

11 Aid for Trade and export diversification: the case of Barbados

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11.1 Introduction

For many developing states which have experienced a substantial decline in their share of world trade and global value added, Aid for Trade (AFT) initiatives have become a critical source of support in a context where these countries suffer from both market and government failure. As such, the key issue is whether AFT programmes, as currently configured, are the right policy instrument or set of instruments to address the weak participation of developing countries in global trade and global value chains. In many regards, the problem relates to an overdependence on a narrow range of exports (e.g. agricultural and resource-based commodities and low value-added manufacturing goods and services) that are faced with declining terms of trade, tariff progressivity and diminishing economic returns (Reinert, 2007). One of the key criticisms that has emerged is that the focus of AFT donors and relevant implementing agencies has been heavily weighted on the architecture of trade support programmes and not sufficiently on industrial upgrading and enterprise development (Cirera, 2009).

It is also recognized that the contribution and impact of AFT programmes is difficult to measure *per se*, in part because of the long gestation period associated with key outcomes. It is also a challenge to attribute impact in the trade arena to any one initiative or programme. Consequently, it is more realistic to assess process and relationships, given that the priorities of AFT programmes generally are focused on building trade capacity and, ultimately, enhanced market presence. It is on this basis that we agree with Morrissey et al. (2010) that the outcomes of AFT should be determined by the nature of the relationship between donors and recipients. The 2005 Paris Declaration on Aid Effectiveness further highlights that “benchmarks are necessary for reliable global monitoring of aid for trade efforts” (OECD and WTO, 2010a).

* The contents of this chapter are the sole responsibility of the authors and are not meant to represent the position or opinions of the WTO or its members.

It is on this basis that this chapter examines the specific programmes aimed at institutional capacity-building initiated by donor agencies as well as the stakeholders involved in the entire process, whether they be public, private or civil society partners, from the stages of allocation to distribution. In this regard, the performance of current trade support initiatives within the Caribbean region is examined, along with the nature of the relationships between the key stakeholders. Based on simple regression analysis and descriptive statistics, we review the trade performance of AFT projects in the Caribbean region. Although the macroeconomic relationship between the AFT flows and trade impact is not questionable, we suggest it as a prerequisite to mainstreaming AFT projects into national and regional development agendas. Some policy recommendations are therefore proposed, to draw better benefit from AFT projects.

11.2 The Caribbean context: the industrialization and competitiveness challenges

The experience of the Caribbean over the last two to three decades has been one of declining global competitiveness and accelerating deindustrialization in a context of increased trade liberalization and global financial turmoil.

Since the mid-1980s, the region experienced a massive reversal in the export of manufactured goods (Nurse, Francis and Niles, 2008). Primary and resource-based exports accounted for close to 80 per cent of the total goods exports of the Caribbean Community (CARICOM) in 1985 and 1990.¹ By 1995, those exports had declined to 55 per cent, with an expansion of low-, medium- and high-technology exports to approximately 40 per cent of total goods exports. After 1995, higher technology exports dropped rapidly, and primary and resource-based exports expanded to 85 per cent of total goods exports, a higher level than in 1985.

This scenario is attributed to the decline in value of manufactured exports as well as the rise in value of primary exports, principally hydrocarbons from Trinidad and Tobago. Indeed, Trinidad and Tobago's increased export earnings from this sector account for more than 100 per cent of the rise in value of primary exports for the region in the period. This is in the context of a significant drop in traditional primary exports such as sugar, bananas and rice that have seen an erosion of trade preferences into the European Union (EU) market on account of WTO liberalization (CARICOM, 2006).

Reducing the concentration of primary goods in total exports is an important indicator of export diversification. Using the Entropy Diversification Index, all the Caribbean economies also demonstrated a lack of export diversification for goods relative to Latin American countries over the 2009 to 2012 period (see Table 1).

Table 1 Export diversification in CARICOM and Latin American countries, 2009-2012

Exporter	2009	2010	2011	2012	Overall level of diversification, 2009-2012
CARICOM countries	1.15	1.09	1.1	0.68	1.01
Latin American (Central American Common Market [CACM] and Mercosur) countries	1.60	1.31	1.34	1.02	1.32

Source: Comtrade (2010).

Notes: As measured by the Entropy Diversification Index: the higher the number, the more diversified the export activities; the lower the number, the less diversified the export activities.

Overall during the 2009 to 2012 period, Latin America displayed a higher level of diversification of its export activity than did the CARICOM region; however, both regions displayed increasing levels of export concentration. Economies such as Barbados, Jamaica, and Trinidad and Tobago have maintained a high dependence on traditional low-value-added, low-technology exports and thus have experienced limited diversification over the last three decades. Caribbean economies have been underperforming relative to other economies such as Costa Rica and Mexico. In sum, the merchandise trade, other than that originating in the extractive industries which applies particularly to the Trinidad and Tobago economy, has seen a rapid decline (UNECLAC, 2006).

