

# **Aid for Trade and Regional Integration as Means for Accelerating Development of LLDCs**

2nd UN CONFERENCE ON LLDCs  
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FERDI

# AID FOR TRADE

## What have we learnt? Which way ahead?

(e-book at <http://www.ferdi.fr/en/publication/ouv-aid-trade-what-have-we-learnt-which-way-ahead> )

### What do we know about LLDC needs? Any Lessons?

#### **I - Aid for Trade: Looking Ahead**

*Olivier Cadot and Jaime de Melo*

#### **II - Evaluation in Aid for Trade: From Case Study Counting to Measuring**

*Olivier Cadot and Jaime de Melo*

#### **III - Aid for Trade: What can we Learn from the Case Studies?**

*Richard Newfarmer*

#### **IV - Diagnostic Trade Integration Studies and their Updates under the Enhanced Integrated Framework – A Retrospective**

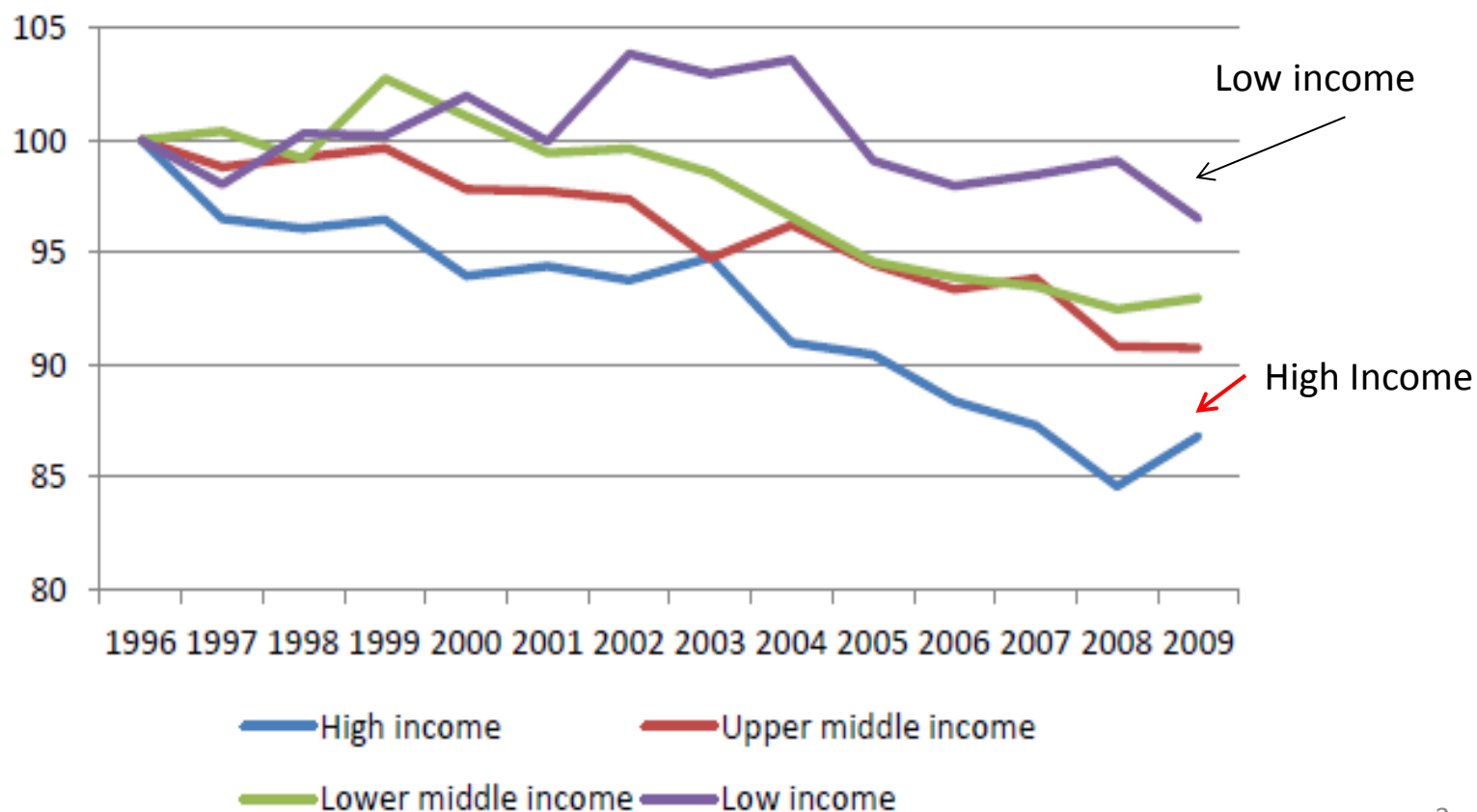
*Paul Brenton and Ian Gillson*

# What Have we Learnt about Trade Costs?

Reduction in trade costs account for about 1/3 of growth in trade

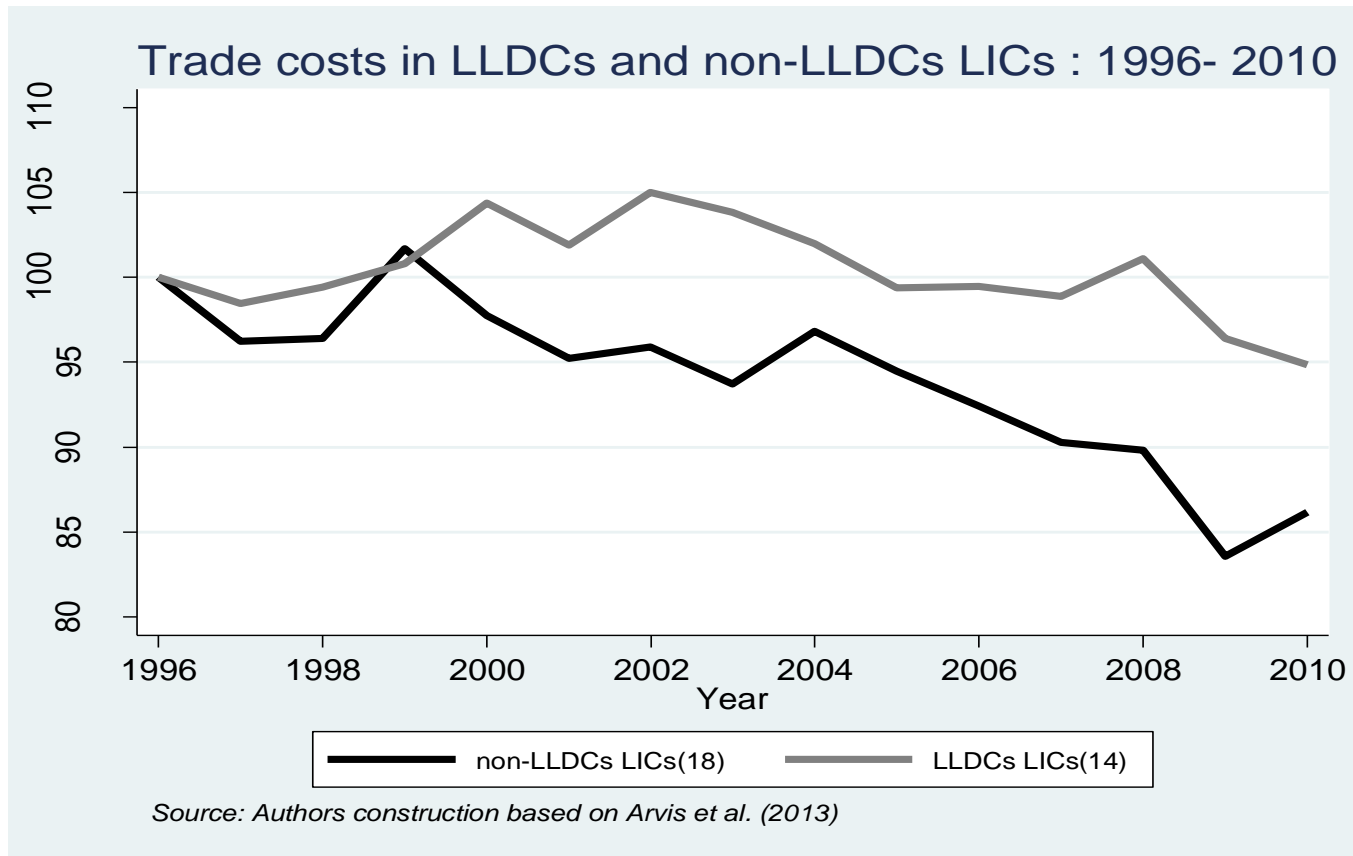
Evolution of simulated trade costs from a gravity equation (sample of 118 countries)

Trade Costs have fallen less rapidly for low income countries....

