



Challenges in Assessing the Impacts of Aid for Trade: Perspectives of African Trade Practitioners

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This presentation is based on work from three sources: An Expert Group Meeting on AfT held in Addis Ababa in June 2010 and two UNECA studies; Karingi and Leyaro (2010) and Spence and Karingi (forthcoming).

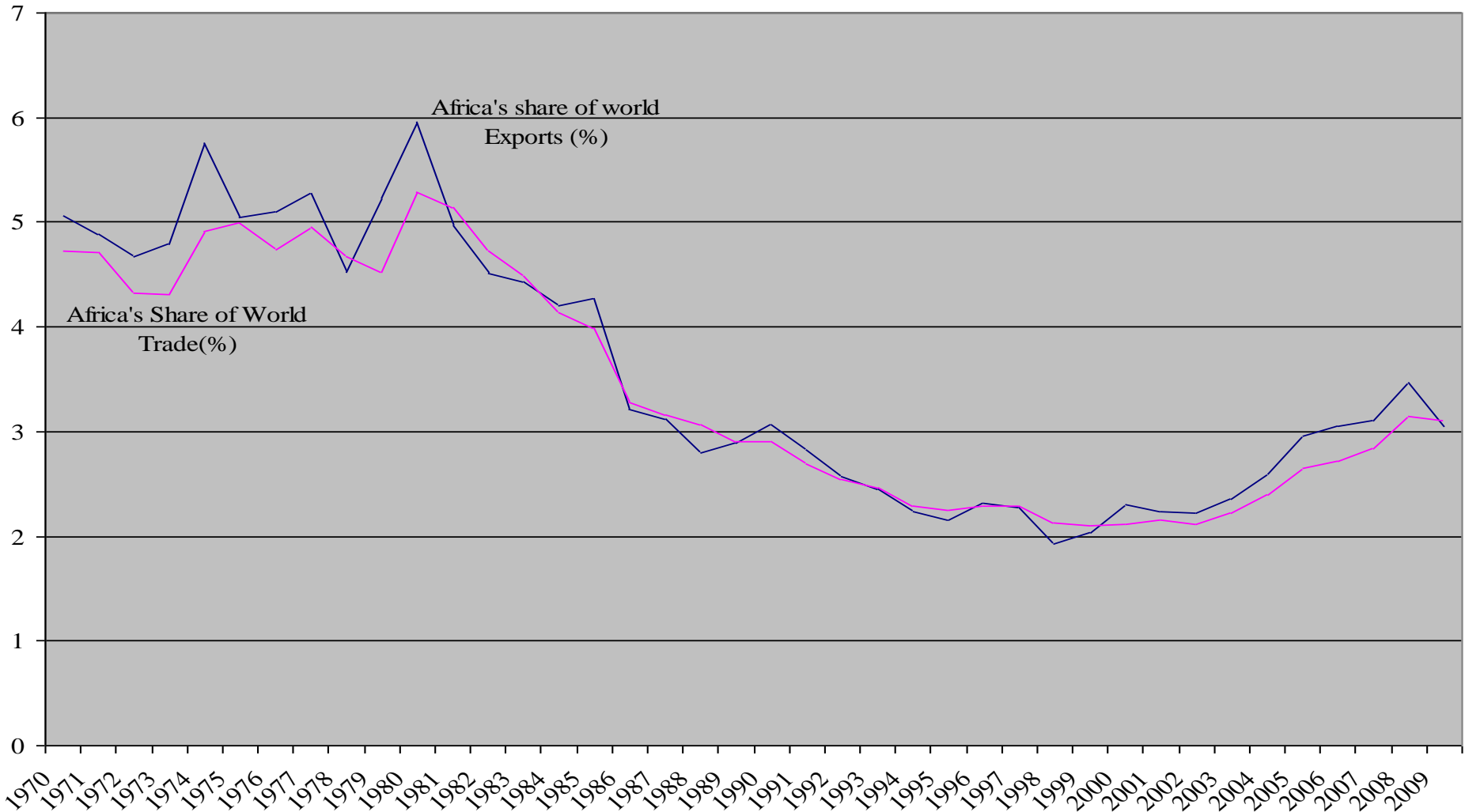


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- Africa's global trade share (competitiveness)
- Status of Aid for Trade Flows to Africa