11.3 Can Aid for Trade make a difference in the Caribbean context?

WTO Director-General Pascal Lamy, at the launch of the Caribbean Community Regional Aid For Trade Strategy 2013-2015 in Port au Prince, Haiti, highlighted that “intra-Caribbean trade stands at just 13 per cent which... is on average, at 46 per cent below its trade potential”. However, he also indicated that “[t]here are tremendous opportunities for increasing the role of trade in the region’s growth strategy” and emphasized the importance of harnessing the development potential of the Regional Aid for Trade Strategy, in which AFT plays a role in supporting closer Caribbean economic integration (Lamy, 2013).

Trade diversification requires a trade, industrial and innovation governance agenda that aims to expand local value added and deepen integration into global markets and value chains, and thus strengthen CARICOM economies against external and exogenous shocks. The role of development cooperation as embodied in AFT is important given the challenges of market and government failure. The Intra-American Development Bank (IDB) and the WTO have provided a useful perspective on the core challenges of AFT in Latin America and the Caribbean:

Looking forward, Aid for Trade is even more critical to stimulate the supply-side response of developing countries, particularly low-income countries in the region. The impact of the financial crisis on the real economy and the failure to conclude the Doha Development Agenda risk jeopardizing the contribution of trade to economic growth and poverty reduction in developing countries. (IDB and WTO, 2009)

Cooperation is being effected within frameworks such as the ongoing Economic Partnership Agreement (EPA) which seeks to enable the countries of the Forum of the Caribbean Group of African, Caribbean and Pacific (ACP) States (CARIFORUM) to better exploit market access opportunities provided within agreements. For example, Article 8 of that EPA identifies a wide range of such economic development supports which include technical assistance towards building human, legal and institutional capacity. Agreement measures aim to promote private sector and enterprise development through assistance which enhances 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.

Within the past decade, donor agencies such as the IDB, United Nations, United Kingdom Department for International Development (DFID) and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) have conducted AFT programmes aimed at addressing CARICOM's supply-side issues. In addition, development cooperation instruments such as the European Development Fund (EDF) have also been utilized to provide financial resources for trade support.

Table 2 provides available data on the AFT commitments and disbursements for the period 2002-2009. It shows that commitments have doubled over the period. Disbursements, on the other hand, have grown fourfold. The disbursement rate has improved from a low of 38 per cent in 2002-2005 to a high of 92 per cent in 2008, thereafter dropping to 77 per cent in 2009. However, it is important to note that a large proportion of the official development assistance (ODA) funds received by CARICOM goes to Haiti,² which is the only least-developed country (LDC) in the regional bloc.

Table 2 Aid for Trade to CARICOM countries, 2002-2009 (US\$ million)

	2002–2005	2006	2007	2008	2009
Commitments	266.7	190.8	317.7	315.3	564.4
Disbursements	101.5	106.2	181.5	291.7	434.6
Disbursements as a share of commitments (%)	38.05	55.66	57.12	92.51	77.00

Source: CARICOM (2013).

In 2007, it was estimated that AFT disbursements were 35 per cent of total sector allocable aid. These disbursements were largely focused on building productive capacity (59 per cent), economic infrastructure (36 per cent), and trade policy and regulations (4 per cent), with trade-related adjustment receiving less than 1 per cent. This dovetails 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 (IDB and WTO, 2009).

11.4 Impacts of Aid for Trade on CARICOM's export activity: some empirical evidence

Indicators which allow for observation of trade development activity at a country level (i.e. the recipient state) are outlined below. Based upon the 2009 work of Gamberoni and Newfarmer (presented in WTO and OECD, 2010), and using data from the World Bank and the International Trade Centre to conduct trade measurements, we developed a conceptual framework of indicators to capture these possible effects of AFT on CARICOM's export activity. This involved analysis of factors such as export growth, market share, competitiveness and export concentration. Guided by this approach, the data were compiled and analysed for CARICOM. In order to understand the influence of CARICOM's AFT disbursements on its export activities, specific trade performance and capacity indicators identified by the World Bank were used.

Aid for Trade and trade performance

Trade performance is an indicator used by the World Bank as a measure of the impact of AFT upon exports via three trends:

- the real growth of exports of goods and services
- the change in export market share of goods and services, and
- the index of export concentration.³

As outlined earlier, CARICOM's export market share and export concentration indices showed increasing concentration during the period 2007 to 2010, with lesser levels of export diversification overall compared with its Latin American counterparts.

