

# ENHANCED TRADE-RELATED TECHNICAL ASSISTANCE AND EXPORT DIVERSIFICATION: THE CARIBBEAN CONTEXT

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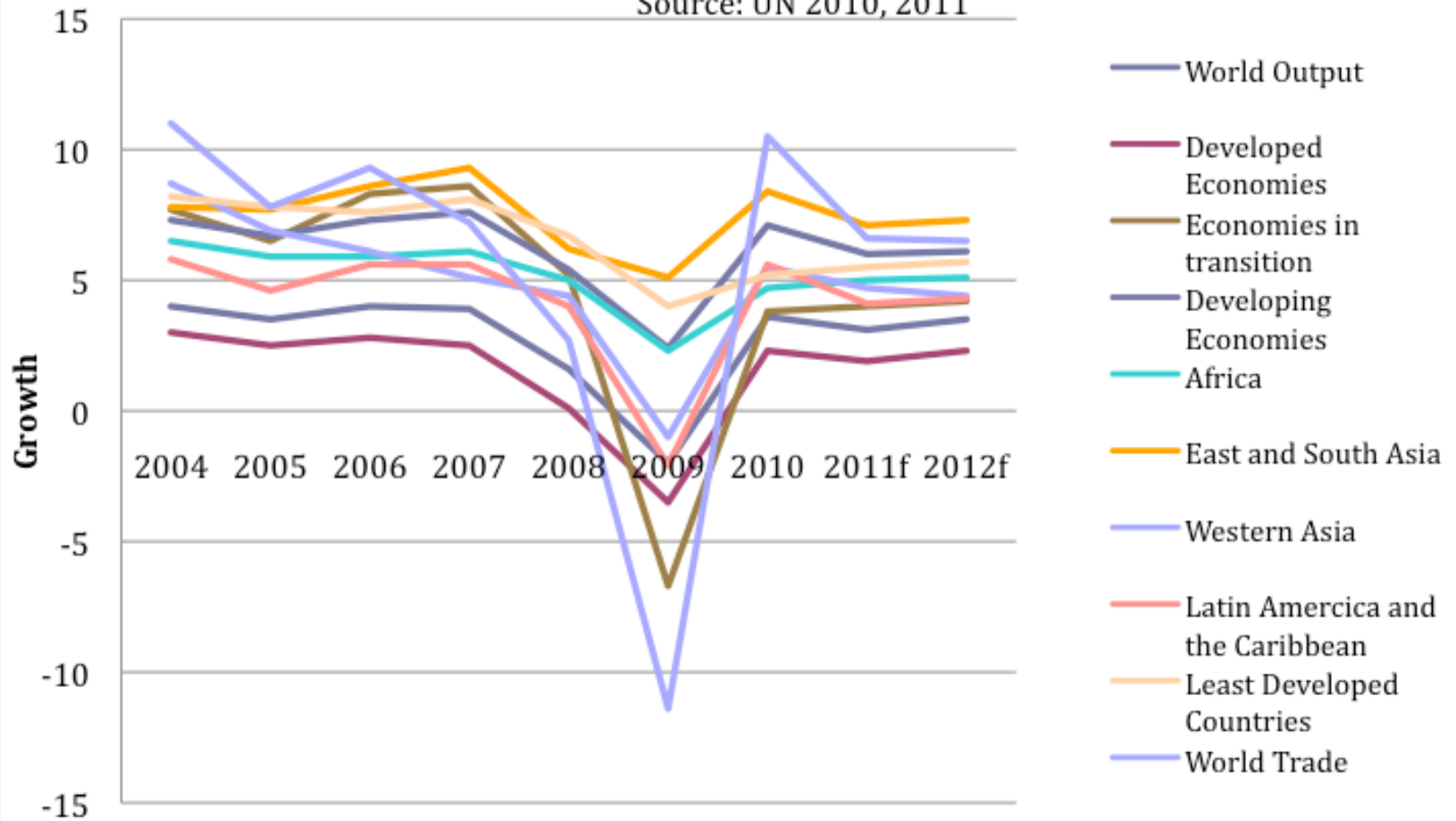
# Overview



