

Aid for Trade: Getting Delivery Right

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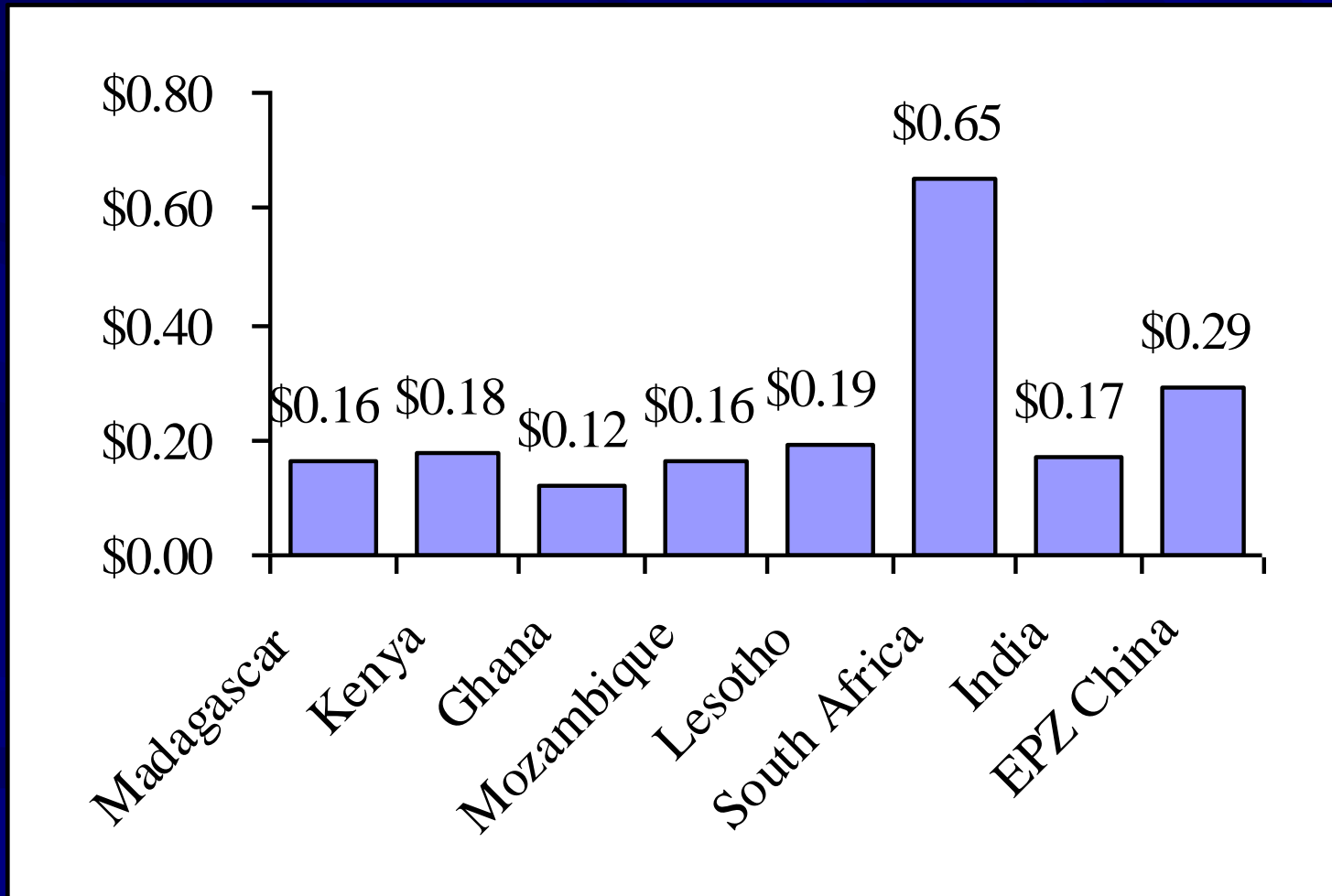
Focus on:

- (i) Responding to demand
- (ii) On projects with highest trade impacts
- (iii) On 'packages' of interventions