In order to gain greater insight into the role of AFT in this dynamic, some of the World Bank indicators outlined above were used to conduct a simple correlation exercise. Such a correlation and descriptive statistics were used to explore whether a relationship existed between AFT disbursements and CARICOM's extra-regional

Table 3 CARICOM overall allocation of AFT disbursements

	2006	2007	2008	2009	Total
Building productive capacity (US\$ million)	45.8	86.8	155.9	196.5	485
Economic infrastructure (US\$ million)	47.9	88.3	125.7	221.8	483.7
Trade policy and regulations (US\$ million)	2.6	1.8	3.8	5.3	13.5
Trade-related adjustment (US\$ million)	0	0	0	0.9	0.9

Source: CARICOM (2013).

export activities. The area which received the highest value of AFT disbursements in the CARICOM region was allocated to the area of “building productive capacity” as reflected in Table 3.

As AFT disbursements increased, CARICOM's exports also increased, the only exception being for the year 2009. Thus, regression analysis was conducted for two scenarios:

1. Where the values of 2009 were excluded from regression analysis conducted
2. Where the values of 2009 were included in regression analysis conducted.

This approach was taken in order to fully understand the relationship between the two variables.

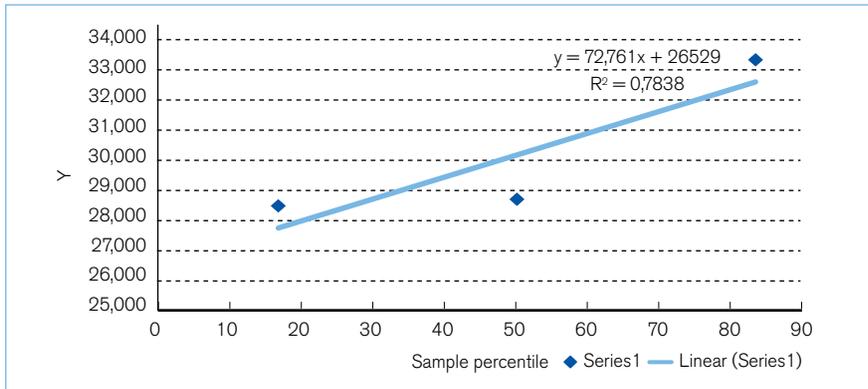
Scenario 1

The correlation coefficient was calculated for 2006-2008 based on a simple regression approach illustrated with equation (1) where Y' represents the exports of all products and X_1 the AFT disbursements.

$$Y' = \beta_0 + \beta_1 X_1 \quad (1)$$

The resulting value from such calculations was 0.92.⁴ This figure indicated that a strong positive relationship did exist between the two variables,⁵ that is, as AFT disbursements increased so too did CARICOM's export values.⁶ As such, when the values for 2009 were excluded from the regression analysis, the two variables demonstrated a significant linear relationship.

Equation (1) above shows the extent to which CARICOM's exports would increase for every increase in AFT disbursements. However in light of the above, it is also important to note the standard error value of 1509.3. This value suggests that other, external factors may have an influential role on the covariance between the two variables X and Y . This result is logical and expected as the objective here is not to develop a normative approach but, rather, to express some economic intuition and establish the macroeconomic foundation between AFT and trade performance. To determine whether other variables may be responsible for the relationship between X and Y , more robust and complementary econometric techniques based on a larger dataset need to be employed which could provide more in-depth analysis on the impact of AFT on CARICOM's exports.

Figure 1a Normal probability plot

Source: Authors' calculations from the World Bank database (2013) and Comtrade (2010).

The resulting calculated, adjusted R^2 value of 0.69 from the regression output table indicated that a significant positive linear relationship existed between CARICOM's exports and AFT disbursements during the 2006 to 2008 period. The adjusted R^2 value of 0.69 signified that 69 per cent of the variation in Y (CARICOM's exports) could be explained by variations in X (AFT disbursements). A hypothesis test was conducted which indicated that the credibility of the regression analysis was robust and thus the findings reliable, with a critical F value of 5.59, greater than the calculated F value of 0.25 (see Figure 1a).