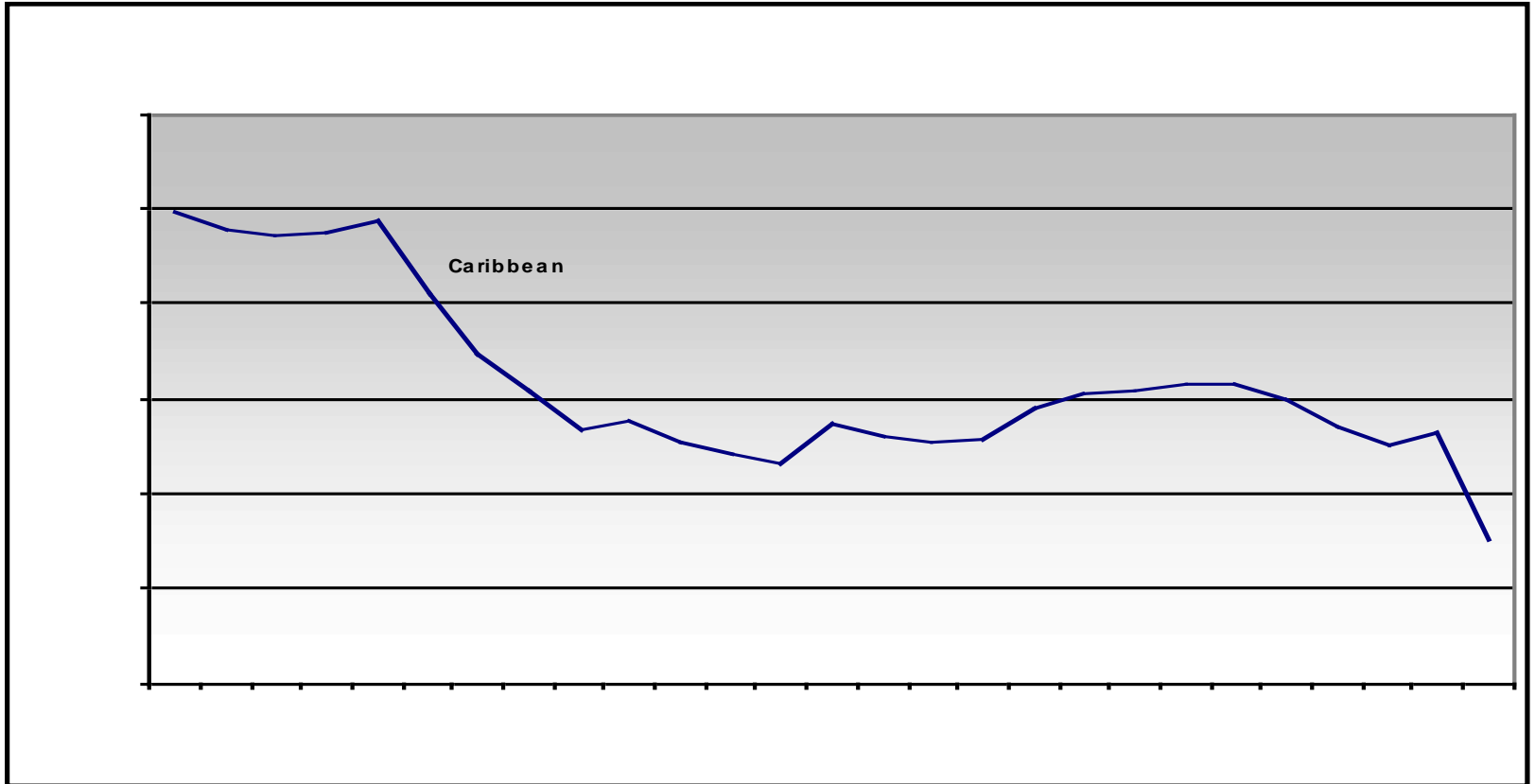
- The Global & Caribbean Context
- Can Aid for Trade make a Difference?
- Impacts of AfT on CARICOM's Export activity
  - ▣ What does this mean for the Caribbean?
- CARICOM's AfT Stakeholders
- Conclusion
- Recommendations

Figure 1: Growth of World Output, by Region, 2004-2012

Source: UN 2010, 2011



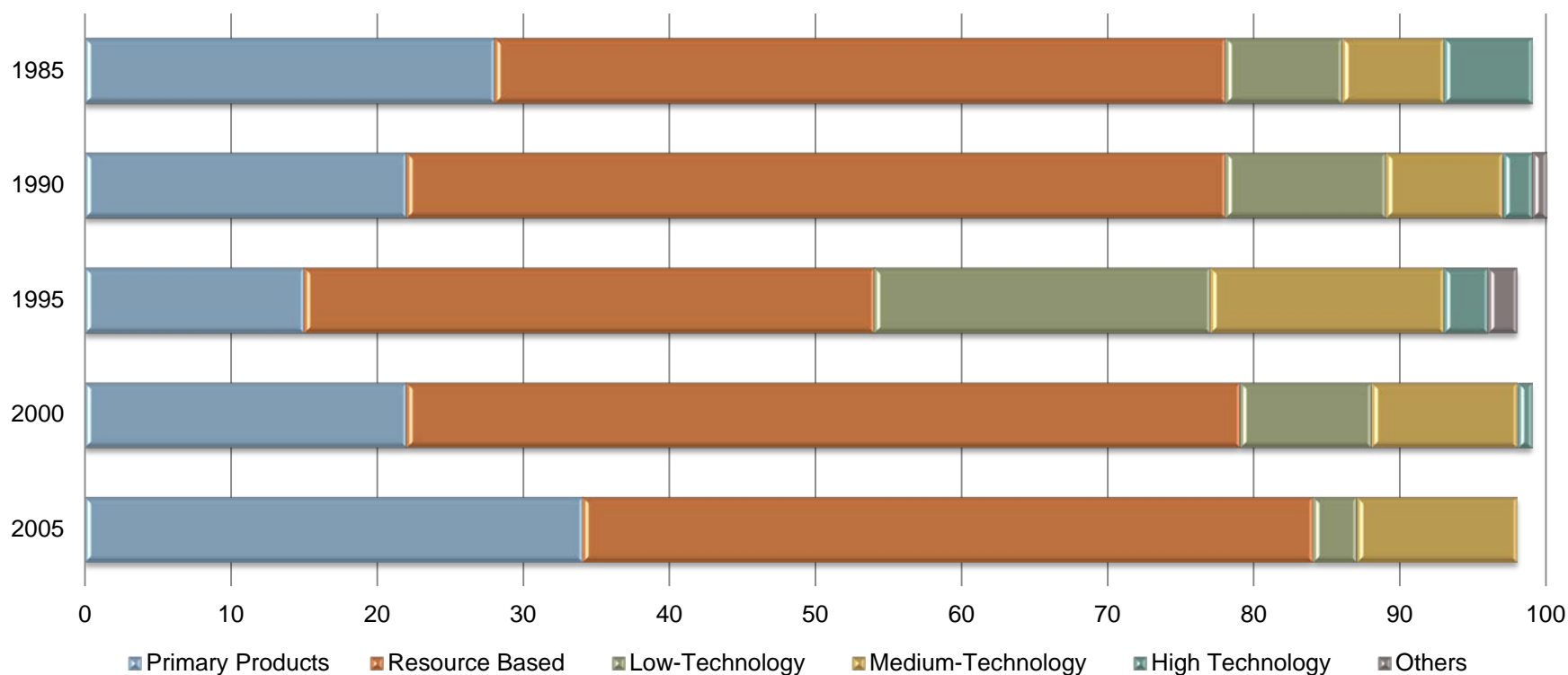
# Caribbean Share of World Trade, 1980 - 2006 (source: IADB 2008)



# The Caribbean Context

- Declining global competitiveness and accelerating deindustrialization in a context of increased trade liberalization and global financial turmoil.

