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**HOW TO EVALUATE AID FOR TRADE?
A SCOPING NOTE**

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This scoping note is distributed to the joint meeting of the DAC and Working Party of the Trade Committee for COMMENTS under item 3 of the agenda [COM/DCD/TAD/A(2009)3/PROV]

This scoping paper examines the background for evaluating aid for trade, discusses what donors and agencies are currently doing and considers what should be expected from evaluations of aid for trade.

The objective of this note is to start a discussion among OECD members, multilateral and bilateral institutions on how to best evaluate aid for trade.

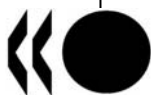
Contact:

William Hynes - Tel: +33 (0)1 45 24 15 68 - Email: william.hynes@oecd.org

Jean-Jacques Hallaert - Tel: +33 (0)1 45 24 13 82 - Email: jean-jacques.hallaert@oecd.org

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TABLE OF CONTENTS

EXECUTIVE SUMMARY	3
HOW TO EVALUATE AID FOR TRADE? A SCOPING NOTE.....	4
1. Introduction	4
2. Background for the evaluation of aid for trade.....	4
2.1 What to evaluate?.....	5
2.2 What methodologies are used?	5
2.3 Earlier OECD work on evaluating aid for trade	6
3. Current practices.....	7
3.1 Donor experiences	7
3.2 Levels of evaluation.....	10
4. What results to expect from aid-for-trade evaluations?.....	11
5. Some preliminary suggestions.....	12
6. Next Steps.....	13
7. Issues for discussion.....	13
BIBLIOGRAPHY	14
ANNEX 1	15

Boxes

Box 1. DAC Principles for Evaluation of Development Assistance	8
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EXECUTIVE SUMMARY

The Aid for Trade Initiative has been successful in raising the profile of trade as a development tool. Partner countries have been mainstreaming trade in their development strategies. Donors have responded by mobilising additional resources for aid for trade. But continued success requires the assessment of aid-for-trade outcomes and impacts in terms of trade capacities, poverty reduction and environmental sustainability.

In approaching the evaluation of their aid-for-trade programmes and projects, donors have varying definitions, objectives, approaches and resources. Consequently, a discussion concerning the conceptual challenges, in particular the linkages in the results chains, the attribution problem, the sequencing of different programmes and projects would bring greater operational clarity.

This work stream intends to provide a forum for OECD members to discuss where gaps remain and ways in which they can be overcome. This scoping paper examines the background for evaluating aid for trade, what donors and agencies are currently doing and discusses what should be expected from evaluations of aid for trade. This note is a basis for this discussion rather than providing answers. It asks questions such as what we are trying to achieve. Where are we now? Where do we want to go and how do we get there?

Working closely with Members, multilateral and regional agencies as well as the DAC Network on Evaluation this work stream aims to provide guidance on linking generic monitoring and evaluation guidelines to evaluating the outcomes and impacts of aid-for-trade policies, strategies, programmes and projects.

HOW TO EVALUATE AID FOR TRADE? A SCOPING NOTE

1. Introduction

1. Since the WTO Task Force on Aid for Trade met in the summer of 2006 there have been repeated calls for “rigorous aid for trade programme evaluation”. The Task Force outlined the potential objectives of evaluation which included the building of knowledge and facilitating a results-based approach to delivery. The Task Force recommended that increased evaluation of aid for trade should be promoted and funded; developing appropriate methods of evaluating aid-for-trade at programming and policy levels. In particular, the aid-for trade policy communities should answer the question of how to address the specificities of evaluating aid-for-trade activities, as opposed to other development programmes.

2. The donor community has been scaling up its aid-for-trade activities and a discussion has started on how to measure the outcomes and impacts of these efforts.¹ WTO Director-General Lamy at the Second Global Aid for Trade Review outlined future work on evaluation of aid for trade as follows: “*Aid for trade should develop as a community of best practice. A first step in this direction is to inventory what is out there. The second is to look at common frameworks. We need to ensure also that we are not just measuring inputs and outputs, but tangible outcomes.*”²

3. This note is a basis for discussion on how to evaluate aid for trade. It is structured as follows:

- Section 2 provides the background for the evaluation of aid for trade. It discusses the aid for trade definition, objectives and coverage of activities, as well as previous work from OECD and others on evaluating aid for trade;
- Section 3 discusses what donors are doing now and how they have evaluated trade-related assistance in the past;
- Section 4 examines what results should be expected from aid-for-trade evaluations;
- Section 5 provide some preliminary suggestions for evaluating aid for trade;
- Section 6 sets out next steps; and
- Section 7 highlights issues for discussion