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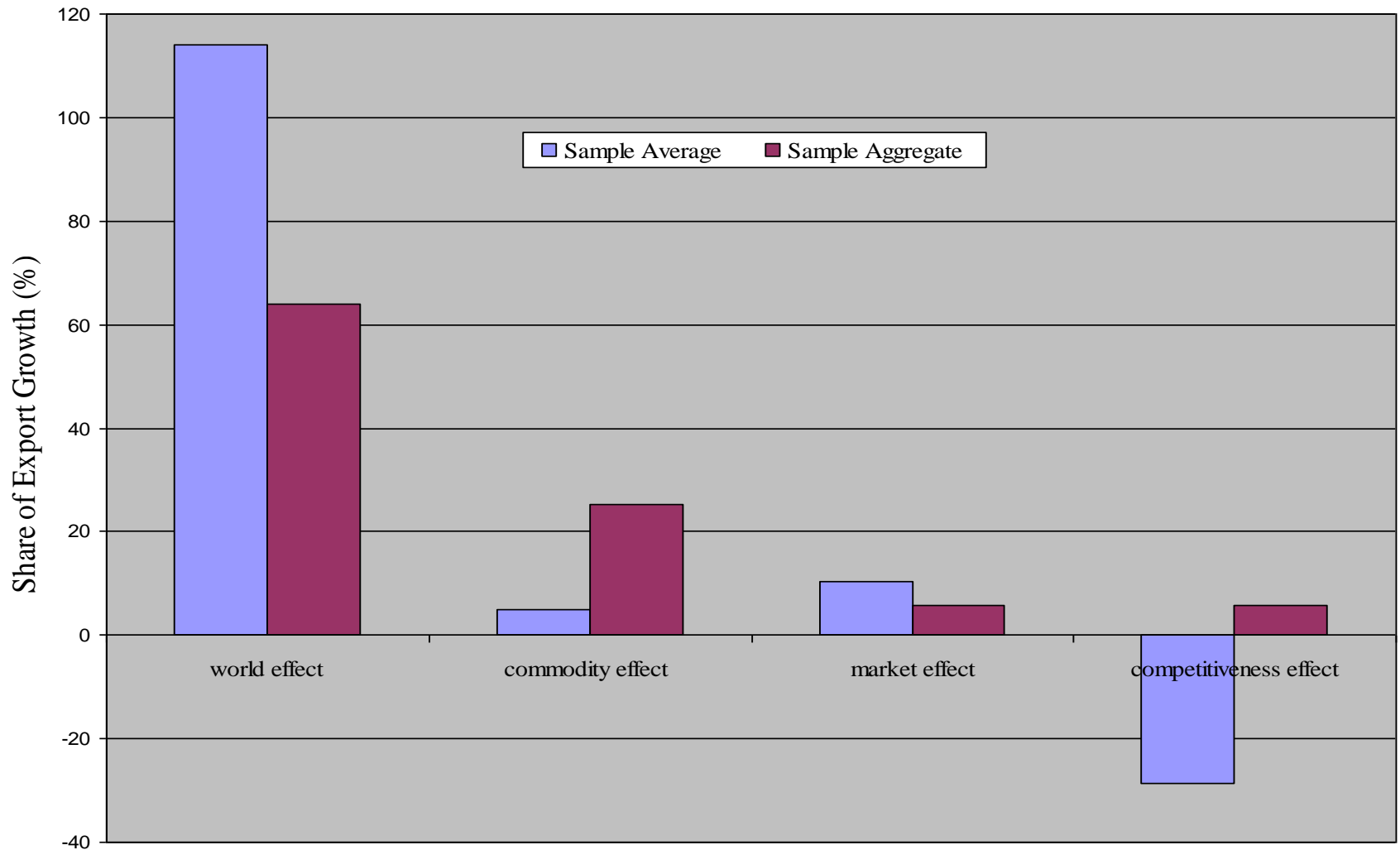
Export competitiveness as market share



Export Competitiveness as Market Share: Constant Market Share Analysis

$$\begin{aligned} & \sum_i (X_i^2 - X_i^1) && \text{Export growth} \\ & \equiv && \equiv \\ & r \sum_i X_i^1 && \text{World effect} \\ & + && + \\ & \sum_i (r_i - r) X_i^1 && \text{Commodity composition effect} \\ & + && + \\ & \sum_i \sum_j (r_{ij} - r_i) X_{ij}^1 && \text{Market distribution effect} \\ & + && + \\ & \sum_i \sum_j (X_{ij}^2 - X_{ij}^1 - r_{ij} X_{ij}^1) && \text{Competitiveness effect} \end{aligned}$$

