



Aid for Trade: What Have We Learnt? Which Way Ahead?

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The Aid for Trade (AfT) initiative was launched at the conclusion of the WTO Hong Kong Ministerial Conference in December of 2005 amidst the stalled progress of the Doha Round negotiations in an attempt to boost the engagement of developing countries in global trade and increase participation in the multilateral trading system. Since then three more WTO Ministerial Conferences have taken place, and though the member economies agreed on a Bali package as an interim step, it still remains highly uncertain if they will be able to bring this round of negotiations to a close.

In the same period official figures show that the share of AfT in overall Official Development Assistance (ODA) flows has increased to 30 per cent which brings, to no surprise, increasing scrutiny into the processes of, and greater expectation on actual impacts, that the programme has. This book, edited by Cadot and de Melo, entitled *Aid for Trade: What have we learnt? Which way ahead?* looks at the AfT initiative from its beginnings and the premise of trade generating growth upon which AfT is built, to examining case studies and the on-going issue of monitoring and evaluation before concluding with a distillation of

lessons learnt and policy recommendations for AfT going ahead. The book is divided into four chapters: the first chapter serves as an introduction to AfT and recent developments pertinent to the initiative. Chapter two examines the efficacy and best practices in evaluation of AfT, while chapter three highlights significant insights that have been gained by examining AfT case studies. The final chapter is an in-depth look at the work of the Enhanced Integrated Framework (EIF) in implementing AfT.

Chapter one by Cadot and de Melo very much functions as a brief introduction to AfT and the current issues surrounding it; chapter two (also by Cadot and de Melo) begins the more substantive part of the book by first discussing current practices and deficiencies in AfT evaluation. The authors begin this second chapter by building on accumulated findings from econometric studies to firmly conclude that a positive and causal link between trade and increasing growth exists. This provides firm grounding and justification for promoting trade as means for development. What is not as clear, and this is touched upon later in the book, is whether the relationship between AfT and growth can be defined in similarly concrete terms. The authors state that while many developing countries now benefit from duty-free quota-free (DFQF) trade schemes, proliferation of non-tariff measures are on the rise. This has many worrying implications for evaluation, the main being the lack of consensus on what constitutes a non-tariff measure which hinders their already difficult quantification of their associated effects. These measures include regulations such as sanitary and phytosanitary (SPS) measures and other technical barriers to trade (TBT) which, ostensibly for

environmental and public health and safety purposes, can pose a barrier for developing countries who lack the capacity to satisfy these regulations. The current programme of AfT activities do not directly address these issues, but may do so by way of, for example, funds for infrastructure improvement. Cadot and de Melo argue for a harmonization of regulations with international standards (which are stated to be less severe than regional standards) to ease the burden on developing countries, though the wisdom of this suggestion is questionable given the irrefutable nature of certain requirements regarding health and safety. However some regulations which may be the result of pressure from groups seeking to protect their interests do exist, but distinguishing between the two requires examination on a case by case basis and is often not clear-cut, nor is there a recognized way to challenge them.

On the topic of AfT effectiveness the evidence presented is not as clear as the link between trade and growth. This is not particularly surprising, nor is the call for better implemented impact evaluations new (despite the acknowledged cost and time considerations); AfT has always suffered from attribution problems due to wide categorization and the way in which AfT is usually measured through the OECD's Creditor Reporting System (CRS), not to mention the varying and disparate channels through which AfT tries to improve trade.

In chapter three Newfarmer presents several case studies as lessons for future AfT projects. These case studies come from a collection of reports gathered by the WTO and OECD from governments, donors and private parties involved in AfT. Of the countries canvassed, the majority of respondents were from sub-Saharan Africa (this is not surprising as the subregion receives the greatest share of officially designated AfT funds). What is surprising, however, are the number of responses from Latin America countries given the virtual non-existence of aid officially defined as AfT.

Newfarmer highlights this as an example of how actual developmental aid for trade-related purposes is wider than the scope defined by the OECD. With regards to successful outcomes, the common characteristics found across the studies were closely aligned to the principles defined in the Paris Declaration: ownership, alignment with national priorities, donor requirement harmonization, a focus on results, and mutual accountability.

In the lessons learnt section of this chapter, perhaps the most interesting point brought up by Newfarmer is with regards to the disconnect that arises between a recipient country and a donor. Diagnostic Trade Integration Study (DTIS) recommendations are often formulated by the World Bank in Washington, while AfT discussions occur in Paris and Geneva. The result is then handed to trade ministries who lack the political clout to address all the issues highlighted which often require inter-ministry cooperation to accomplish. This dovetails with other evidence mentioned in the book where a beneficiary non-trade ministry, for example the ministry of transport, where AfT is aimed at infrastructure development, is unaware of the trade-related aspects of the project. The mainstreaming of trade in national dialogue is a long-standing goal of AfT and while there has been some success in increasing the visibility of trade, there is still progress to be made in the area.

The final chapter by Brenton and Gillson builds on the criticisms of the current formulation and implementation of DTISs by highlighting the oft-times sprawling and unclear routes of implementation of Action Matrixes, some of which contain recommendations far outside the scope of responsibility of trade ministries where DTIS focal points are often placed. Another key point made is the lack of regional integration strategy in the majority of AfT projects which mainly operate at the country level (as opposed to the subregional or regional level). For many land-locked developing countries this is a serious problem as liberalizing trade

without reciprocal action by neighbouring countries (who play a vital role by acting as transit points) severely limits the potential impacts of any AfT projects. Brenton and Gillson make the very salient point that regional integration through coordinated trade policy reforms is a crucial part of the solution.

Credit should be given to the editors who have managed to maintain coherence and depth across the chapters despite the disparate nature of the chapters which are miniature studies in and of themselves. Thus this book is an excellent primer for familiarizing one-self with the major issues and talking points surrounding AfT in the current time. Having said that however, none of the recommendations presented in the book are new solutions to old questions of addressing the use, implementation and evaluation of AfT. It remains to be seen which direction AfT will take in the future given the current climate of aid and what implications, if any, further success in AfT will bring to the multilateral trading system.

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