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These notes summarize recent research on global trade issues. They reflect solely the views of the authors and not necessarily the views of the World Bank Group or its Executive Directors.

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Has Product-Specific Aid for Trade Increased Exports?

It's hard to tell, given the paucity of data and the lack of adequate benchmarks. Programs have predated or coincided with stronger exports, the more so for products with already strong exports. Indeed, the programs might be targeting products with the most promising prospects (and perhaps less in need of technical assistance).

Aid for export development—not well measured

The Doha WTO Multilateral Declaration (2001) states that “well targeted, sustainably financed technical assistance” can help developing countries “share in the growth of world trade commensurate with the needs of their economic development.” In response, the international community has emphasized aid for trade to assist low-income countries in addressing their domestic constraints, integrating into the global economy, and achieving export-driven growth. Information, however, is scant on the effectiveness of previous support for export development to inform the design of new initiatives.

Recent evaluations state that many aid for trade programs have raised awareness and knowledge of trade policy issues and facilitated integration into the multilateral trading system.¹ But for export development, the results are much less clear. Some programs improved the environment for trade or encouraged exports in nontraditional sectors, but generally evaluators found it difficult to measure impact, especially in the long run. The Policy and Operations Evaluation Department of the Dutch Ministry of Foreign Affairs criticizes a general lack of measurable outcome indicators in such programs in its 2005 review of technical

assistance from international organizations.

The impact of technical assistance on exports and export diversification should be the key measurable outcome of the projects financed by these activities. This note reviews the results of a recent study that enhances understanding of aid for trade by looking at the impact of product-specific export development programs.² This study has one big advantage over previous evaluations. By focusing on programs targeted to a specific product, it has a measurable outcome variable: exports of that product.

The difficulty, as in all empirical studies of the impact of a specific policy change, is in defining the counterfactual for comparing actual performance. Simply comparing before and after performance is not sufficient since it is necessary to identify what would have happened to the exports of those receiving treatment without this technical assistance. A very simple model of the evolution of exports compares countries that receive technical assistance with a control group of nonrecipient countries.

Data on technical assistance for export development

The data on export development programs come from two sources. First, the Doha Development Agenda Trade Capacity Building Database, provided by the Organisation for Economic Co-operation and Development and the World Trade Organization, contains comprehensive information on trade-related technical assistance by all important donors. But data are available only back to 2001. Second, data from GTZ on technical assistance projects delivered between 1975 and 2000 are not matched by comparable data from other donors to technical assistance, so the only pre-2000 export development programs in the dataset are those from GTZ.³

From these two sources, product-specific export development programs are selected through a keyword search on typical export products for developing countries. Then all programs are selected if the content description indicates that they specifically target exports of a particular commodity. This produces a list of 88 export development programs in 48 countries, most for textiles (15), coffee (12), and wood articles (10).⁴

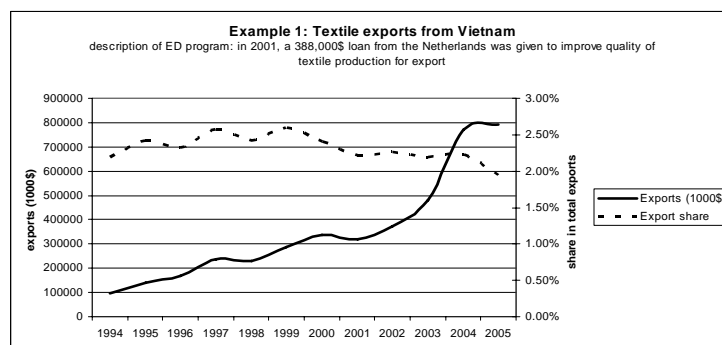
The mean project value is \$2.3 million for a mean duration of 2.7 years (table 1). But the data are widely dispersed and skewed to the right, since the median project value is just over a third of a million dollars. So, there are many small technical assistance projects and only a few with substantial funding. The biggest projects focus on larger initial exports—again, with substantial dispersion. The mean project value for initially large exports is almost \$4 million, against a median of around \$500 million. The average size project for smaller initial exports is substantially less and with lower dispersion. Projects in middle-income countries tend to have a higher value (around \$3.2 million) than projects in low-income countries (\$1.3 million).