2. Background for the evaluation of aid for trade

4. Before a discussion on the evaluation of aid for trade can proceed, it is first necessary to clarify what we are trying to evaluate. Consensus on an aid-for-trade definition is elusive and there are questions

¹ According to DAC definitions; Outcomes are “the likely or achieved short-term and medium-term effects of an intervention’s outputs.” Impacts are the “the positive and negative primary and secondary long-term effects – intended and unintended – produced directly or indirectly by a development intervention. For more on this see COM/DCD/TAD(2009)4

² Press Release for Pascal Lamy, “We must keep the foot on the gas on Aid for Trade” Second Global Review of Aid for Trade 6-7 July 2009 (http://www.wto.org/english/news_e/news09_e/aid_07jul09_e.htm).

as to what aid for trade should cover. Methodologies for evaluation are also discussed before reviewing previous OECD work in this area.

2.1 *What to evaluate?*

5. Starting an aid-for-trade evaluation - or any other evaluation for that matter - requires a common understanding of what the aid-for-trade programmes and projects are expected to deliver. In particular, what are the goals, specific objectives and key results? Evaluative research must begin by probing the problem that a policy or project is addressing. Objectives at the project level need to be clearly defined. Data needs and gaps should be determined to enable evidence-based evaluation (Ravallion, 2008). Evaluation has to be based on a firm definition (see below) and clear objectives (see Section 4). However, there is no consensus of what aid for trade constitutes exactly.

6. The Task Force outlined the set of activities which are encompassed by the aid-for-trade agenda. There are six categories of aid for trade: (i) trade policy and regulation, (ii) trade development, (iii) trade-related infrastructure, (iv) building productive capacity, (v) trade-related adjustment, and (vi) other trade-related needs. These six categories are broad. But even within each category there can be great diversity in programme types (as well as feasible evaluation approaches and metrics) (OECD, 2007). Some donors adopt a narrow definition (trade policy and regulation and trade development only) while for others it is a broader subset of activities identified by the Task Force.

7. Basing the monitoring of aid for trade on the OECD Creditor Reporting System implies counting all aid funded investments in transport, energy, and telecommunications as trade related. However, such investments will have or could have outcomes that are not primarily trade related. This raises a question on how to evaluate these programmes and projects which are not primarily trade-related but are part of the scope of the broader aid-for-trade agenda.

8. Furthermore, for the multilateral and regional development banks, some of their assistance is in the form of non-concessional lending or low concessional financing - investments in the tradable sector and trade finance - which has a development impact but is not counted as aid for trade (World Bank, 2009:8). Nevertheless, these Other Official Flows (OOF), particularly in the area of trade development and infrastructure projects, do build capacities. This would support the case for their incorporation in the evaluation of aid for trade. (In acknowledgement of their growing importance, the next joint OECD/WTO publication *Aid for Trade at a Glance* will analyse OOF in more detail).

9. In addition, some donors channel their aid through multilateral agencies. The Multilateral Organisations Performance Assessment Network (MOPAN) is a group of fifteen donor countries with a common interest in monitoring multilateral effectiveness. This Network seems to offer the appropriate forum for donors to cooperate on joint monitoring and evaluation of aid-for-trade projects and programmes undertaken by multilateral agencies.³

2.2 *What methodologies are used?*

10. There are many different possible types of evaluation, with both qualitative and quantitative dimensions. Every evaluation involves trade-offs. Approaches need to be robust enough to be meaningful but remain flexible enough to be suitable for local needs, and relatively straightforward to execute. The simplest comparison is to examine an indicator and see how it changes after an intervention. This is a

³ For more on MOPAN see: <http://www.dfid.gov.uk/Global-Issues/Working-to-make-Global-Aid-more-effective/Multilateral-effectiveness/The-Multilateral-Organizations-Performance-Assessment-Network-MOPAN/>

single difference comparison and is the most commonly found approach.⁴ However this would be extremely difficult to introduce to aid for trade, as there is no appropriate control group and interventions can have very different effects in their specific contexts.

11. The Millennium Challenge Corporation (MCC) has adopted the following criteria for choosing evaluations: i) the need for information, ii) the learning potential from the evaluation; and iii) the cost and feasibility of implementing the impact evaluations (IE). MCC uses IEs⁵ which they instituted in response to the recognition that there were too few independent and rigorous evaluations (MCC, 2008:13). Ravallion (2008) outlined a number of steps in making impact evaluations more relevant, some of which appear especially important for evaluating aid for trade. Evaluators need to take a comprehensive approach to the sources of bias, make greater efforts to measure spill-over effects, fully explore impact heterogeneity, understand what determines impact, and develop capabilities for evaluation within developing countries.