Technological Classification of Caribbean Exports, 2005  
(% of Total Exports of Goods)



Source: World Economic & Social Survey 2008

# The Caribbean Context

**Table 1: CARICOM countries' export diversification, Entropy Index, 2009 - 2012**

Exporter	2009	2010	2011	2012	Overall level of Diversification- 2009 to 2012
CARICOM	1.15	1.09	1.1	0.68	1.01
Latin America (CACM & Mercosur)	1.60	1.31	1.34	1.02	1.32

Source: UNCOMTRADE Database Statistics, United Nations 2010.

# The Caribbean Context

- In comparison to its Latin American neighbours, the Caribbean displayed a lower level of diversification for its export activity
- Caribbean economies have been underperforming relative to other economies like Costa Rica and Mexico. Where, the merchandise trade has seen a rapid decline outside of extractive industries, a context which largely applies to the Trinidad and Tobago economy (UNECLAC, 2005-2006).

# The Caribbean Context

- Overall during the 2009 to 2012 period the Caribbean displayed:
  - ▣ a high dependence on traditional low-value added;
  - ▣ low technology exports and thus
  - ▣ Low levels of export diversification over the past three decades.



# The Caribbean Context

- This trend may be attributed to the *decline in the value* of manufactured exports seen after 1995 as well as *the rise in the value of primary exports, principally hydrocarbons* from Trinidad and Tobago.
- **In recent times:** The calculated Entropy Diversification Index indicated demonstrated a similar a lack of export diversification for goods *during the 2009 to 2012 period.*
- **(Please Note:** the higher the Entropy Index, the more diversified the export activity

# Aid for Trade

- What is AfT?
  - ▣ The European Commission defines AfT as *“development assistance provided in support of partner countries’ efforts to develop the basic economic infrastructure and tools they need to expand their trade.”*

More specifically AfT initiatives are targeted at helping improve trade policy coordination, improve export access, skill formation, infrastructure and overcome governance failures such as weak institutions and administrative procedures.

(European Commission. September 2009. “Aid for Trade Fact Sheet”. European Commission).

# Can AfT make a difference?

- Former WTO Director General Pascal Lamy:
  - ▣ Mentions the importance of "*Harnessing the Development Potential of the Regional Aid for Trade Strategy*".
- Many Caribbean AfT projects fall under the broad concepts of “capacity development” or “trade facilitation”.
- Development cooperation within frameworks like the EPA: for example, *Article 8* of the EPA identifies a technical assistance towards building human, legal and institutional capacity.

# Can AfT make a difference?

- What role can development cooperation such as AfT play?
  - ▣ *Article 8* of the EPA identifies a wide range of such economic development supports which includes technical assistance towards *building human, legal and institutional capacity*.
  - ▣ The above aims to promote for partner states:
    - "international competitiveness",
    - "export diversification",
    - "development of infrastructure",
    - "institution-building" and
    - support to comply with 'international sanitary and phytosanitary standards, technical standards, labour standards and environmental standards'.

# Can AfT make a difference?

**Table 2: ODA to CARICOM Countries, 2002 – 2009 (USD million)**

	2002-05	2006	2007	2008	2009
<b>Commitments</b>	266.7	190.8	317.7	315.3	564.4
<b>Disbursements</b>	101.5	106.2	181.5	291.7	434.6
<b>Disbursements as a Share (%) of Commitments</b>	38.05	55.66	57.12	92.51	77.00

**Source:** Caribbean Community Regional Aid For Trade Strategy 2013-2015, Caribbean Community Secretariat, December 2012.

- The ODA disbursement rate has improved from a low of 38% in the 2002-05 period to a high of 92% in 2008, thereafter dropping to 77% in 2009. However it is important to note that a large proportion of ODA funds received by CARICOM goes to Haiti, which is the only Least Developed Country (LDC) in the regional bloc.
- **Note:** Currently, no sustainable mechanism is in place to regularly track outcomes and learn from impacts of AfT interventions funded e.g. lack of a standardized data collection and analysis system to help with critical reform where needed.

# Can AfT make a difference?

- This work made an effort to generally track such outcomes and impacts to date:
- **Current AfT activity in the Caribbean**
  - ▣ Within the past decade donor agencies such as the IADB, UN, Dfid, GIZ and the EDF have conducted AfT programmes aimed at addressing CARICOM's supply side issues.
- In 2007 it was estimated that AfT disbursements were 35% of funds which were for:
  - ▣ building productive capacity (59%),
  - ▣ economic infrastructure (36%),
  - ▣ trade policy and regulations (4%) and
  - ▣ trade related adjustment receiving less than one percent.

# Can AfT make a difference?

- This is in line with the priority areas identified by the various Caribbean governments:
  - ▣ Competitiveness was selected as the top AFT priority area, with
    - ▣ trade policy analysis,
    - ▣ export diversification, and
    - ▣ regional integration following. (we see here the disbursements echoing the priority needs)
- Available international tools were identified to help review the impact of AfT in CARICOM.



