

Aid for Trade Results Through the Evaluation Prism

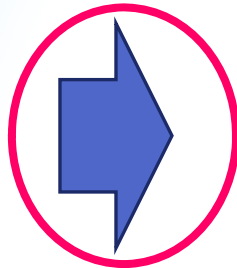
An Overview of Chapter 5
OECD/WTO *Aid for Trade At a Glance 2013*
Co-authored with Cristian Ugarte

Richard Newfarmer
International Growth Centre
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Looking at results of aid for trade

Aid for trade

- Infrastructure
- Productive capacity
- TA for policy
- Adjustment assistance
- Other



Increasing trade

- Investment in capacity/infrastructure
- Reducing trade costs
- Improving incentives for private investment
- Fostering value chains

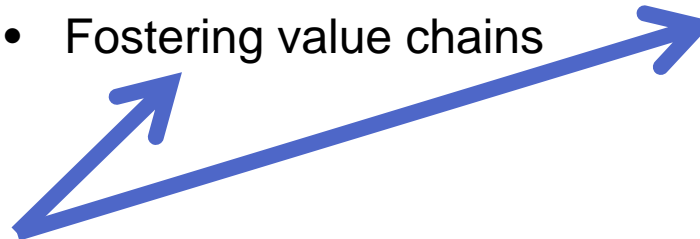


Increasing growth

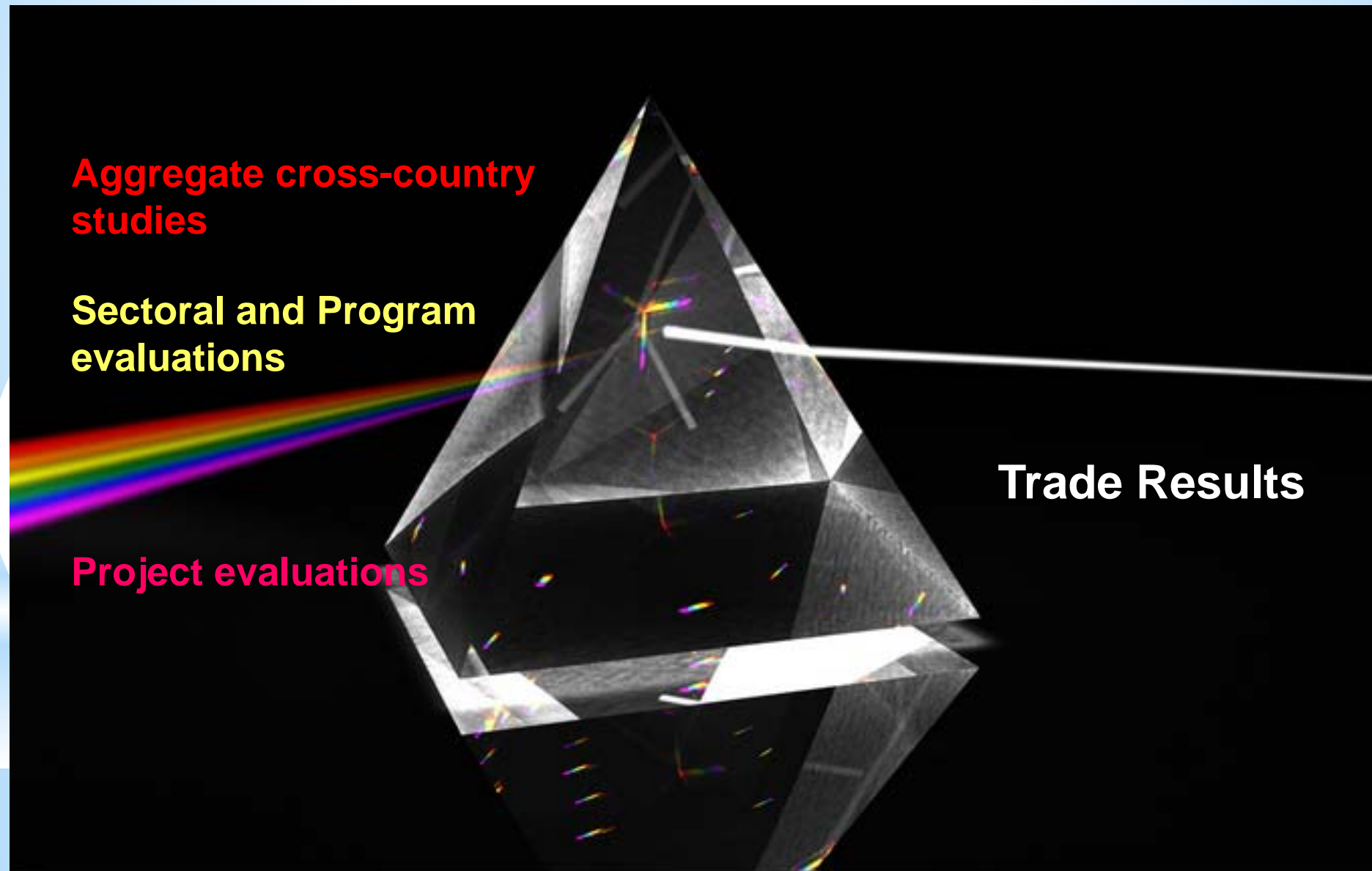
- Raising incomes
- Reducing poverty
- Creating jobs
- Improving opportunities for women
- Improving environment

