light of the positive results reported in the case stories in this field, in which infrastructure investment appears as a key determinant of trade, incomes, private investment, poverty reduction, and probably gender inequality. The links between infrastructure investments and economic performance, especially trade, are more clearly drawn in the literature than for other types of development assistance.

Likewise, there is an imbalance between the relatively small proportion of *services-trade* case stories and the dynamic nature of services in international trade. Only 9 of 269 stories referred to services trade, yet cross-border business services, for example, represent the fastest growing segment of international trade.[3] Services also provide critical "complementary inputs" that determine the ability of firms to compete internationally. Even in areas that are well represented in the case stories, such as trade facilitation, services policies that affect project objectives are often neglected, including, for example, policies affecting trucking services, brokers, freight forwarders and so forth.[4] Only Cambodia [79], Guadeloupe [188], Niger [83] and Saint Vincent and the Grenadines [264] focused on services trade. It is worth asking whether this absence reflects a failure of both governments and donors to pay enough attention to the growing role of services in international trade and development.

Some discussion on services and aid for trade has begun, for example in the Workshop on Aid for Trade and Services held by the WTO Committee on Trade and Development in June 2012. As a starting point, factors that could potentially hold developing countries back from participating in international trade in services were identified: lack of access to financing for export development, reliable and inexpensive infrastructure, and networks and institutional facilities for trade, as well as limited availability of trained staff and vocational training. At a general level, these factors are problems that aid for trade programmes around the world are already addressing, and thus it may be logical to conclude that trade in services will follow once supply-side constrains and trade-related infrastructure constraints are dealt with. However, it would seem important to pay more specific attention to services in the context of such activities.

The scarcity of case stories on the issue of aid for *trade-related adjustment* is also noteworthy. Activities that included at least one dimension of trade adjustment were covered in less than a dozen case stories. Yet adjustment assistance was a major rationale for the Aid for Trade Initiative, and a key component of the WTO's 2006 Task Force Report. One reason for this absence may be that budget support – the main form that adjustment assistance takes – often involves a "package" of policy reforms, including trade more or less specifically, and thus the relevant policy makers were not involved in responding to the call for trade-related case stories. The silence on adjustment assistance may also reflect shifting concerns of the trade community. The earlier focus on adjusting to lower tariffs and to shrinking preferences has diminished in light of the slow progress of the Doha Development Agenda (DDA), and countries are now more concerned with overcoming supply constraints to take advantage of market opportunities. The absence of adjustment assistance stories may also reflect lack of knowledge among donors and development practitioners about how best to design trade-related adjustment programmes.

Lastly, it is worth noting that relatively few stories mentioned the vast *development research* that international organisations and donors have been undertaking in areas related to trade, to say nothing of the research work of universities, NGOs and the private sector. This work tends to fall within the province of the research groups in multilateral development banks, the OECD, selected UN agencies and specific government agencies. Respondents to the call for case stories may thus have considered it to fall outside the scope of this exercise. Nevertheless, as a guide to policy options, the vast research on the DDA, regional trade agreements, and domestic trade and investment reform has to be considered a far more important aid for trade "resource" than the few case stories reporting these activities would suggest.

The collection of case stories generally gives more weight to the export side of the trade balance than the import side. To measure this, clusters of words associated with exports and imports were created, and their frequency was counted in all of the case stories to discern emphases in trade-related development projects (see Annex B).[5]

Stories generally emphasised export performance rather that efficient imports. References to exports dominate those to imports by a ratio of more than 4 to 1 (see table in Annex B). Trade facilitation programmes that deal with border posts or infrastructure often reduce dead-weight costs on both sides of the trade balance. However, policy makers and donors need to pay as much attention to importing efficiently – including reducing "shoot-yourself in the foot" tariffs and non-tariff barriers – as they do to promoting exports. The good news is that the collection of case stories presents many examples of effective customs reforms that increase competitiveness by enhancing import efficiency.

Using this methodology, performance outcomes were focused much more often on gender issues than on the other issues examined. Counting words associated with poverty, incomes, employment, environment, gender and health indicated that the authors of the case stories were most interested in gender, which was referred to twice as often as the next most frequently measured variable, environment. This may reflect the special efforts of international organisations and donors to showcase their work on gender.[6]

Around half of the case stories contained quantitative indicators on results outputs (Table 5.1). For example, a capacity building project might indicate the number of people trained, or a standards project might enumerate the products covered. Stories from the multilateral development banks tended to have a higher share of quantitative information on outcomes than other stories. Still, it is difficult to draw a causal link from these interventions to broader outcomes in trade, income, poverty reduction, gender or the environment.[7] Far fewer case stories in the capacity building and policy improving thematic areas claimed that their activities produced specific quantitative outcomes – only about 4%.[8]