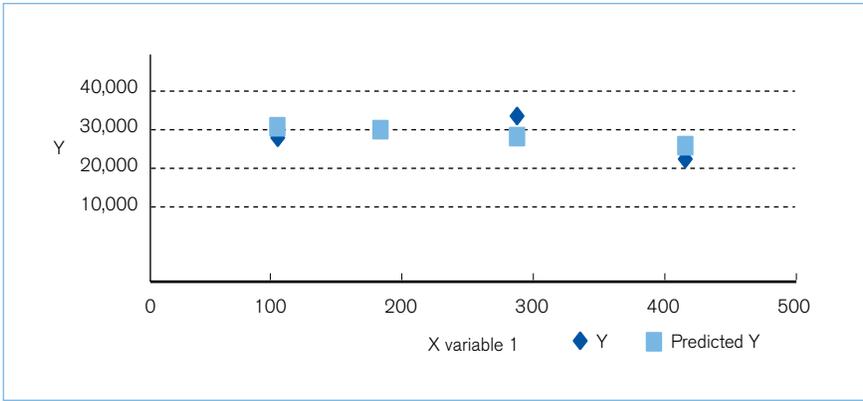
The normal probability plot graphically demonstrates the robust linear trend between the variables of AFT disbursements and CARICOM's exports. Only minor deviations may be observed from the line fit to the points on the probability plot. This pattern is further corroborated by the calculated correlation coefficient which reflected a linear relationship with a coefficient of 0.92.⁷ The fact that the points in the lower and upper extremes of the plot do not deviate significantly from the straight-line pattern indicates that there are not any significant outliers (relative to a normal distribution).

Scenario 2

When 2009 figures were included in the regression analysis, the variables revealed a weak R^2 value of 0.2 and a high standard error value of 4880. This may mean that, in the year 2009, many external factors may have influenced the relationship between the variables. Thus, particularly for the 2009 period, we cannot determine that AFT disbursements had a direct impact on CARICOM's exports.

Naturally, the global financial crisis has impacted on the Caribbean region, especially through the trade and financial channels, and this is mainly why we have discriminated our sample into two periods. This assumption is further supported by a

Figure 1b X variable 1 line fit plot for 2006 to 2009 timeframe



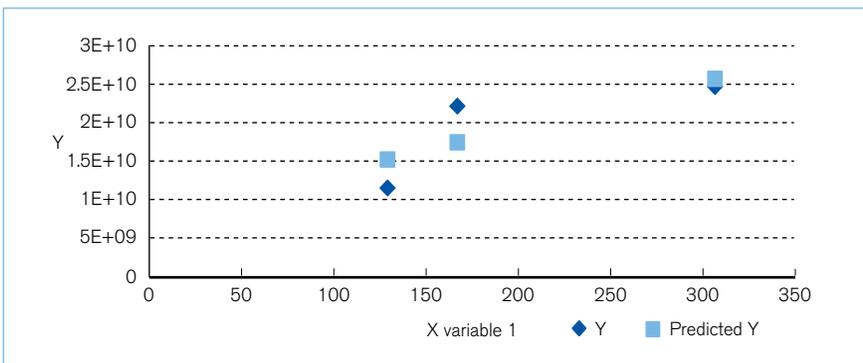
Source: Authors' calculations using data from the World Bank database (2013) and Comtrade (2010).

negative correlation coefficient of 0.42 for the 2006 to 2009 period. The hypothesis testing carried out supported the validity of these results, with a critical F value of 0.548, greater than the calculated F value of 0.536 (see Figure 1b).

The trend depicted by the variables when the 2009 data is included shows a slightly negative relationship between the two variables. However, for the 2006 to 2008 period exclusively, the opposite is the case (see Figure 1c).

In order to truly understand what possible externalities could have played an influential role on the relationship between CARICOM's AFT disbursements and export activity, further research is needed. Use of mixed-method monitoring and evaluation which employs qualitative and quantitative analysis may prove useful.

Figure 1c X variable 1 line fit plot for 2006 to 2008 timeframe



Source: Authors' calculations using data from the World Bank database (2013) and Comtrade (2010).

Tools such as case studies and mass surveys of beneficiaries may help to better determine the causal relationship between export growth and AFT disbursements (using available international standardized techniques such as, for example, GIZ's results-based monitoring (RBM) associated with AFT).

Infrastructure and institutions: a key challenge for the region

The Caribbean Community Regional Aid for Trade Strategy 2013-2015 highlights “physical isolation... geographical dispersal... distance from main markets... inadequate infrastructure” and “minimal export diversification” as the key characteristics which hindered trade expansion and economic development (CARICOM, 2013). In the continued attempt to measure the impacts of CARICOM's AFT experience, other relevant international indicators were reviewed.

