

Evaluating Aid for Trade: A Survey of Recent Studies

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Highlights

- The demand for accountability in “Aid-for-Trade” (AFT) is increasing but monitoring has focused on case-studies and impressionistic narratives.
- The literature based on traditional econometric analysis has theoretic foundations but the wide spectrum of results reveals the difficulty of drawing robust policy conclusions because of confounding influences.
- Impact evaluation techniques provide “internal validity” as confounding influences can be controlled better.



■ Abstract

The paper reviews recent evidence from a wide range of studies, recognizing that a multiplicity of approaches is needed to learn what works and what does not. The review concludes that there is some support for the emphasis on reducing trade costs through investments in hard infrastructure (like ports and roads) and soft infrastructure (like customs). But failure to implement complementary reform – especially the introduction of competition in transport services – may erode the benefits of these investments. Direct support to exporters does seem to lead to diversification across products and destinations, but it is not yet clear that these benefits are durable. In general, it is difficult to rely on cross-country studies to direct AFT. More rigorous impact evaluation (IE) is an under-utilized alternative, but situations of “clinical interventions” in trade are rare and adverse incentives (due to agency problems) and costs (due to the small size of project) are a hurdle in implementation.

■ Keywords

Aid for trade (AFT); trade performance; gravity; impact evaluation.

■ JEL

F15; F35.