# Impacts of AfT on CARICOM's Export Activity

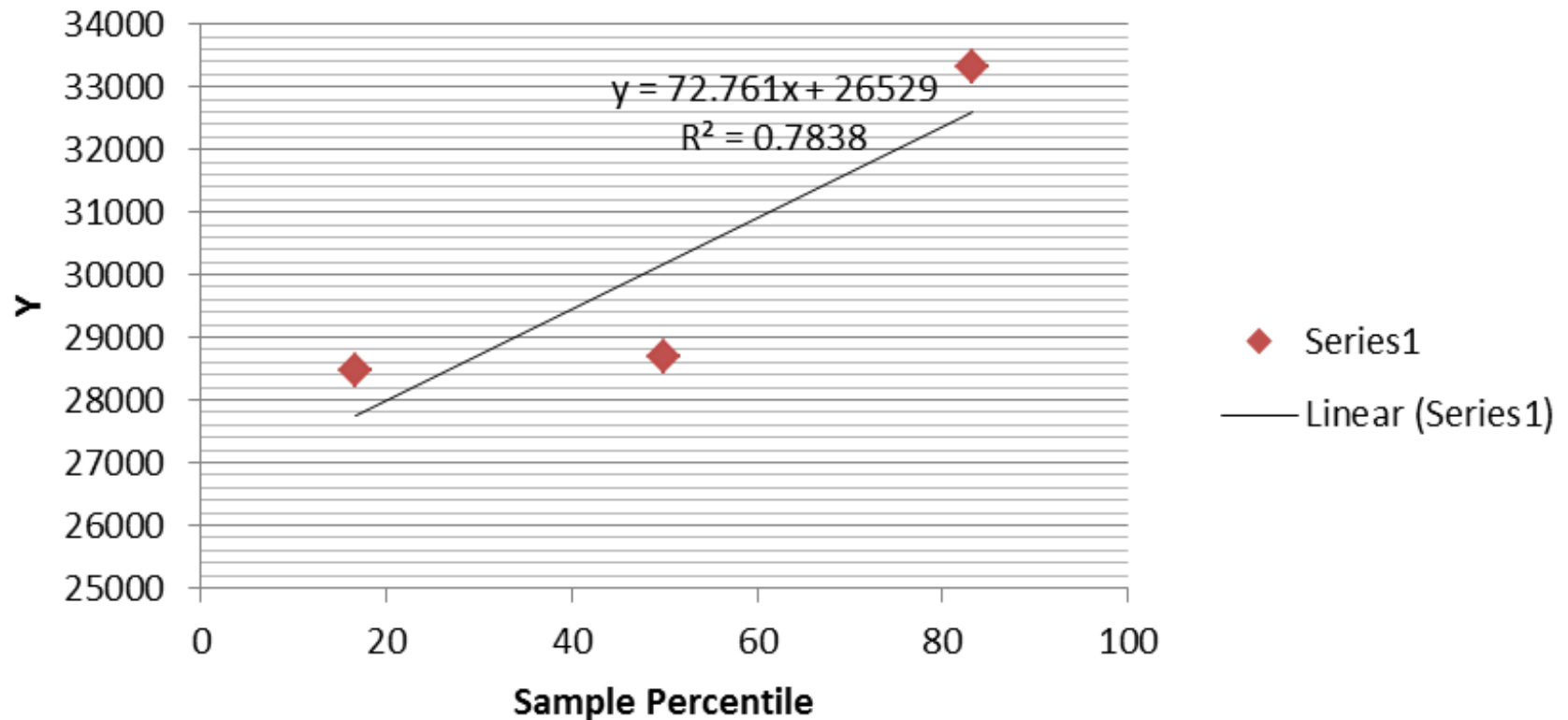
- Important factors for measuring AfT impact were:
  - ▣ Export Growth;
  - ▣ Market Share;
  - ▣ Competitiveness and
  - ▣ Export Concentration.
- The above is based upon the work of Gamberoni and Newfarmer presented by the WTO/OECD in 2010.

# Impacts of AfT on CARICOM's Export Activity

- Guided by the WB, indicators which covered these areas were used to analyze the CARICOM context:
  - 1) Trade Performance- through use of the following:
    - Real growth of exports of goods and services;
    - Change in export market share of goods and services and
    - Index of export concentration;
- The calculated correlation coefficient showed that as AfT disbursements increased, CARICOM's exports also increased, with the only exception being for the year 2009.
- Regression analysis showed that a strong positive relationship existed between CARICOM's export growth and AfT disbursements during 2006 to 2008.

# Impacts of AfT on CARICOM's Export Activity

## Normal Probability Plot



# Impacts of AfT on CARICOM's Export Activity

- During the 2006 to 2009 period, the relationship was observed to be 49% weaker between CARICOM's export growth and AfT disbursements. (an R2 of 0.2 vs. 0.69).
- High standard error values were also observed in both scenarios.
- This suggests that many other external factors which were not considered in this model may have an influential role on the relationship between CARICOM's export growth and AfT disbursements.
- Consequently to identify these external factors more in-depth (project level) analysis is needed.

# Impacts of AfT on CARICOM's Export Activity

- 2) Infrastructure & Institutions:
  - 'Quality of Transport and IT' and
  - 'Efficiency of Customs'(WB, Logistics Performance Index).
- The role of maritime transport would be a significant factor in the development of intra and extra-regional trade.
- During the year 2009 CARICOM's allocation of AfT to the area of 'Economic Infrastructure' increased by 383% as compared to the year 2006. **This shows a critical need exists in this area.**

# Impacts of AfT on CARICOM's Export Activity

## 3) Incentives:

- Time to export was an indicator outlined by both the WB as well as the CARICOM Secretariat in the region's 2013 AfT Strategy.
- Most CARICOM countries ranked low at a comparative disadvantage in the following areas:
  - ▣ Time to Export
  - ▣ Cost to Export
  - ▣ Time to Import
  - ▣ Cost to Import

# Impacts of AfT on CARICOM's Export Activity

- Only Grenada shows improvement raising 25 ranks in the Ease of Doing Business Survey.
- AfT disbursements to Trade Policy Regulation increased for Grenada from 0.1 USD million in 2006 and 2008 to 0.3 USD million in 2009).
- Types of policies changes experienced during this time is worth evaluating for possible Best Practices for the region since other countries e.g. Barbados and Jamaica received increased funds for this area (0.4 and 0.9 USD million respectively) but do not likewise increase in the ranking (**why? Need M&E to tell us**).