12. The World Bank Independent Evaluation Group found that evaluation departments do a wide range of evaluations, many of which tackle impact through deductive means.⁶ There are a number of constraints for using IEs, which will affect some donors more than others, based on their relative resources and expertise. MCC notes that evaluations can be very costly.⁷ They also suggest that the findings of midterm reviews and evaluations may require modifications to the implementation plan which are unacceptable. There are also some programmes that are so idiosyncratic that conducting an evaluation would not generate useful information for future programmes. As noted before, for some aid for trade programme designs and sectors it is not possible to identify a reasonable control group.

13. Impact assessment is hindered by a lack of clarity in targets and data, on which there is currently a significant data gap in many areas including trade. In evaluating aid for trade the focus cannot only be on micro interventions through aid-for-trade 'projects' but must also consider the broader policy considerations, which are equally, if not more, important.⁸ When it comes to trade, economy-wide macro reforms and actions can be the real drivers of change rather than just micro interventions and projects.

2.3 Earlier OECD work on evaluating aid for trade

14. Early OECD efforts on monitoring and evaluating aid for trade focused on creating a monitoring mechanism based on donor and partner country self-assessments and aid-for-trade flows - a spotlight on what is happening, what is not and where improvements are needed. Further efforts sought to clarify the challenges of evaluating aid for trade. Together, they have provided a useful grounding for next steps in the work.

15. For instance, OECD (2006b) highlighted what selected evaluations on trade-related assistance tell us. The most widely cited positive outcomes of trade-related donor assistance include improved

⁴ Howard White Presentation at OECD 'Current Practices on Impact Evaluations Available here: www.oecd.org/dataoecd/27/54/37634269.ppt

⁵ The focus of impact evaluation is on counterfactual analysis and outcomes

⁶ Howard White Presentation at OECD 'Current Practices on Impact Evaluations Available here: www.oecd.org/dataoecd/27/54/37634269.ppt

⁷ They cite an example of a rigorous study of a five year agricultural training programme which might cost several million dollars, funds that might otherwise be used to train more farmers.

⁸ Bernard Hoekman remarks at ILEAP meeting on aid for trade held at Oxford, April 2008: http://www.ileap-jeicp.org/downloads/oxford_08/meeting-report.pdf

understanding of the potential contribution trade can make to development, increased awareness and knowledge of trade policy issues (including WTO-related) and strengthened national dialogue.

16. Furthermore, in 2007 the joint meeting of the DAC and the WPTC discussed possible options for evaluating aid for trade: (i) reviewing evaluations undertaken on different facets of aid for trade; (ii) mapping knowledge gaps, and identifying an agenda of evaluative research of policy relevance; and (iii) cross-country econometric analysis (OECD, 2007). In addition, subsequent efforts were made to outline the why, how and what of evaluation of aid for trade (OECD, 2008).

17. Finally, evaluation was discussed at the OECD policy dialogue on aid for trade held in November 2008.⁹ Several participants called for a common, comprehensive framework to assess aid-for-trade projects along with tools for evaluation. Concerns were expressed about the potential burdens placed on developing countries by current and potential future evaluation procedures for aid-for-trade projects which reinforced the need for a common framework developed in full consultation with recipient nations. The policy dialogue suggested meta-evaluations¹⁰ of trade-related evaluative information and guidance on the assessment of country capacity to implement results-based management in aid for trade.

3. Current practices

18. This section provides an overview of what donors are currently doing in evaluating aid for trade, the guidelines and approaches they use and the different levels of evaluations. It also highlights some of the challenges they are experiencing.

3.1 Donor experiences

19. An inventory of evaluations of trade-related activities exists at OECD on the DAC Evaluation Resource Centre (DEReC) database.¹¹ This is a resource which allows users to quickly and easily access and learn from a wide array of key evaluation publications including those related to trade and infrastructure. It is an existing source of knowledge and data (much like the CRS). However, it has been underutilised by the aid-for-trade community and discussions will take place with the evaluation network at OECD to make it more accessible.¹²

20. Very few aid for trade specific evaluations have been undertaken to date. This is likely a product of a lack of sector-specific approaches and procedures but also due to the fact that the initiative has only recently emerged as a distinct category of development co-operation. However evaluations of trade-related assistance and other activities under the categories now covered by aid for trade have been undertaken.