Export Competitiveness as Market Share: Constant Market Share Analysis

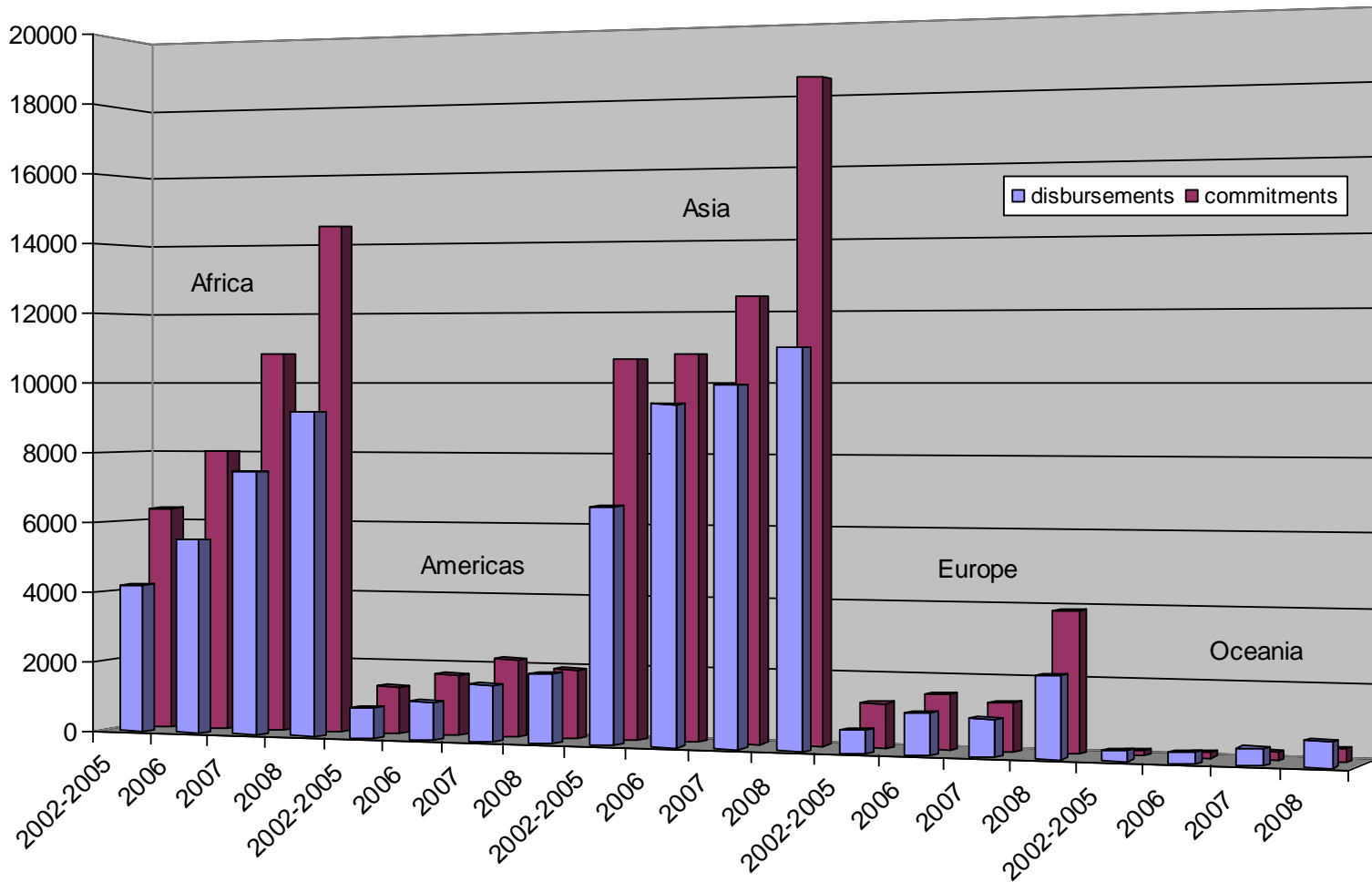


Export Competitiveness as Market Share: Constant Market Share Analysis, Ethiopia

- Export growth, 2004 - 2008: 192% (\$1.05bn)
 - world effect = 31% (\$329m)
 - commodity composition effect = 25% (\$259m)
 - market distribution effect = 26% (\$268m)
 - competitiveness effect = 19% (\$194m)
- Share of Products:
 - competitive = 61%
 - uncompetitive = 20%
 - not-traded = 19%
- Most Competitive Product: Vegetables (\$141m)
- Least Competitive Product: Gold (-\$148m)
- Most Competitive Relationship: Netherlands (\$89m)
- Least Competitive Relationship: Switzerland (-\$136m)

