

Aid for Trade under the MDGs

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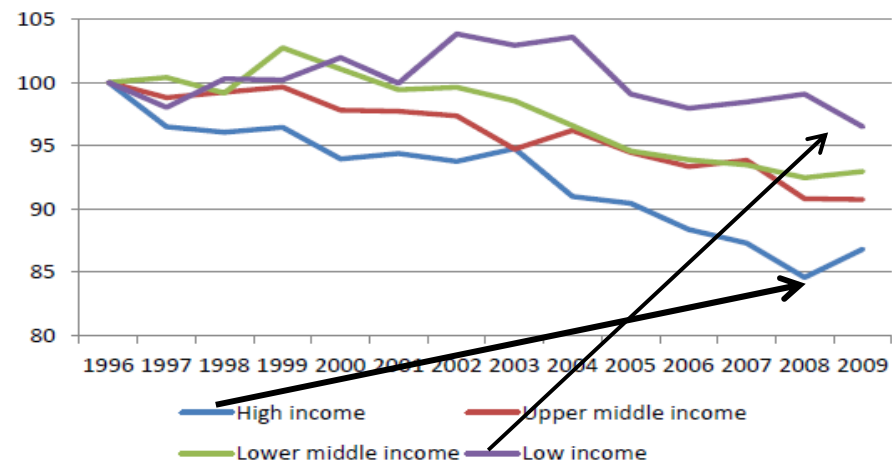
The Future of Financing for Development Opportunities: Challenges and Danish Priorities for Financing Development in the Next Decades

The AFT Initiative

Rationale: Trade is an engine of growth and growth trickles down (incomes of bottom 20 percent of distribution rise in proportion to average incomes)

AFT initiative (2005): Extend funding beyond IF/EIF (targeted to LDCs). MDG goal #8 ('develop a global partnership for development' =rule-based, open, transparent multilateral system). Goal re-iterated in SDGs by OWG (also includes target of doubling of exports of LDCs by 2020--stated in IPoA)

⇒ On current growth projections trade costs of LDCs will have to fall twice as fast as partners until 2020 to meet IPoA target



2. .so far, LICs have been losing ground

AFT Objectives have expanded

AFT ≈ \$60 billion p.a. Initially two objectives:

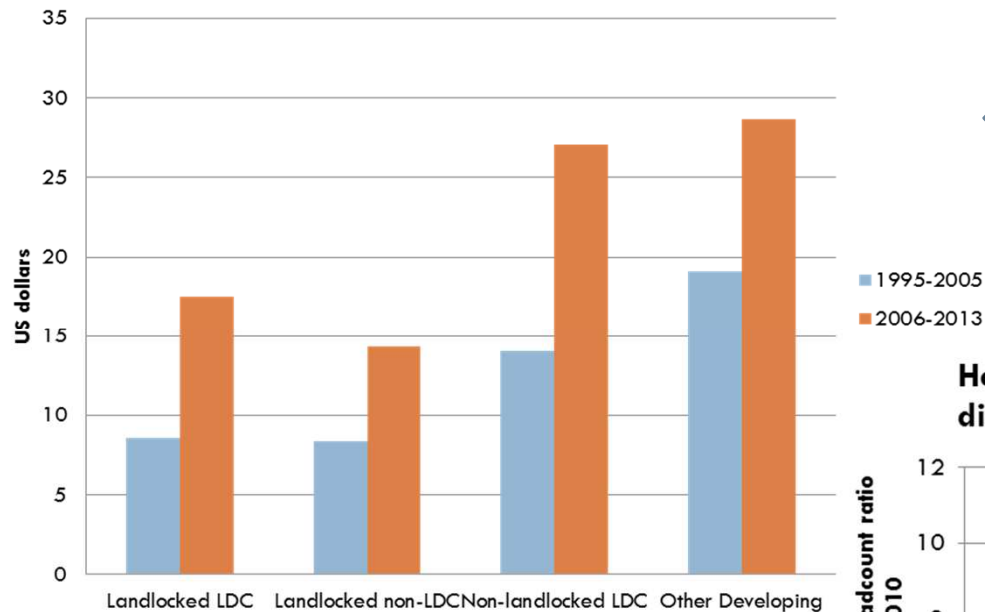
- (i) Provide TA to LDCs to 'implement and benefit from' WTO agreements
- (ii) Raise & disburse funds to support Doha negotiations

Objective (ii) took precedence over objective (i)

⇒ Haste: Disbursements through existing channels
+ new issues to keep up support for Doha negotiations:
«gender empowerment», «green growth», «Climate change», «GVC»...