⁹ Rapporteur's Report for the OECD Policy Dialogue on Aid for Trade held in Paris on 3-4 November. Available at: <http://www.oecd.org/dataoecd/33/28/41967394.pdf>

¹⁰ The term meta-evaluation denotes evaluations that are designed to aggregate findings from a series of evaluations of smaller interventions. (UNDP (2006) "Generic guidelines for Meta-Evaluations")

¹¹ DEReC is designed as a one-stop-shop for use by partners, development agencies, civil society, researchers, students and the interested public to quickly and easily find access and learn from a wide array of key evaluation publications. DEReC continues to grow substantially, reaching an ever wider community. Each year the Network's 30 bilateral and multilateral members contribute hundreds of new reports. It can be searched by country or by sector. The database is available here: http://www.oecd.org/document/56/0,3343,en_2649_34665_42835064_1_1_1_37413.00.html

¹² Aid for trade was the subject of the DEReC Frontpage series in July 2009, to boost the profile of evaluations of trade-related assistance within the evaluation and wider development community.

21. Different donors will have varying definitions, objectives, approaches and resources. Evaluations of trade-related assistance typically involve desk studies, field interviews and a mix of qualitative and quantitative measures. Some donors have specific databases for quantitative analysis while others rely on questionnaires (OECD, 2006b:20). Most donors have guidelines for their evaluation work, and continually revise them. For instance, Japan has examined and revised its evaluation guidelines three times. Currently, the 5th version of the evaluation guidelines is being drafted. Japan regularly reviews and upgrades its capacity and methodologies for evaluating development co-operation projects, including in the area of aid for trade.¹³

22. Many evaluation guidelines are based on DAC Principles (See Box 1). The Aid for Trade Donor Questionnaires revealed that 86% of donors monitor and evaluate their aid-for-trade programmes in accordance with generic evaluation guidelines. Few donors or agencies use specific guidelines for themes and sectors falling under aid for trade. Most donors and agencies evaluate their aid-for-trade programmes as part of more general efforts to evaluate their ODA through structured and regular evaluation exercises.

Box 1. DAC Principles for Evaluation of Development Assistance¹⁴

When evaluating programmes and projects it is useful to consider the following DAC Criteria, as laid out in the DAC Principles for Evaluation of Development Assistance:

Relevance: The extent to which the aid activity is suited to the priorities and policies of the target group, recipient and donor. In evaluating the relevance of a programme or a project, it is useful to consider the following questions:

- To what extent are the objectives of the programme still valid?
- Are the activities and outputs of the programme consistent with the overall goal and the attainment of its objectives?
- Are the activities and outputs of the programme consistent with the intended impacts and effects?

Effectiveness: A measure of the extent to which an aid activity attains its objectives. In evaluating the effectiveness of a programme or a project, it is useful to consider the following questions:

- To what extent were the objectives achieved / are likely to be achieved?
- What were the major factors influencing the achievement or non-achievement of the objectives?

Efficiency: Efficiency measures the outputs -- qualitative and quantitative -- in relation to the inputs. It is an economic term which signifies that the aid uses the least costly resources possible in order to achieve the desired results. This generally requires comparing alternative approaches to achieving the same outputs, to see whether the most efficient process has been adopted.

When evaluating the efficiency of a programme / project, it is useful to consider the following questions:

- Were activities cost-efficient?
- Were objectives achieved on time?
- Was the programme or project implemented in the most efficient way compared to alternatives?

Impact: The positive and negative changes produced by a development intervention, directly or indirectly, intended or unintended. This involves the main impacts and effects resulting from the activity on the local

¹³ Japan response to OECD/WTO Donor Questionnaire on Aid for Trade 2008
<http://www.oecd.org/dataoecd/43/43/43149672.pdf>

¹⁴ The *DAC Principles for the Evaluation of Development Assistance*, OECD (1991) and the *Glossary of Evaluation and Results Based Management (RBM) Terms*, OECD (2000).

social, economic, environmental and other development indicators. The examination should be concerned with both intended and unintended results and must also include the positive and negative impact of external factors, such as changes in terms of trade and financial conditions. When evaluating the impact of a programme or a project, it is useful to consider the following questions:

- What has happened as a result of the programme or project?
- What real difference has the activity made to the beneficiaries?
- How many people have been affected?

Sustainability: Sustainability is concerned with measuring whether the benefits of an activity are likely to continue after donor funding has been withdrawn. Projects need to be environmentally as well as financially sustainable. When evaluating the sustainability of a programme or a project, it is useful to consider the following questions:

- To what extent did the benefits of a programme or project continue after donor funding ceased?
- What were the major factors which influenced the achievement or non-achievement of sustainability of the programme or project?

23. Many donors are strengthening their evaluation frameworks for aid for trade. As part of the ongoing evaluation of its trade capacity-building programme, France has launched a study of ways to improve the quality of different aid-for-trade activity evaluations. Finland and Sweden plan to strengthen their monitoring and evaluation systems by developing specific indicators. Germany is looking at ways to design a mechanism, including impact chains and indicators, for monitoring the implementation of the Economic Partnership Agreements and plans to pilot the mechanism in an ACP country. Ireland and Spain will review their monitoring and evaluation frameworks in the context of their new strategies (OECD 2009:78).