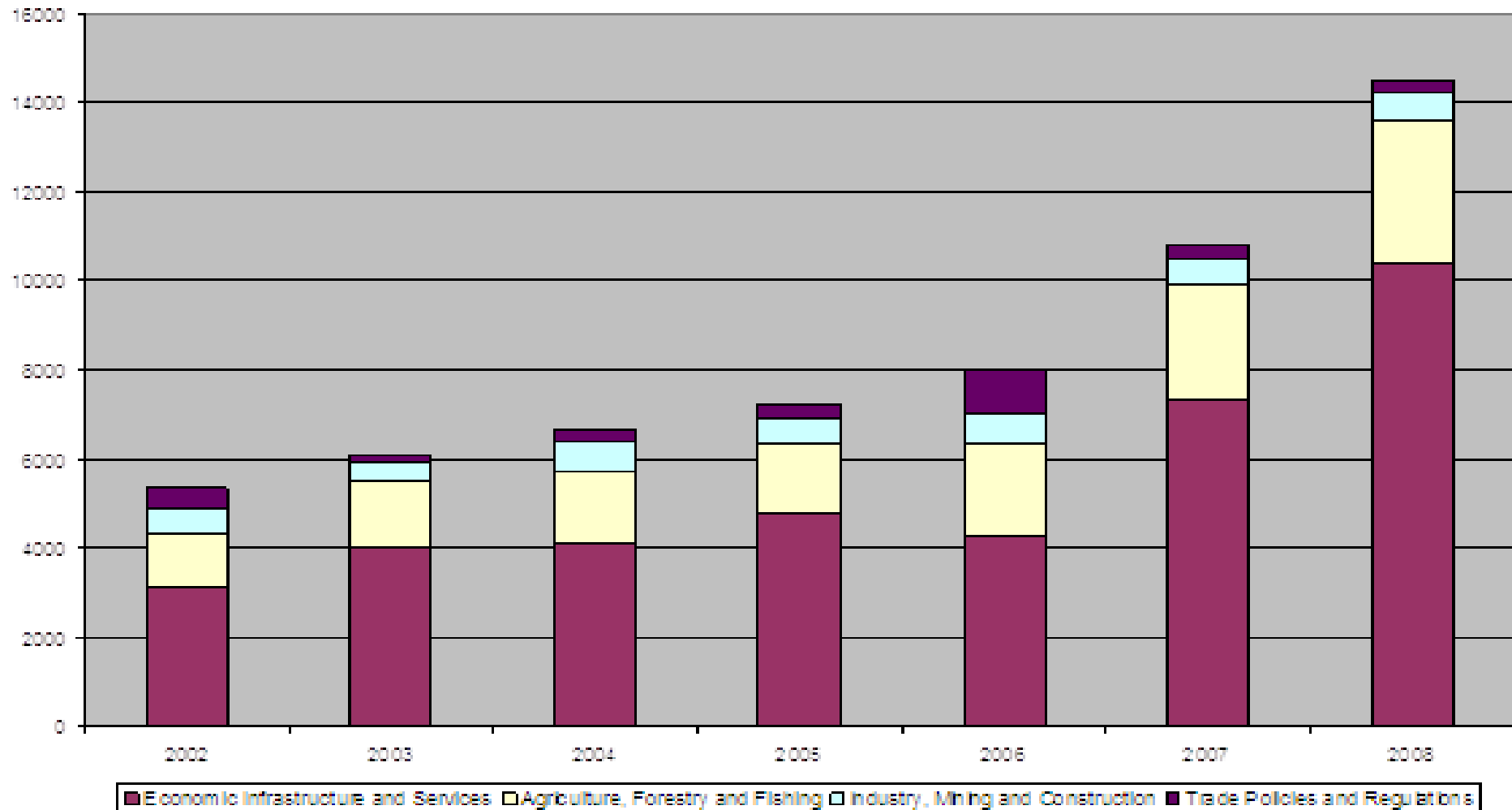
AfT commitments have risen and disbursements are up