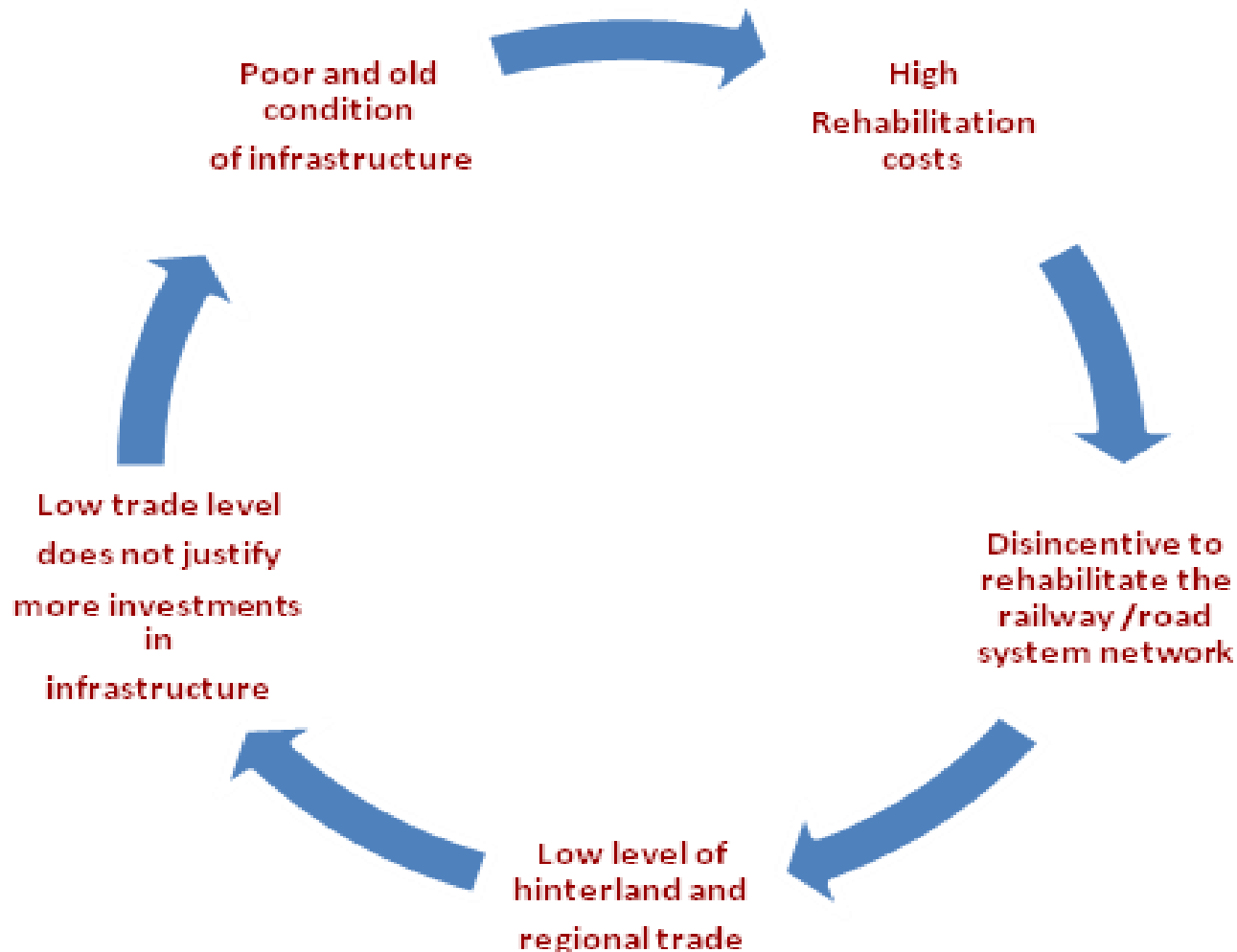


# What Have we Learnt about Trade Costs?

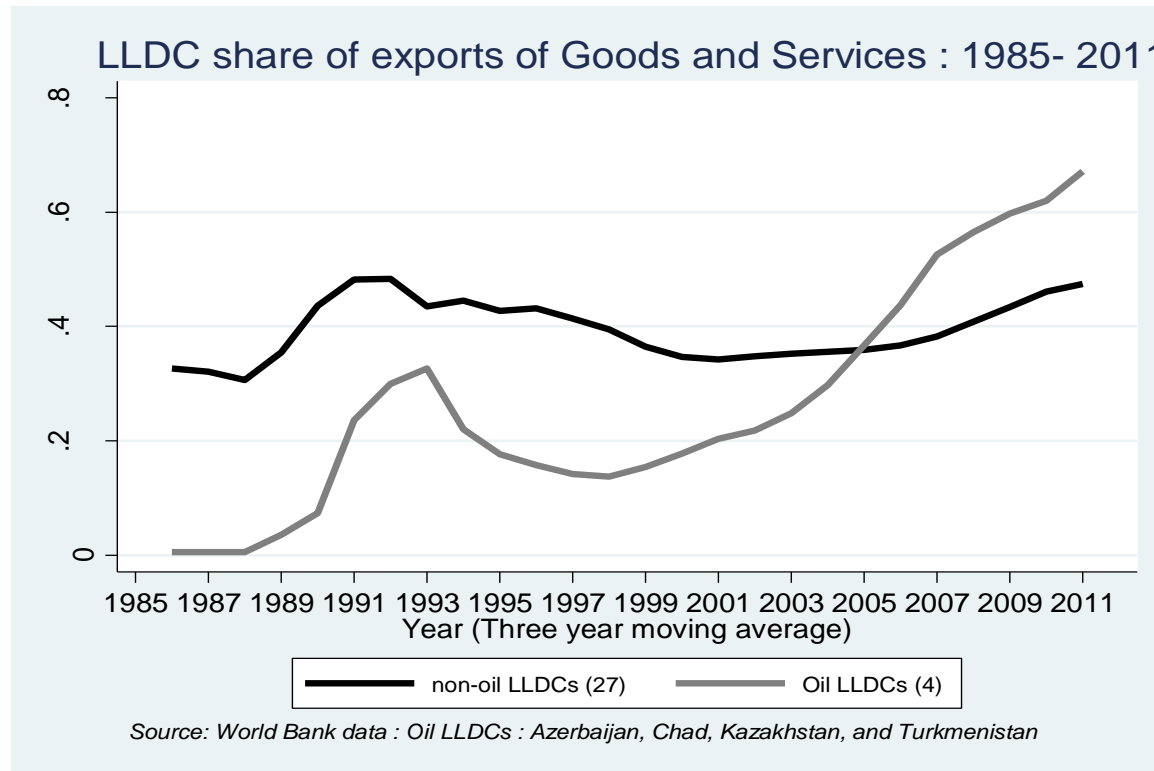
Trade Costs have only fallen by about 2% for a sample of 14 LLDCs