Infrastructure and institutions, further indicators used by the World Bank, could be used to help measure the impacts of AFT via trends in the quality of transport and information technology, and the efficiency of customs.⁸

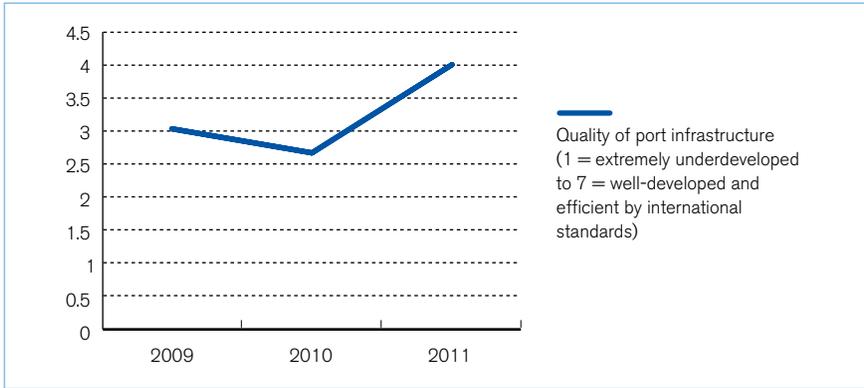
Geographically, the CARICOM region consists of a chain of islands, with only Guyana and Suriname sharing a common border. As such, port infrastructure and the role of maritime transport would be a significant factor in the development of intra- and extra-regional trade. Elements such as “port connectivity, infrastructure, storage facilities, size of ships, cargo volumes, transit times and positioning within international shipping routes, individually and collectively influence cost and competitiveness” (CARICOM, 2013). Logistics accounts for 20 per cent of CARICOM's production costs, compared with the world average of 10 per cent. Thus, the quality of port infrastructure can play a critical role in private sector development into new areas of export activity (CARICOM, 2013).⁹ Information on relevant indicators is reflected in Table 4 for seven of the CARICOM countries.

Table 4 Quality of selected infrastructure in CARICOM countries, 2010-2011

Country	Overall infrastructure	Roads	Ports	Air transport
Barbados	5.8	5.4	5.6	6.3
Belize	3.5	3.0	3.3	4.4
Guyana	3.8	3.8	3.7	4.0
Haiti	1.8	1.7	1.8	2.1
Jamaica	4.2	3.8	5.3	5.5
Suriname	4.2	4.2	4.5	4.0
Trinidad and Tobago	4.4	3.9	3.9	5.0

Source: Bilbao-Osorio, B. et al. (2011).

Note: As measured by the Global Competitiveness Index (GCI).

Figure 2 Quality of port infrastructure

Source: World Bank database (2013).

Barbados scored the highest among these seven CARICOM countries with respect to the quality of port infrastructure, with Haiti at the other end of the spectrum with extremely underdeveloped port infrastructure. However, overall, the region showed improvements in the critical area of port infrastructure (see Figure 2). One may also observe that, during 2009, CARICOM's allocation of AFT to the area of "economic infrastructure" increased by 383 per cent over 2006. As outlined in the regional AFT strategy for 2013–2015, the region continues to be one of importance for export development, with maritime transport identified as one of the areas for "upgrading key economic infrastructure" (CARICOM, 2013).

Trade incentives and business environment

Time to export/import is another indicator used by the World Bank (OECD and WTO, 2010b). This indicator is also reviewed in the regional AFT strategy for 2013–2015 (CARICOM, 2013). The CARICOM member states demonstrated a relatively low overall ranking in the Doing Business survey conducted by the International Finance Corporation and the World Bank (2010–2011).¹⁰ The findings placed the region at a comparative disadvantage relative to the rest of the world. A cross-border system compiled procedural requirements for the exporting and importing of goods by ocean transport. The resultant findings showed that eight of the CARICOM countries fell in the rankings between 2010 and 2011. Only Grenada showed improvements, increasing its standing by 25 places during the period. This is reflected by a decrease in the US dollar cost to import as well as export, and decreased times to both import and export. As a result, Grenada showed an overall improvement in its trading conditions, with increased procedural efficiency at key stages of trade activity. Results for CARICOM countries are shown in Table 5.

Table 5 Ease of doing business in CARICOM countries, and other selected indicators, 2010-2011

