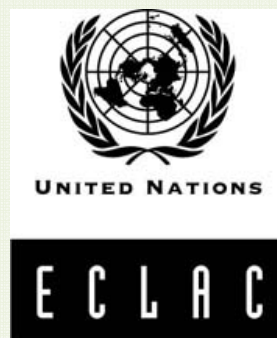


Aid for trade in Latin America: Challenges to develop a Regional Agenda



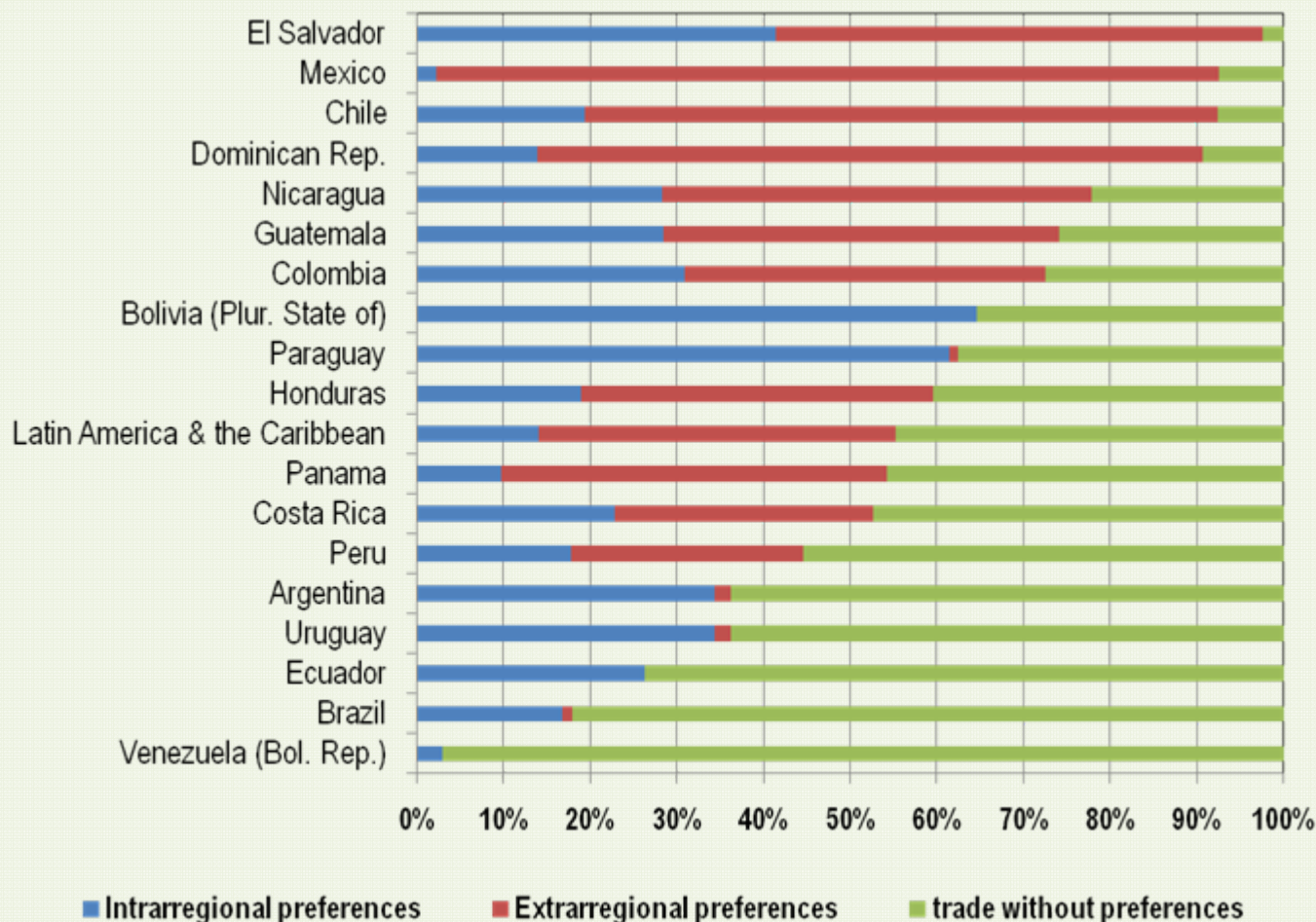
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Summary

- **Aid for trade in Latin America**
- Main priorities in AfT in the region
- Core priorities in the Regional Agenda
- The challenges for countries and donors
- Academics and policy makers

Trade agreements have considerably improved access to the main international markets.