# *THE VICIOUS CIRCLE OF LLDCs INFRASTRUCTURE NETWORKS*

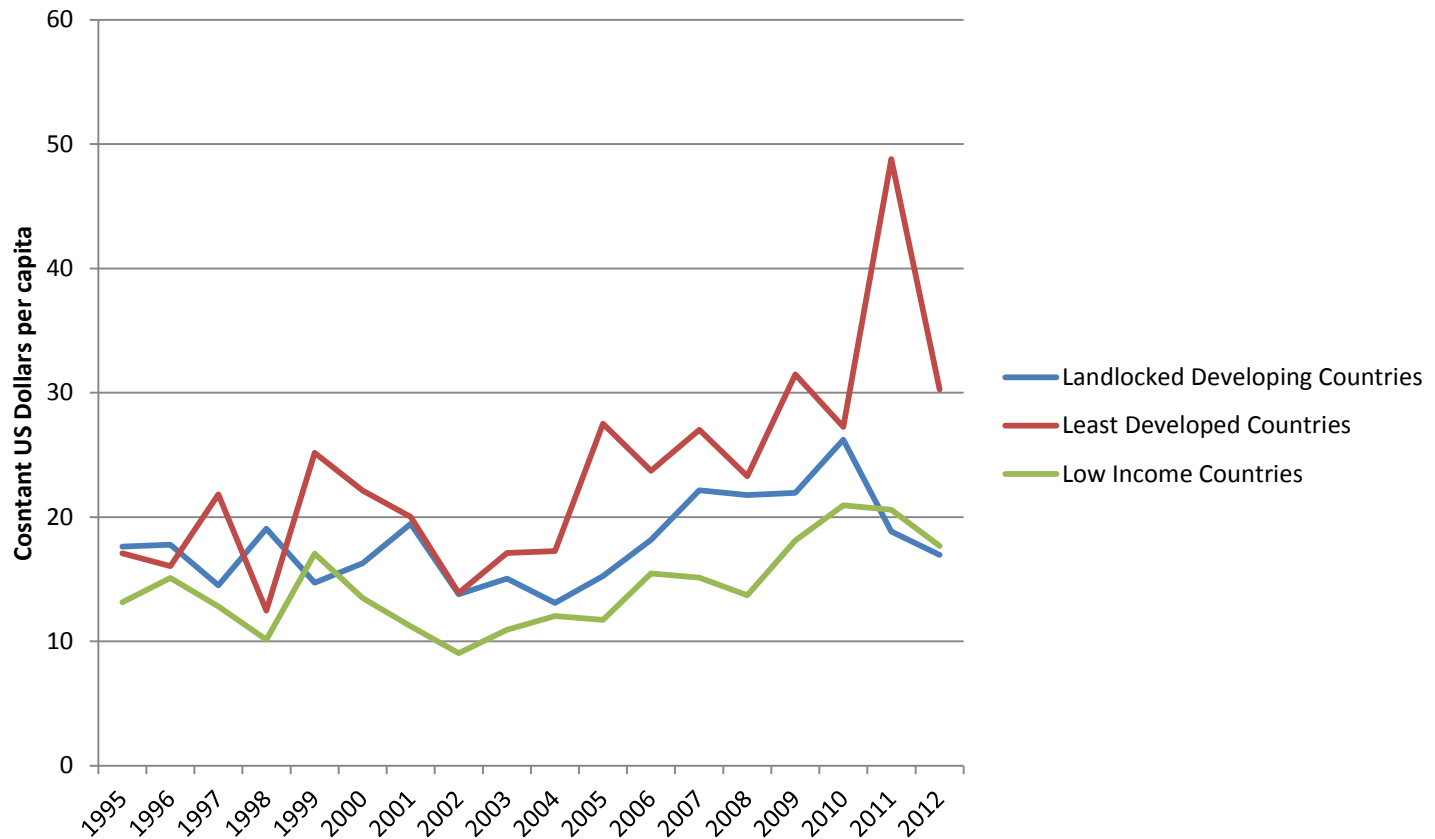


# ...so non-oil LLDCs trade shares have stagnated

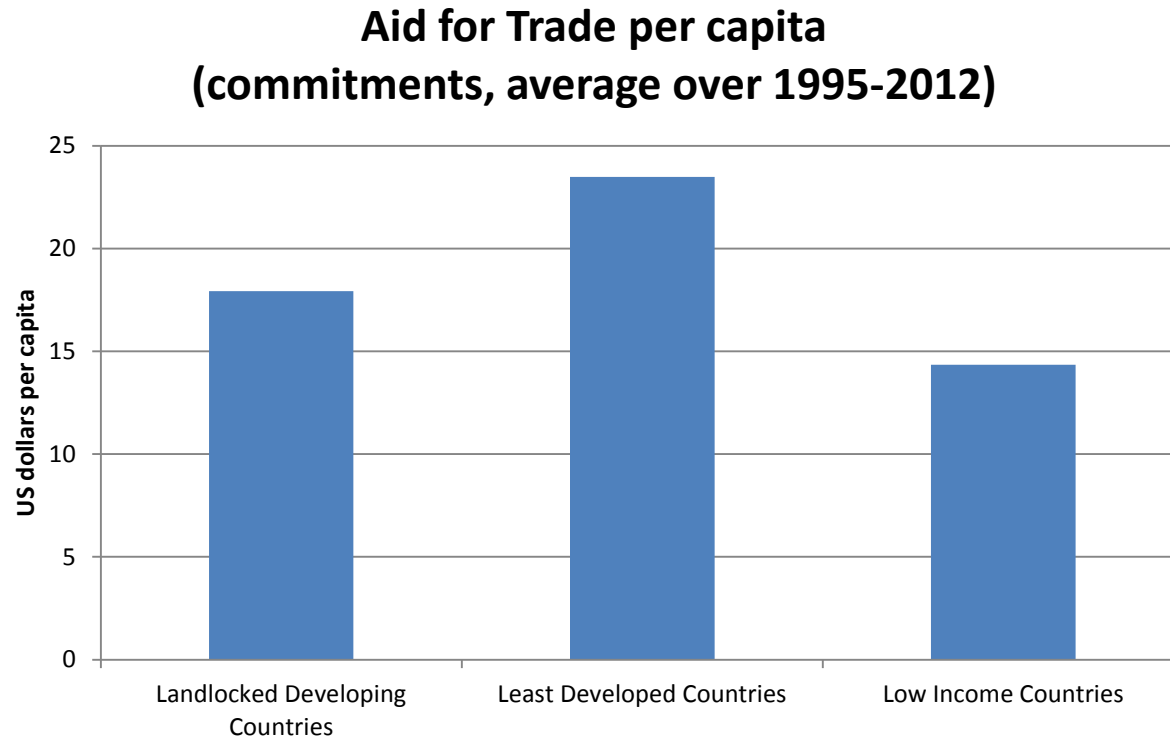


