



OECD Experts Workshop on *Aid for Trade Implementation*, 28-29 March 2011 Proceedings

As part of its analytical work on the *Binding constraints to Trade Expansion*¹ and in preparation of the Third Global Review on Aid for Trade, the OECD organized an experts workshop on the implementation of Aid for Trade on March 28-29, 2011 in Paris.²

The event focused on the trade dimension of the Aid for Trade Initiative. Its primary purpose was to highlight the importance of sequencing policy reform and the role of complementary policies to trade reform to tackle the constraints limiting the capacity of developing countries to turn trade opportunities into trade flows and, subsequently trade flows into economic growth. The ultimate objective was to help improve the design of aid-for-trade projects and programs and contribute to the ongoing discussion on adequate impact assessment of Aid for Trade.

The workshop provided a high-quality debate on the trade dimension of the Aid for Trade Initiative and provided an occasion to discuss many aspects crucial for the preparation of the third Global Review on Aid for Trade. More specifically the workshop highlighted the relevance of the aid-for-trade initiative, validated the methodology of the draft third OECD report on binding constraints, presented in session 2, emphasized the need for stronger focus on showing results through different tools, and suggested that more technical work should be undertaken instead of the mostly political approach taken so far.

The agenda of the workshop, keynote address, PowerPoint presentations, and background papers are posted on a dedicated [webpage](#).³

¹ Under this work programme, two reports have been declassified and published: *Binding Constraints to Trade Expansion: Aid for Trade Objectives and Diagnostic Tools* (2009), and *Increasing the Impact of Trade Expansion on Growth: Lessons from Trade Reforms for the Design of Aid for Trade* (2010). A draft third report entitled *Estimating the Constraints to Developing Countries Trade: A Taxonomy of the Binding Constraints to Trade Expansion for Various Country Groupings* (2011) was presented and discussed during Session 2 of the workshop.

² The workshop organized by the OECD, as well as the study *Estimating the Constraints to Developing Countries Trade: A Taxonomy of the Binding Constraints to Trade Expansion for Various Country Groupings*, presented in Session 2 of the workshop were made possible thanks to a voluntary contribution of the European Commission to the Trade and Agriculture Directorate of the OECD .

³ Hyperlinks in the proceedings direct to the various document posted on the workshop webpage: www.oecd.org/document/17/0,3746,en_2649_34665_47256401_1_1_1_1,00.html.

OPENING SESSION

Opening Remark: H.E. Mr. Antti Kuosmanen (Ambassador of Finland to the OECD and the UNESCO)

Ambassador Kuosmanen welcomed the participants to the workshop and emphasized that Aid for Trade has been a success as many donors and developing countries have made trade a priority which resulted in a significant increase in trade related assistance. Trade has now become an important element in the development discussion.

Ambassador Kuosmanen stressed that while a lot has been achieved, Aid for Trade has now reached a critical phase. It is not longer enough to demonstrate that aid volumes are growing we now have to show tangible results for people in partner countries. Therefore this Experts workshop is very important.

The OECD Secretariat has played a key role in the Aid for Trade success story notably in developing monitoring methods for Aid for Trade and in the success of the Global Review of Aid for Trade in 2007 and 2009. The workshop is a crucial milestone in the preparation of the next Global Review of Aid for Trade to be held in July at the WTO. Its focus is on results and impact. These issues are at the heart of the workshop.

Keynote Speaker: Professor Anne O. Krueger (John Hopkins University)

In her [address](#),⁴ Professor Krueger emphasized the necessity of a relatively open trading regime to sustain rapid economic growth over a long period of time.