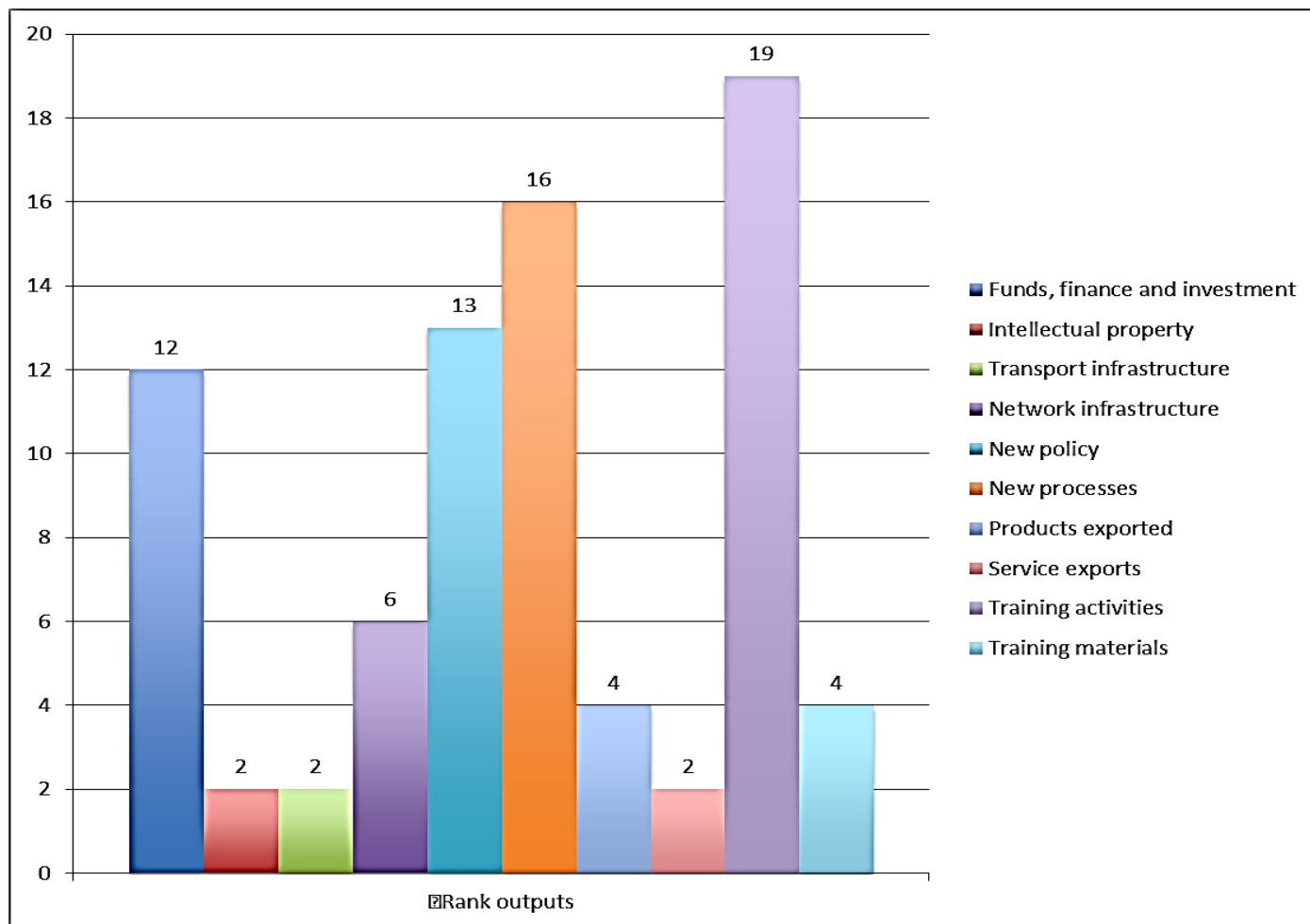
# CARICOM's AfT Stakeholders

- **CARICOM's AfT Stakeholders**
  - Based upon a survey of Case Stories from Latin America and the Caribbean it was observed the top AfT output was in the area of training activities (WTO/IDB/OECD, 2011).



