

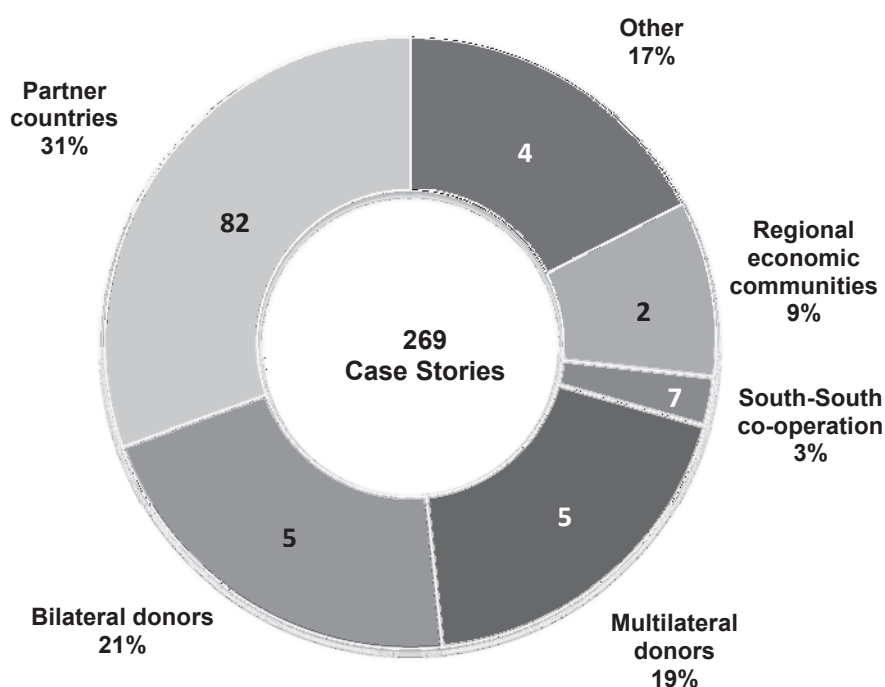
Chapter 1

Diversity of aid for trade efforts

In July 2010, the OECD and WTO sent out a call for case stories on aid for trade programs and projects. The goal was to collect information on the policies, processes, practices and processes of aid for trade programmes. This overview chapter provides snapshots of the structure of the response to the call that amounted to 269 case stories. The case stories cover more than 150 countries – ranging from the smallest states, such as Lesotho, Solomon Islands and Comoros, to the largest, such as China and India – and all major developing regions and income categories. 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 that they are becoming central to development.

In July 2010, the Secretary-General of the OECD and the Director-General of the WTO jointly called for the submission of “case stories” on aid for trade and the Third Global Review on Aid for Trade generated a vast amount of unique information through the 269 case stories submitted by partner countries, bilateral and multilateral donors, providers of South-South co-operation, and regional economic communities (Figure 1.1). The purpose of the case stories was to probe more deeply into the objectives, challenges and processes of trade-related assistance so as to better understand the results – in particular, what was working in the provision of aid for trade, what the key ingredients of success were, and what governments and practitioners could learn from experience.

Figure 1.1 Case stories by type of author



It should be noted that the case stories were not meant to represent a scientific approach to evaluation. The collection, by the nature of the open call for case stories on which it is based, contains a selection bias, and conclusions have to be drawn with care because of omitted variables and attribution problems (Box 1.1).¹ Nonetheless, these case stories are first steps in assessing the results from aid for trade, and their volume and diversity make them an important resource. They start from the “nitty gritty” of the real world and therefore convey important nuances and narratives that are not easily captured in other, more abstract methodologies. One possible advantage of a collection of case stories is that determinants of success or failure which, viewed in isolation, may appear to be project-specific are revealed to be part of a pattern when seen repeatedly in other stories – thus providing the basis for new hypotheses to be tested by researchers and practitioners.

Box 1.1 Generalisations from the case stories should be taken with a grain of salt

Any conclusions from the collection of case stories must be tempered by an awareness of their limitations.

First, the case stories were written by the participants: governments, donors, or consultants working on a programme or project. This introduces two *selection biases*: respondents are less likely to report on failures since no one wants to advertise their mistakes; moreover, self-evaluations are likely to be somewhat more forgiving and less objective than outside evaluations of any given project. Indeed, nearly all case stories reported some form of success, if sometimes with qualifications.