24. USAID is in the middle of a project to determine the most efficient and effective way to evaluate trade capacity building projects and the trade elements of other projects. Their sample started with more than 5000 individual projects. USAID is also in the process of implementing a Cluster Evaluation Methodology in order to develop a simple and effective aid for trade evaluation framework. This provides a useful set of complementary approaches to evaluation. The primary goals of cluster evaluations include:

- Determining how well the collective cluster of projects has succeeded in achieving the funding objectives (objectives-oriented evaluation);
- Translating individual project findings into broad recommendations about the programme/area under which the cluster is funded (utilitarian evaluation); and
- Developing consensus among a group of practitioners and stakeholders about what works (participatory evaluation)¹⁵

25. The European Commission (EC) undertakes evaluations during mid-term and end of programmes where appropriate. The evaluations are “tailored to the context and type of aid-for-trade operation”. EC’s programme monitoring focuses on output and possibly outcomes, but it “does not consider it realistic to monitor trade impacts of specific aid programmes because of the important number of external factors influencing trade.”¹⁶

¹⁵ US response to OECD/WTO Donor Questionnaire on Aid for Trade 2008
<http://www.oecd.org/dataoecd/45/8/43155597.pdf>

¹⁶ EC response to OECD/WTO Donor Questionnaire on Aid for Trade 2008
<http://www.oecd.org/dataoecd/2/52/43039136.pdf>

26. As noted by the Swedish International Development Co-operation Agency (SIDA) and others, generally evaluators find it difficult to measure impact, especially in the long run. SIDA's trade-related support appeared to be well implemented in terms of delivering inputs and producing planned outputs. However, it was not possible to draw firm conclusions on outcomes and impacts further down the results chain. *"This does not necessarily mean that the programmes have been unsuccessful. The problem is a methodological one."* At project and programme level it is usually not possible to attribute higher level outcomes and impacts to Swedish contributions, and the evaluators argue that trying to do so would not be a meaningful exercise in most cases (SIDA 2009: 1).

27. The World Bank evaluates its aid-for-trade projects in a similar way to other Bank projects with regular supervision reports and a final report on project outcomes and development impacts. The Bank's Quality Assurance Group (QAG) reviews a sample of lending projects for quality at entry and quality of supervision. Programmes on analytical and advisory services are assessed for relevance, quality of the analysis, and likely impact. Following a thorough review of project and programme documents as part of desk reviews, and interviews (both headquarter and field based), the QAG panel assesses quality against agreed criteria on a six point scale from Highly Satisfactory to Highly Unsatisfactory. Furthermore, after completion, projects/programmes are randomly selected by the Independent Evaluation Group (IEG) for in-depth evaluation.¹⁷

3.2 *Levels of evaluation*

28. There are many different levels on which evaluations can be carried out. For instance Japan carries out evaluations at various levels (policy, programme, sectoral, and project-levels) using various methodologies, targeting wide-ranging ODA issues including aid for trade. Aid-for-trade outcomes can be considered at the country and regional levels. The European Commission carries out specific evaluations of cooperation by country and by region; regional evaluations have a specific focus on regional integration.¹⁸ DfID is currently examining ways of evaluating its overall aid-for-trade strategy.¹⁹ In addition portfolio and product level evaluations have yielded useful information.

- *Portfolio Level:* The World Bank (2006) evaluated its support for trade, which amounted to \$38bn in 117 countries over the period 1987-2004, The IEG found that, on the whole, the Bank was too optimistic about trade's ultimate benefits. "The Bank was effective in helping developing countries liberalise trade regimes, but trade initiatives were less successful in generating a dynamic and sustained export growth path" (and diversification). *The Bank underestimated the need for complementary policies.* The report recommended that trade reforms needed to be combined better with complementary policies, investments and institution building measures.
- *Product Level:* Brenton and Von Uexkull (2009) look at the impact of product-specific export development programmes. By focusing on programmes targeted to a specific product, it has a measurable outcome variable: export of that product. They examine a number of cases and find that exports had increased under export development programmes.

¹⁷ World Bank response to OECD/WTO Donor Questionnaire on Aid for Trade 2008
<http://www.oecd.org/dataoecd/2/5/43040300.pdf>

¹⁸ EC response to OECD/WTO Donor Questionnaire on Aid for Trade 2008
<http://www.oecd.org/dataoecd/2/52/43039136.pdf>

¹⁹ To ensure effective implementation of its new aid-for-trade strategy, the United Kingdom monitors progress on an annual basis, and will conduct evaluations at mid-term (2010) and at final year (2013).