Table 1. Summary statistics for project values

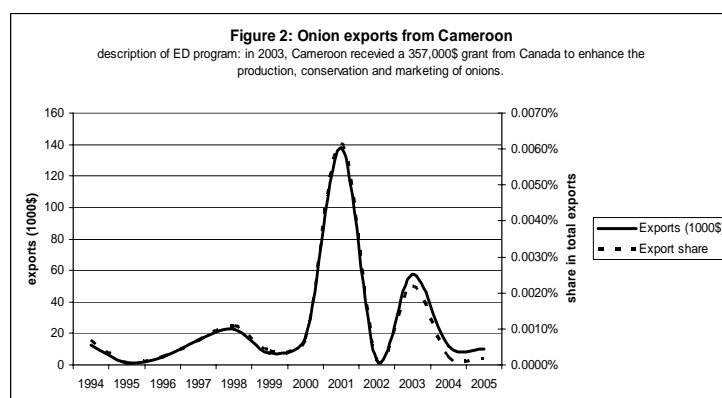
| | Project value (US\$ thousands) | | Project duration (years) | |
|-------------------------------------|--------------------------------|--------|--------------------------|--------|
| | Mean | Median | Mean | Median |
| Full sample | 2,264 | 343 | 2.7 | 1 |
| Above median initial exports | 3,782 | 517 | 3.2 | 1 |
| Below median initial exports | 594 | 254 | 2.1 | 1 |
| Projects in low-income countries | 1,252 | 371 | 3.0 | 1 |
| Projects in medium-income countries | 3,229 | 300 | 2.3 | 1 |

Next, the information on export development programs is merged with export data from the United Nations COMTRADE database, using mirror export data for 1975 to 2005. There is considerable variation in the initial volume by exports of industries that receive technical assistance. Export development programs have been implemented for export industries of below \$10,000 (honey from Uganda, fruit from Senegal), but also for several hundred million dollar export industries, such as textiles from Turkey and Egypt and coffee from Colombia (box 1).

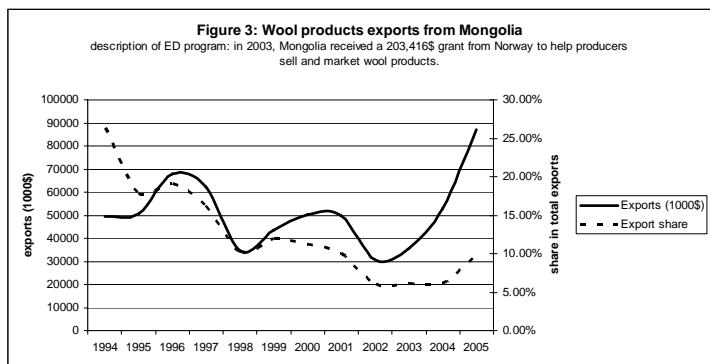
Some examples of technical assistance for exports



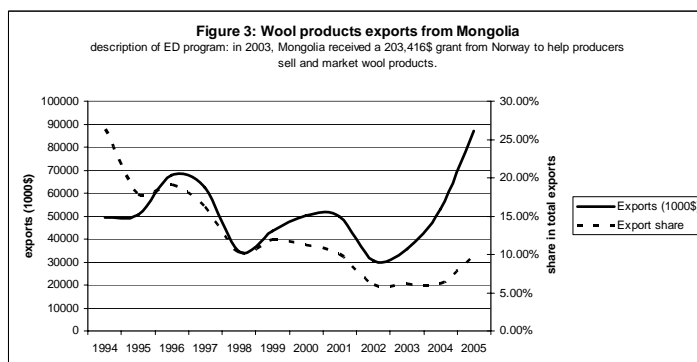
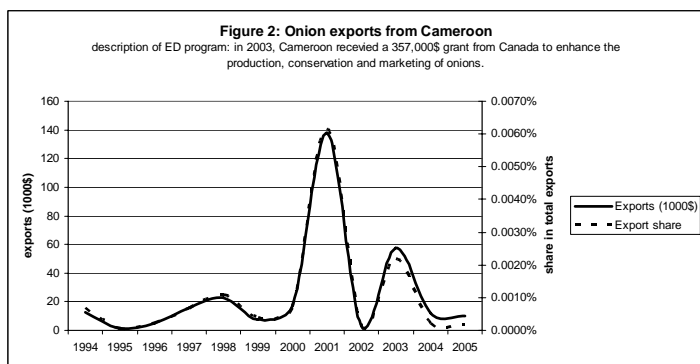
Vietnam already exported textiles of around \$300 million per year when the export development program started in 2001. After implementation, export growth in textiles was much stronger than before. But Vietnam also experienced high growth in other relevant export industries during these years, so there is no noticeable positive effect of the program on the textile export share.