Latin America and the Caribbean, exports covered by Preferential Agreements
(shares in total exports)



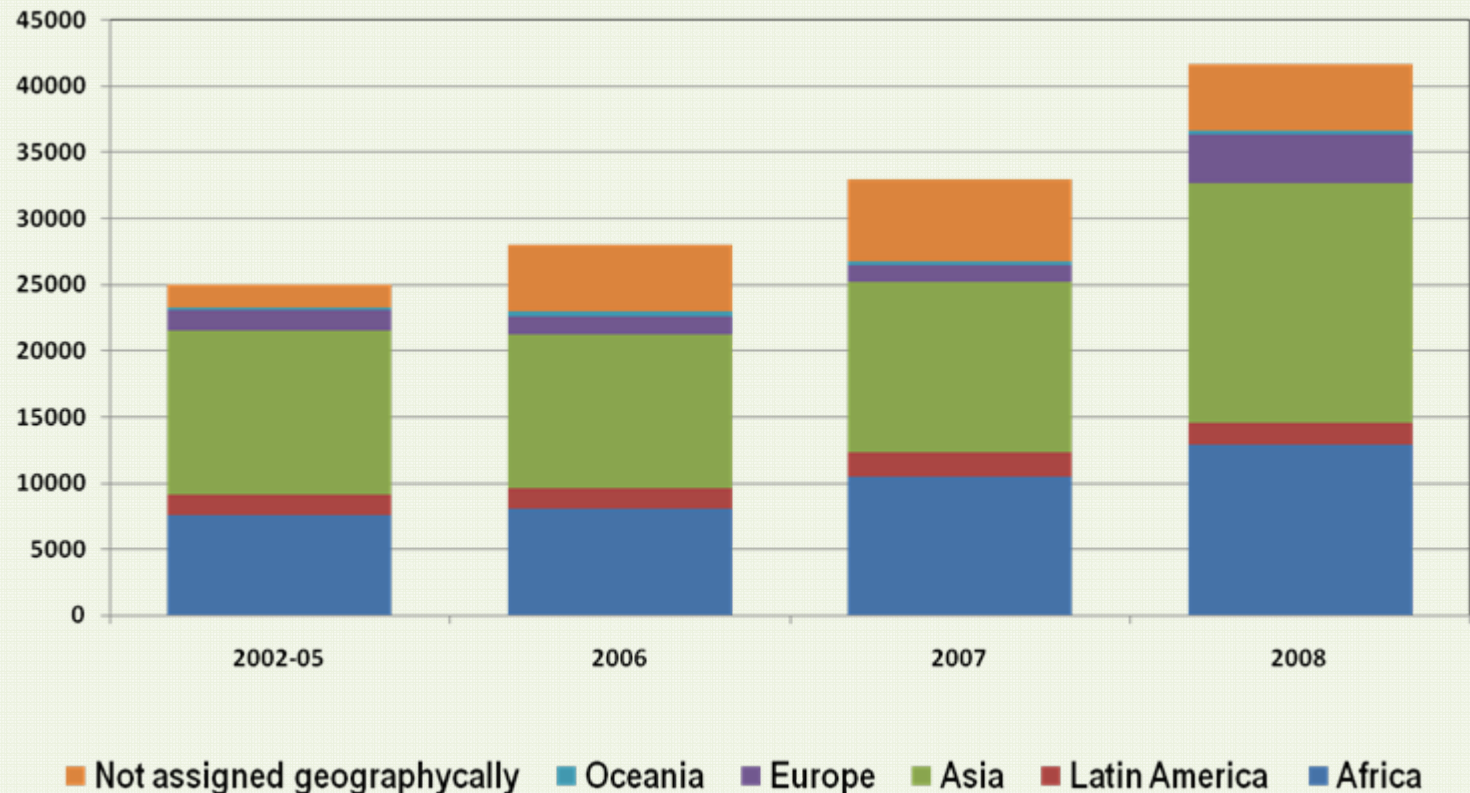
Latin American constraints to gain advantages of integration into the world economy

- Lack of information on trade opportunities,
- Excessive red tape for exporting or importing, a shortage of financing for SMEs; and
- Infrastructure problems.
- The aid-for-trade initiative aims to reduce these constraints.

