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Towards Greater Value for Aid and Trade

A Proposal for a Results-Based Aid for Trade Management
Framework

The Mandate

- ▶ Strengthening accountability and getting improved results in aid for trade
 - ▶ see Paris Declaration (2005), Accra Agenda for Action (2008), Global Review of Aid for Trade (2011)
- ▶ Adopting common results frameworks and platforms to assess aid performance based on a manageable number of output and outcome indicators drawn from the development priorities and goals of recipients
 - ▶ see Busan Partnership for Effective Development Cooperation (2011)
- ▶ Following on OECD (2011) *Strengthening Accountability in Aid for Trade*
 - ▶ To elaborate a harmonized menu of trade-related indicators
 - ▶ To implement a common results-based management framework



What is Aid for Trade Trying to Achieve?

- ▶ Starting from the objectives, not the measure of the objectives
- ▶ Moving targets due to changing trade patterns and paradigms (Cattaneo & Miroudot, forthcoming):
 - ▶ e.g. role of GVCs in international business strategies, in capital, technology and knowledge transfers, i.e. socio-economic upgrading and development
 - ▶ How to become part of GVCs? How to remain part of GVCs when they reach a consolidation phase? (i.e. it is not enough to perform one task, but you need to perform a “bundle of tasks” for the lead firm)
- ▶ But is it all about trade?
 - ▶ Trade is just one of many policy instruments to achieve growth and development
 - ▶ Do not confuse the objective with the means to achieve the objective
 - ▶ Main thesis: Trade is just an intermediate objective; the ultimate objective is not to get more trade, but more **value for trade**



The Mechanics of Aid for Trade: Direct Outcomes

- ▶ Three levels of possible objectives/outcomes
- ▶ Level 1: Increasing competitiveness and openness
 - ▶ Removing traditional barriers to trade, but not only: increasing the connectivity/accessibility of the market, improving business environment, facilitating the movement of production factors, increasing legal security of investment, bolstering innovation, etc.



Development partners (donors + recipients) to remove obstacles to trade and build trade capacity, i.e. to facilitate the operations of those who do trade (i.e. private sector)
= Fixing the trade fundamentals



The Mechanisms of Aid for Trade: Intermediate Outcomes

- ▶ **Level 2: Increasing trade and investment**
 - ▶ Boosting exports, but not only: diversification of trade, increased participation to GVCs, reduction of the price of imports/inputs, move to higher value-added segments, etc.