Professor Krueger first discussed what is meant by openness and why it is important. She then focused on the necessary conditions for an outer-oriented trade strategy to be successful. She argued that probably the most crucial condition for a successful outer oriented trade strategy is the removal of barriers to imports but also noted that the necessary conditions go far beyond the removal of some, most, or all trade barriers. They reach deep into the domestic economy (including a stable macroeconomic policy and, especially, a predictable and realistic exchange rate regime, a realistic commercial code, with appropriate provisions for legal protection and for timely judicial decisions where necessary, a reasonable degree of flexibility in markets, appropriate infrastructure and appropriate pricing of it, access to education and training) and argued they are the same conditions that are necessary for successful economic development and poverty reduction.

As opening the economy for trade and moving toward the appropriate domestic economic environment are both the responsibility of national governments, she then turned to what aid for trade can do to support domestic policy makers, and what it cannot do. Professor Krueger argued that:

⁴ Due to bad weather conditions in the United States, Professor Krueger missed her connection. Therefore the address was delivered on her behalf by Michael Plummer (OECD, Trade and Agriculture Directorate).

(i) A major contribution of Aid for Trade could be to provide support for the proponents of an open economy within the national government. By support she meant arguments and knowledge they can use in making the case for opening up. This includes provision of information that could be used by local authorities through publications, conferences, and the media, on the experience of other countries but also technical support, both in terms of provision of information as to sales opportunities abroad, and as to needed quality control, technical aspects of foreign standards, training nationals in the intricacies of paperwork for exporting and importing, and other issues.

(ii) Aid for Trade can also play a positive role in highlighting the priorities among the alternative activities that the authorities could undertake. This might take the form of estimating the relative importance of various infrastructure deficiencies and other cost-raising issues, sponsoring feasibility studies to compare with foreign costs to show where domestic producers are at greatest disadvantage (and perhaps what needs remedial action first), or otherwise supporting policy makers in deciding where to focus their political resources to achieve meaningful improvements. Identification of bottlenecks and barriers is critical, and understanding of how they affect potential traders is an area where Aid for Trade can make a large contribution.

Professor Krueger concluded by emphasizing that not everything can be done at once, and success is more likely if the major impediments to an appropriate allocation of resources are identified and addressed first. Once they are addressed and success is evident, momentum seems to build for further reforms, and recognition of the contribution of exports to economic growth increases. By focusing on trade and its role, Aid for Trade can provide support for trade opening, with its direct beneficial effects on the growth rate and resource allocation, but also enable more efficient economic activity more generally. This workshop is one concrete activity toward that end. Even small improvements in growth rates and reductions in poverty are highly worthwhile; Aid for Trade is potentially an important contributor to those objectives.

SESSION I: IDENTIFYING THE SUPPLY-SIDE CONSTRAINTS TO TRADE

Chair:

Michael PLUMMER (Division chief, Trade and Agriculture Directorate, OECD)

Speakers:

Jean-Jacques HALLAERT (Trade and Agriculture Directorate, OECD)

José Guilherme REIS (International Trade Department, World Bank)

The Aid for Trade initiative has been highly successful in mobilizing resources, in raising awareness of the role trade can play in development, in fostering dialogue between the aid and trade communities. Now the challenges are to implement Aid for Trade as effectively as possible and to show that Aid for Trade has had an impact. Showing results is the main theme of the Third Global Review of Aid for Trade and underpins the OECD work on the binding constraints to trade expansion.

The rationale and the results of this stream of work were described by Jean-Jacques Hallaert ([*The OECD Work on Binding Constraints to Trade and the Rationale of the Workshop*](#)) as it underpins the various sessions of the workshop. The first report on binding constraints on trade expansion ([*Binding Constraints to Trade Expansion: Aid for Trade Objectives and Diagnostic Tools*](#)) highlighted that many studies pinpoint that trade-related needs of developing countries are numerous but there is a lack of appropriate tools to prioritize and sequence trade reforms and aid-for-trade interventions. The logic and the advantages of the trade adjusted growth diagnostics developed in this report were described.