From a baseline 2002-2005, to 2008, Aid for Trade commitments have been increasing, reaching 41.7 billion dollars.

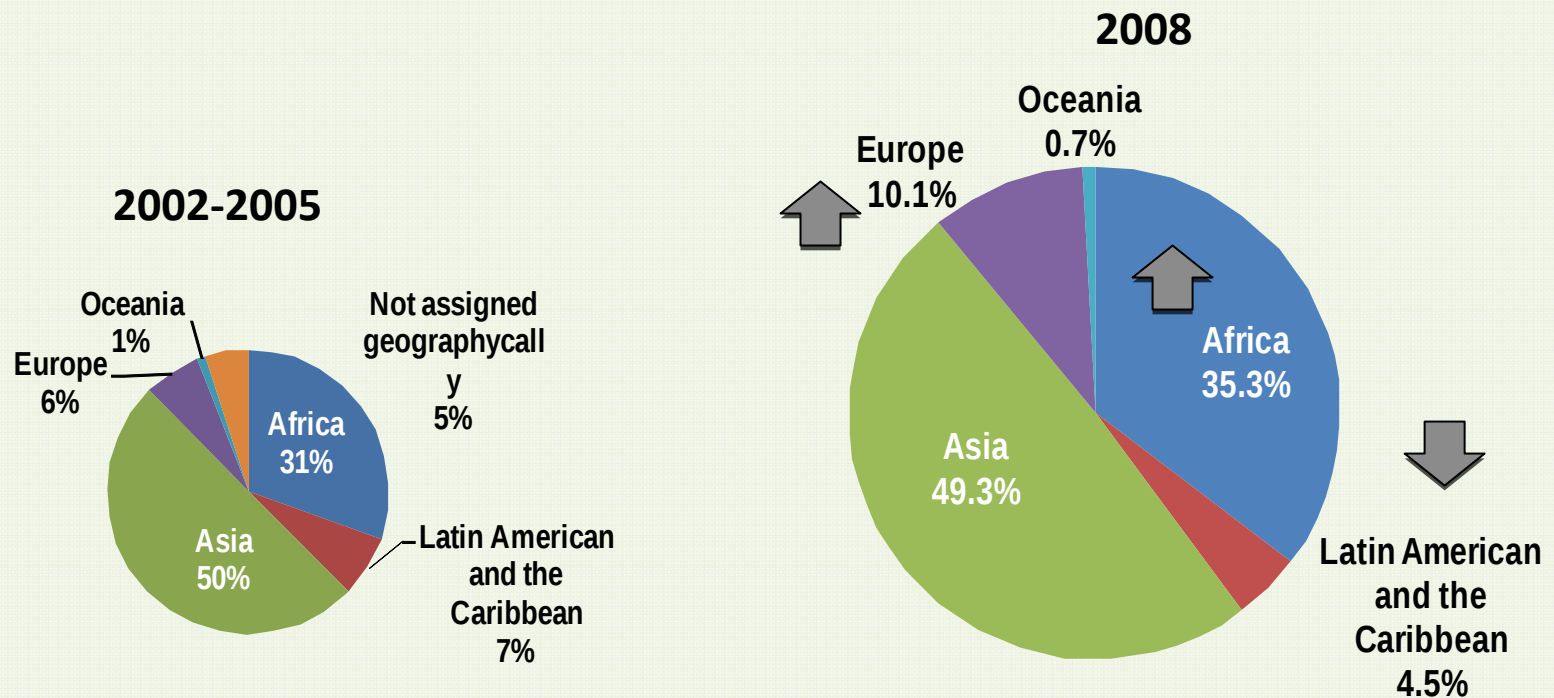
World Regional distribution of Aid for Trade among developing countries, 2002-2008

(Commitments in millions of dollars at constant 2008 prices)