AFT per capita trends have remained fairly constant through time

### Aid for Trade per capita - country average (Commitments in constant US Dollars per Capita)



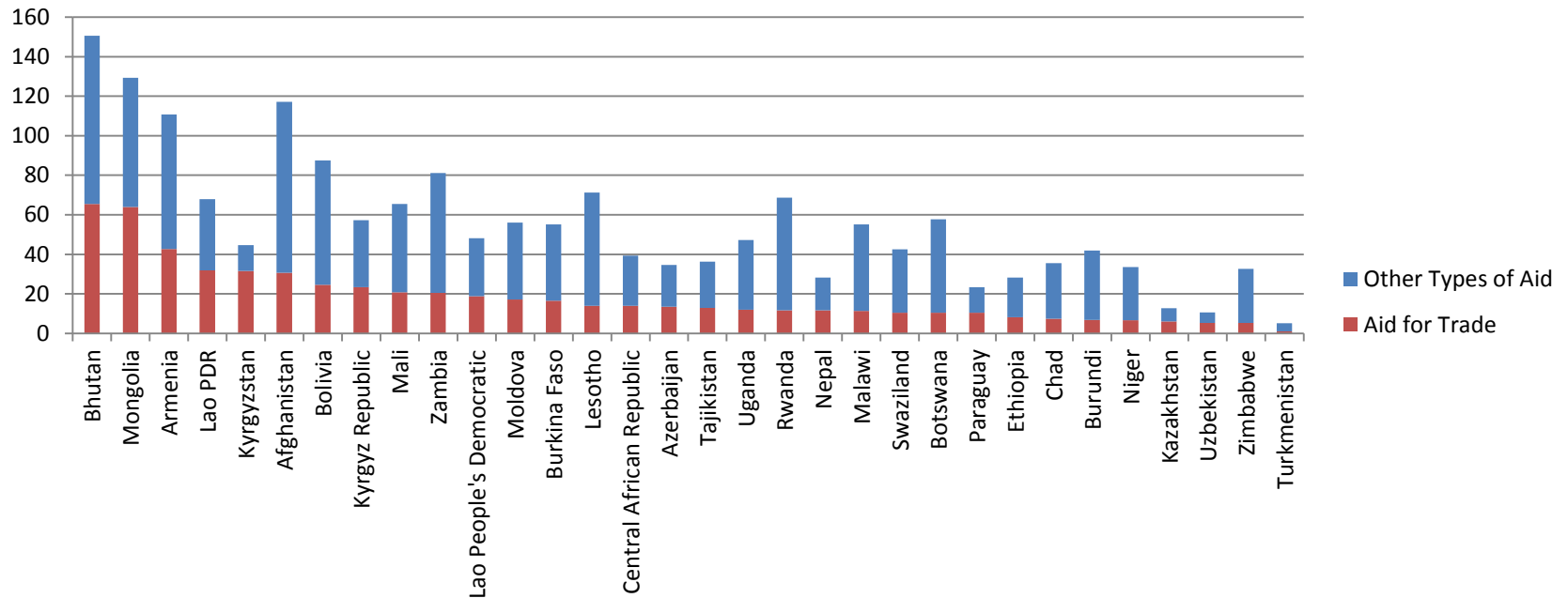
...Per capita AFT shares of LLDCs remained low