# CARICOM's AfT Stakeholders

## Outputs of Caribbean AFT case stories

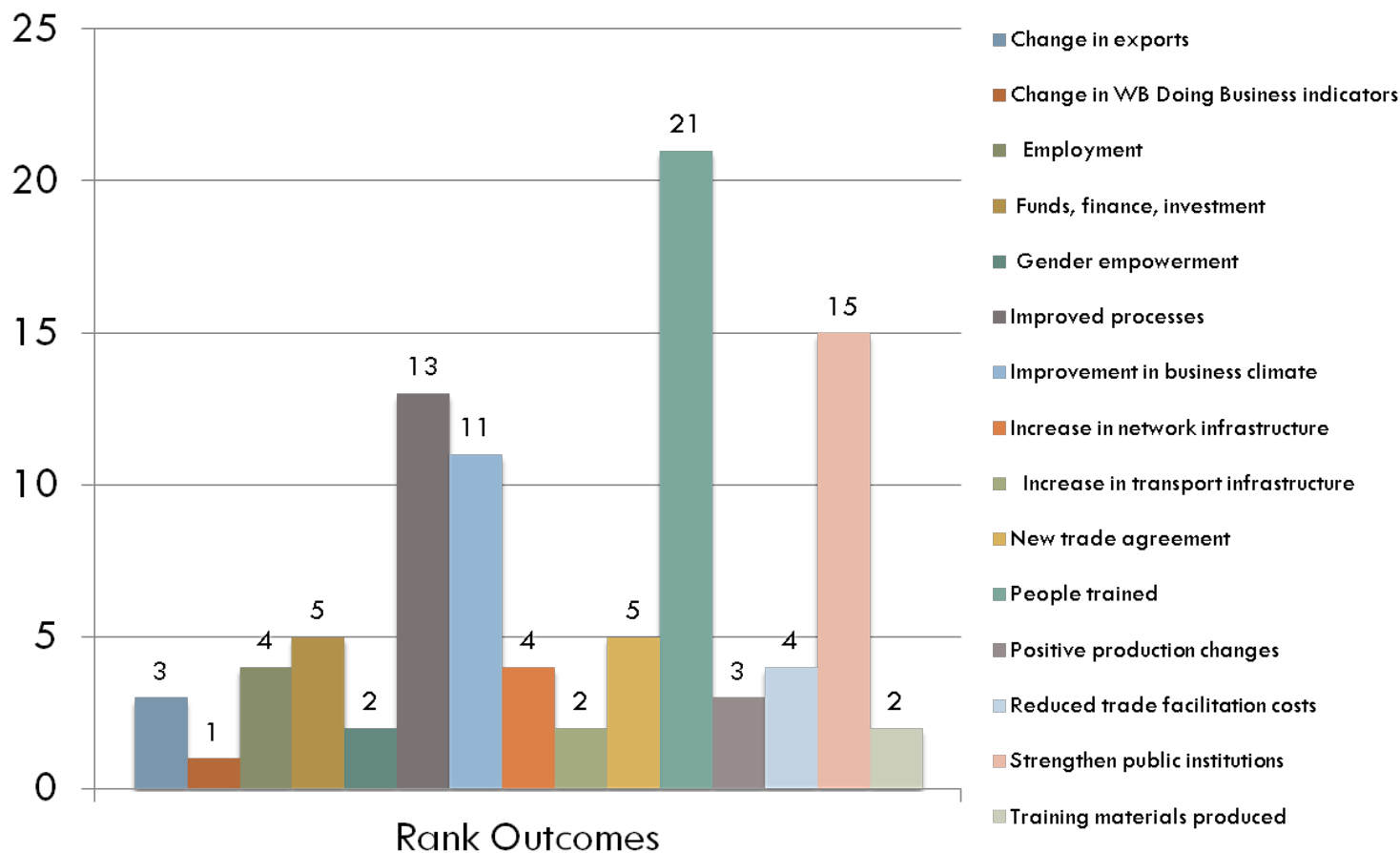


### Main outputs:

1. Training activities
2. New processes
3. New policy
4. Funds, finance and investment

# CARICOM's AfT Stakeholders

Figure 5: Outcomes of Caribbean AfT Case Stories  
Source: WTO/IDB/OECD 2011



**Main Outcomes:**  
 1. People trained  
 2. Strengthened public institutions  
 3. Improved processes  
 4. Improvement in business climate

# CARICOM's AfT Stakeholders

- Challenges identified by IDB, 2011:
  - ▣ Expanding and widening the impact of AfT initiatives;
  - ▣ Better predictability of AFT funding;
  - ▣ Stronger donor focus on local capacity development and
  - ▣ Greater say in design of interventions.
- Information collected from 12 regional BSO's/TPOs identified above in that *building productive capacities* had the most significant impact on trade development for CARICOM .