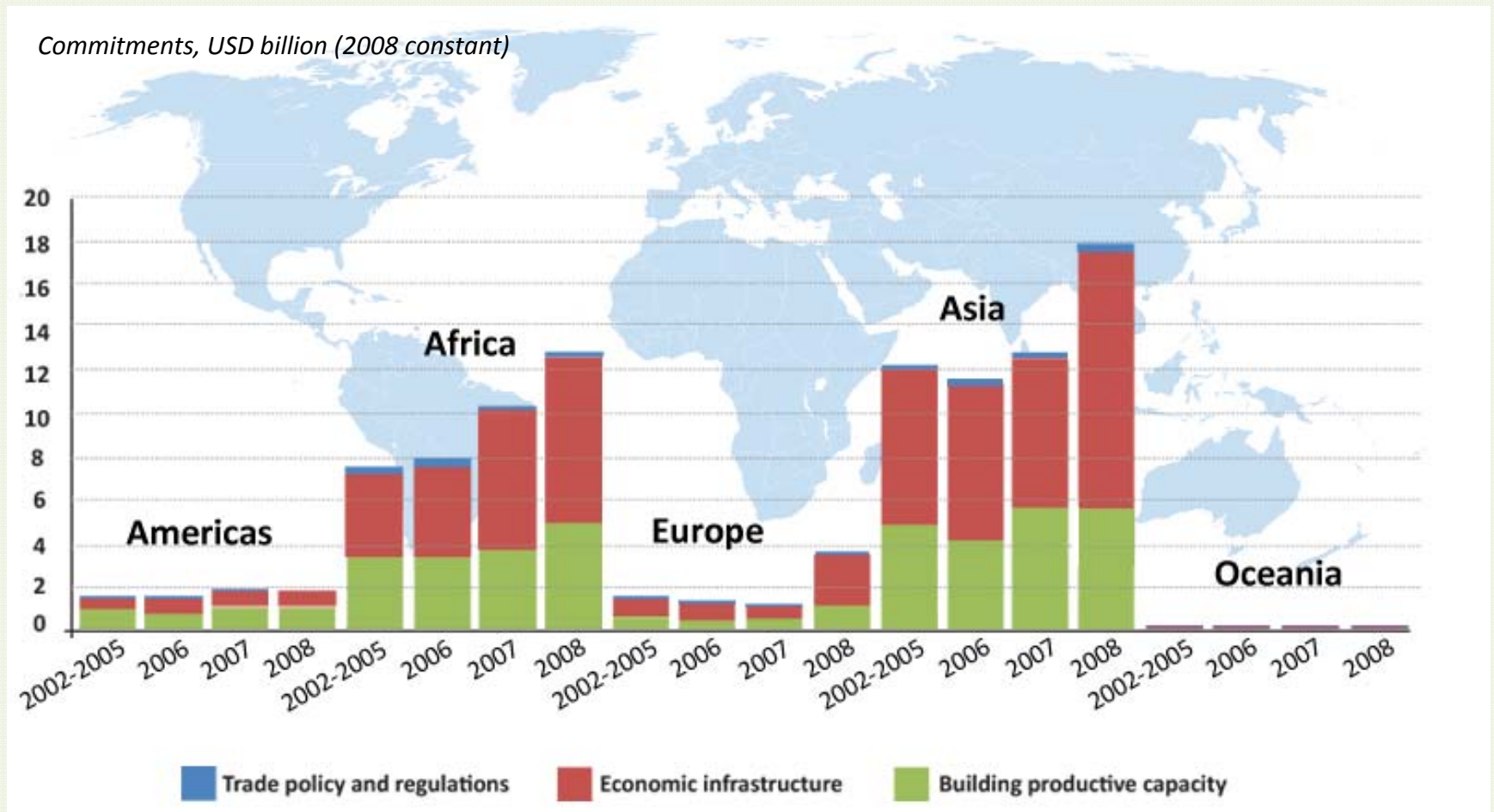


Latin American share in global Aid for trade in 2008 decreased to 4,5% of total. Africa and Europe increased whereas Asia remained the main recipient

Regional distribution of Aid for Trade, 2002-2005 and 2008
(Shares in total)