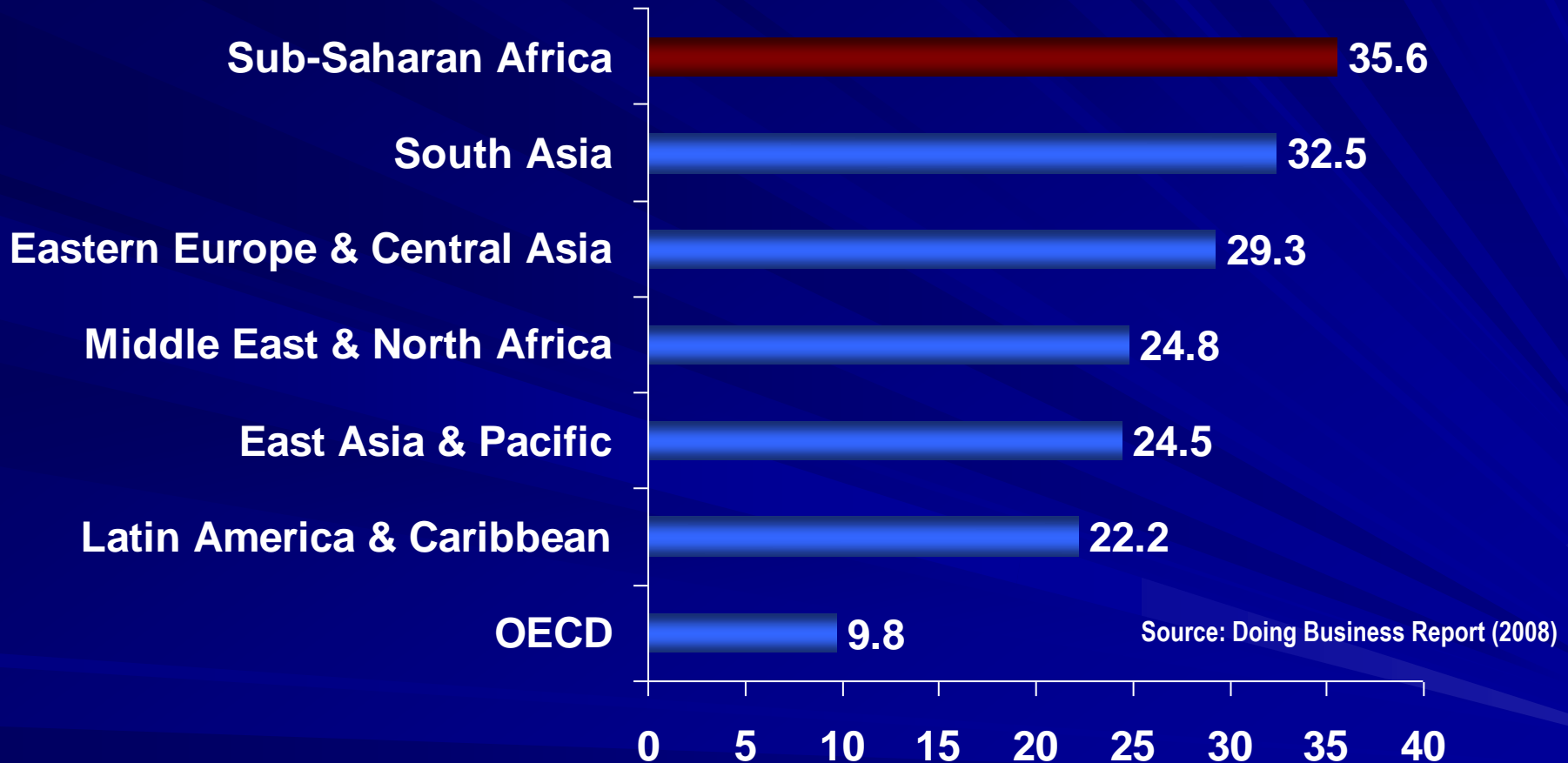
African factory floor costs compare well with India & China