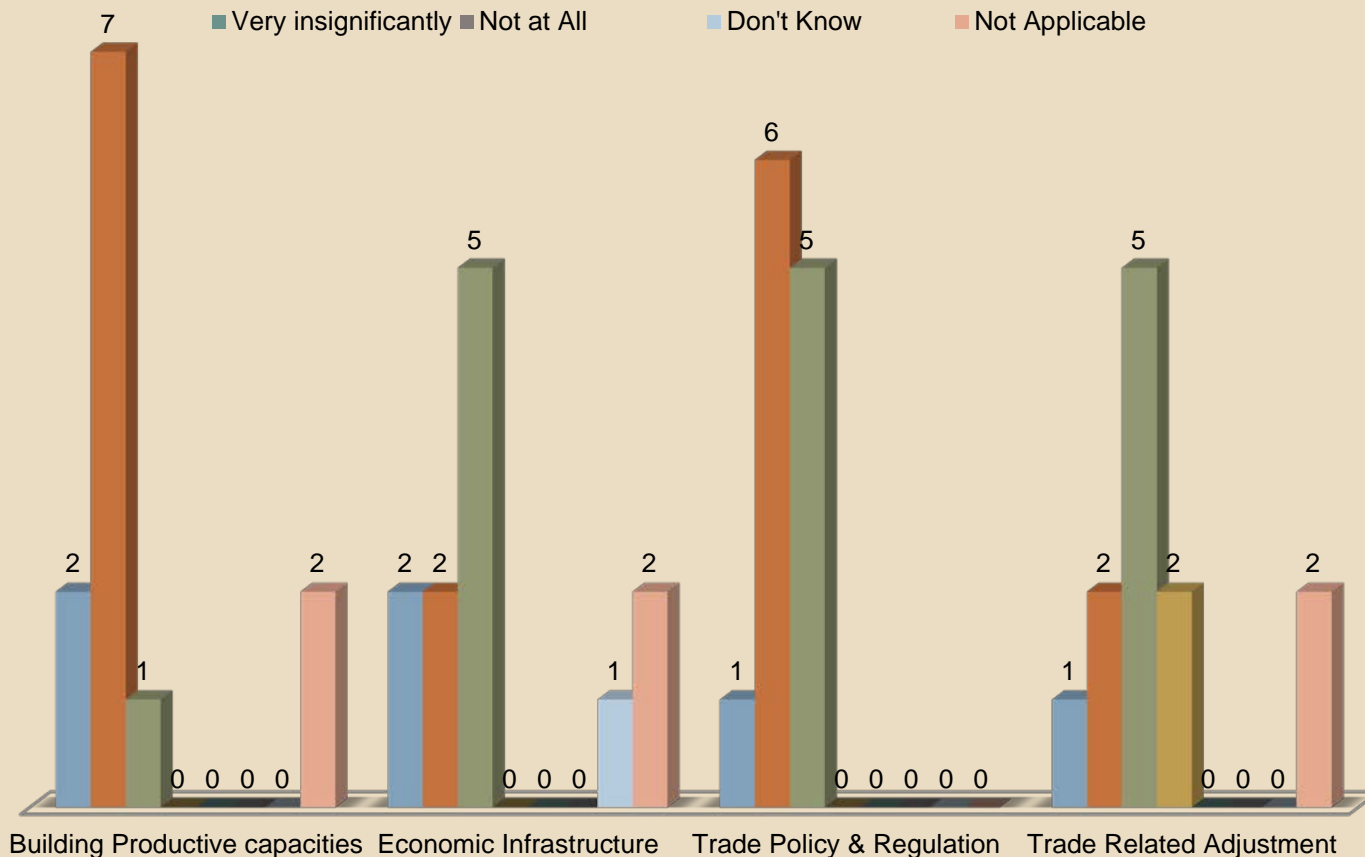
# CARICOM's AfT Stakeholders

- Further issues identified by the 12 respondents:
  - ▣ An absence of a strategic framework to link these AfT initiatives to wider national and regional development agendas;
  - ▣ Weak donor coordination ;
  - ▣ Absence of an evidence-based framework which would provide clear benchmarks and targets for monitoring and evaluation and
  - ▣ Absence of applications from the private sector.

# CARICOM's AfT Stakeholders

Figure 6:  
BSOs Assessment of AfT on Trade Development

■ Very Significantly    ■ Significantly    ■ To some extent    ■ Insignificantly  
■ Very insignificantly    ■ Not at All    ■ Don't Know    ■ Not Applicable



According to BSOs AfT support contributed “Very Significantly” , “To some extent” to trade development in the below areas, in the following order:

1. Building Productive Capacity
2. Trade Policy & Regulation
3. Economic Infrastructure
4. Trade Related Adjustment

# CARICOM's AfT Stakeholders

- Further issues identified by the 12 respondents:
  - ▣ Absence of an evidence-based framework which would provide clear benchmarks and targets for monitoring and evaluation;
  - ▣ An absence of a strategic framework to link these AfT initiatives to wider national and regional development agendas;
  - ▣ Weak donor coordination and
  - ▣ Absence of applications from the private sector.

# Conclusions

Based upon the above findings the following may be observed:

- That a strong positive relationship does exist between CARICOM's aid for trade disbursements and its total export values.
- However the ability to directly link the causal nature between the two variables at present is difficult due to the absence of an evidence-based framework within the region;
- The absence of a strategic framework to link AfT initiatives to wider national and regional development agendas (CARICOM AfT stakeholders);

# Conclusions

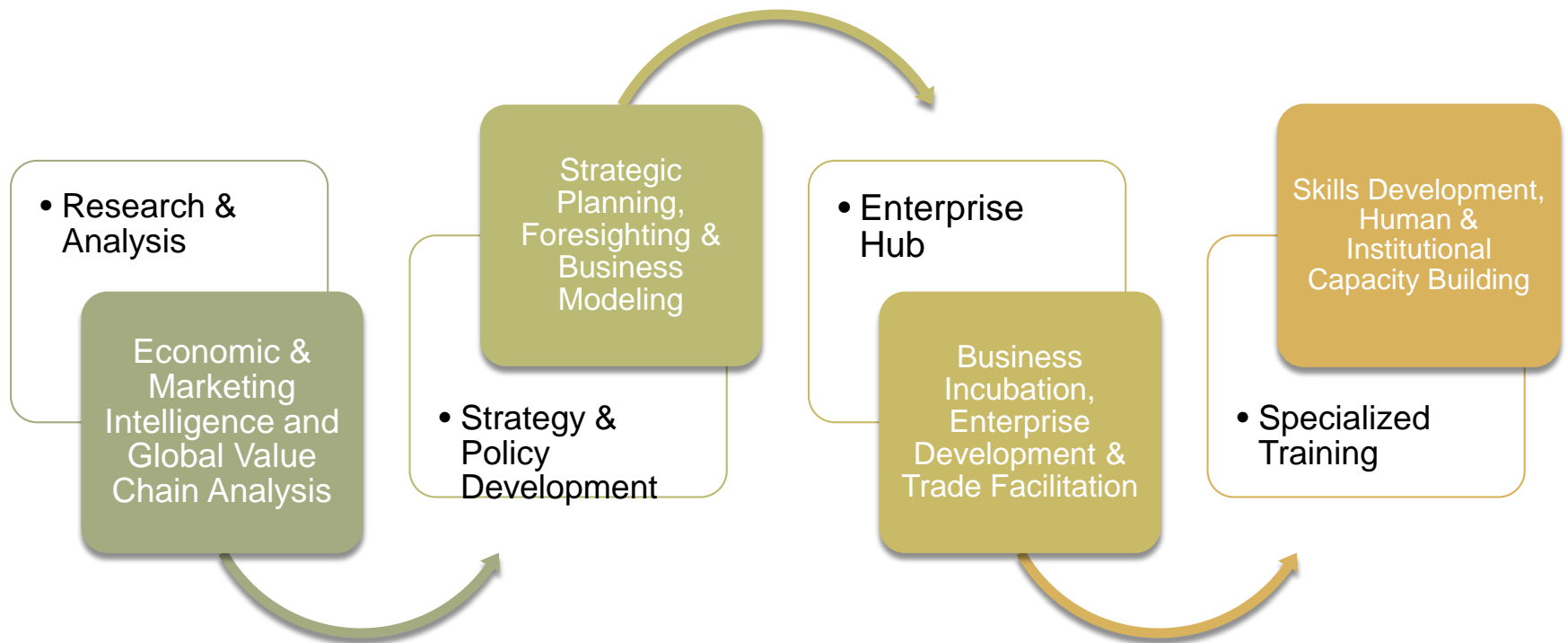
- Many AfT projects fall under broad concepts such as “capacity development” or “trade facilitation”. As a result a need exists for more in-depth analysis of these activities which helps to:
  - ▣ Identify Best Practices and Key lessons learnt;
  - ▣ Identify and evaluate results/impacts of current AfT projects;
  - ▣ To systematically share such information with stakeholders and to ensure reform occurs to improve effectiveness of other AfT programmes.