Areas	Doing business (rank)		Trading across borders		Time to export (days)		Cost to export (US\$ per container)		Time to import (days)		Cost to import (US\$ per container)	
	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011
Antigua and Barbuda	56	64	58	63	15	15	1,133	1,133	15	15	1,633	1,633
Bahamas	71	77	41	45	16	19	930	930	13	13	1,380	1,380
Barbados	...	...	...	...	...	...	...	...	...	...	...	...
Belize	93	99	118	119	21	21	1,710	1,710	21	21	1,870	1,870
Dominica	85	88	87	90	13	13	1,297	1,297	15	15	1,310	1,310
Grenada	98	92	82	57	14	10	1,226	876	19	15	2,479	2,129
Guyana	101	100	77	78	20	19	730	730	24	22	730	745
Haiti	163	162	145	145	35	35	1,005	1,005	33	33	1,545	1,545
Jamaica	79	81	105	104	21	21	1,750	1,750	22	22	1,420	1,420
St. Kitts and Nevis	83	87	38	39	12	12	850	850	13	13	2,138	2,138
St. Lucia	45	53	104	105	14	14	1,600	1,700	18	18	2,745	2,745
St. Vincent and the Grenadines	72	75	39	41	12	12	1,075	1,075	12	12	1,605	1,605
Suriname	160	161	102	101	25	25	975	995	25	25	885	945
Trinidad and Tobago	95	97	53	51	14	14	866	808	26	19	1,100	1,250
CARICOM (average)					18	18	1,165	1,143	19	18	1,603	1,593

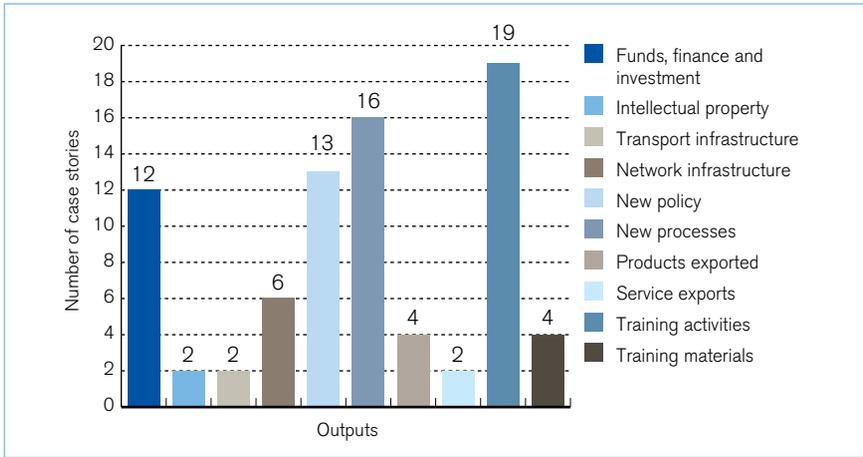
Source: International Finance Corporation and the World Bank, Doing business (<http://doingbusiness.org>), cited in CARICOM (2013).

Note: ... indicates where data was unavailable

11.5 Mainstreaming Aid for Trade projects in national and regional development agendas

Based on a survey of case stories from Latin America and the Caribbean, it was observed that there are some key trends and patterns across sub-regions (WTO, IDB and OECD, 2011 - see Figure 3). For the Caribbean region, the case stories illustrate what are some of the key outputs from AFT initiatives. Figure 4 shows that the main output was in the area of training activities. The next most significant areas were new processes, new policy and the mobilization of funds for finance and investment. The outputs that achieved lower priority were infrastructural (e.g. network, transport) and commercial (e.g. products exported, training materials, service exports and intellectual property).

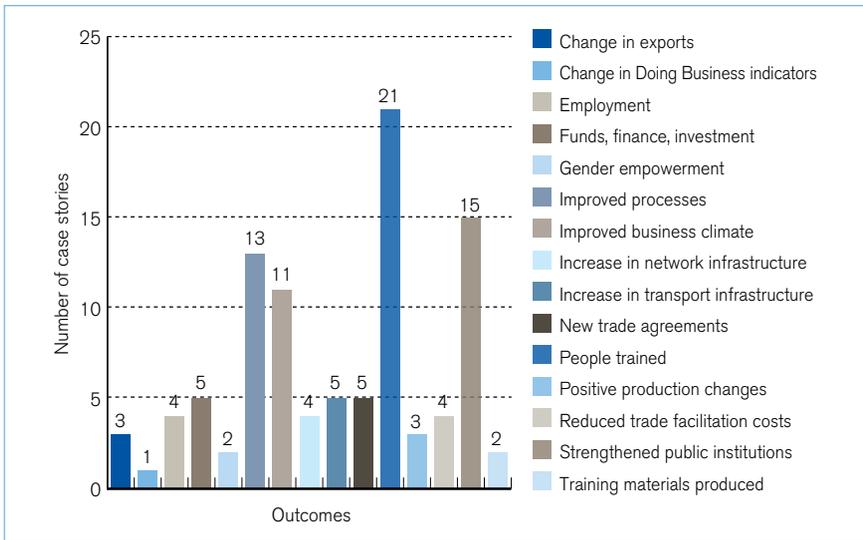
Figure 3 Outputs of Caribbean AFT case stories



Source: WTO, IDB and OECD (2011).