José Guilherme Reis presented the results of another diagnostic tool focusing on the supply-side constraints to exports ([*Identifying Supply-Side Constraints to Exports: Some Results from Exploratory Case Studies*](#).) This tool has two components. The first component is an assessment of past trade performance and potential future trajectory. The second is an assessment of the factors explaining this trade performance. The implementation of the tool has started and was illustrated with the examples of Pakistan and Indonesia.⁵

One of the main topics of the discussion was the role of imports. One participant stressed that while the academic approach, illustrated by the keynote address of Professor Krueger, is to liberalize trade, the practitioners tend to focus, at their clients' request, on exports. This leads to questions related to the political economy of the approach as there is a tendency to promote existing exports and, perhaps, encourage some policies aiming towards examples at picking the winners. Both presenters agreed that imports are essential but José Guilherme Reis agreed that at

⁵ Bad weather conditions prevented Carolyn Roberts of the Inter-American Development Bank to attend her meeting. Her presentation on the Value Chain Analysis as a diagnostic tool ([*Value Chain Analysis as a tool for identifying trade constraints: the case of perishable products in Peru*](#)) is available but was not delivered during the workshop.

the end of the day the focus is on exports noting that it is no coincidence that there is now a focus on supply-side constraints because of the sharp reduction in trade barriers over the past two years. Jean-Jacques Hallaert agreed that the role of imports is often overlooked and that the Aid for Trade Initiative is not immune to the political economy and political sensitivity. For example the Hong Kong Declaration focuses on expanding trade while the task Force on Aid for Trade focused on exports. The role of imports is, nonetheless, important and should be mentioned. This is why the third report on binding constraints presented in Session 2 shows its role in growth and analyzes the binding constraints to trade expansion distinguishing between exports and imports.

Related to this political economy of promoting existing exports, another participant stressed that stakeholder consultation was a conservative way of designing trade policy because the people consulted are the people that are known and businesses that exist (forgetting the potential ones). It was cautioned that consultation will never be a substitute for proper analysis. Presenters agreed that stakeholder consultation is useful but not enough to identify adequately the constraints to trade expansion.

Another participant said that the two presentations focused on various indicators of performance as what we want to influence and emphasized that donors and people in Geneva tend to be more interested in development impact including gender and environmental issues than trade. Another participant argued that everybody agreed to help turn trade opportunities into trade flows but when it comes to addressing the constraints limiting the impact of trade on economic growth, developing countries start to be reluctant fearing that some conditionality may be introduced into Aid for Trade. Jean-Jacques Hallaert argued that, in the logic of the Aid for Trade initiative, trade is not an end in itself but is seen as an engine for economic growth and the second binding constraints paper ([*Increasing the Impact of Trade Expansion on Growth: Lessons from Trade Reforms for the Design of Aid for Trade*](#)) discusses the issue.

SESSION II: PRIORITISING REFORMS AND THE ROLE OF COMPLEMENTARY POLICIES

Chair:

Andrew JENKS (Deputy Permanent Representative, New Zealand Delegation to the OECD)

Speakers:

*Jean-Jacques HALLAERT, Ricardo CAVAZOS,
and Gimin KANG (Trade and Agriculture Directorate, OECD)*

Gaël RABALLAND, (World Bank Country Office in Zambia)

Susan STONE (Trade and Agriculture Directorate, OECD)

Richard POMFRET (University of Adelaide)

*Dirk Willem TE VELDE (Overseas Development Institute)
and Mohammad RAZZAQUE (Commonwealth Secretariat)*

Jean-René CUZON and Ian PARIZOT (Agence Française de Développement)

In her keynote address, Professor Krueger emphasized that “not everything can be done at once, and success is more likely if the major impediments to an appropriate allocation of resources are identified and addressed first.” This conclusion, which was also reached in the first binding constraints paper [First OECD Binding constraints report](#), is at the core of this session along with the experience that in order to have the largest impact as possible, trade reforms supported by Aid for Trade must be accompanied by complementary policies ([Second OECD Binding constraints report](#)).