# Recommendations

- **Case by case analysis which:**
- Appoint a suitable regional agency (e.g. UWI Consulting) to perform the continuous role of overall monitoring and evaluation for key AfT interventions in the region;
- Use of impact chain analysis/ results based monitoring: captures data at several levels from input to output, utilization and impact/outcomes  
(See Maselli P. and Lys J-A, Schmid J. *Improving Impacts of Research Partnerships*. Berne: Swiss Commission for Research Partnerships with Developing Countries. 2004, 18.);
- Consider for such impact analysis the distinction between “market access” and “market penetration” and
- Include an assessment of best practices as well as innovative practices, the development of key benchmarks and indicators

# Research to Marketplace

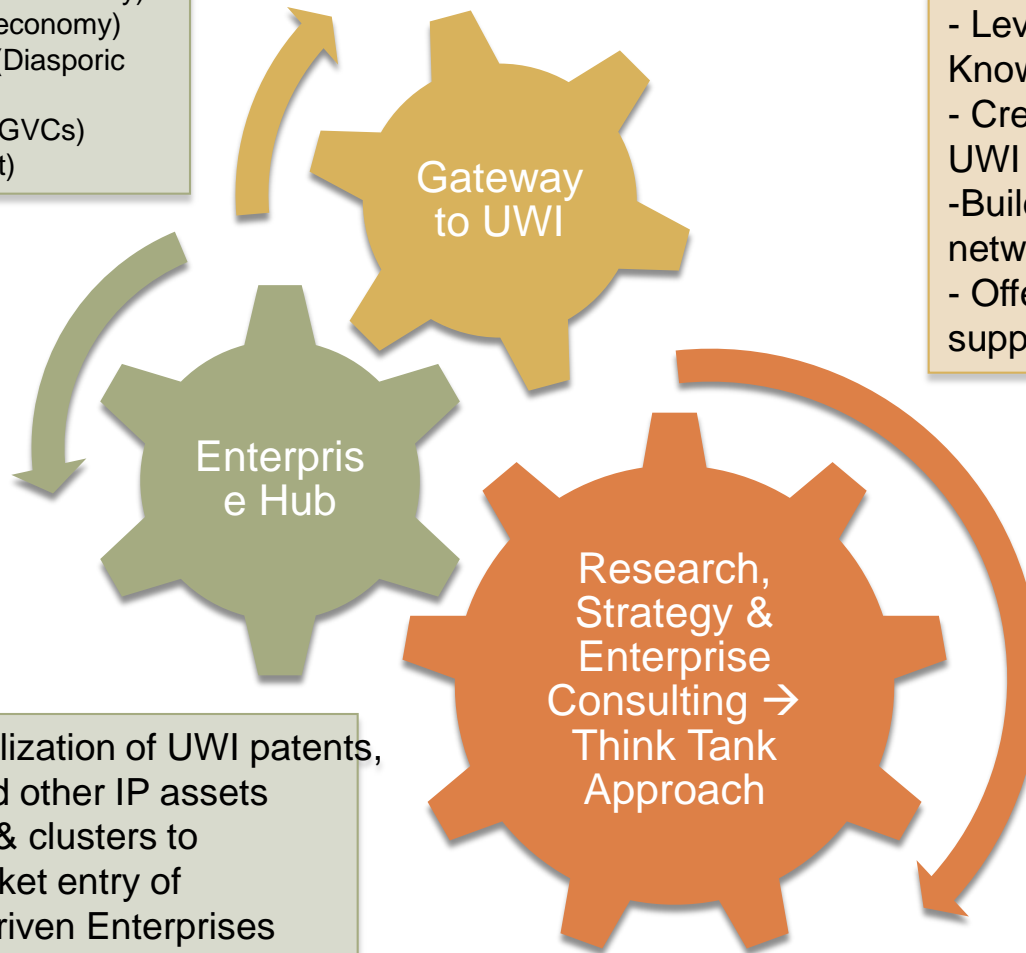


# Summary of Business Model & Strategy of UWI Consulting

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- InfoDev (Mobile economy)
- UNEP (Green economy)
- Compete Cbn (Diasporic economy)
- OAS (Tourism GVCs)
- CCL (Copyright)

- Leveraging UWI IP & Knowledge Centres
- Create demand for UWI capabilities
- Build UWI knowledge network
- Offer back office support services



- Commercialization of UWI patents, copyright and other IP assets
- Incubators & clusters to facilitate market entry of Innovation Driven Enterprises

- Proactive chasing of RFPs
- Forge strategic int'l collaborations
- Make proposals to donor & commissioning agencies
- Move towards more sole sourcing for projects
- Develop Think Tank approach



# THANK YOU for Your Attention

This presentation is based on the  
Keith Nurse & Ginelle Greene “Aid for Trade and Export  
Diversification: The Case of the Caribbean” in Connecting to  
Global Markets: Challenges and Opportunities – Case  
Studies from WTO Chair Holders