- *Country studies*: Joint evaluations of all trade-related assistance programmes in a country with attempts to determine if joint efforts are leading to impacts at the macro level. The UN Evaluation Group is currently evaluating the impact of country level joint programming in eight pilot countries under the UN Inter-agency Trade and Productive Capacity Cluster (OECD 2009:77).

4. What results to expect from aid-for-trade evaluations?

29. The purpose of evaluation is to increase accountability and to learn from project implementation - establishing what works, under what circumstances and why. Evaluation also helps us understand what has not worked and where improvements can be made. In holding all parties to account, it provides incentives for donors and partners to deliver on their commitments and to ensure that aid is effectively delivered and employed to achieve the maximum development gains. Beyond providing scrutiny, evaluation should have a learning goal. However, findings may often be a function of their context and so will not always be generalisable. Consequently, findings should be interpreted with care. An important question emerging is how do we learn from evaluating aid-for-trade programmes across countries?

30. As noted, the WTO Task Force outlined multiple goals for aid for trade including: increasing trade, diversifying exports, maximising the linkages with the rest of the economy, increasing adjustment capacities, regional integration, as well as contributing to inclusive growth and poverty reduction. However there can be constraints which prevent programmes contributing to trade growth. Thus, outcomes are a function of aid-for-trade projects and programmes but also of flanking policies. Such ‘behind the border’ issues can constrain trade growth and diminish its impact on overall economic growth. While measuring the impacts of projects is an important goal, their effectiveness depends critically on the overall investment climate and the determination of political leaders to promote trade (World Bank, 2009).

31. Attribution is problematic in many evaluation efforts, *e.g.* budget support, where particularly at outcome and impact levels, effects are “difficult to disentangle from other influences (including the influences of other aid flows).”²⁰ While monitoring inputs and outputs is straightforward, it will be hard to identify outcomes attributable to aid for trade.

32. Clemens, Radelet, and Bhavnani (2004) argue that it is inappropriate to conflate all forms of aid and expect an impact on growth over a relatively short period of time. They do however distinguish three types of aid which might have different correlations with growth:

1. emergency and humanitarian aid, likely to be negatively correlated with growth in many cases because of the effects of conflict;
2. aid that affects growth only over a long period of time, if at all, such as aid to support democracy, the environment, health, or education; and,
3. aid that plausibly could stimulate growth in four years, including budget and balance of payments support, investments in infrastructure, and aid for productive sectors such as agriculture and industry.

33. They find that aid in their third category is associated with higher growth. Elliot (2007) makes the point that the third category overlaps extensively with what the broad definition of aid for trade

²⁰ Dom, Catherine (2007) “What are the effects of General Budget Support: The Joint Evaluation of General Budget Support 1994-2004” <http://www.oecd.org/dataoecd/14/35/38339258.pdf>

includes. Aid for trade is different from many other forms of development assistance because it targets productive (tradable) sectors, the development of which can contribute to increased economic growth in the short to medium run (a few years). While this may be true of some parts of aid for trade, other elements have an even longer term impact. For instance, New Zealand noted that *“we recognise that many of the challenges facing countries to take advantage of trade opportunities will take time to address. We endeavour to take this into account in setting objectives and timeframes for our trade and development policy and programmes.”*²¹

34. Given the broad nature of aid for trade, focusing on trade outcomes alone may be too narrow; some elements of aid for trade can achieve other development objectives as well - assist with agriculture and food security, social benefits of transport systems etc. But there are a number of constraints that prevent gains in trade from being realised.²² The Annex outlines how outcomes might be linked using indicators. This is a useful table to start the discussion on the immediate, intermediate and final objectives using results of aid for trade aimed at addressing supply-side constraints.

5. Some preliminary suggestions

35. Despite the fact that donors have been evaluating trade-related assistance for many years, it is not easy to measure the outcomes and impacts of aid for trade. There are a number of conceptual difficulties which need to be acknowledged and where possible overcome. There is a range of existing techniques and guidelines which can be used and many of the building blocks are in place.

36. Careful planning of evaluations is crucial and should be undertaken from the beginning of a project. A combination of ex-ante reviews determining what a project hopes to achieve and ex-post assessments to see what works and what doesn't would be useful in advancing work on evaluation and create synergies with the work on Management for Development Results (MfDR) and aid for trade.²³

37. It is likely that a mix of approaches will be required in the evaluation of aid for trade. Not all forms of aid are readily amenable to rigorous forms of evaluation (OECD, 2007). While showing quantitative impact is crucial to justify the nature and type of future aid-for-trade programming, some of the expected outcomes are qualitative (and critical to achieving and promoting stated objectives), e.g. national dialogue processes, forms of institutional capacity building, simplification of national regulatory frameworks, and reform to national policy settings (such as the exchange rate).