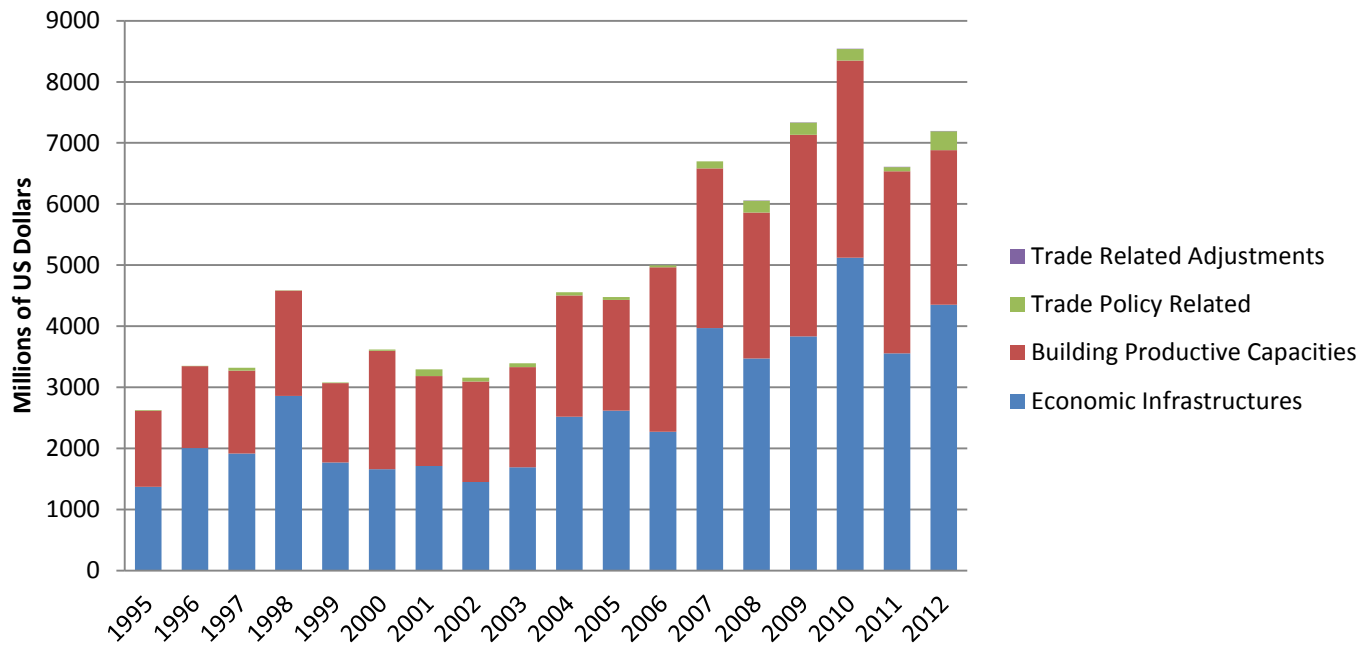
For most countries, the share of AFT is less than the share of other types of aid

**Per Capita Aid: Total Aid and Aid for Trade  
(Average Commitments over 1995-2012)  
Countries ranked in descending order of per capita AFT**