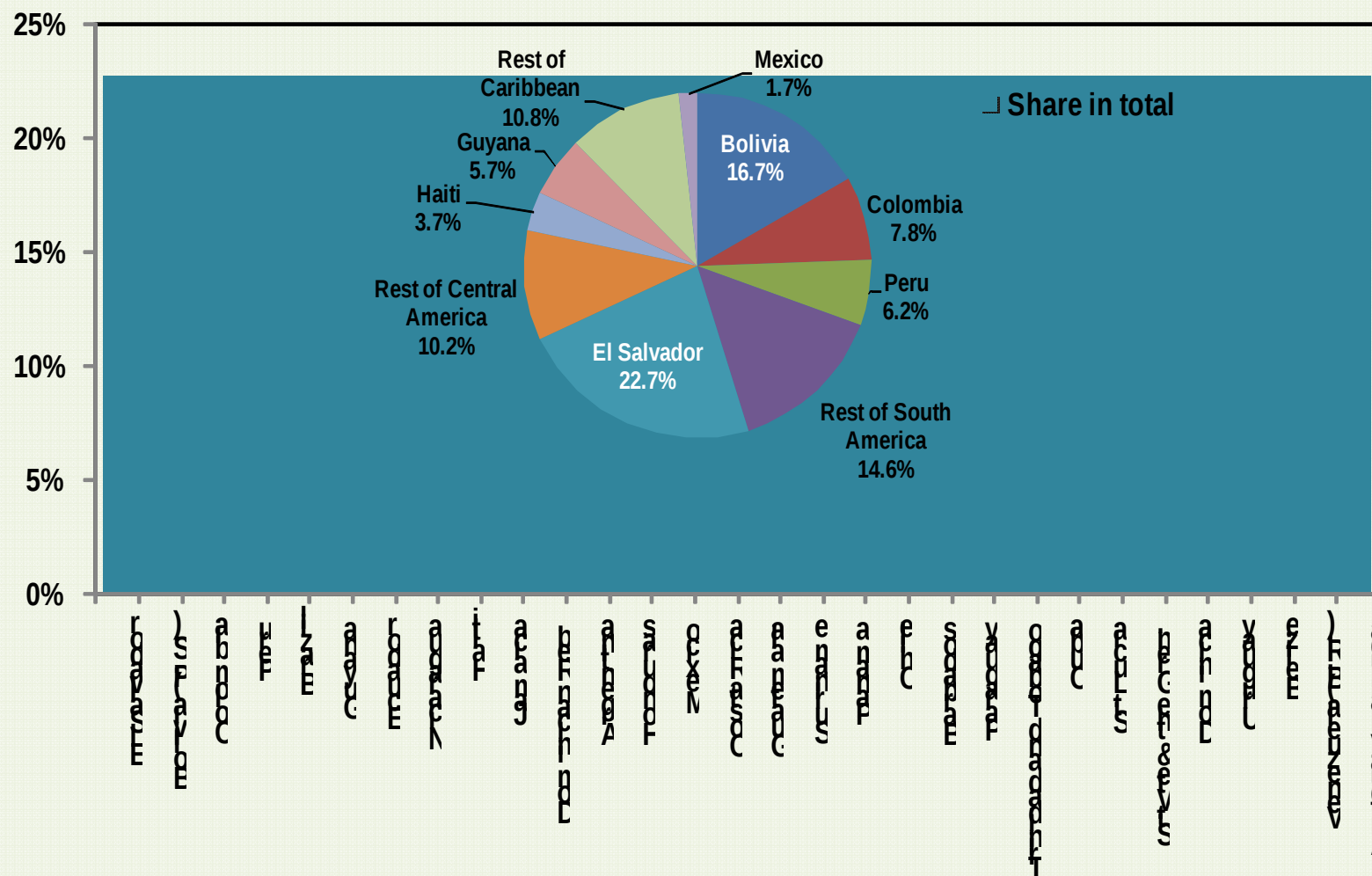
In 2008 Africa, Asia and Europe increased more than the rest of developing countries, and economic infrastructure was the main receiving area.



