

AID-FOR-TRADE CASE STORY

UNITED STATES

The Importance of Monitoring and Evaluation to Trade Capacity Building Program Effectiveness

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EXECUTIVE SUMMARY

USAID recently concluded an evaluation of its trade capacity building programs. Conducted by an independent evaluator, the study, “From Aid to Trade: Delivering Results: A Cross-Country Evaluation of USAID Trade Capacity Building” clearly finds that US TCB assistance since the launch of WTO negotiations in 2001 has had a positive impact in developing countries.

The purpose of the evaluation was to examine the results and impact of trade capacity building activities funded and implemented since 2002 by USAID and other U.S. government agencies for the purpose of learning from experience to improve the design and implementation of future TCB assistance. The evaluation also aimed to inform USAID and the Office of the U.S. Trade Representative in their efforts to develop an interagency strategy to systematically monitor results and evaluate the effectiveness of USG-wide TCB assistance. The evaluation was designed to address a range of questions about the impact of the U.S. trade capacity building programs and examined the extent to which USAID trade capacity building projects achieved their objectives, the factors that contributed to or impeded project success, and the means by which performance monitoring and evaluation can be improved.

The study defined TCB as “assistance to help countries negotiate and implement trade agreements and build the physical, human, and institutional capacity to benefit from trade and investment opportunities.” According to the study, while over twenty USG government departments and agencies contributed to TCB, USAID accounted for 45% of all TCB obligations over the evaluation period. It notes, however, that the USG’s Millennium Challenge Corporation (MCC), which began funding TCB assistance in 2005, has since surpassed USAID TCB investment levels.

The evaluation closely examined 256 USAID projects obligated between 2002 and 2006 with a total life-of-project value of \$1.5 billion. The evaluation considered three interrelated foci of TCB programming: 1) private sector, defined as firm/industry/sector export/import and investment attraction practices improved; 2) trade-related public sector practices improved; and 3) more efficient/cost-effective movement of traded goods across borders. The evaluation further divided private sector practices into three main clusters: agriculture, manufacturing, and services. Projects evaluated tracked with the WTO Committee on Trade and Development’s emphasis on projects most directly trade-related, i.e., “projects that would not have been funded in the absence of a trade rationale and identified as trade-related development priorities in the recipient country’s national development strategy.”

Regression analysis of the impact of USAID TCB investments carried out by a University of Pittsburgh research team in conjunction with this evaluation was highly positive. It showed that each US\$ 1 USAID invested

yielded a return of US\$ 42 in developing country exports two years later. It also showed stronger positive impacts on exports from countries where USAID works under the multi-donor “Integrated Framework Initiative,” thus making the case for close donor coordination and collaboration as a means of maximizing potential project impacts. Consistent with development assistance conventional wisdom, the evaluation also found that TCB projects that focused directly on women had above average ratings. Furthermore, it showed that TCB programs significantly impacted open markets, as demonstrated by lower tariffs and the number of duty-free lines in assisted countries and measured by the Heritage Foundation’s Trade Freedom Index. According to the evaluators, there is a direct and measurable impact of USAID TCB projects on such common economic growth indicators as jobs created, household incomes improved, and increased private sector revenues. It is not surprising, therefore, that the recently issued, first-ever Presidential Policy Directive or PPD highlights economic growth a “top priority” and gives special consideration to U.S. trade policy.

ISSUES ADDRESSED

The evaluation addresses six questions about the impact of the U.S. trade capacity building programs that examine the extent to which USAID trade capacity building projects have achieved their objectives, the factors that contribute to or impede project success, and the means by which performance monitoring and evaluation can be improved. The evaluation questions consisted of the following:

1. To what extent have USAID programs of this type contributed in a measurable way to improved trade capacity in the target countries?
2. What impact have USAID TCB projects had on the firms, individuals, associations, sectors, economies, and government agencies targeted by the interventions?
3. Which activities have been more successful in achieving their objectives, and what were the primary factors responsible for their relative success?
4. What combinations of activities or interventions were more successful and sustainable than others, and what were the primary synergies that contributed to that success?
5. To what extent have the interventions funded by USAID since 2002 succeeded in accomplishing the program’s objectives?
6. How can USAID integrate monitoring and evaluation into the design and implementation of TCB programs more systematically?

OBJECTIVES PURSUED

The objective of the evaluation study was to assess the overall impact and efficacy of US TCB assistance. TCB has long been a focus of USAID developing country assistance programming, since invigorated by the WTO’s Doha Development Agenda in 2001 and the WTO’s Aid for Trade initiative promoted at the Hong Kong Ministerial in December 2005.