Table 5.1 Case stories with quantitative indicators of results

	Case stories		
Theme	**Number**	**With output (%)**	**With outcome (%)**
Trade facilitation	62	44	21
Building public sector capacities	108	47	10
Building private sector capacities	99	43	37
Total	**269**		
Author			
Recipient government[/a]	107	46	14
Donor government	71	49	25
United Nations[/b]	54	35	24
Multilateral development bank	25	52	44
Private[/c]	12	42	33
Total	**269**		

Source: OECD/WTO (2011), Aid for Trade Case Story Database, *www.oecd.org/aidfortrade/casestories.htm.*

Notes: [a/]Includes case stories from regional economic communities and organisations.
[b/]Includes other international organisations.
[c/]Includes NGOs and unaffiliated authors.

Given the political and economic importance attached to the projects described in the case stories, there is in fact a striking absence of rigorous quantitative benchmark performance indicators in either outputs or outcomes. Benchmarks and quantitative indicators of success were particularly deficient among global programmes that emphasised narrow technical assistance and training or that aimed at improving policy. To be fair, the original call for stories did not specifically solicit this information. Moreover, many stories described projects that were in their infancy or still being implemented (e.g. Africa, 145; Africa, 224; Dominica, 230; and Maldives, 240, to name a few); for these "early days" projects, reports on specific results were not yet be available. Nevertheless, nearly all the stories might have included more information pointing to specific quantifiable measures of success, measured against carefully formulated baselines. A similar conclusion has been noted in other more systematic evaluations.[9]

At present, tracing the link between investments in capacity building and results in trade performance, poverty reduction and gender inequality is virtually impossible. The same is true for projects that aim to improve inter-ministerial or donor co-ordination. Global programmes may well lead to new insights that motivate policy makers and private actors, and these may lead to improved policies – which may, in turn, produce greater trade, rising incomes, improved gender equality and a better environment. More specifically, intellectual property rights (IPRs) may eventually provide dividends in terms of earnings to music and transitional knowledge and greater foreign direct investment – as Viet Nam reported [Viet Nam, 96].[10]

Aid for trade programmes described in the case stories, such as those just mentioned, may make strong contributions to future trade-led growth and poverty reduction; yet without precise measurements to identify the conditions under which they function best, it will not be possible to take full advantage of past experience. Developing a more quantitative and less impressionistic results framework – based on greater investments in gathering indicator data – appears to be a highly promising objective. Two recent publications focus particularly on the need for better reporting on aid for trade outcomes to improve the effectiveness of programmes and projects: *Strengthening Accountability in Aid for Trade* (OECD, 2011) and the Managing for Development Results illustrated in the OECD/World Bank Sourcebook. [11]

Notes

1. The study also presents in an Annex A commissioned study by D. Bearce, S. Finkel and A. Perez-Linan (2010), "The Effects of US Trade Capacity Building Assistance on Trade-Related Outcomes, 1999-2008", September 2010; a USD 1 investment of total US government assistance to trade on average would increase exports by USD 53. Other donors have undertaken similar evaluations. See, for example, OECD (2008); SIDA (2009); Brusset, et al. (2006) for the Netherlands; Cox and Hemon (2009).
2. OECD-DAC Credit Reporting System (CRS) as at 2 March 2011.
3. See, for example, Cattaneo, et al. (2010).
4. For lengthier developments of this argument, see Hoekman and Mattoo (2007) and Hoekman and Njinkeu (2010).
5. Delpeuch et al. (2011).
6. This may reflect selection bias, in part owing to the efforts of the International Trade Center on trade and gender. The ITC held a conference on women in trade in 2010, drawing on participants' case stories solicited from around the world.
7. Several donor evaluations have pointed this out. See, for example, SIDA (2009), OECD (2008) and Hallaert (2010).
8. A story was considered to quantitatively report an outcome if it provided any numeric value for one of ten "performance" indicators: export increases; trade structure and regional integration; import efficiency; investment increases; poverty reduction; incomes increases; gender measures; employment; health; and environment.
9. See OECD (2008): "Donors and partner countries should focus on achieving results. They should adopt a collaborative, results-based management approach, where clear, realistic and measurable programme objectives are defined and translated into expected outcomes and required activities, with timetables for implementation (including information on the sequencing of outputs) and costing."
10. However, the link between stronger IPRs and increased FDI has only been convincingly made in regard to technology-intensive investments in middle-income countries. See Finger and Schuler (2004) and Fink and Maskus (eds.) (2005).
11. See OECD and World Bank MfDR Principles in Action: Sourcebook on Emerging Good Practices, *www.mfdr.org/Sourcebook.html.*

References

Briceno-Garmendia, C., A. Estache and N. Shafik (2004), Infrastructure Services in Developing Countries: Access, Quality, Costs, and Policy Reform, World Bank Policy Research Paper No. 3468, *http://ssrn.com/abstract=643265.*

Brusset, E., et al. (2006), Evaluation of Dutch Humanitarian Assistance in the Great Lakes region 2000 – 2005, Commissioned by the Netherlands Ministry of Foreign Affairs, published by Channel Research, Ohain, Belgium.