Direct cost per male shirt



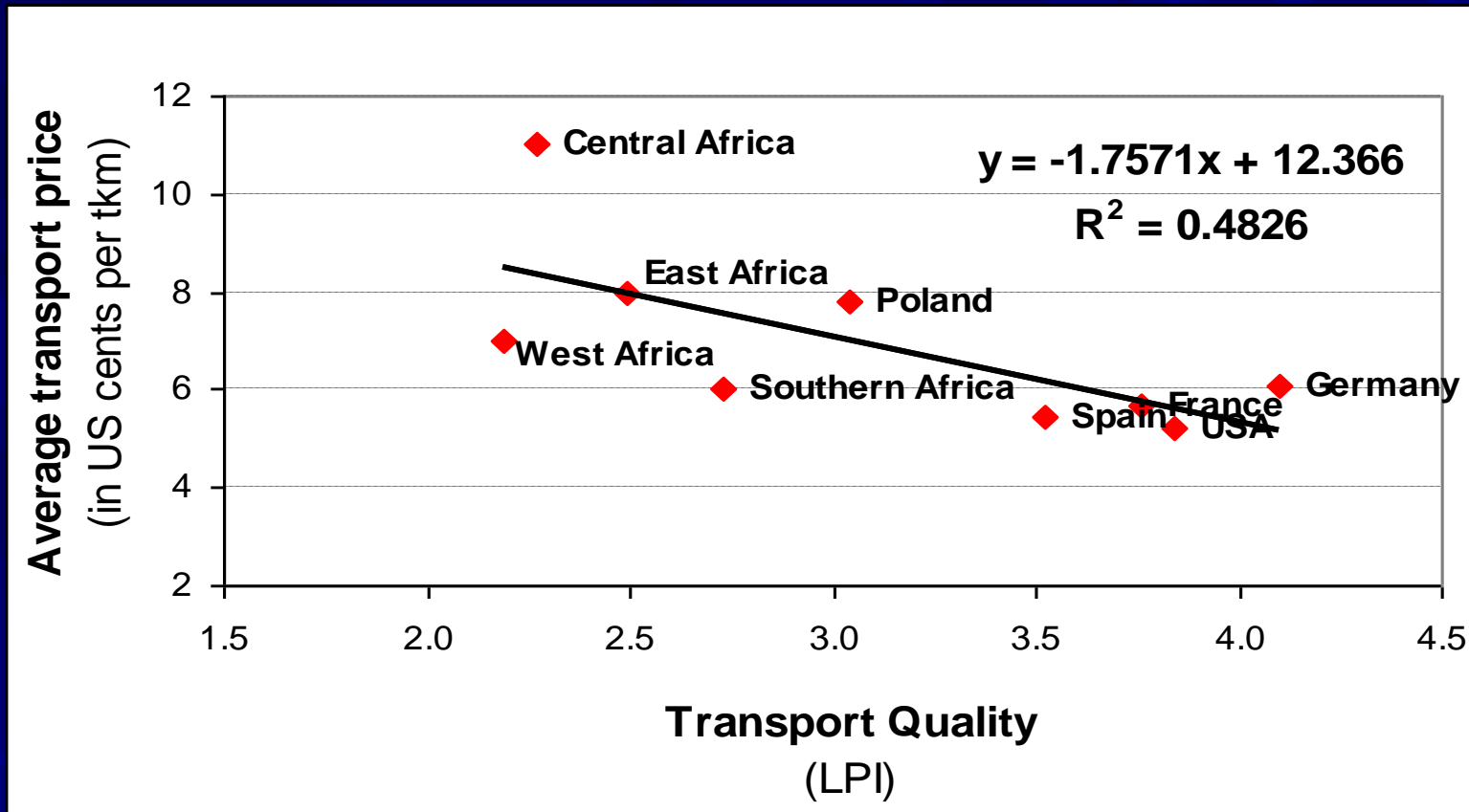
Only by lower costs of trading can countries grow by increasing market share

Average Time to Export (# of days)



Each additional day of delay in shipping reduces trade by 1 percent – and adds about 1% to landed costs of exports.

Transport services costs in Africa: Not just infrastructure; weak competition & regulation



See *Transport Prices and Costs in Africa: A Review of Int'l Corridors*, World Bank 2008

All indicators point to same conclusion

	High Income	Middle Income	Low Income
LPI (Score)	3.9	3.0	2.8
Trade Facil. (Score)	6.1	4.2	3.7
Services (Score)	15.9	33.7	44.9
DB Import (US\$)	813.6	1024.2	1212.0
DB Export (US\$)	774.4	867.2	949.3

Source: Hoekman and Nicita (2008)

Real trade costs matter most: Trade effects of convergence to middle-income average