Second, the intentional call for heterogeneity is a virtue if the exercise is intended to elicit broad participation, but it can also be a vice insofar as it renders comparisons unsystematic. Without guidance on content, individual authors may *omit variables* that later turn out to be critical for explaining outcomes when compared with other case stories.

Third, the ability to generalise from particular outcomes and to identify factors contributing to those outcomes differs widely. Global stories (such as writing a policy guide or research project) are often too distant from outcomes to draw conclusions about effects on trade, poverty reduction or other performance variables. At the other end of the spectrum, drawing conclusions from specific projects requires – in the words of the Swiss International Development Cooperation Agency (SIDA) (2009) evaluation – walking back through a “results chain” of logic, from project results to desired economic performance. For example, greater trade policy co-ordination is intended to produce better trade policies, implying greater export performance, economic growth and poverty reduction. At any point in this chain, other intervening causal variables may affect the next stage, complicating the *attribution* of outcomes to the project. For example, in Lesotho a project to upgrade labour skills succeeded in training some 625 workers (491 of whom were women). Although the project enjoyed a 75% placement rate, the collapse of the global economy in 2009 undercut exports and slashed incomes [Lesotho, 127]. The same happened in the Solo Raya region in Indonesia, where even with a successful value-chain promotion project under way, the rattan furniture industry saw export value drop by 25% and employment fall by 15% between 2007 and 2009 [Indonesia, 185].

Finally, the case stories rarely speculated about what would have happened in the absence of a project – the *counterfactual*. Only through carefully constructed (and costly) impact evaluations, in which project results are compared with control groups in randomly selected similar situations, can evaluations adequately take counterfactuals into account.

Source : See Strengthening Accountability in Aid for Trade (OECD, 2011).

The original call for case stories provided only a general outline of how they might be structured. Consequently, the case studies varied widely. Some, for example, reported on governments’ efforts to foster private sector development. Others described detailed policy efforts to improve the quality of crops for export. Still others reported on efforts at the global level to conduct research or prepare policy guidebooks, for example on women in trade. This diversity of responses underscores that aid for trade can take many forms. The 269 case stories illustrate initiatives that can be categorised in three groups: (i) initiatives to reduce trade costs through *trade facilitation programmes*; (ii) initiatives to improve a country’s position in the international trade system by strengthening the *public sector*; and (iii) initiatives to develop the *private sector* through sector-wide programmes as well as industry-specific policies.

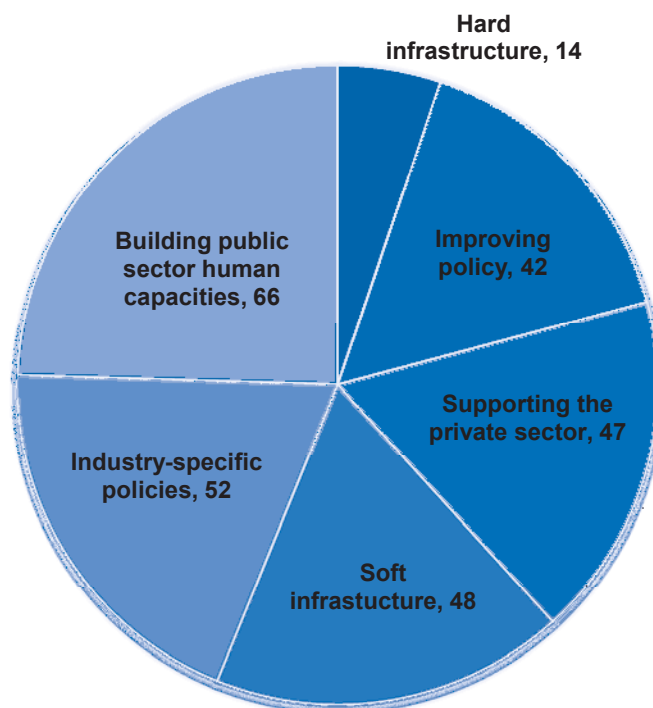
- (i) The category of *trade facilitation* consists of case stories about policies to reduce trade costs by promoting efficient soft and hard infrastructure. Soft infrastructure refers to policies aimed at improving the efficiency of regulation of

cross-border trade, such as through customs and related regulation. Hard infrastructure refers to tangible infrastructure projects.