Cameroon had exported onions in low and unstable quantities when the export development program started in 2003, a year when onion exports spiked. But in the following year, they went back to close to zero—a highly unsustainable program. It is not known whether the program had a positive impact on the domestic market, but for export development, it appears to have failed.



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Mongolia had traditionally been an exporter of wool products, but exports declined and lost share in the export portfolio in the late 1990s and early 2000s. After the export development program in 2003, exports of wool products entered a steady growth path, outperforming overall export growth in 2005.

The approach to identifying the impact of aid for trade of specific exports

To identify the impact of aid for trade for specific export products requires a model of how exports change over time and a definition of a counterfactual of what would have happened without aid for trade—to provide a basis for comparison of actual outcomes. A simple and widely applied partial equilibrium adjustment model uses exports of a product by a country, adjusted by the value of exports in the previous year. It controls for fixed country-specific factors, such as size, climate, and population and for shocks specific to a product in any given year. It also includes variables to capture when an export development program is in place.

The control group is selected by pairing “treatment” observations with other countries that exhibit similar observable characteristics. The probability of a country exporting the good in question is based on general determinants of a country’s export portfolio, such as level of development, factor endowments and climate conditions. Then each country that has an export development program for a product is paired with the country closest to it in the predicted likelihood of exporting that product.

Results and conclusions

The principal conclusions from this initial analysis:

- First, exports have on many occasions increased significantly under export development programs. Questions remain on causality and the best benchmark to judge a program's effectiveness. But there can be little doubt that the programs have, on average, coincided with or predated stronger export performance in the targeted commodities.
- Second, the initial size of an export sector may matter for the effectiveness of technical assistance. When splitting the sample into above and below median initial exports, the performance of programs delivered to industries with initially high exports is much stronger. It may be that the constraints facing the growth of existing exports are easier to identify and alleviate in technical assistance projects than are the constraints to new exports. It may also be more appropriate for technical assistance to assist exporters that previously showed a capacity to penetrate overseas markets but are now facing particular constraints in management, marketing, product design, market information, and so on.
- Third, the export growth after the implementation of an export development program might not be a direct result of the program, but might instead reflect the fact that export development programs target products with promising prospects, set to take off. This could be justified, but it raises the concern that technical assistance might, in some cases, allocate funds to already successful export sectors that could be better used to address constraints in sectors that lag behind.
- Fourth, the key issue in identifying the impact of technical assistance is to define the counterfactual of what would have happened without it. So, the power of any assessment depends on what one considers as an adequate benchmark.

As the information set increases, it should be possible to look more closely at the characteristics of export development programs and of the recipients of such assistance. In addition, it would be useful to complement this work with case studies of the impact of specific technical assistance projects and the reasons for their success or failure. More comprehensive and rigorous project completion and assessment reports could identify the expected and actual impact of the project on exports.

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¹ OECD (2006); Netherlands Ministry of Foreign Affairs (2005); Te Velde and others (2006).

² Brenton and Von Uexkull (forthcoming).

³ The authors are grateful to Ms. Jana Hoeffken who compiled the data on technical assistance by GTZ.

⁴ For details, see Brenton and Von Uexkull (forthcoming).