When the key outcomes are measured, there is some correspondence with the key outputs. Thus, it is observed that the outcome for people trained is ranked highest by a significant margin (see Figure 5). The other key outcomes were strengthened public institutions, improved processes and improvement in the business climate. The other outcomes are ranked significantly lower than these four. This suggests that the impact of AFT is skewed into narrow areas.

Figure 4 Outcomes of Caribbean Aid for Trade case stories



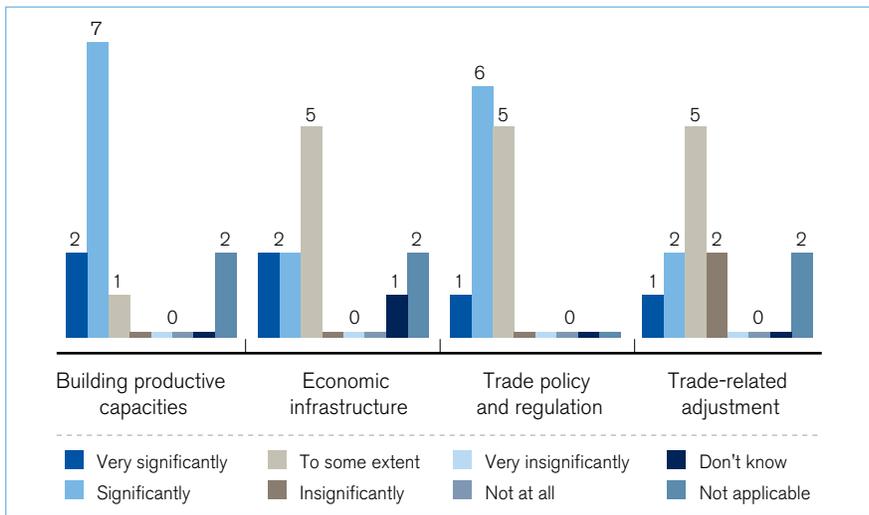
Source: WTO, IDB and OECD (2011).

Expanding and widening the impact of AFT initiatives is a critical area for improving effectiveness. In this regard, it is important to take into account the main priorities for Caribbean respondents, which were “better predictability of AFT funding, stronger donor focus on local capacity development, and greater say in design of interventions (WTO, IDB and OECD, 2011).”

A significant share of the AFT initiatives that currently exist are accessible through national business support organizations (BSOs) or government agencies which develop programmes to assist the private sector. BSOs play a critical role as they are more focused on enterprise development, and their capacity to support private sector export development and promotion is of paramount importance. Data from a survey of 12 BSOs across the region (Figure 6) correspond with the distribution of allocations identified in Figures 4 and 5, in that building productive capacities had the most significant impact on trade development.

One of the key institutions which has contributed to the AFT process in the Caribbean is the Caribbean Aid for Trade and Regional Integration Trust Fund (CARTFund), financed by DFID and administered by the Caribbean Development Bank which is headquartered in Barbados. It was established in March 2009 with the stated objective of helping CARIFORUM countries “to generate momentum on the implementation of the Economic Partnership Agreement (EPA) signed between

Figure 5 Aid for Trade impact on trade development, as assessed by business support organizations



Source: 2013 Survey conducted by author with 12 CARICOM business support organizations.

Note: Figure 5 measures the number of business support organizations that provided assessment in each category.

the CARIFORUM States and the European Union, and of the CARICOM Single Market and Economy (CSME)"(CARICOM, 2011). The Fund's mandate embraces four key areas:

- supporting EPA implementation
- deepening CARICOM economic integration and Organisation of Eastern Caribbean States (OECS) sub-regional integration
- assisting potential beneficiaries of the Fund with project preparation, and
- sharing lessons from the projects and activities.

The CARTFund programme funded 18 projects in its first two years of operation. These projects were almost evenly distributed among regional organizations, government ministries and BSOs. An assessment of CARTFund (Gill, 2011) identified several key lessons and made a number of observations. The first area identified was the process aspect. The process design allowed for the use of consultants to improve the quality of pre-screened submissions, without which the rejection rate would have been much higher. It is on this basis that it is proposed that the CARTFund experience has revealed that skills in the preparation of project proposals are inadequate in the region, and that there would be considerable merit in building a compensatory mechanism into the overall design of funding arrangements to make the necessary adjustments to submissions in order to obtain high project approval rates. This is most probably the main lesson to be drawn. The experience of CARTFund also points to the need to undertake capacity-building in project preparation at various levels throughout the region (Gill, 2011).