- (ii) The second category seeks to strengthen the *public sector* in order to provide a coherent and stable policy environment. This category includes the formulation and implementation of policies to assist workers and firms to adjust to greater openness to the global economy. It also comprises programmes to build human capacity in the public sector so as to better implement and negotiate trade policy.
- (iii) The last category of case stories contains programmes targeted at the *private sector*. A further distinction can be made here between initiatives for the private sector that are generally available across sectors, such as provision of trade finance and support to small and medium-sized enterprises (SMEs) and women entrepreneurs, and initiatives that are industry-specific and meant to boost productive capacity within a chosen sector.

The case stories are a rich source of information on aid for trade projects. It may not be surprising that their classification within these three broad categories is not always clear-cut. The categories are not mutually exclusive: a case story may refer to a programme that sought to train customs officials (category (ii)) on new technology implemented to facilitate border crossings (category (i)). However, the classifications offer a neat way to separate case stories according to overall objectives, and they are in line with the different perspectives that aid for trade discussions have taken in international debates.

Figure 1.2 Total case stories submitted by category



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

These caveats notwithstanding, the case stories are spread roughly proportionately across the three categories (Figure 1.2). The largest category consists of efforts aimed at the public sector, although private sector initiatives are almost as numerous. Trade facilitation, particularly relating to hard infrastructure, lags behind in the case story count, which is surprising given the large proportion of aid for trade funding such programmes receive. This may reflect the fact that trade ministries, and their counterparts in the trade sections of donor agencies, generally provided the case stories, and infrastructure, although important for trade, rarely falls under their purview.

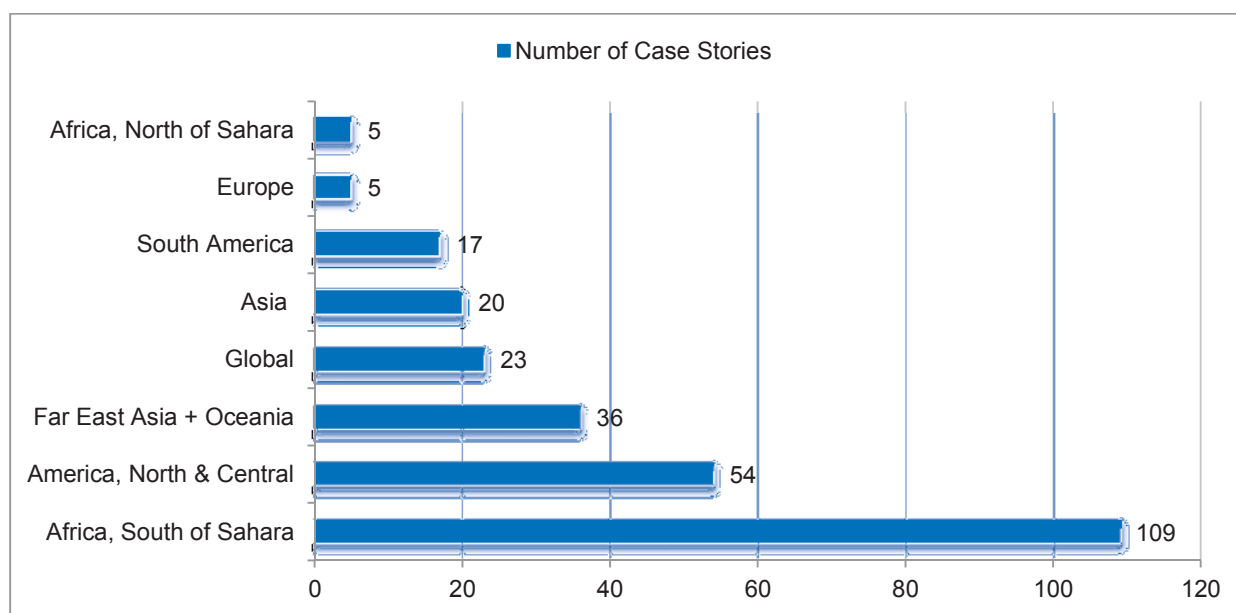
Case stories were submitted detailing activities throughout the developing world...

The call for case stories produced examples of aid for trade from numerous sources. The response from recipient countries (nearly 40% of the total) was particularly encouraging. Bilateral donors, providers of South-South co-operation and UN organisations were also large contributors. The multilateral development banks – perhaps because they oversee a smaller number of total projects, although they are among the largest providers of aid for trade – appear to be under-represented. Private parties and NGOs also submitted few case stories. Taken together, the case stories provide a detailed picture of aid for trade activities throughout the developing world and across virtually all important trade-related activities. The enormous breadth and volume of the case stories demonstrate that governments and donors alike are making trade a central pillar of their development concerns.