The “attribution problem”: Intervening variables

- Global/regional economic conditions
- Investment climate
- Policies other than AFT
- Management of AFT



An evaluation prism...



- * AFT in **trade facilitation** increases trade (Helble, et al, 2012)
 - * 1% increase in trade facilitation → \$290 million increase of exports of developing countries
 - * \$1 spent in AfTF → \$1.33 additional exports
- * Increases in **aid for trade** associated with increases in exports (Vijil, 2012; Cali and te Velde, 2011, OECD, 2013)
 - * 10% increase in aid for trade → 0.3% to 0.4% increase in exports
- * AFT to **infrastructure** helps raise trade share of GDP and exports (Vijil and Wagner, 2012)
 - * 10% increase in aid for infrastructure → 2.3% increase of the trade to GDP ratio
 - * 10% increase in aid for trade to infrastructure → exports by 0.3%
- * AFT to **services** has a strong effect on exports of manufactures (Ferro, et al, 2012)
 - * 10 percent increase in aid to transportation, ICT, energy, and banking services is associated a 2 percent, 0.3 percent, 6.8 percent, and 4.7 percent increase of manufacturing exports, respectively.
- * AFT tends to reduce **trading costs**, time in transit, and costs of infrastructure services (Cali and te Velde, 2011; Busse, et al, 2011; Ferro, et al 2011).

Aggregate studies

AFT has a high pay-off -- US\$1 of AFT is associated with an additional US\$8 of exports for all developing countries

Expected increase in total exports associated with increases in aid for trade

USD million

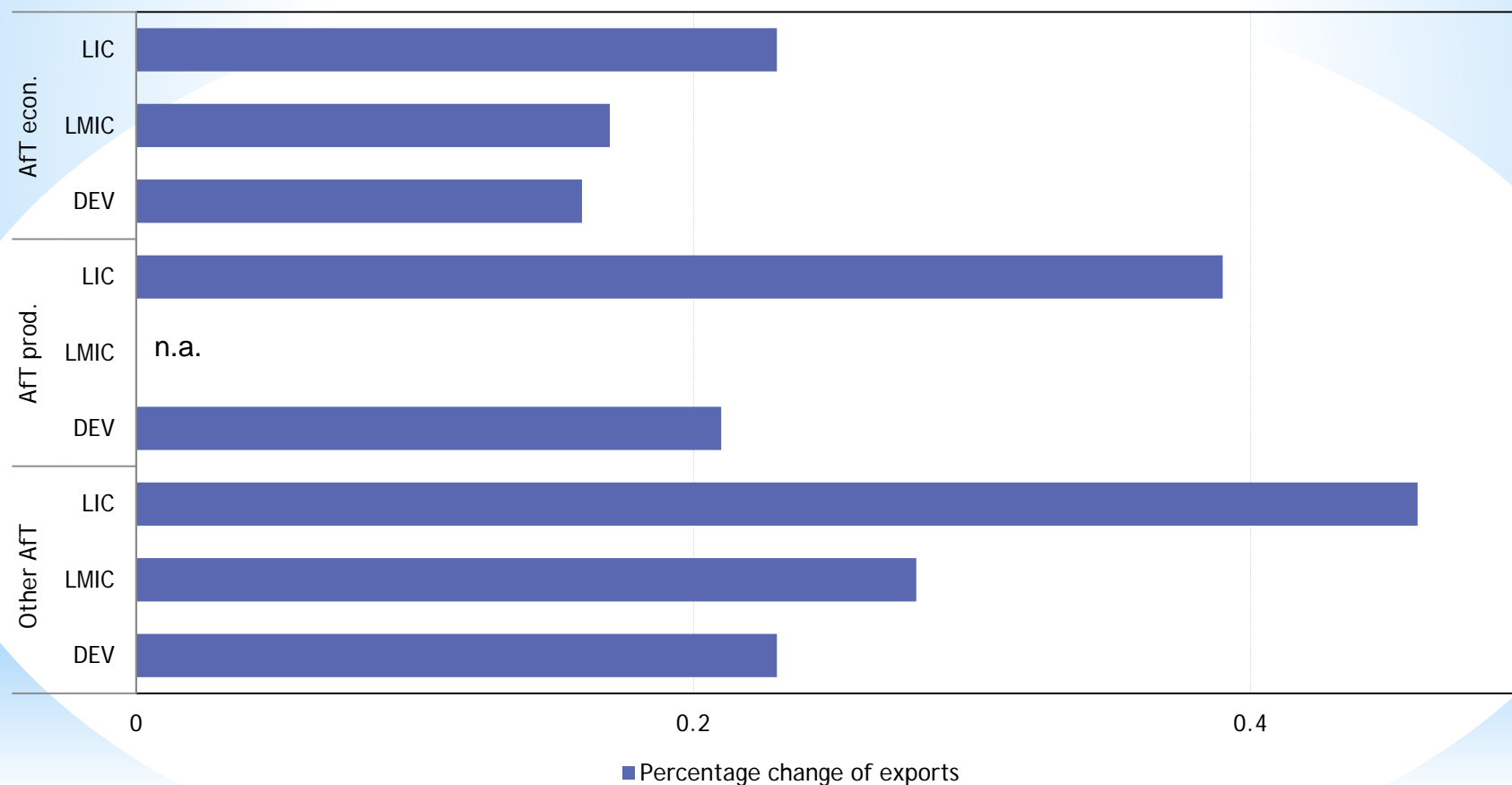
	Return rate	Aid for Trade increases		
		10%	15%	20%
Low income	2.7	1 441.0	2 161.4	2 881.9
Lower middle income	9.1	4 218.8	6 328.1	8 437.5
Developing countries	8.1	9 108.1	13 662.2	18 216.2