Jean-Jacques Hallaert, Ricardo Cavazos, and Gimin Kang presented the results of the [Third OECD Binding constraints report \(Estimating the Constraints to Developing Countries Trade: A Taxonomy of the Binding Constraints to Trade Expansion for Various Country Groupings\)](#) which was supported by an EC grant. This study tries to identify and quantify the severity of various potential constraints to trade expansion in partner countries, as well as the importance of complementary policies, which are paramount in maximizing the impact of trade reforms on trade and economic growth. As developing countries trade-related needs are numerous, such quantification is needed to identify the most binding constraints and thus guide the sequencing of reforms and aid-for-trade interventions. This report concludes that:

First, both imports and exports boost economic growth, but the constraints to exports differ from those applicable to imports. This finding has many policy implications, the most important being that trade reform should focus not only on export promotion but also on the role of imports. Moreover, it confirms the fact that in promoting trade expansion, Aid for Trade contributes to economic growth in developing countries.

Second, consistent with a large body of literature suggesting that trade performance depends much less on customs tariff reforms than on a large variety of supply-side constraints, such as electricity or access to credit. The severity of electricity problems in many countries is well recognized but this report shows that it dramatically affects trade performance and economic growth (directly and through trade) of many

countries. The impact we estimate is so large, and shared by all countries, that electricity often appears as a major binding constraint to trade expansion.

Third, compatible policies are also very important. The macroeconomic environment has a big impact on trade performance, especially the management of the real effective exchange rate. Moreover, reforms which improve access to credit and governance, as well as policies fostering investment and labor productivity are important but their relative importance varies across countries.

Transport infrastructure has a significant role on the trade performance of all country groupings, except landlocked countries. This result is robust and suggests that in landlocked countries complementary policies and regional cooperation are crucial for infrastructure to boost trade performance. To have a closer look, the experience with road infrastructure in three different regions (landlocked African countries, Greater Mekong Subregion, and Central Asia) was discussed by other speakers.

In Africa: Gaël Raballand showed that to tackle the cost of being landlocked, donors have invested heavily in regional road infrastructure ([*Are road investments sufficient to mitigate the cost of being landlocked?*](#)). However, the results have been disappointing: transport prices in Africa remain the highest in the world; most regional transit agreements remain on paper; and despite a strong emphasis on corridors, examples of successful trade corridors in SSA are not numerous. There are many reasons but one crucial is that not enough attention was paid to transport services (notably lack of competition). This explains that infrastructure did result in lower transport costs but not in lower transport prices. Raballand argued that donors should not focus on road conditions per se because most of the delays occur in ports. He instead argued that the impact of transport infrastructure on trade would be larger if donors support the liberalization of logistics-related sectors to create incentives to increase performance, help reduce rent-seeking activities to smooth border-crossing by revising procedures and a Customs reform, and if the traffic is sufficient then rehabilitate corridors.

In the Greater Mekong Subregion: Susan Stone described the results of simulations of the impact of a large transport and trade facilitation project supported by the Asian Development Bank ([*Improving Infrastructure, Facilitating Trade and Reducing Poverty in the Greater Mekong Subregion*](#)). Evidence of trade, growth and poverty reduction was found. According to this work, to date, the benefits realized are mainly national as the national traffic growth has been rapid while growth in international traffic has lagged. Moreover the importance of complementary policies is crucial and led the Asian Development Bank to conclude that "...efficiency in the use of resources can be realized only if the supporting regulatory and policy framework is in place."

In the landlocked countries of Central Asia and in Mongolia, the costs in time and money of doing trade are very high. Richard Pomfret ([*Constraints on realising gains from trade in Central Asia and Mongolia*](#)) argued that reduced trade costs will stimulate trade within and beyond the region promoting pro-poor growth, regional prosperity, and amicable international relations. Limited evidence suggests that the reason of high trade cost are more due to poor *soft* infrastructure rather than to poor *hard* infrastructure. However, despite recognition of need to improve both hard and soft infrastructure, aid for trade along corridors continues to focus on hard infrastructure.