Source: Frans Lammersen, based on OCDE Creditor Reporting System (CRS) *Aid for Trade 2008*. WTO CTD (27-05-2010)

Latin America and the Caribbean: Aid for Trade by countries, 2007

(share in total commitments in millions of dollars at constant 2006 prices)

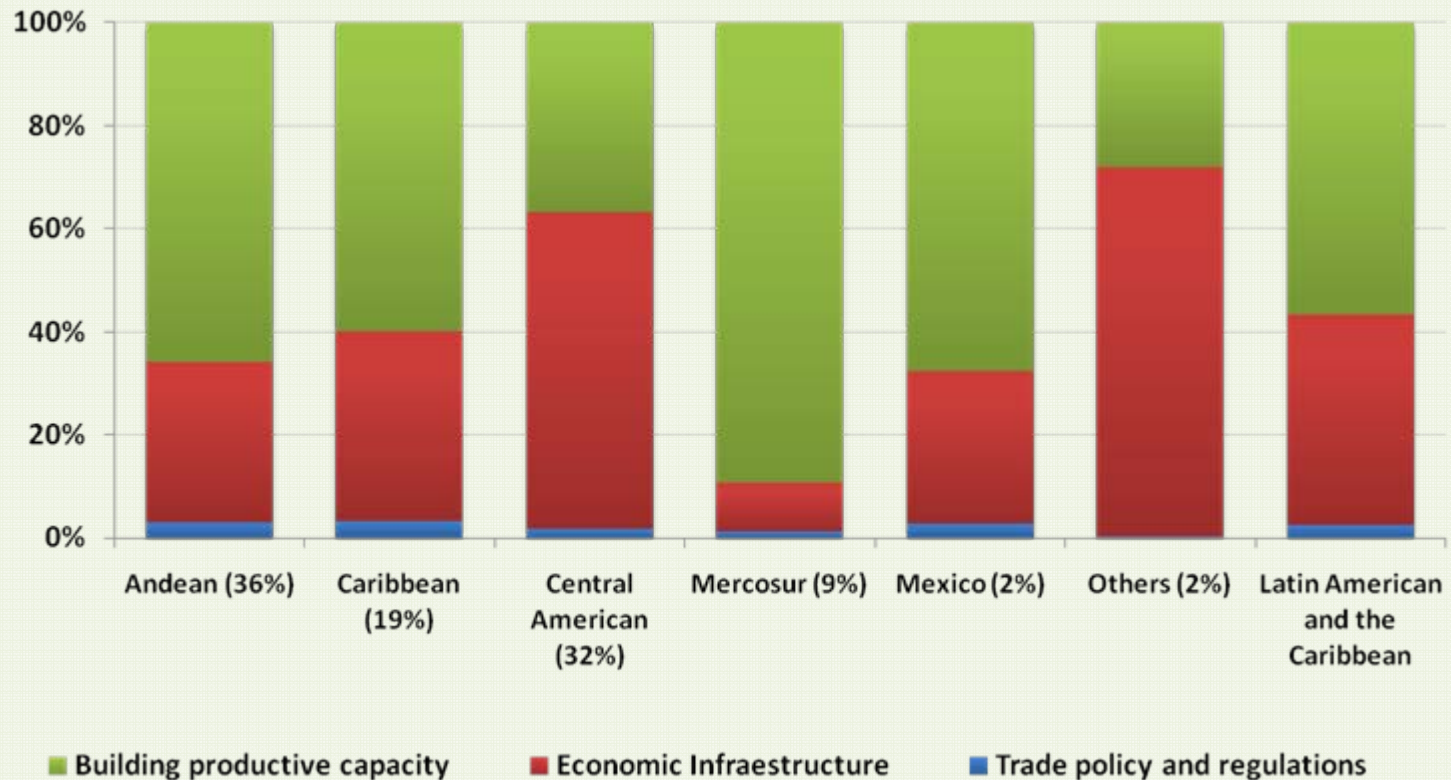


Source: ECLAC, International Trade and Integration Division based on OCDE Creditor Reporting System

Building productive capacity and economic infrastructure are among the most important recipient sectors in LAC