38. Furthermore, better use of existing generic and development guidance on evaluation seems to be most needed. Against that background it is recommended to provide evaluative guidance to policy and management staff in the formulation and implementation of aid-for-trade programmes.

39. Joint evaluations make particular sense in aid for trade, in attempts to evaluate the impact of many trade-related projects on overall competitiveness and trade performance. Ways must be found to involve partners effectively in evaluation. Some donors have assisted partner-country governments in carrying out evaluation of projects. A number of multilateral and regional institutions complete project reports in consultation with partner country stakeholders (OECD, 2009:79).

²¹ New Zealand response to OECD/WTO Donor Questionnaire on Aid for Trade 2008
<http://www.oecd.org/dataoecd/43/30/43150000.pdf>

²² See “Binding Constraints to Trade Expansion: Aid for Trade objectives and Diagnostic Tools” [COM/DAC/TAD(2009)5] for a more lengthy discussion of these issues.

²³ For more on MfDR see Management for Results in Aid for Trade [COM/DAC/TAD(2009)4]

6. Next Steps

40. Building on the foregoing review, this scoping note lays out a possible strategy for taking the work forward. The objectives of the project will be to identify where gaps remain in the evaluation of aid for trade and to propose approaches for addressing these gaps. The work will proceed in a consultative manner with Member and partner country representatives as well as other experts. Accordingly, it is proposed to implement the project as follows:

1. Establish an informal steering group comprising interested members, representatives of international agencies, the OECD aid-for-trade team, and evaluation experts in order to further develop the ideas emerging from the November meeting.
2. Have a follow up session with partner countries on the conceptual challenges and issues that are emerging in evaluation of aid for trade (e.g. lesson learning and success stories as to why and how aid for trade works, exploring the results chain, among other possibilities).
3. Under 1 and 2, there should be further discussion on development of relevant indicators. This would also be useful for the work on Management for Development Results in Aid for Trade [COM/DCD/TAD(2009)4].
4. Undertake a meta-evaluation of aid for trade, following on, and building upon, the meta-evaluation of trade-related assistance (OECD, 2006b).
5. By April, a document outlining the progress made will be produced. It will help map future work on evaluation of aid for trade and help clarify a refined set of objectives and general guidelines.
6. In the 4th quarter 2010 a final report will be presented to the joint DAC-WPTC meeting on aid for trade for final discussion and approval. The results should help to inform the design of evaluative case studies for inclusion in the next Aid for Trade at a Glance Report.

7. Issues for discussion

- Do Members agree with the approach of this paper?
- What do Members think is missing? How might it be improved?
- How might this work be taken forward?
- Would Members be interested in joining the informal steering group?

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ANNEX 1

Indicators For Assessing The Impact Of Aid For Trade Aimed At Supply-Side Constraints²⁴			
Achievement of immediate project goals	Impact on Intermediate Objectives		Impact on ultimate goals
	Measures of trade costs, competitiveness	Measures of trade and investment flows	
<ul style="list-style-type: none"> • Kilometers of roads built, maintained • Increases in sea, air port capacity • Increases in access to landlines, cell phones, internet • Access to credit • Reductions in power outages • Access to cold storage, especially in rural areas • Increased compliance with sps, other international, standards • Rationalization, harmonization of regulations related to trade, transit in regional trade agreements, especially involving land-locked countries (e.g., common axle loads (appropriate for road capacity) and vehicle dimensions for trucks, rail gauge, operator licenses, etc. That loads do not have to be transferred at borders) 	<ul style="list-style-type: none"> • Reduction in number of forms required to import, export • Reductions in days for goods to clear customs • Reduction in trade taxes, especially on key technologies, other inputs • Reduction in internal transit time to market, port, or end user • Reduction in total time to get goods to destination • Reduction in the share of output not reaching market due to delivery delays • Competition measured by market shares of top 5, 10? Firms providing logistics, transportation services • Reduction in transportation costs—changes in cif/fob factor as proxy if direct costs unavailable • Size of inventories held • Effects of aid on exchange rate 	<ul style="list-style-type: none"> • Increased capacity in sectors producing tradable goods or services • Increased value-added in tradable goods, services sectors • Increased firm-level productivity • Change in global export shares—total and in key sectors • Diversification of exports—share of top 5 products in total exports • Increased private investment (foreign or domestic) in and around infrastructure projects and in productive sectors receiving assistance 	<ul style="list-style-type: none"> • Higher employment levels in tradable goods or services sectors • Increased numbers of subsistence farmers engaging in market activities (local or export if the result of aid for trade assistance to raise productivity, build roads, other activities where spillovers could occur) • Lower shares in economic activity, employment for informal sector • Higher shares for smes in formal sector • Higher and sustained growth following increases in trade • Higher overall employment if growth stimulated • Reductions in poverty rates