..LDCs were prominent ... and the largest group of case stories came from Sub-Saharan Africa

The importance of targeting aid for trade to least developed countries (LDCs) is clearly reflected by the number of case stories focusing on programmes in these countries. Out of the 269 case stories, LDC countries submitted 33, while 123 concerned activities undertaken in at least one least developed country. Sub-Saharan Africa is the region with the largest representation in the case stories, accounting for about 40% of the total (Figure 1.3). Case stories concerning programmes in Central America accounted for more than one-quarter of the total submissions, which might come as a surprise if one considers only the concessional funds devoted to aid for trade. Case stories about Asia (including Oceania) totalled 56, which is noteworthy considering that Asia receives on average one-third of total aid for trade commitments. Case stories about global programmes accounted for a little less than one-tenth of the total, which reflects the share of total aid for trade commitments devoted to these programmes.

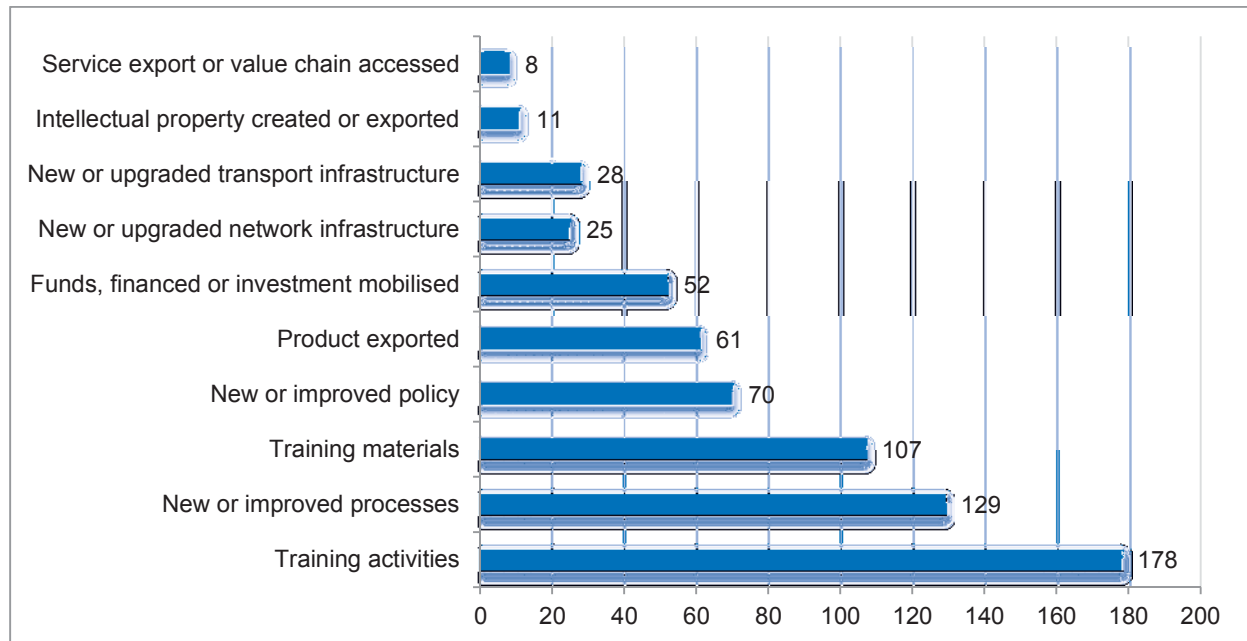
Figure 1.3 Geographical distribution of the case stories



