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The challenges to good evaluation of aid for trade

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A. The context of the dialogue

Aid for trade brings together - for the first time - officials and experts in trade policy and those working in aid agencies. As in any dialogue across professional borders, a common language has had to be found.

Early aid for trade meetings focused on political leaders and high-level international managers. This was to rally international support for aid for trade. Now experts are taken to task.

For an evaluator, two demands are in order to guide this dialogue:

- The dialogue is both about domestic reform priorities and about the contribution of aid. Both are important but should not be confused.
- When evaluating and monitor projects, aid volume is only the beginning. The key to good cooperation is that projects focus on the right priorities and are efficient in achieving them.

B. Trade development priorities versus trade projects

Project evaluation makes sure best practice was followed, expected results were met, and project services were delivered efficiently. This information helps developing countries and aid agencies to design projects with better results and higher value for money. The evaluation might also reveal that a project was not excessively relevant for the project country but it can not give advice on projects which might have been more urgent or should have been implemented in parallel, to strengthen impact. This is why in aid for trade, planning and strategies have become so important to select the best projects and sequence investments and capacity building. Of course, these strategies also have to be evaluated to improve the strategic tools for trade development.

Trade development priorities versus trade projects (continued)

Examples of planning, often with support from cooperation agencies, are trade sector studies (e.g. the DTIS in the Integrated Framework) and, more generally, poverty reduction strategies. Yet, strategies and planning studies should be given much more importance:

- Why have so few **service sector strategies** been developed in low-income countries? Service development is critical for the diversification into manufacturing and modern services, they should be a must for land-locked countries with high trade costs. An added benefit is that they would help low-income countries to better defend their interests in WTO and to include services in regional trade agreements.
- The same is true for **agricultural policy and investment studies** through which low-income countries could a) reach an internal consensus on the right mix of export promotion, incentives for agro-processing and food security; b) sequence public investments and give incentives to private investment, and c) determine coherent import and safeguard policies.

C. The scope of aid for trade

Besides trade-related capacity-building, the WTO Task Force definition of aid for trade includes supply expansion, economic infrastructure and policy adjustment. If interpreted broadly, this definition covers a majority of aid flows to most low-income countries and in particular areas like business climate and SME support, economic policies and economic infrastructure. Excluded areas are social sectors and governance.

This presents a practical problem: Should the aid for trade community be concerned with and monitor the bulk of aid?

For the purpose of evaluation, these supply side areas (except for adjustment operations) are easy to handle. In most cases, planning and project guidance is well developed (best practice is available), and evaluations are often adequate.

The scope of aid for trade (continued)

This is why the scope could be restricted to seven functional categories to discuss evaluation issues:

- **trade development and export promotion**
- **capacity-building of governments in trade policy** (e.g. trade or service sector strategies but also training programs for negotiators)
- **advocacy and aid alignment** e.g. capacity-building of business associations and public-private partnerships for trade sector reforms
- **capacity-building for technical trade agencies** (e.g. intellectual property, TBT/SPS standards but also private label organizations)
- **trade facilitation and trade logistics**
- **infrastructure** which is directly border-related, and
- **structural adjustment programs** which have trade policy as their cause (e.g. preference erosion) or focus on trade policy or trade institutions in the negotiated policy program

D. Challenges in trade project evaluation

To be useful in monitoring, project information has to go beyond committed or disbursed amounts and goals pursued. It should cover project performance (efficiency, effectiveness, sustainability). **Why?**

- The track record, as far as it is known through evaluations, is not very convincing for some categories of aid for trade (see for instance a DAC summary of thematic evaluations 2006).
- Project practice has not been consolidated in some areas. Example: Customs reform in Mozambique cost USD 40 to 50 million but only maybe USD 15 million in Ghana (a single electronic window, no use of aid money). New projects, to have a good chance to succeed, should take into account what has worked in other countries, particularly in those which are similar in their development outlook. This is the best way to make trade reforms and associated cooperation projects succeed and establish best practice. It also gives legitimacy to a stronger focus of cooperation agencies on aid for trade.

Challenges in trade project evaluation (continued)

Project evaluation cannot be replaced by countries' self-assessment (OECD/WTO questionnaire October 2008). Self-assessments are very important to sharpen trade development priorities and allocate aid resources accordingly. But they will not improve the quality of specific trade processes and projects. The same is true for indicators on the efficiency of service delivery obtained through surveys e.g. the World Bank's Logistics Performance Index.

Several obstacles impede adequate project evaluation. They will be commented in the next slides:

- not enough trade projects are evaluated
- best practice has not been defined
- the evaluation cost is very high
- some projects cannot be properly evaluated

E. Not enough trade projects are evaluated

Only few cooperation agencies have evaluated all or at least a good sample of aid for trade projects mid-term (process evaluation) and ex-post. Often evaluations are not independent but done in-house (e.g. World Bank completion reports). That is fine if adequate controls exist to avoid bias and in-house studies do not replace independent evaluation in critical cases. Project evaluation in low-income countries is at its beginnings. Finally, often evaluations are not made available for public scrutiny.

A monitoring system of aid for trade, to be useful, will depend on result and process indicators which are extracted from at least a representative sample of evaluation reports and are communicated to DAC together with the basic project data. Monitoring, to be useful, has to become a collective learning process on how to optimize the trade contribution to development.

F. Best practice has not been defined

In quite a few countries, consultation mechanisms have been created To advise and pressure governments on pending reforms and to Monitor their implementation: Customs committees, trade corridor clusters, national export councils, private or trade sector groups. Enterprises and service providers, and other public and private groups are represented, including donors when capacity-building is concerned.

Often, external support to the secretariats of such partnerships is crucial to finance studies and professional advice that help in informing the discussions and reform proposals.

There is only intuitive evidence on conditions for success of these partnerships and on the best ways to give them technical support. A first technical guide in a related field, business climate, was published recently (PPD Handbook, December 2006).

G. The evaluation cost may be very high

Of the seven types of aid for trade mentioned, five concern capacity-building comprising mainly of different forms of training and advice. Projects are successful if trade institutions and their staff perform better and this leads to lower transaction costs for users and traders. Institutional improvements can usually be traced through performance and success indicators but the same is not true for training and advice. On the spot evaluations by participants and trainers are usually biased. Would other training paths have yielded better results? If staff performance improves after training, it is difficult to tell why, since several other reasons than training might be responsible.

The evaluation cost may be very high (continued)

If one wants to know for sure, tracer studies are necessary. This means interviewing ex-participants, and their employers and peers quite some time after training ends. Typical work products of the ex-participants should be compared with work before training.

The cost of such tracer studies is high, often in no proportion to training costs. But then, training methods have been tested in many different job environments around the world. Good practices are quite well known. Instead of looking for results, it is often more practical to find out whether these good training standards were applied in the case in point.

H. Some projects cannot be properly evaluated

A special case are adjustment programs which focus on trade policy or trade institutions. It is possible to find out whether policy and institutional changes, that are part of the program, have been made. But it is difficult to tell whether the donor's support in preparing these changes or the funding provided as a parallel action were instrumental for the reforms. Maybe the funding had not much to do with the government's decisions and maybe technical support by the donor was not adequate but successful reforms were adopted anyway. Thus we are faced with a typical attribution problem.

I. A general conclusion

The main point is that we should conduct our discussions and future work at two levels:

- We should consider each developing country's achievements in trade sector reforms and improve together the tools to set reform priorities.
- We should also consider the contribution of aid to these reforms and learn from evaluation to make this support more efficient and effective.