Figure 1: Aid for Trade Commitments and Disbursements by Region, current US\$ (millions)



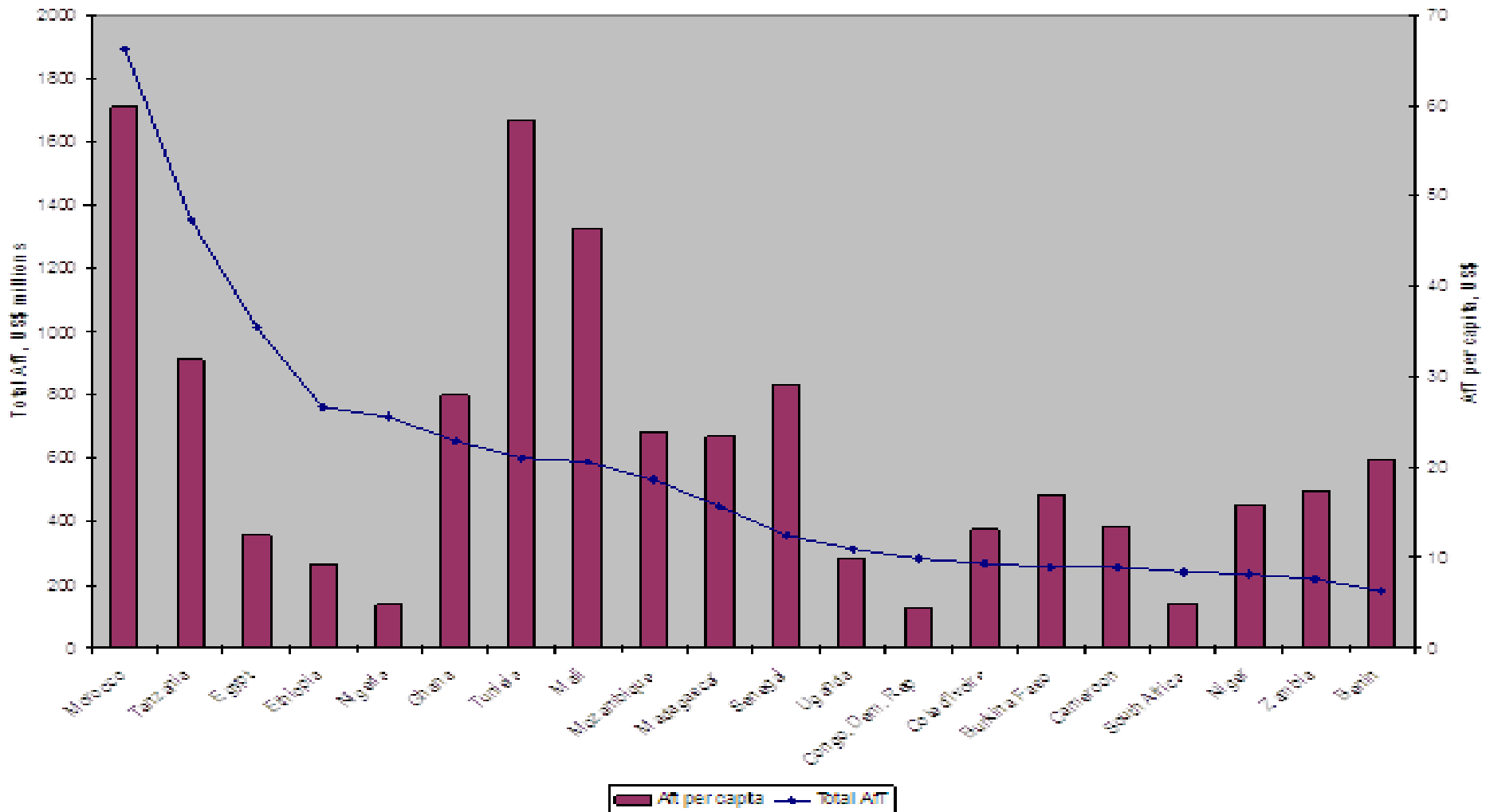
AfT Commitments conform to patterns elsewhere, infrastructure leads

Figure 2: Aid for Trade to Africa by Broad Category, current US\$ (millions)



Vast disparities in AfT across Africa

Figure 3: Top 20 African Recipients of AfT in 2008





Status of Aid for Trade Flows to Africa - observations

- AfT commitments grew 62% over baseline in 2008.
- Disbursements in 2008 better than in 2006.
- Asia (45%) and Africa (35%) main recipients of AfT.
- Infrastructure (70%) & productive capacity (26%)
- AfT concentrated : 20 countries take 70% of total.