Dirk Willem te Velde and Mohammad Razzaque then presented the results of a study on small and vulnerable economies (SVEs) they authored with Massimiliano Cali: "Effectiveness of aid for Trade in Small and Vulnerable Economies" ([*Aid for Trade in Small and Vulnerable Economies*](#)).

While the third binding constraint to trade analyzed the binding constraints faced by (inter alia) SVES (*ex ante* approach), this study tried to assess the impact of some forms of Aid for Trade so far on SVES trade performance (*ex post* approach).

In their analysis of the effectiveness of Aid for Trade to SVES, the authors examined the impact of: (i) aid-for-trade facilitation on the cost of trading; (ii) aid to economic infrastructure and aid to productive capacity on total exports; and (iii) aid to sectoral productive capacity on sectoral exports. They found that: (i) Aid to trade facilitation has significant cost reducing effects which is much larger for SVES than for other countries; (ii) Aid to economic infrastructure is positively associated with exports but is not significant for SVES.

Jean-René Cuzon and Ian Parizot then presented French Strategy on Aid for Trade and experience in implementing it ([*The French Strategy on Aid for Trade - A Case Study of the Senegalese SME Upgrading Programme*](#)). The French strategy on Aid for Trade is closely linked to the European Strategy on Aid for Trade and has a strong regional orientation. It focuses on developing regional trade policies (including standards) and on developing a competitive offer in local, regional and international markets. This requires considering many complementary policies that the case of support to small and medium sized enterprises (SMEs) illustrates. This project aimed at increasing the competitiveness of local SMEs on regional and international markets and, through SME development, at contributing to growth and job creation.

Participants expressed strong interest in the presentations and the findings notably on electricity and transport. The discussion was mostly technical and participants suggested that the impact of fiscal spending was very much in line with other findings in the literature both in its impact and in the rationale. The speakers elaborated that it would be interesting to go deeper and try to measure the quality of the spending rather just its total amount. Questions were also asked on the importance of human capital, alternative transport modes such as rail and on the role of the transit country infrastructure in the binding constraints paper. The speakers explained that many variables were tested but all of them could not be presented during the presentation. Education variables had an impact, but are closely correlated with the measure of labor productivity that is having a larger impact and thus is reported. Transit country infrastructure and port infrastructure are also mentioned in the paper, but could not be included in the econometric work due to data problems. However, their importance is discussed in the Uganda case story. The speakers clarified that having no significance on domestic road transportation infrastructure does not mean it is irrelevant rather its impact will depend on many complementary policies and on transit countries' infrastructure. Speakers and participants also agreed that the impact of road on landlocked countries also depends on the structure of trade. If a country only exports not time-sensitive products, then improving roads (whose main impact is to reduce the time to trade) will have only a limited trade impact. However, the speakers emphasized again the role of imports: poor road conditions by their impact on trade prevent the development of many forms of trade notably prevent a reexport model.

SESSION III: EVALUATION AND ASSESSMENT OF THE TRADE IMPACT OF AID FOR TRADE

Chair:

Philippe BESSON (Swiss Delegation to the OECD)

Speakers:

William HYNES (DCD, OECD)

Patrick MESSERLIN (IEP & GEM de SciencesPo)

Richard NEWFARMER (International Growth Centre)

Sheila PAGE (Overseas Development Institute)

Stephen KARINGI (UN Economic Commission for Africa)

The third and last session of the workshop turned to a critical issue for Aid for Trade. In part because of the fiscal crisis in many donor countries, the Aid for Trade community is asked to assess the impact of the initiative. This will be the main topic of the Third Global Review on Aid for Trade in July 2011. However, assessing and evaluating the impact of Aid for Trade is difficult. This session focused on ways to assess the trade impact of Aid for Trade.