Source: OECD/WTO *Aid for Trade at a Glance, 2013* Chapter 5. Calculated from Annex A.2. Country groupings were based on 1995 World Bank calculations. Trade volume increases are calculated on the basis of average annual trade in 2009-11, aggregated for each income category in the sample.

Ojo: Estimates are sensitive to time periods covered, methodologies, and specifications of variables.

AFT has positive but different effects depending on the country group and need

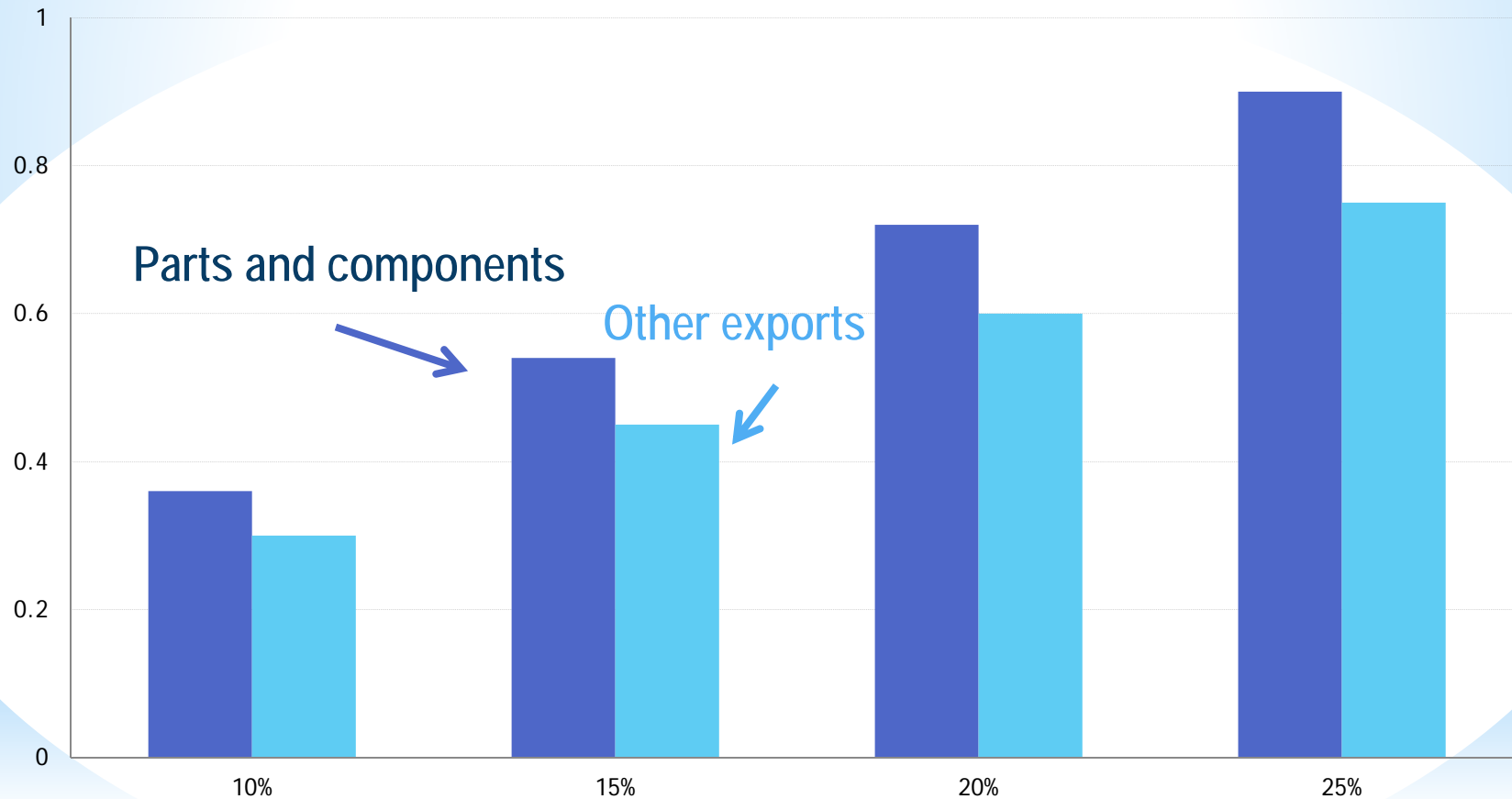
Expected impacts on exports of 10% increase in AFT