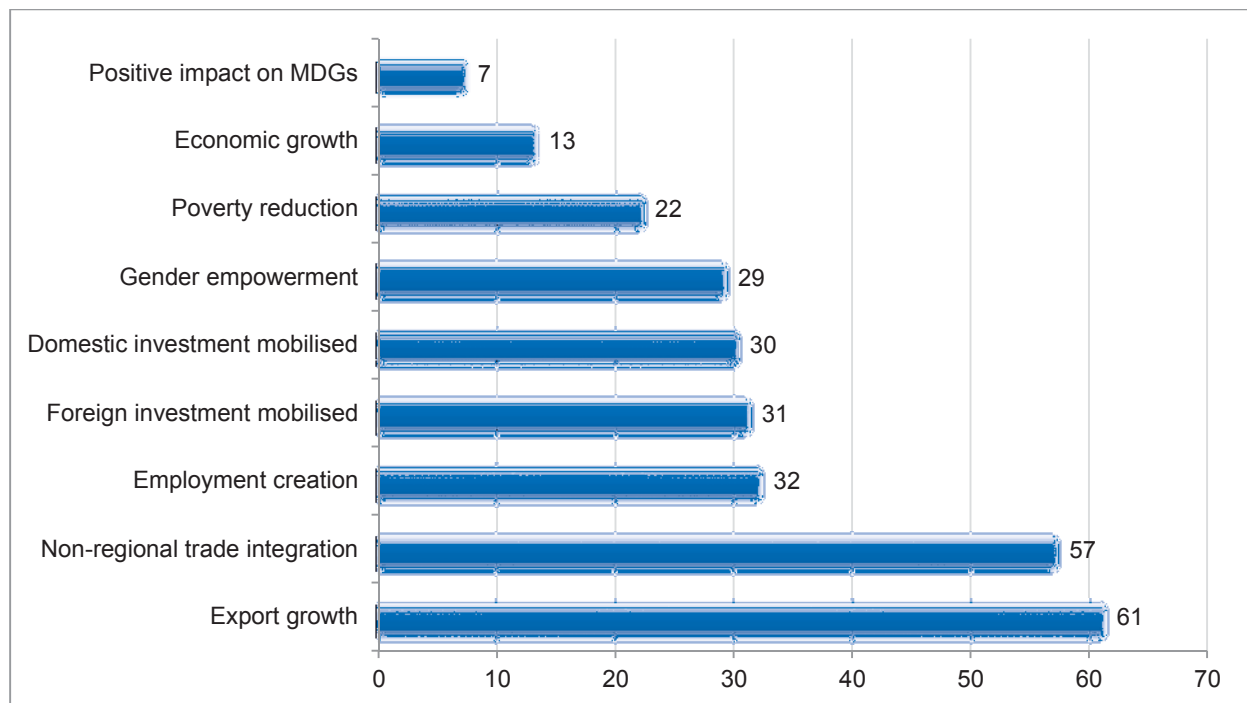
Source: OECD/WTO (2011), Aid for Trade Case Story Database, www.oecd.org/aidfortrade/casestories.htm.

The Case stories profile a range of results and highlight a number of lessons

The case stories show that aid for trade efforts are substantial, and that they demonstrate that aid for trade efforts are becoming central to development strategies. Some case stories contain detailed information (e.g. donors' involvement, amounts invested, and associated results) and others less so. Collectively, they reveal in rich detail the efforts governments and the international donor community are making to promote trade and poverty reduction. Moreover, although it is not always easy to attribute cause and effect, the case stories show clear results of how aid for trade programmes are helping developing countries to build the human, institutional and infrastructure capacity they require to integrate into regional and global markets and to benefit from trade opportunities. The results reported range from improved policies and processes, as an output of technical assistance programmes, to additional funding, improved infrastructure, and linkages to value chains. Impacts reported cover export growth, regional integration, employment creation, mobilisation of foreign and domestic investment, gender empowerment, poverty reduction, economic growth, and achievement of the Millennium Development Goals (MDGs) (Figures 1.4 and 1.5).