Latin America and the Caribbean: Aid for Trade by category, 2002-2007

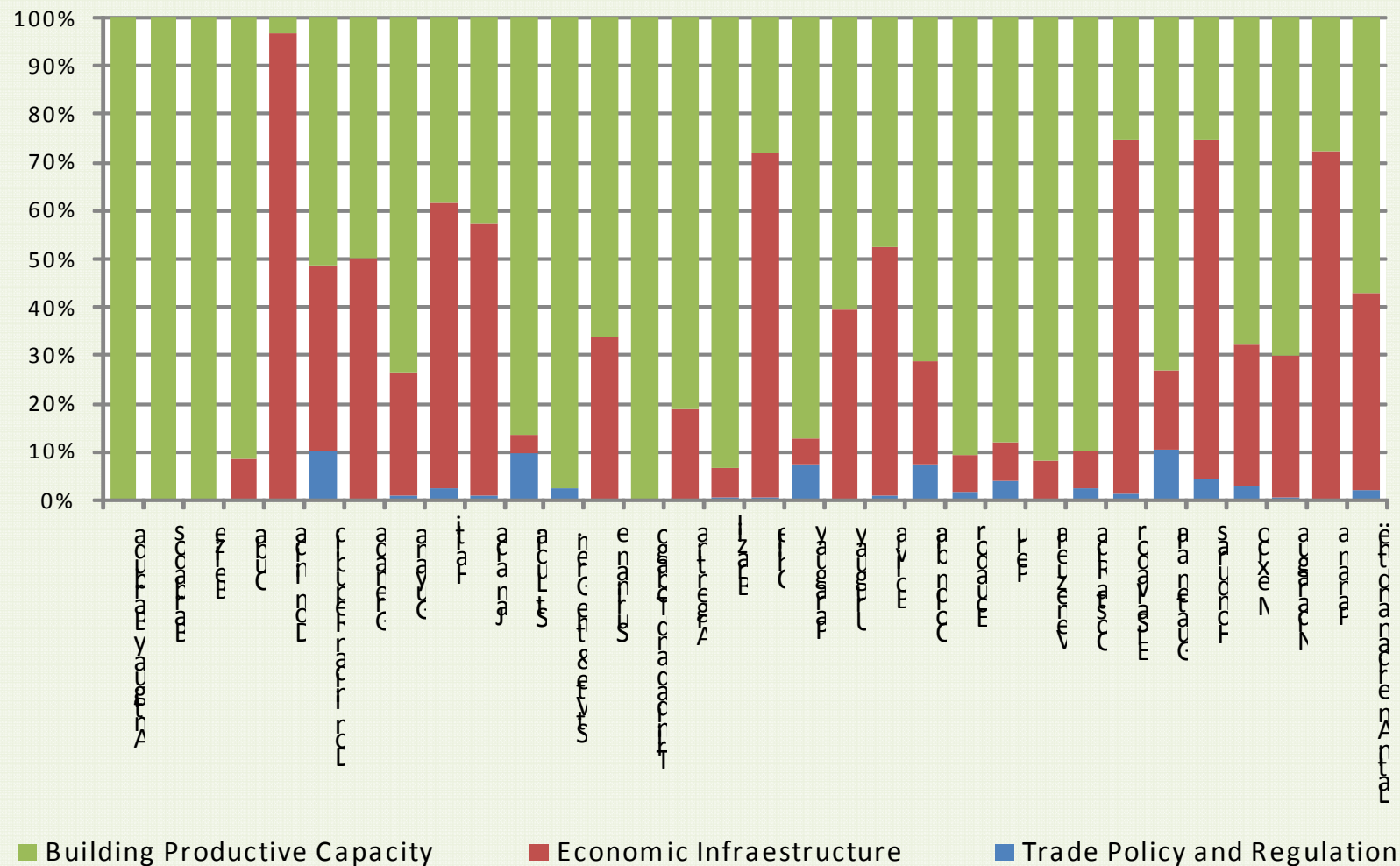
(Commitments in millions of dollars at constant 2006 prices)



Source: ECLAC, International Trade and Integration Division based on OCDE Creditor Reporting System

Latin America and the Caribbean: Aid for Trade by countries and categories, 2007

(Commitments in millions of dollars at constant 2006 prices)