Status of Aid for Trade Flows to Africa - reservations

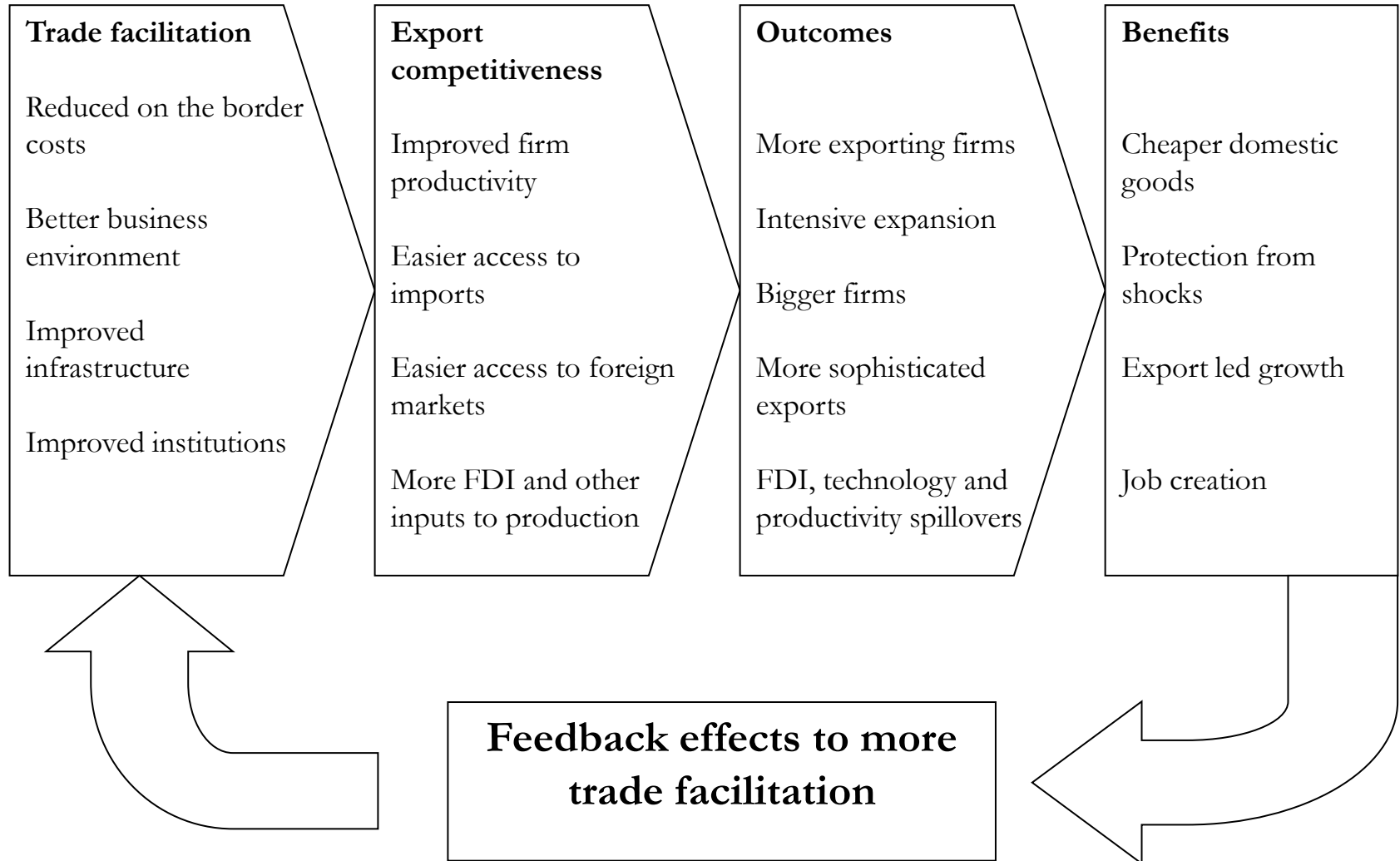
- The statistics do not tell the whole story.
 - 23% of MS think statistics reflect reality. 16% otherwise.
- Feeling that current commitments insufficient and might be at expense of important ODA sectors.
- Priorities not being identified by beneficiaries and there are political considerations and conditions.
- Two year lags too long on statistics.