The other key observations were that, while the project proposals were innovative in theme, the main challenge was that there was an absence of a strategic framework to link these AFT initiatives to wider national and regional development agendas. Weak donor coordination was the third key issue, which was considered problematic because of the potential for duplication of effort. Assessment of results is difficult because of the absence of an evidence-based framework which would provide clear benchmarks and targets for monitoring and evaluation. The final point made was the absence of applications from the private sector, even with efforts being directed at this target group (Gill, 2011).

This assessment is mirrored in other initiatives, for example, the Compete Caribbean programmes such as the business competition Caribbean Idea Marketplace and the Cluster Competitiveness Improvement Plan.¹¹ In short, the CARTFund experience shows the gaps in the AFT strategy that is being employed. Such gaps may stem from programmes characterized by:

- limited monitoring and evaluation practices to build an evidence-based framework for strategic planning
- weak institutional capacity among government agencies, BSOs and regional organizations
- limited sustainability of programmes beyond donor funding, and
- an absence of alignment with broader country and governmental development strategy.

This reinforces the need for effective AFT initiatives which can address the specific needs of small economies and a regional context. National BSOs can play an important role here within the AFT allocation and distribution system. However, given the challenge of scale, it is important for capacity to be built at the regional level through clusters and other sector-wide initiatives.

11.6 Conclusions

Based upon the above findings, one may discern that, from a macroeconomic perspective, a resilient, positive relationship does exist between CARICOM's AFT disbursement inflows and its total export values. However, the ability to directly attribute a causal nature to the link between the two variables necessitates the construction of a more robust evidence-based framework within the region. Further highlighted by regional stakeholders involved in the implementation of AFT projects was the absence of a strategic framework and impact assessment methodology to link these AFT initiatives to wider national and regional development agendas.

A key issue that needs to be considered when assessing the performance of AFT programmes is that many of the projects or initiatives to be examined fall under concepts such as “capacity development” or “trade facilitation”, which are broad and difficult to measure in terms of impact. More in-depth research would be required to offer a more definitive impact assessment. One such approach is an impact chain analysis (Maselli, Lys and Schmid, 2004) which captures micro data at several levels from input to output, utilization and impact/outcomes.

From a trade policy standpoint, one of the other key considerations is the distinction between “market access” and “market penetration”. While the former refers to a market opening, the latter speaks more specifically to market entry by exporting firms. The data available in the various reports and studies refer only to market access and so it is not possible to measure actual market penetration. This is a critical issue for developing countries since the real benefit is measured when there is market penetration.

An alternative that may prove useful is to focus on “processes” and “relationships” that facilitate capacity development and export development on the part of the developing country. In this regard, we would assess the appropriateness of the policy mix relative to the stated goals in the country reports. This would essentially involve an assessment of best practices and innovative practices and the development of key benchmarks and indicators. The main list of indicators used by the various agencies is categorized by issue area and does not allow for specific and measurable indicators that attach value to the impact potential of the various modalities of engagement. However, by using such indicators as a broad guide, impact analysis of AFT may be narrowed down to very specific areas in the recipient state. Finally, by utilizing a combination of both quantitative and qualitative analysis, similar analysis may be conducted for each beneficiary country. Such a case-by-case examination should incorporate the indicators outlined in this chapter, as well as adopting the techniques of an impact chain analysis, and involve the specific stakeholders involved in AFT projects within member states. It is hoped that, through the adoption of such targeted monitoring and evaluation practices, the impacts of trade-related aid may be better measured and, thus, more effective policy prescriptions derived towards CARICOM's export diversification and trade development.

Endnotes

1. See United Nations, Department of Economic and Social Affairs (2008).
2. Of the recorded US\$ 12.82 billion official development assistance inflows, 71 per cent for the 2002 to 2009 period went to Haiti (World Bank database, 2013).
3. See: World Bank, World Trade Indicators (www.worldbank.org).
4. EXPORTS OF ALL PRODUCTS = 7.59E + 59306714 Aft_Disbursements_j
5. A strong positive correlation is denoted by positive values closer to 1.
6. For the top five exported products of each of the 15 CARICOM countries.
7. The sign of the correlation coefficient (+, -) defines the direction of the relationship, either positive or negative. A positive correlation coefficient means that as the value of one variable increases, the value of the other variable increases; as one decreases the other decreases. A negative correlation coefficient indicates that as one variable increases, the other decreases, and vice-versa.
8. See World Bank, Logistics Performance Index (www.worldbank.org).
9. According to the CARICOM Secretariat, for example, the “presence of gantry cranes, navigational aids, regulatory frameworks and computerization serve to increase services time and overall costs” (CARICOM, 2013).
10. See: International Finance Corporation and the World Bank, *Doing Business* (<http://doingbusiness.org/>)
11. For further details, see: <http://www.competecaribbean.org>

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