Between 1999 and 2009, the U.S. government obligated over \$12 billion for TCB assistance to developing countries. The vast majority of these funds, or \$8.7 billion, were obligated between 2002 and 2008. During these years, the largest provider of TCB assistance was USAID, which accounted for 42 percent of U.S. trade capacity building obligations. Its level of investment in TCB programs was recently surpassed by the Millennium Challenge Corporation (MCC), which began funding TCB assistance in 2005. In addition to USAID and MCC, more than 20 other U.S. government departments and agencies contribute to this effort. In collaboration with other donors, the United States has given particular attention when programming its TCB funds to those countries participating in the multilateral Integrated Framework for Trade-Related Technical

Assistance to Least Developed Countries, initiated in 1997

As one of the largest TCB donors, with its Aid for Trade commitment for 2007 representing 29% of total commitments of the OECD DAC members and 18% of worldwide funding for TCB, the United States' experience with TCB can serve to inform and guide its future TCB activities as well as those undertaken globally by its development partners.

PROBLEMS ENCOUNTERED

As a retrospective evaluation spanning a total ten-year period, the single most significant problem encountered by the evaluators was in obtaining TCB project-related documentation. A secondary problem mentioned in the report was the absence of impartial, independent evaluation documentation. This resulted in the evaluator's nearly sole reliance on internal USAID impact assessments, albeit based on objectively verifiable indicators and data quality assessments conducted by USAID. It also relied heavily on USAID's TCB Database, which records obligations (as opposed to expenditures). TCB categories utilized for the evaluation often overlapped, thus making it difficult, for example, to distinguish trade export promotion from business development service delivery and training or on trade related agricultural development. While the evaluation faced these challenges, none appear to have been significant enough to introduce major distortions in the study's findings and conclusions.

FACTORS FOR SUCCESS/FAILURE

A centrifugal success of the evaluation was the regression analysis carried out by a University of Pittsburg research team, in addition to Phase III "stakeholder consultations," which sought to verify evaluation findings and obtain additional information that would substantiate the evaluation's results.

RESULTS ACHIEVED

The evaluation provides a variety of findings and conclusion, all of which should serve to inform future TCB activities. The evaluation will also be an important reference document for TCB practitioners for the foreseeable future as it highlights the importance of monitoring and evaluation as essential tools for refining and improving TCB program content and approaches. It should motivate improvements in document record keeping, as well as project design efforts, especially in terms of better defining specific project goals and sub-goals.

LESSONS LEARNED

The evaluation presents a range of findings related to TCB interventions. Most fundamentally, the report confirms that USAID TCB projects have a positive effect on developing country exports as well as discernable employment and income impacts on individuals and families. The evaluation also found that TCB interventions did not appear to impact FDI, export diversification, or export concentration at the national level in assisted countries. Not surprisingly world prices and economic growth rates and domestic economic and business policies are critical factors known to significantly influence developing country export performance

The regression analysis done as a part of the study finds a statistically significant relationship between USAID TCB obligations and developing country exports. On a predictive basis, the analysis indicates that each additional \$1 invested by USAID is associated with a \$42 increase in the value of developing country exports two years later.

TCB projects that combined assistance modalities (technical assistance, training, equipment) and those that combined efforts to expand exporting with policy improvements were synergistic in ways that raised project success scores, but this was not true for projects that focused on exports from multiple sectors.

CONCLUSION

This evaluation affirms the value of evaluation to program and project effectiveness. It points to a number of key findings and concludes that USG and particularly USAID- funded TCB projects have had dramatic and measurable trade-related impacts, derived from technical assistance, either alone or in conjunction with training, rather than studies, training, study tours, commodities and other such modalities alone. It confirms USG TCB program consistency with the Doha Ministerial Declaration, as well as USAID's 2003 strategy paper Building Trade Capacity in the Developing World. It highlights the importance of other factors, such as trade agreements and microeconomic reforms, such as those captured by the World Bank's "doing business" survey, to project successes. Not surprisingly, it noted the role world economic trends played in country export earnings. It highlighted the predominance of merchandise vs. service sector exports, particularly in agriculture, and the significance of value chain and cluster approaches to achieving results. These and other findings demonstrate the importance of monitoring and evaluation as a means of continually refining project methodologies and approaches to maximize impact. Given the depth and breadth of the evaluation, and the wealth of information generated, the evaluation report should serve as required reading for TCB practitioners and project designers as they consider the myriad factors the evaluation identifies as contributing to TCB successes.

REFERENCES

- 1) From Aid to Trade: Delivering Results: A Cross-Country Evaluation of USAID Trade Capacity Building produced for USAID by Management Systems International.
- 2) Has Aid for Trade Increased Recipient Exports? The Impact of US Aft Allocations 1999-2008 by David H. Bearce, Steven E. Finkel, Anibal S. Perez-Linan, Juan Rodriguez-Zepeda, and Lena Surzhko.