The first presentation by William Hynes ([*Challenges in Assessing the Trade Impact of Aid for Trade*](#)) aimed at setting the stage for the discussion describing the main challenges in the evaluation of Aid for Trade. Despite all the existing mechanisms for assessing the trade impacts of Aid for Trade, there is still a major methodological problem in assigning trade outcomes to specific aid-for-trade projects and programmes. Indeed, success in trade can involve many variables. In this context, what has mainly been done so far is basically sharing lessons learned and best practices as it seemed to be the most productive approach. Other conceptual difficulties arise such as: determining the results chain and the timing of impacts; addressing issues coming from behind the borders and flanking policies; obtaining generalisable findings etc.

Moreover, too much is expected from evaluation: accountability, factors of success and failures, insights for the sequencing of interventions, improvements in the design and implementation of projects etc. To make things worse, the evaluation agenda is expanding very fast with many aspects being considered: trade and policy regulations, trade related infrastructure, building productive capacity etc.

Therefore William Hynes concluded that evaluations should be undertaken in a collaborative manner (between partner countries and donors) while considering the objectives in the planning of interventions developing ex ante assessment and establishing baselines.

Professor Messerlin presented the results of the study "[*Aid for Trade: A Meta Evaluation*](#)" commissioned by the OECD as part of the OECD's broader efforts to improve the effectiveness of Aid for Trade ([*Lessons from a Meta-Evaluation of Aid for Trade*](#).) It is a "meta-evaluation" of how aid agencies evaluate and assess their trade-related operations. It focuses on evaluations of operations in two countries - Ghana and Vietnam - and two sectors - transport and storage - between 1999 and 2010. In

particular, it looks at whether trade was a true objective of the operations under scrutiny, and whether trade and development outcomes were evaluated. More broadly, it asks whether the evaluations selected offer the information policy makers in charge of international aid want – and need - to get from field evaluators.

Several conclusions can be drawn from the study. First, evaluations of aid-for-trade operations do not say much about trade. “Trade” and “exports” were not among the most frequently mentioned words, while “imports” was almost completely ignored. Similarly, references to the World Trade Organization or regional trade agreements were largely absent from the evaluations. Second, the evaluations usually did not clarify the policy linkages which matter most to policy makers. Third, in sharp contrast with the silence on trade-related issues, the evaluations referred extensively to broad, development-related concepts, such as gender or poverty reduction, but without clearly defining these terms. Fourth, the evaluations often lacked an adequate or realistic timeframe for measuring results, rarely distinguishing between what was achievable in the short run, and what was achievable in the longer run. Finally, the evaluations' conclusions provide little insight as to whether Aid for Trade works and why. Indeed, evaluators were rarely able to identify causal links between operations and performance.

Assuming that these results are more or less representative of aid-for-trade evaluations generally, two broad recommendations are made: First, every operation should include an *ex ante* assessment of the situation being addressed in order to (i) define objectives in a quantifiable way and (ii) to provide the necessary information (including data) to measure whether these objectives were met *ex post*. Second, evaluators should answer a sequence of questions, set out below, which could provide a framework for assessing operations' impact in a more systematic and thorough way.

Richard Newfarmer presented a study ([Aid for Trade: Ensuring That the Most Needy Get It](#)) aiming at answering three questions. First, which countries might have a potential demand for aid for trade, either because of poor trade performance or because of capacity constraints that hamper trade? Second is the supply of Aid for Trade going to countries that have a potential demand for it? Third which countries are receiving below average aid for trade – relative to their potential demand?

Potential demand is estimated adding up several indicator of trade performance (growth rate of exports of goods and services; change in global market share; change in competitiveness in existing markets; growth rates of export markets – product and geographic markets; export concentration) and indicators of capacities such as infrastructure, institutions, and trade policy variables.

This analysis concludes that Aid for trade potential demand outstrips current supply. While aid-for-trade supply is broadly correlated with potential demand, several countries that have the highest potential demand are receiving less-than-average levels of Aid for Trade.