Cali, M. and D.W. te Velde (2009), "Does aid for trade really improve trade performance?", Social Science Research Network, *http://ssrn.com/abstract=1430492.*

Cattaneo, O., M. Engman, S. Saez and R. Stern (eds.) (2010). International Trade in Services, World Bank, Washington, D.C.

Cox, M. and K. Hemon (2009), Engagement in Fragile Situations: Preliminary Lessons from Donor Experience: A Literature Review, DFID Evaluation Report EV699, Department for International Development, London.

Delpeuch, C., et al. (2011), "Aid for Trade: A Meta-evaluation", paper presented to the OECD Experts Meeting on Aid for Trade, 29 March 2011, draft.

Finger, M. and P. Schuler (2004), *Poor People's Knowledge: Promoting Intellectual Property in Developing Countries,* World Bank and Oxford University Press, Washington, D.C.

Fink, C. and K.E. Maskus (2005), Intellectual Property and Development: Lessons from Recent Economic Research, International Bank for Reconstruction and Development and World Bank, Washington, D.C.

Hallaert, J.-.J. (2009), "Boosting the availability of trade finance: A priority in the current crisis?", Intereconomics, 44(5), 273-78.

Hallaert, J.-J. (2010), Increasing the Impact of Trade Expansion on Growth: Lessons from Trade Reforms for the Design of Aid for Trade, Trade Policy Working Paper 100, OECD, Paris.

Hallaert, J.-J., R. Cavazos and G. Kang (2011), Estimating the Constraints to Developing Countries Trade – A Taxonomy of the Binding Constraints to Trade Expansion of Landlocked Countries, Small and Vulnerable Economies, and Commodity Exporters, study presented at the OECD Experts Workshop on Aid for Trade Implementation, *www.oecd.org/dataoecd/55/28/47428944.pdf.*

Hoekman, B. and A. Mattoo (2007), "Regulatory Cooperation, Aid for Trade and the GATS", Pacific Economic Review, 12(4), 399-418.

Hoekman, B., W. Martin and A. Mattoo (2009), "Conclude Doha: it matters!", Policy Research Working Paper Series 5135, World Bank, Washington, D.C.

Hoekman, B. and D. Njinkeu (2010), "Aid for trade and export competitiveness: New opportunities for Africa" in African Economic Research Consortium, *Export Supply Response Capacity Constraints in Africa*, Nairobi.

Newfarmer, R., W. Shaw and P. Walkenhorst (eds.) (2009), Breaking into New Markets: Emerging Lessons for Export Diversification, World Bank, Washington, D.C.

OECD (2008), *Effective Aid Management: Twelve Lessons from DAC Peer Reviews,* OECD, Paris, doi: 10.1787/dcr-2007-3-en.

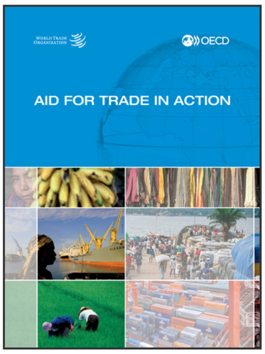
SIDA (Swedish International Development Cooperation Agency) (2009), *Sida's Trade-Related Assistance: Results and Management*, Sida Evaluation 2009:1, *www.sida.se/publications.*

UNCTAD (United Nations Centre for Trade and Development) (2006), Aid for Trade: An UNCTAD perspective*, www.unctad.org/sections/ditc_tncdb/docs/ditc_tncd_aid-for-trade_en.pdf.*

USAID (United States Agency for International Development) (2010), From Aid To Trade: Delivering Results – A Cross-Country Evaluation of USAID Trade Capacity Building. Washington, D.C.

World Bank (2011), Leveraging Trade for Development and Growth: The World Bank Growth Trade Strategy, 2011-2021, World Bank, Washington, D.C.

WTO (World Trade Organization) (2006), "Recommendations of the Task Force on Aid for Trade", WT/AFT/1, *www.wto.org/english/tratop_e/dda_e/implementing_par57_e.htm.*



From:
Aid for Trade in Action

Access the complete publication at:
https://doi.org/10.1787/9789264201453-en

Please cite this chapter as:

OECD/World Trade Organization (2013), “Conclusions”, in *Aid for Trade in Action*, OECD Publishing, Paris.

DOI: https://doi.org/10.1787/9789264201453-7-en