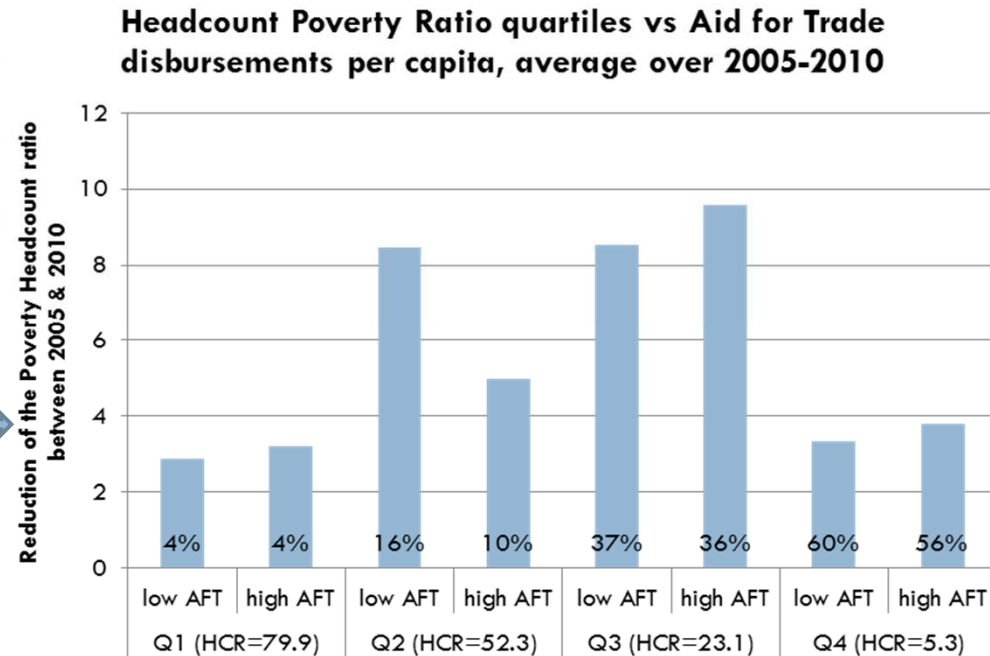
⇒ AFT evaluation was Muddled (see biennial OECD-
³ WTO reviews (5th due in June 2015))

AFT: What have we Learnt? (1)



Per capita disbursements have gone up during the AFT period

Direct effects? Poverty reduction is not greater for countries receiving, on average, higher per capita aid flows during the AFT period



- (i) Indirect effects of AFT on exports via infrastructure improvements.
- (ii) Case studies (e.g. road rehabilitation reducing monopsony power of intermediaries in Sierra Leone).

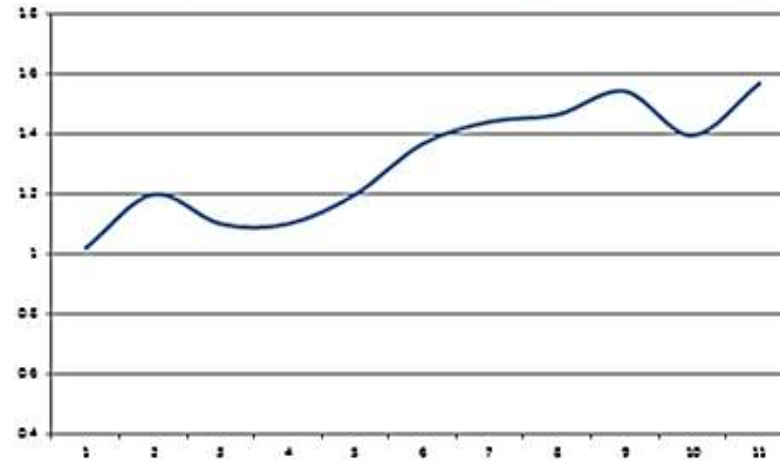
AFT: What have we Learnt? (2)

Wordcount in Uganda's budget speeches

...so sometimes trade is mainstreamed in national developing strategies

Trade has received more attention in successive budget speeches...

Mentions of trade-related key words as a percent of total words, 2000-2011



Other lessons: Better use Diagnostic Trade Integration Studies (DTISs)

- DTIS updates already a crude form of monitoring progress : learning curve from first generation
- Still lack of ownership (government side) and visibility (donor side)
- Need for leaner, more focused action matrices (some progress)
- Mainstream regional integration in trade policy (in progress);
- Region-level DTISs (not yet started—a priority)

Next Steps: The Trade Facilitation Agreement (TFA)

Signed by all WTO members: TFA has TA component. Several plusses:

- Lends itself to quantifiable objectives (bringing customs management towards best practice) easily monitored.
- In line with Paris Principles (country ownership, alignment, harmonization, managing for development results, and mutual accountability).
- Focus on LDCs and LL-LDCS contribute towards 'inclusive growth'

⇒ In sum taking TFA 'seriously' = focus on measurable targets à la MDGs

Table 1: Summary statistics, average over 2005-2011.

Categories	Poverty Headcount Ratio ^a	Poverty Gap ^b	GDP _{pc}	GDP _{pc} growth	AFT per capita	AFT / GDP	WGI ^c
Landlocked LDC (16)	72,3	35,3	507	3,9%	21,5	3,7%	-0,72
Non-landlocked LDC (33)	66,5	31,9	1192	2,3%	34,2	3,4%	-0,78
Landlocked non-LDC (14)	20,7	7,7	2067	4,5%	19,7	1,2%	-0,65
Other Developing (87)	21,4	8,2	4833	2,6%	29,2	0,8%	-0,17

Source: OECD-DAC, WDI and Povcal.net

....but beware of the tensions between AFT for « infrastructure » and « safeguard » of environment under SDGs

References

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