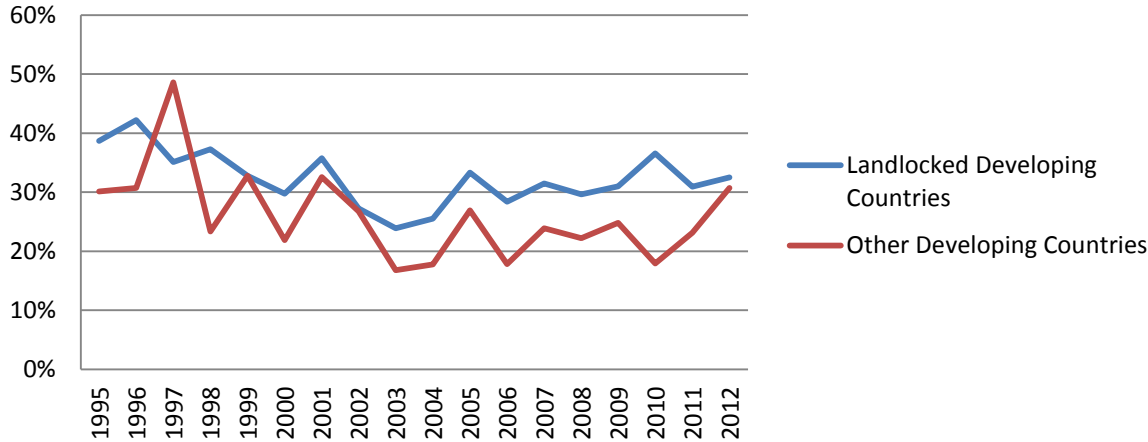


# Most AFT is allocated to infrastructure

## Aid for Trade in Landlocked Countries (Commitments in constant millions of US Dollars)



## Share of Aid for Trade in Total Aid (Commitments, 1995-2012)



AFT shares to LL countries have remained fairly constant

## Share of Aid to Economic Infrastructures in Aid for Trade (commitments, 1995-2012)

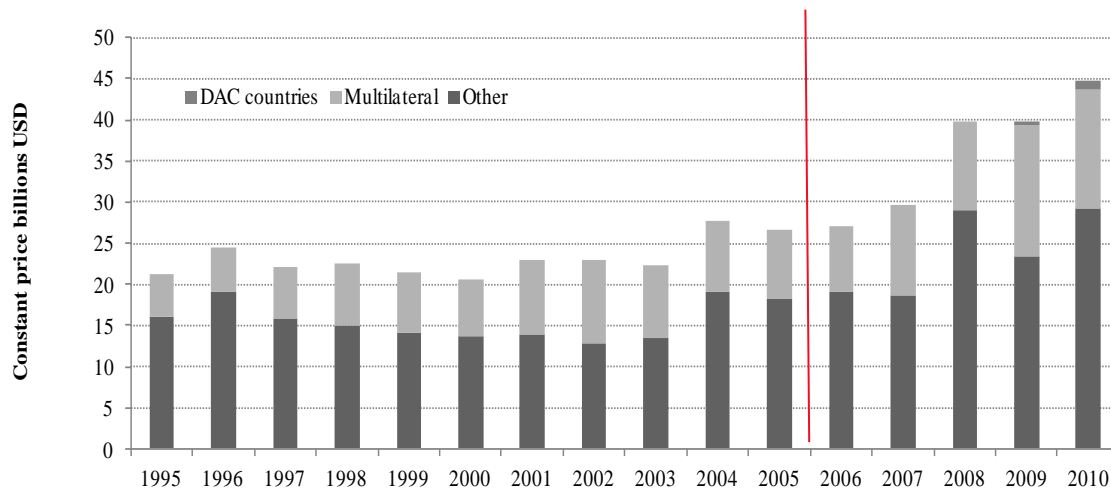
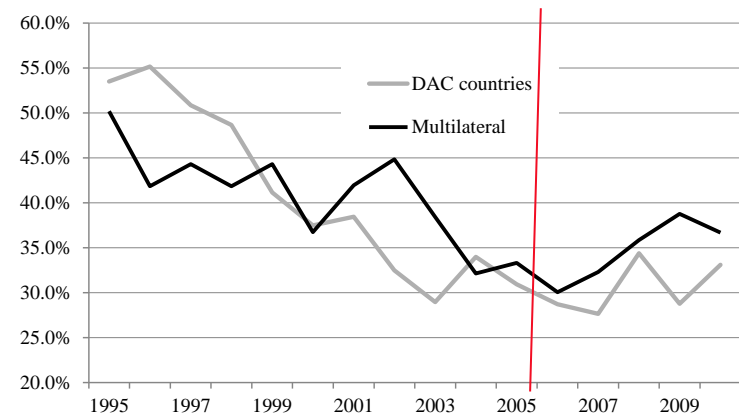
...so have components of AFT



# AFT: What Have we Learnt?

Some apparent success in mobilizing funding...

Following the Paris declaration of 2005, the decline of the share of AFT in ODA has been arrested.

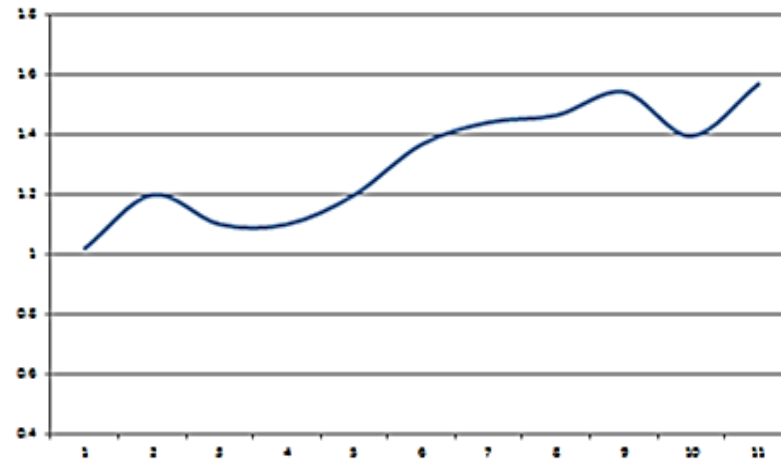


# What Have we Learnt?

... and some success in mainstreaming trade in national development strategies  
(...sometimes)