Figure 1.4 Outputs reported in the case stories

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

Figure 1.5 Impacts reported in the case stories

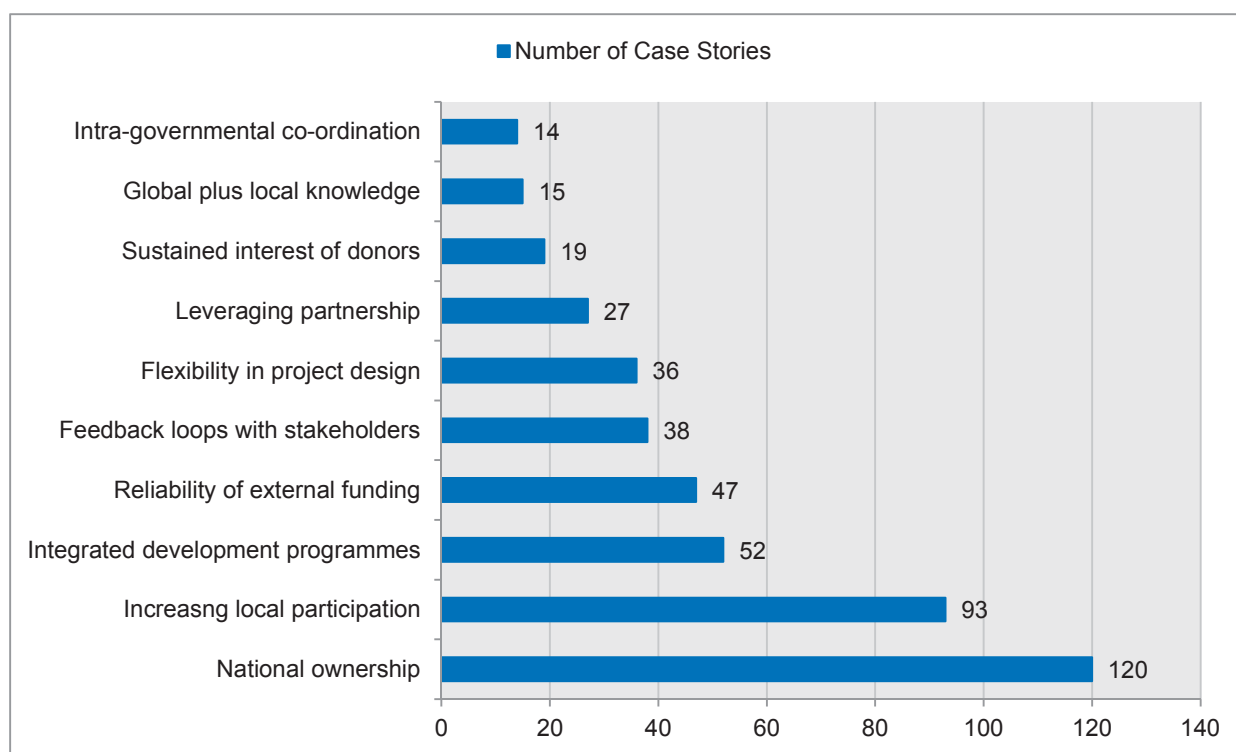
Source: OECD/WTO (2011), Aid for Trade Case Story Database, www.oecd.org/aidfortrade/casestories.htm.

For the great majority of programmes and projects in the case stories, at least some elements of success were reported. These, in combination with discussions of problems encountered, reinforce messages coming out of the larger evaluation literature (Figure 1.6).² The messages include:

Success has been built upon ownership ... in the form of government commitment and high-level leadership...

The most frequently reported success factor was national ownership of the aid for trade activity, which was mentioned in 120 of the 269 stories. This was commonly seen as necessary to push a project through recalcitrant bureaucracies or resistive private lobbies. Sometimes the case stories mention the involvement of ministers or, less frequently, the president or prime minister. For example, in Peru government commitment was credited with providing the initial push (as well as continuous follow-up) to the economic reforms discussed in the case story. In Zimbabwe it was noted that support and commitment at the highest political levels was essential for the Chirundu One-Stop Border Post to become a reality. The opposite is also true: in South Africa, lack of high-level and dedicated leadership in the initial days of the Beitbridge Border Post impeded steady progress on an otherwise valuable project.

Figure 1.6 Success factors mentioned in the case stories



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

... as well as active participation and involvement of stakeholders...

National ownership depends on the involvement of local stakeholders in the preparation and implementation of the activity. Moreover, the private sector can advocate projects and anchor them throughout changes in administrations and governments. Such involvement was reported as a success factor in 93 of the 269 case stories. For example, according to the African Development Bank (AfDB), in Africa the most important lesson from the project to interconnect the electricity grids of Benin, Burkina Faso, Côte d'Ivoire, Ghana, Nigeria and Togo was country ownership and government commitment to the project. Similarly, one of the success factors in the Cameroon Customs Reform project was the involvement of local customs inspectors in the design of performance contracts that would be used in evaluating their performance.

...leveraging partnerships at the inter-ministerial level...