Some cases of AfT assessment in Latin America

- There are few analysis which use AfT databases in Latin America .
- There are only case studies related to good practices of AfT projects presented by countries as successful experiences.
- One interesting work is developed by Cali and Velde (2008). They tests for the direct effects of AfT on export performance. *Aid for trade reduce trading cost.*
- Another more recent paper working with Official Development Aid (ODA) written by Tezanos, Aguilar and Garvi (2009) point out that excessive aid volatility and fragmentation have undermined the regional growth, while aid has been more effective in countries with better governance

Some positive effects of Aid for Trade. Ideas taken from best practices experiences

- Improve trade policy coordination, because donors monitor AfT and ask for the identification of positive linkages and externalities.
- Develop standards to improve access for exports
- Improve skill formation (human capital)
- Improve infrastructure and give the opportunity to stimulate the private sector to participate. The public private partnership will be a good approach to identify trade needs.
- Overcome government failures, such as weak institutions or weak administrative procedures

Some AfT Priorities in Latin America and the Caribbean

Priority areas in Country Strategies	Bolivia	Colombia	Ecuador	CARICOM	Costa Rica	Chile	El Salvador	Guatemala	Honduras	Jamaica	México	Nicaragua	Panama	Paraguay	Peru	Uruguay
Trade Policy Analysis / Capacity Building	X		X	X	X		X	X	X		X	X	X	X	X	
Enhancing Competitiveness		X	X	X	X				X	X	X	X	X	X	X	X
Export Diversification	X							X	X	X		X	X		X	X
Regional Integration			X	X	X	X		X						X		
Network Infrastructure				X						X				X		X
Promote social development and inclusion		X		X											X	
Governance and strengthening of the State		X												X	X	
Private Sector Development		X								X					X	
Reducing Vulnerability to Natural Disasters				X						X						
Internationalization of the Economy		X														
Productive transformation		X														
Trade Facilitation											X					
With National Plan linked with AfT		Yes												Yes	Yes	

Source: Own elaboration based on WTO/OECD Self Assessment Questionnaires and National Development and Competitiveness Strategies.

To National Strategies and to Competitiveness Strategies, Latin American priorities are

- Improving trade capacity building, especially in trade policy analysis. More comprehensive policies will be applied if there is appropriate human capital (trade economist, lawyers, engineers, competent negotiators, etc.)
- Enhancing Competitiveness, especially in promoting integration with the world economy, with emphasis on regional integration and on multilateral trade negotiations.
- Infrastructure improvements in the framework of the development of network ongoing initiatives: The Initiative for Integration of Regional Infrastructure in South America (IIRSA) and the “Mesoamerica Project”, formerly known as Plan Puebla Panama.

The general Challenges for countries and donors

- Lack of Aid for Trade projects: lack both information and technical capacity to be able to prepare projects that can be eligible for financing under AfT is a serious problem, especially for the case of Small and Medium Enterprises.
- Limited absorptive capacity in recipient countries
- Improve trade capacity building, especially in trade policy analysis.
- Insufficient trade mainstreaming in national development strategies
- Low attention to trade as a tool of development
- Unpredictable donor response to trade priorities

The main Latin American challenge to define a Regional AfT strategy will be:

- National strategies need to be consistent with Regional initiatives
- At national level there are some priorities: some general and other specifics for countries:
 - Trade policy analysis / Capacity buildings
 - Enhancing competitiveness
 - Promote social development and inclusion
 - Export diversification
 - Introduce the private sector into the initiatives
 - Improve Network Infrastructure (IIRSA and Mesoamerica Initiative)
 - Reduce vulnerability to natural disasters (Jamaica, Haití Caribbean countries)
 - Reduce cost due to landlocked (Bolivia and Paraguay)
 - And also, develop a comprehensive AfT agenda with country ownership

What can policy makers and researchers do to contribute to a more systematic approach to Aid for Trade

- More case studies related to effectiveness of components of Aid for Trade by sub regions.
- Improvement of data collection of Aid for trade flows , especially by sector approach.
- More rigorous research methods to address Aid for trade related issues.
- Measurement of effectiveness of components of Aid for Trade
- Help building local capacity to develop national projects. Ownership of projects should be the result of a national consensus, as a consequence of a public private dialogue.

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Thanks you

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