Direct outcomes



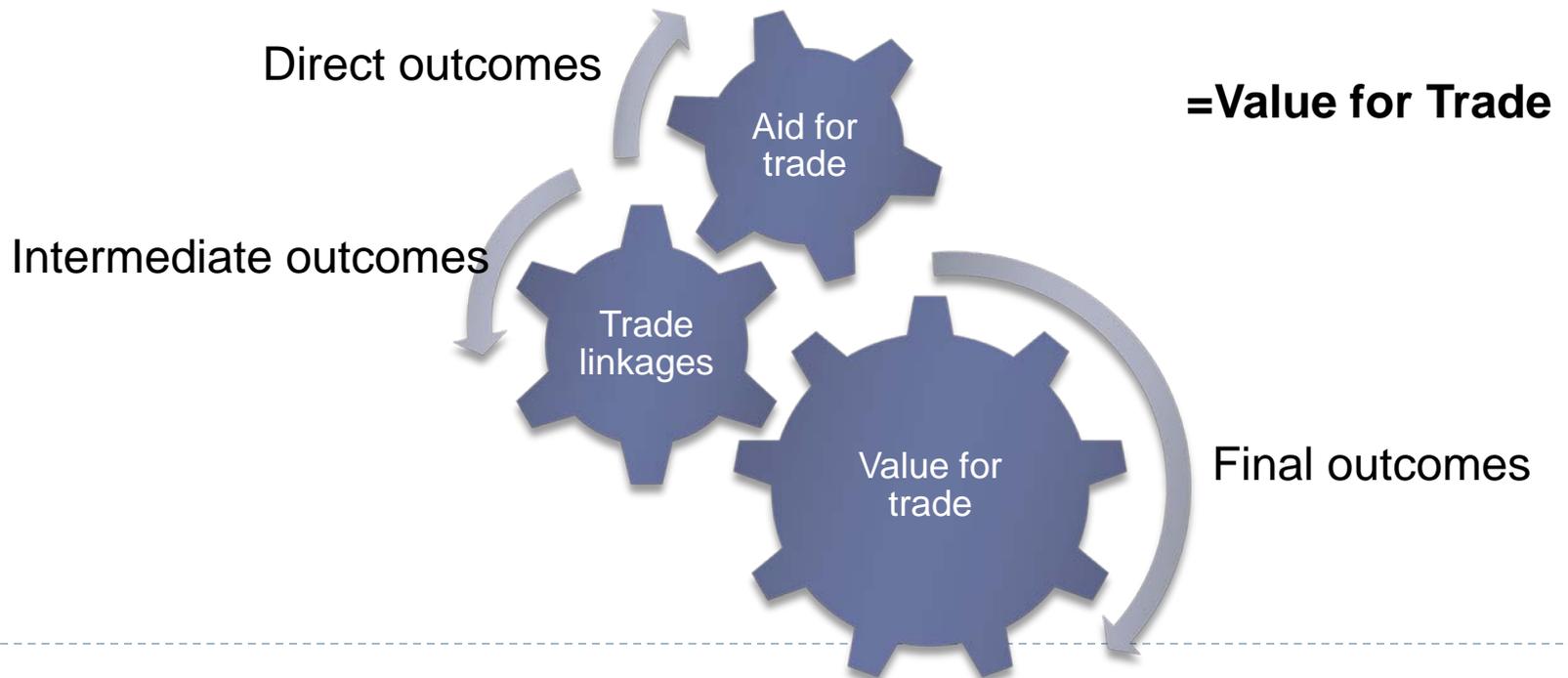
= Improving transmission mechanisms

Intermediate outcomes



The Mechanics of Aid for Trade: Final Outcomes

- ▶ **Level 3: Increasing the value for trade**
 - ▶ What's in it for the recipient country? Is it better off as a result of trade?
 - ▶ More jobs, higher and more predictable incomes, socio-economic upgrading, diffusion of technology and knowledge, more sustainable use of resources, political stability



Examples

- ▶ Too much trade without value for trade leads to trade wars
 - ▶ Timber: Gabon ban on exports of logs + France's concerns
- ▶ Malaysia medical tourism strategy
 - ▶ Direct outcome: liberalization of health services
 - ▶ Intermediate outcome: above 40% annual growth
 - ▶ Final outcome? Success only if no diversion of scarce resources, and benefits used to improve the health conditions of the local population
- ▶ Tunisia regime of foreign franchises
 - ▶ Direct outcome: authorization of foreign franchises
 - ▶ Intermediate outcome: investments
 - ▶ Final outcome? Balance of jobs created and lost, from informality to formality, higher and more predictable income, transfers of knowledge, respect of hygienic standards or IP rights (protection of the consumer)



Next Step: Matching performance indicators with objectives / outcomes

- ▶ Performance to be measured at all three levels: not all projects have macroeconomic effects, and it is the combination of several projects that triggers more trade and growth
- ▶ World Trade Indicators (WB)
 - ▶ discontinued but only secondary source – see World Development Indicators
- ▶ Enabling Trade Index/Global Competitiveness Index (WEF)
 - ▶ business perception is key to measuring success of aid for trade (includes surveys and GVC dimension)
- ▶ List to be amended: raising awareness about available indicators to choose from (not all available for all countries)
- ▶ Not only quantitative, but also qualitative
- ▶ Call for further collaboration between the development partners and other actors (CSOs and private sector) for aid for trade monitoring and evaluation



Results

- ▶ A list of activities (A4T toolbox), direct/intermediate/final outcomes/objectives, qualitative/quantitative performance indicators
- ▶ For recipient countries:
 - ▶ For a given objective, identify actions or aid for trade projects that would support the necessary reforms
 - ▶ For a given project, identify objectives
 - ▶ Design holistic trade strategies and mainstream trade in broader government growth and development strategies
- ▶ For donors (filling in logical frameworks):
 - ▶ Help assign objectives to given activities + determine if it is aid for trade
 - ▶ Provides at the inception stage of the project an indication of the data/evidence that will be needed at the evaluation stage



An interactive tool

- ▶ **Online database**
 - ▶ Drop-down menus
 - ▶ Choice of activity → limited list of possible outcomes and performance indicators to choose from
 - ▶ Possible links to referred databases
 - ▶ Country specific → limit the choice to available data
- ▶ **Tool for coordination of donors and other development partners + private sector**
- ▶ **Database could help:**
 - ▶ Identify concentration of donors' efforts on certain activities or outcomes
 - ▶ Identify complementarities of activities to achieve outcomes
 - ▶ Identify links between activities and specific outcomes
 - ▶ Measure overall impact of A4T projects (globally or by recipient)



Looking Ahead

- ▶ Adapting A4T to the new realities of trade or will become obsolete: what matters in trade statistics today is value-added, what should matter in A4T today is value for trade
- ▶ Moving from GVCs to **Global Development Chains** (Cattaneo & Miroudot, op. cit)
 - ▶ 4th Global Review of Aid for Trade (2013): “Unlocking GVCs”
 - ▶ 3rd Global Review (2011): first collection of private sector case stories with WEF, ICC, US Chamber → what is the private sector doing to build trade capacities in developing countries
 - ▶ French and Mexican Presidencies of G20 (2011, 2012): pilot in agriculture/food sector → additional 50 case stories, negotiation of joint objectives and plan of action adopted by B20 and G20 → joint projects + mechanisms of cooperation
 - ▶ Agree on A4T objectives → work together on implementation



Thank you

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