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

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

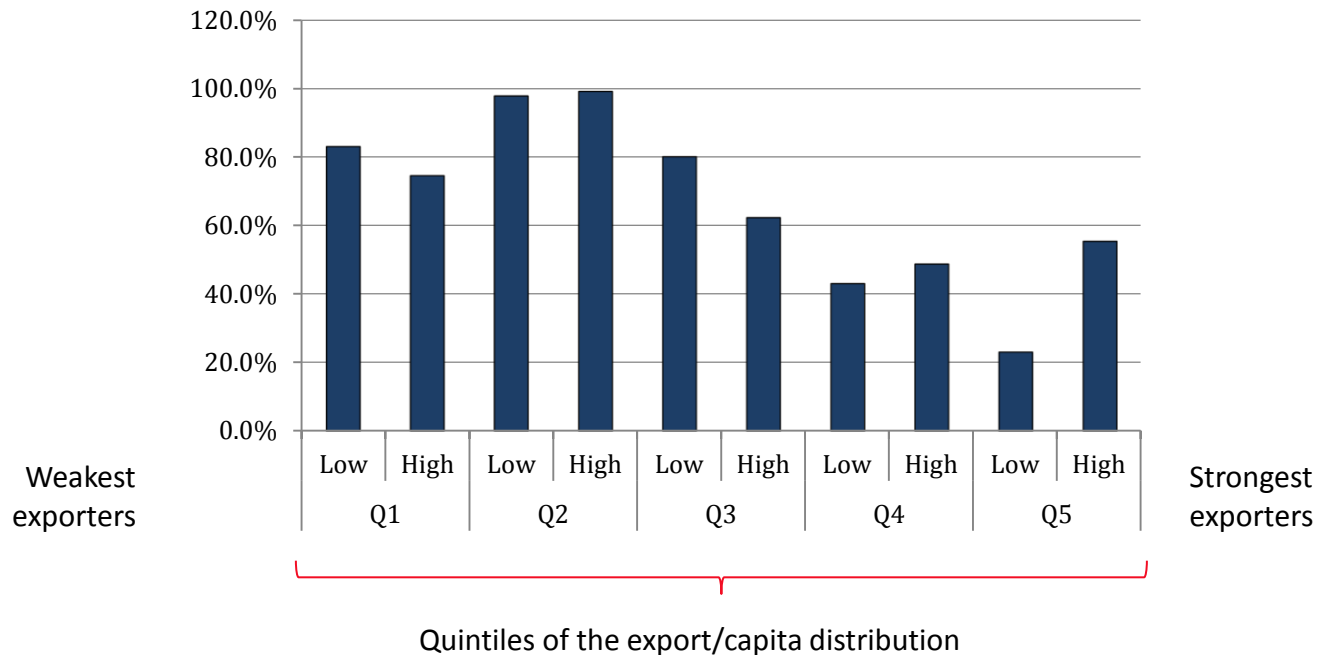


Applying OECD word-count approach to Uganda's budget speeches

# What Have we Learnt?

... but no faster export growth for large recipients of AFT flows

- Split countries by the median in terms of 2000-2005 AFT receipts (per dollar of export)
- Check if high-receivers' exports grew more over subsequent 5-year period (2005-10)

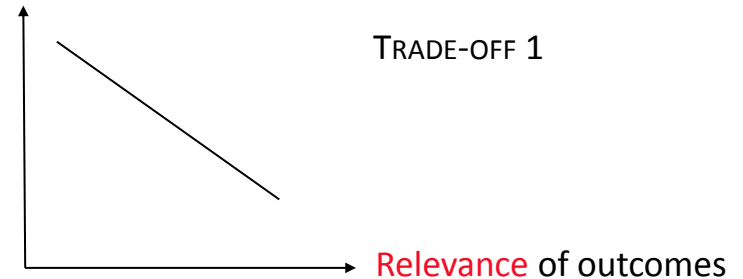


# What have we Learnt?

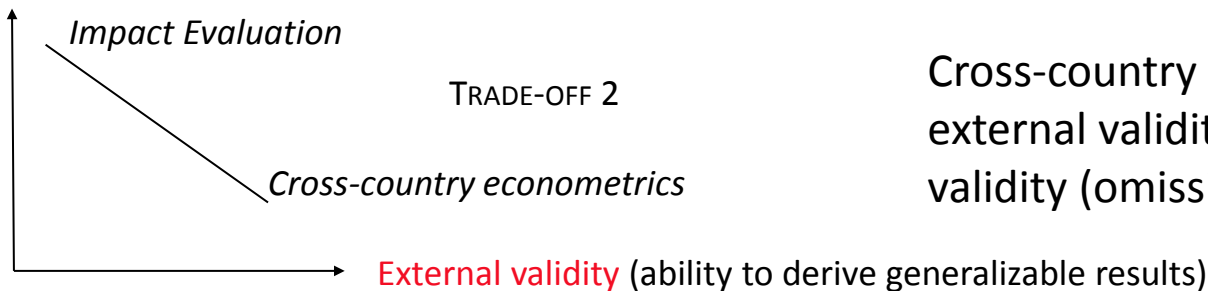
Macro and Micro face different trade-offs so we need both

Micro studies face trade-off 1: they identify causal chains fairly extensively at the cost of less relevant (i.e. less easily transposable) outcomes

Identification of causal chain



Internal validity (ability to identify a causal relation)



Cross-country studies have greater external validity but have less internal validity (omission of important factors)

# Which way ahead?

Randomista or not, evaluate

## **RCT is not the alpha and omega of impact evaluation**

- What matters is baseline data collection + control group
- Wealth of quasi-experimental methods available, even ex post

## **«RCT controversy» should not be an excuse to not evaluate**

- Every intervention left un-evaluated is a missed learning opportunity
- Evaluation raises incentive issues; incentive-compatible setups can be designed (e.g. making IE the «default» in all cases; decoupling IE results from project manager's performance evaluation, ...)

## **Toward an «evaluation-friendly» AFT**

- Cut costs; e.g. use existing stats as much as possible; put pressure on governments to share statistics, in particular firm-level data
- Encourage a culture of project design for evaluation (all projects designed like Progresá?)



# Which way ahead?

Streamline the initiative

## **Exploit the opportunity offered by the Trade Facilitation Agreement**

- Help make trade portals useful repositories of NTMs
- Provide technical assistance to Trade Facilitation Committees (Art. 13) to develop trade-related regulatory-oversight capabilities (not just counting documents to export)

## **Better use Diagnostic Trade Integration Studies**

- DTIS updates already a crude form of progress monitoring; clear learning curve from first generation
- Still lack of ownership (government side) and visibility (donor side)
- Need for leaner, more focused action matrices (already largely the case)
- Mainstream regional integration in trade policy; region-level DTISs

# Which way ahead?

In sum...

## **AFT's broad achievements...**

- Mainstreaming of trade in national development strategies
- Creating a crude form of donor coordination around «competitiveness strategies»
- Mobilizing funding

## **... are at risk unless a «culture of evaluation» builds up**

- Donor budget pressures require credible identification of outcome improvements + causation; the instruments are there to use
- Successful globalizers have all experimented with policy, but no learning from experimentation without evaluation

## **... and the initiative gets a second wind from the TFA**

- A tool for the TFA's application, focused on NTMs
- A vehicle to foster deep regional integration