Assessing the impacts of Aid for Trade

- Can AfT be linked to concrete trade outcomes?
- Conceptual framework must be informed by what is expected from AfT programmes.
- The assessment is beneficial both from supply and demand sides (donors and recipients).
- Difficulty is sifting out other factors affecting trade.
- Costly case-by-case approach may be necessary.

Digression on Assessing AfT: Trade Facilitation and Export Competitiveness





Trade facilitation and export competitiveness

- An on-going UNECA study on trade facilitation and export competitiveness.
- Regress total factor productivity (*TFP*) and income level of exports (*EXPY*) on 4 indicators of trade facilitation from Portugal-Perez and Wilson(2010):
 - *INF*, physical infrastructure
 - *ICT*, information and communications technology
 - *BORDER*, border efficiency
 - *BUS*, business environment
- Small sample size (21x4 and 17x4).



Trade facilitation and export competitiveness

- Results from the on-going UNECA study on trade facilitation and export competitiveness found that:
 - Trade Facilitation can bolster total factor productivity (TFP)
 - Hard Infrastructure is the most significant
 - Pervasive transaction effect
 - Weaker impact on income level of exports (*EXPY*)
 - Physical infrastructure still significant
 - Less prominent production effect



Back to Assessing the impacts of Aid for Trade

- Assessments promote dialogue if a link can be demonstrated between AfT and binding constraints.
- Conceptually, AfT should improve trade capacity indicators (i.e. diversification, IAT, competitiveness).
- Challenge of conceptual framework is to capture the complexities of linkages involved and establishing causality.



Empirical evidence on impacts of AfT

- On aggregate, a UNECA study finds that AfT seems to have a significant effect (in the expected direction) on export diversity:
 - A one percent increase in AfT appears to improve the export diversification index by 0.04 per cent (note that the diversification index ranges between 0 and 1).
 - In the case of Africa, the results on diversification are largely driven by investment in economic infrastructure and productive capacity.
 - A one per cent increase in any of these improves the diversification index by 0.02 and 0.03 per cent respectively.



Empirical evidence on impacts of AfT

- The same UNECA study found that in aggregate terms, AfT also appears to have positive effects on competitiveness in Africa with compounded effects of 0.02 per cent.
- The effects on competitiveness are spread equally for all the categories of AfT, between 0.01 and 0.02 per cent increments.
- With respect to trading across borders, the study found that a one per cent increase in AfT reduces cost of exporting by 0.11 per cent.



Empirical evidence on impacts of AfT

- An ODI cross-country study collaborates UNECAs.
- ODI found that US\$1 million of AfT translates into 1% reduction in costs → \$15-18 reduction per container.
- ODI study also found a positive correlation between AfT and sectoral exports.
- While the evidence not conclusive, it's promising.



Persisting issues and concerns with AfT raised by practitioners

- AfT definition – can it be based grants alone?
- Coverage, predictability and political conditions.
- How to assess South-South AfT flows.
- Transparency in selection of AfT projects.
- Review focus on global and continental level.
- Information from countries to support findings.
- MfDR not being used in trade objectives.
- Overburdening M&E .
- How to deal with the “missing middle”.
- Policy coordination and cooperation between RECs.



Recommendations from AfT practitioners in Africa

- Need to allocate more AfT to small economies.
- Enhanced mainstreaming of AfT needs by MS.
 - Development partners urged to respond positively.
- MS/REC to continue prioritising regional integration
 - Partners urged to support regional integration.
- Recognise S-S donors in future M&E.
- Create environment that encourages private sector to enhance role and impact in IAT.
- Create national, regional and continental mechanisms to follow-up and coordinate AfT issues.



Recommendations

- Extend M&E for AfT to national and regional level.
- Strengthen data collection systems at national and regional level to facilitate evaluation of impacts.
- Use MfDR when elaborating trade needs.
- More use of case-study approaches.
- MS to take leadership in planning, M&E while including all stakeholders.
- UNECA/ATPC, AUC and AfDB to support MS and RECs in building their case studies.
- More harmonisation and coordination by RECs.



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