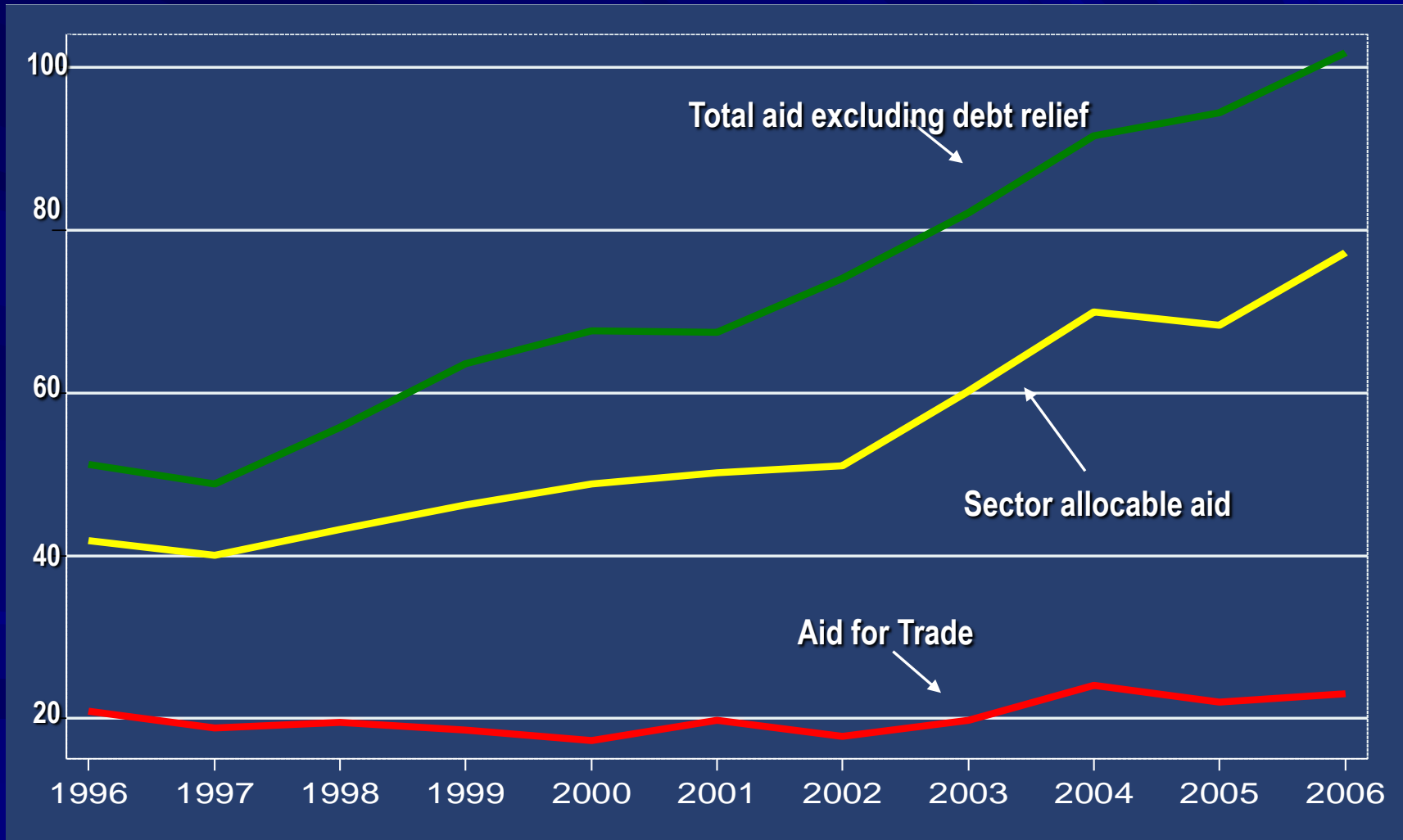
Indicator/policy area	Increase in Imports	Increase in Exports
LPI Score	15.2%	14.6%
Doing Business, cost of trading	7.4%	4.1%
Trade Facilitation Index	14.0%	12.6%
TTRI for low income countries reduced to 5%	5.7%	
OTRI for low income countries reduced to 10%	8.4%	

Source: Hoekman and Nicita (2008)

Is aid for trade a priority? Perhaps not: aid for trade continues to fall as a share of development assistance

2005 US\$ Billion

Total Aid for Trade Commitments



Source: Gamberoni and Newfarmer, 2008 based on OECD, CRS database

Informational “market failures” may lead to insufficient demand...and supply

- **Government priorities are often set without a strategic focus on harnessing the global economy for growth**
 - Finance ministers may undervalue trade
 - Line Ministries may have insufficient resources or standing in cabinet
- **Trade ministers rarely formulate strategies to improve competitiveness**
 - Requires inter-ministerial coordination
- **Regional projects are an order of magnitude more difficult**
- **Donors are subject to “development fads” in normative positions**
 - Normative priorities are multiple: private sector, anti-corruption, AIDs, gender
 - Activities are sometimes influenced by single-interest NGOs
 - Absence of “pro-trade lobby”

World Bank Group is trying to do its part to meet demand...



Source: World Bank, 2008 calculations based on World Bank, Business Warehouse database

But we could do more...A Trade Facilitation Facility

- **Significant unmet demand for projects to lower trade costs**
- **A grant facility that is country- or regionally driven would help move faster on aid for trade**
 - **Available to all countries, with an emphasis on low-income countries, particularly Africa**
 - **And a focus on regional projects**
- **Overcome financing gaps and time lag between diagnosis and project implementation**
 - **Rapid response**
- **Improve links to project preparation**
- **Increase coordination with other donors, with the EIF, and other partners**

Conclusions...

- Despite strong evidence that countries need more aid for trade, pressures on both governments and donors are likely to militate against increases.
- Governments and donors alike must have solid information about the importance of aid for trade to ensure that the “urgent” does not crowd out “the important”.
- (Data is critical: including on trade policies and performance, not just aid. Data is a public good – should be part of agenda)
- All of us have to intensify our efforts to avoid that the headwinds in the global economy do not push us backward.