Complementing the previous presentation, Sheila Page asked if donors are choosing the right thing to support ([Better Regulations and Better Negotiations as Tools for Trade: Where Aid for Trade Can and Cannot Help](#))⁶ focusing on a particular form of aid which is complying with standards and rules and support in negotiation of such standards and rules. She argued that on the paper most dimensions are being covered but she identified three gaps.

⁶ A [background paper](#) is posted on the workshop webpage.

First not much is done in providing market information and trade promotion. Donors are not using a lot of their comparative advantage i.e. providing support to understand the rules they apply in their schemes of preferences (the exception being the aid provided by the US to understand the AGOA rules) or their own markets.

The second gap is capacity building in non agriculture area. A lot of support is provided to agriculture but there are serious gaps for non agriculture especially for services. In this context Sheila Page emphasized the risk of conflicts of interest because very often donors provide support to capacity building to help countries to negotiate with the donors. She calls for much more attention to potential conflicts of interests because it is difficult not to move from capacity building to guidance.

A third gap is related to assistance at the regional level although it is likely to be a declining gap. Most of the support is related to the Doha Round but not much is related to regional levels. And up to now, the monitoring and evaluation of Aid for Trade tends to ignore the regional dimension.

Stephen Karingi presented an analysis of the challenges in assessing the impact of Aid for Trade in Africa ([*Challenges in Assessing the Impacts of Aid for Trade: Perspectives of African Trade Practitioners*](#)). Africa's share in global markets is small and has been declining, but Africa is a main recipient of Aid for Trade (although African countries have difficulties in recognizing the numbers and have the feeling that current commitments are insufficient and not immune from political considerations and conditions). However, assessing the trade outcome of Aid for Trade flows is challenging.

An on-going UNECA study finds that trade facilitation can bolster total factor productivity and that hard infrastructure has the largest impact on export competitiveness. The study also finds that Aid for Trade has a significant effect on positive effects on competitiveness on export diversity. The impact on export diversity is largely driven in Africa by investment in economic infrastructure and productive capacity while the effect on competitiveness is spread equally for all the categories of Aid for Trade.

During the discussion, participants suggested investigating why the country identified has underserved by looking at their answers to the questionnaires and to the case stories submitted for the preparation of the report *Aid for Trade at a Glance 2011*.

Participants also discussed the need to increase the regional dimension of Aid for Trade. The European Commission indicated that in an exercise conducted with field offices, the negotiations (multilateral as well as regional) are a driver for demand of Aid for Trade. In responses Sheila Page indicated that there is a real demand from partner countries for support in regional cooperation but stressed the likely conflict of interest if this is provided by countries or organizations that are negotiating in the same time with the partner country (or even if the donor is another WTO member). Another participant emphasized that the regional dimension is so far ignored. It is ignored by the Paris Declaration, the Accra Agenda for action as well as the EIF. They all focus on the national level while more and more trade policy is designed at the regional level. The WTO stressed that one of the innovations of the 2011 monitoring and evaluation exercise was to design and circulate a questionnaire for regional organizations. The problem is

then to define what is a regional organization for the purpose of Aid for Trade. However the response rate has not met expectations.

Participants also agreed that services sector deserve more attention than it currently receives because of its employment impact its importance for many small countries, and potential for poverty reduction.

**ROUND TABLE:
“HOW CAN WE ASSESS THE TRADE IMPACT OF AID FOR TRADE?”**

Panel:

*Stephen KARINGI (UN Economic Commission for Africa)
Gaël RABALLAND, (World Bank Country Office in Zambia)
Sheila PAGE (Overseas Development Institute)
Liz TURNER (Saana Consulting)*

Chair:

Frans LAMMERSEN (OECD, Development Co-operation Directorate)

Against the background of all the methodological challenges in assessing the impact of Aid for Trade, a roundtable was held to brainstorm on the way to improve the process. All participants agreed that assessing and demonstrating the effectiveness of aid-for-trade projects is a difficult and delicate matter requiring not only econometric studies to make cross-country comparisons based on global indicators, but also in-depth case studies across countries, sectors, and projects.