Trade policy is interdisciplinary by nature. Thus, co-ordination and co-operation among the numerous actors involved is critical. Ministries of trade, economics, infrastructure, agriculture and industry, to name just a few, must work together to design effective policies. The case stories reflect this as a factor for success – or failure. For example, Costa Rica sought to attract foreign direct investment (FDI) to link local producers to global value chains, but lack of co-ordination among public institutions was cited as a key factor holding the initiative back. On the other hand, Malawi's success in improving its trade facilitation was credited to the establishment of an inter-ministerial task force with participation by numerous public institutions as well as private sector actors.

...and with donors...

Another common theme reported in the case stories was the effective integration of the combined expertise of several donors to achieve a particular programme or project objective. In the corridor projects, for example, donors typically worked together in several component parts, building towards a larger objective. Azerbaijan recommended dealing with such multi-donor projects by having a single development partner act as the leader of the co-ordination process in order to achieve the highest level of synergies. This is analogous to the model of the Enhanced Integrated Framework (EIF), which provides for a donor facilitator for all aid for trade projects. Deep commitment by all partners and a clear common vision were also the recipe for success in projects to promote organic agricultural products in East Africa, and in the effort to improve compliance with sanitary and phytosanitary standards in Latin America.

...with feedback loops linking government and stakeholders

Continuous feedback between governments and stakeholders is also critical to national ownership and local participation. A case story from the Caribbean noted that identifying potential problems at an early stage speeds up finding solutions. In Kenya, the success of business regulatory reform was mainly the result of close co-operation and co-ordination between government officials and all the stakeholders in the reform process. India, in collaboration with the UN Conference on Trade and Development (UNCTAD), developed strong stakeholder consultation mechanisms as part of its technical assistance programme. This contributed to the programme's success. Grenada's case story

demonstrated that feedback and co-operation can lead to strong ownership, and thus more sustainable projects.

Adequate and reliable external funding is needed for...

One recurring problem reported in the case stories was inadequate funding. In one example, Malawi noted that although funding had been approved it was not disbursed in time, which disrupted the sequencing of activities. While inadequate funding was reported in 47 case stories, the cause was not always clear. As might be expected, the case stories tended to assign blame for these problems either to donors or to the developing country's government, depending on the institutional affiliations of the authors.

...Integrated projects combining investments with technical assistance...

Several case stories mentioned the need for complementary investments in both equipment and capacity building. For example, a capacity building programme in Cambodia, sponsored by the Republic of Korea, budgeted for office equipment and maintenance. Similarly, when new information technology (IT) based postal procedures were introduced in Brazil, training was organised for postal workers, government officials and customs officials so they could learn to operate the new systems.

...but delays and changes can occur due to exogenous factors

A number of case stories noted that there are always idiosyncratic risks that projects must adapt to and deal with. For example, programmes in Azerbaijan, Grenada and Montserrat faced significant delays and cost overruns due to natural disasters in their respective regions, but managed to resume progress after the crises. In Ecuador, Fiji and Honduras, political instability led to temporary stoppages, but there, too, projects were resumed. The recent international financial crisis also interfered with projects in the Caribbean, Ghana and Indonesia.

Structure of the book

The remainder of this book is structured as follows:

Chapter 2 assembles the case stories describing trade facilitation programmes and projects that incorporate policies and investments to reduce trade costs. Of the 269 case stories, 62 are classified under trade facilitation.

Chapter 3 illustrates the important role the public sector plays in making a country an active player in the international trade arena. This chapter covers the largest number of case stories: 108.

Chapter 4 concentrates on programmes and projects that build capacities in the private sector. This chapter covers 99 case stories.

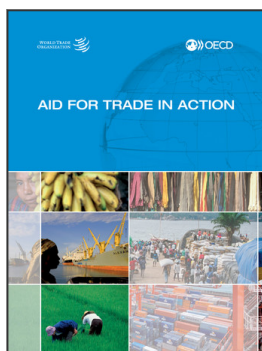
Chapter 5 concludes with an analysis of the volume and reach of the case stories submitted, and how this reflects on what is working in aid for trade and what is working less well. The call for case stories resulted in significantly more submissions than expected. This points to strong interest on the part of the actors involved in sharing their experiences, and the important role that aid for trade programmes and projects play in developing countries. The variety of subjects presented in the case stories also reflects the diversity of aid for trade efforts.

Notes

1. For a comprehensive and thoughtful discussion of impact evaluation, see Banerjee and Duflo (2011); for an application to aid for trade, see O. Cadot, A. Fernandes, J. Gourdon and A. Mattoo (2011).
2. Many of these lessons can be found in OECD (2008a, b) and USAID (2010).

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