Source: OECD/WTO, Aid for Trade at a Glance, 2013: Chapter 5

...but does AFT aid growth in value chains? Yes...

Percent change in exports of **parts and components**
associated with 10-25% increases in Aid for Trade



- * “Aid for trade *can* be effective...”
- * Aid targeted to specific activities - trade facilitation and infrastructure - are most effective
- * **Laments:** Tracing link from AFT through trade to growth and poverty reduction is a challenge
- * ..inadequate attention to complementary policies
- * ...need for greater attention to quantified measures of success
- * ...tenuous link between global AFT discussions and in-country activities

Program evaluations

- * Most evaluations of projects show evidence of success

- * E.g., 83% of WB projects were rated satisfactory or better (WB, 2009)

- * Impact evaluations -- though few -- show positive results

- * E.g., Brenton-Von Uexkull (2010): Export development programs

- * ...but: quantitative measures frequently absent (OECD, 2011)

- * ...adequate controls for other causal variables (Cadot, et al, 2011)

- * ...rigorous impact evaluations (with control/treatment groups) are few

Project evaluations

- * In well managed countries (as proxied by “government effectiveness” indicator), aid for trade had strong impacts in increasing exports
- * ...and in poorly managed countries, effects of AFT were nil
- * ...and mutual accountability of donors to clients is no less important than clients to donors

**Government
management matters**

Governments, like Rwanda, are adopting results-based management systems to enhance effectiveness of all spending

Rwanda: Aid for trade indicators and policies at selected institutional levels

	Total		Trade-related	
	Indicators	Policies	Indicators	Polices/ actions
Plans				
EDPRS 2008-12	73	..	25	29
CPAF Oct. 2011	45	80	12	22
PSD SWG			2	4
Other SWG (AFT-related)			10	18
Annual Performance Contracts				
MINICOM APR 2011/12			4	123
MINICOM Imihigo contract 2012/13			3	59
MINEAC APR 2011/12			9	52
MINEAC Imihigo contract 2012/13			5	62
Leadership Retreat	6	70	4	52
Strategies				
National Export Strategy			10	56
Trade Strategy 2009-12			30	113
Total				
			90	546

Source: Newfarmer, et al (2013) in OECD *Managing Aid for Trade and Development Results* (2013)

- * Aid for trade is generally effective in promoting exports (and imports)... but requires a supportive environment
 - * US\$1 of AFT is associated with about US\$8 in additional export (if with considerable variance across countries and methodologies)
 - * AFT is well targeted on lowering trade costs - infrastructure services, institutions, and policies that influence incentives
 - * ...but social peace, stable macro, and sound investment climate are all prerequisites to AFT effectiveness
- * Aid for trade is promoting regional and global value chains... no need for major shifts in AFT strategy, but makes AFT more urgent.
- * Improving in-country management systems - and mutual accountability - has a positive impact on AFT effectiveness.
- * Evaluations of aid for trade could be more systematic and rigorous

* **Some conclusions...**

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