Indeed, while empirical analyses are useful to identify major constraints to trade and development in developing countries providing an overview of performance achieved and avenues for better guidance and design of aid projects faces, they face two main problems.

First, the lack or incompleteness of data makes it difficult to assess project performance and identify obstacles hindering its efficiency. This makes it more difficult to formulate policy recommendations applicable at the country level or for groups of countries. Participants recognized that aid for trade is facing a problem of definition which affects the nature and the choice of data used for evaluation. Because most of the evaluations are based on OECD data, the speakers agreed on the need to further improve the quality of existing data by seeking the intervention of the recipient countries as well as regional organizations, not only to validate the data, but also to complement them by developing the database at the local-level.

Second, it was recognized that econometric studies are particularly useful at the advocacy level to evaluate the effectiveness of Aid for Trade and establish general recommendations for the medium-and long-term. However, it is more difficult to identify the possible short-term courses of action. The limitations of econometric work, despite their interest and usefulness, have led to emphasize the role of case studies and complement the overall performance evaluations with country and project specific studies. In this regard, participants agreed to highlight the need to focus on the trade aspects of aid for trade and integrate the analysis of services trade, which have often been excluded from studies and discussions held so far. The services sectors in many developing countries represent a substantial share of trade, especially exports. On the same note, participants expressed the need to focus on case studies of very specific areas of intervention of Aid for Trade, such as infrastructure. Evaluations should therefore focus on a sector or a particular project of a country and pay special attention to gather information from all participants/stakeholders, businesses or individuals. While emphasizing the need for detailed case studies to complement the overall work carried out so far, many participants acknowledged that

such studies could also face limitations. Therefore they concluded that caution is needed and not to limit evaluations to the aspects that are the easiest to measure. On the same note, participants also raised concerns about evaluators and donors only concentrating on the positive results of the projects as this could undermine the credibility of studies.

While identifying the success factors of a project is obviously very interesting, it can be as valuable, if not more, to better understand the reasons for the failure of some projects. Whatever the nature of the observed results may be, the participants also agreed on the necessity to have as many case studies in order as possible to draw common lessons that can then be transposed from one region or context to another. Particular attention was also given to the evaluation method, emphasizing the need for both *ex ante* and *ex post* assessment of projects. In this regard, the timing of the evaluation was discussed and there were concerns that the risk of an early assessment of the project may prevent adequately measuring the impact of a project.

In sum, the roundtable addressed the need to use different but complementary tools to improve the evaluation of aid-for-trade projects. So far, efforts to complement quantitative studies with more detailed and qualitative case studies proved insufficient. In addition, discussions have been useful in clarifying how these case studies should be conducted and ensure that their results are as pertinent and helpful as possible. While it is clear that detailed and in-depth case studies could significantly increase the quality of performance evaluations, financing is a major constraint. Because of their cost, case studies may not be donors' first choice. Advocacy efforts on an international scale are therefore essential to progress in this direction.

The chair concluded the session by stressing:

- (i) the need to remain focused on aid (there are a lot of other development finance but our work is not about investment) and on trade (there are many other areas of interest for the development community).;
- (ii) the challenge to present a good and fair picture of Aid for Trade. There are a lot of tools that can be used. If all the results using the various tools are pointing in the same directions, then we are probably doing the “right” thing, if not then we know that something probably warrant more attention; and
- (iii) Aid for Trade brings together the Aid and the Trade communities (something very rare) and we provide a lot of transparency and information that can be used.

According to the chair, the areas of improvement include aid delivery, the fact that trade is underrepresented in the initiative (and as such the workshop is very useful and timely as it will help inform the next Global Review on Aid for Trade and the report *Aid for Trade at a Glance 2011 – Showing Results*).

**Participants List for Trade and Agriculture Directorate
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EXPERTS WORKSHOP ON AID FOR TRADE IMPLEMENTATION

28/3/2011 - 29/3/2011

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