²⁴ Elliot (2007)

HOW TO EVALUATE AID FOR TRADE

UNECA Workshop on Aid for Trade
31 May 2010

William Hynes
Development Cooperation Directorate
OECD

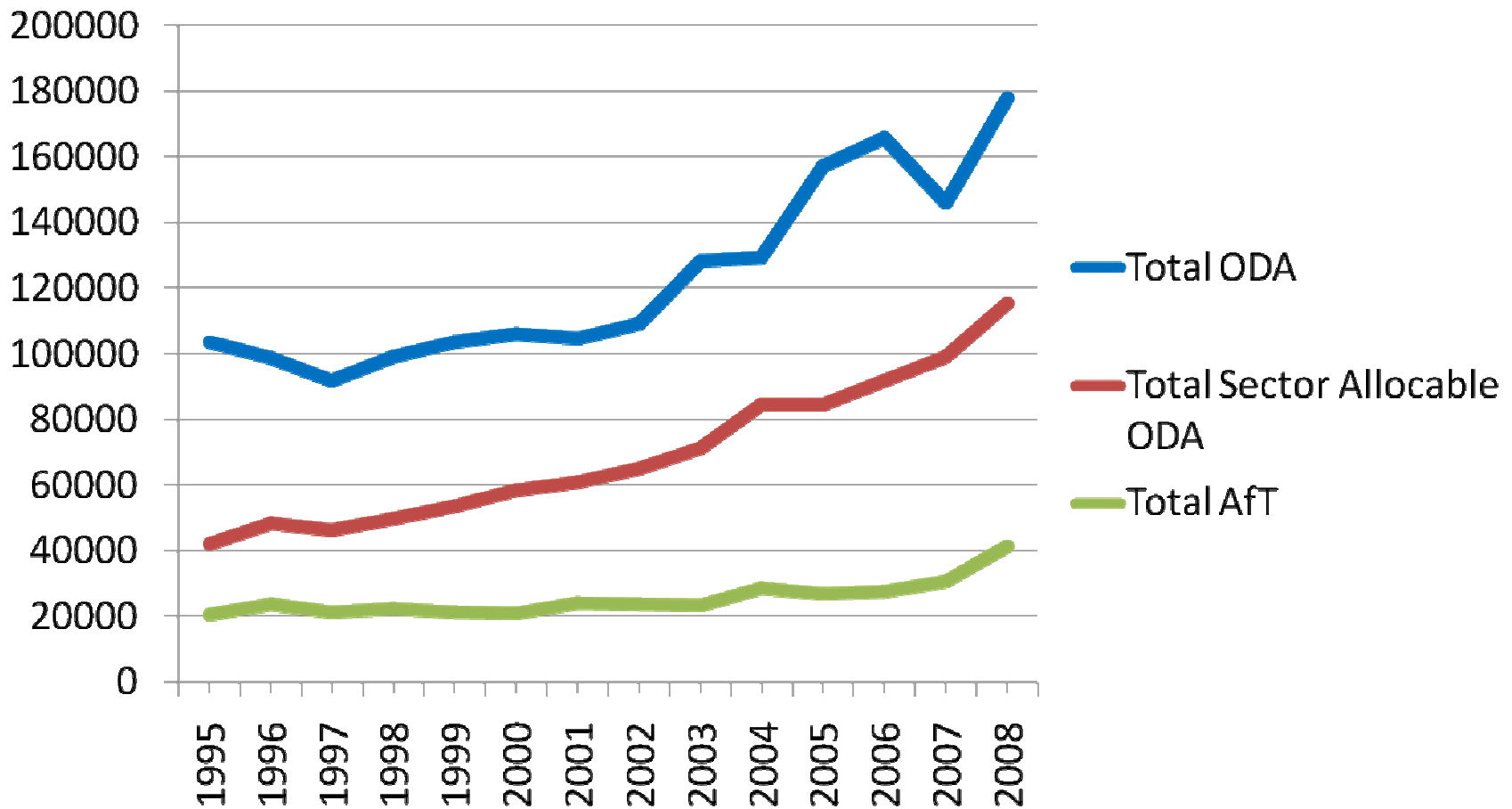


How to Evaluate Aid for Trade

Outline

- **Motivation**
- **What do we need to know?**
- **What should we expect from evaluation?**
- **What are the approaches, methodologies and processes?**

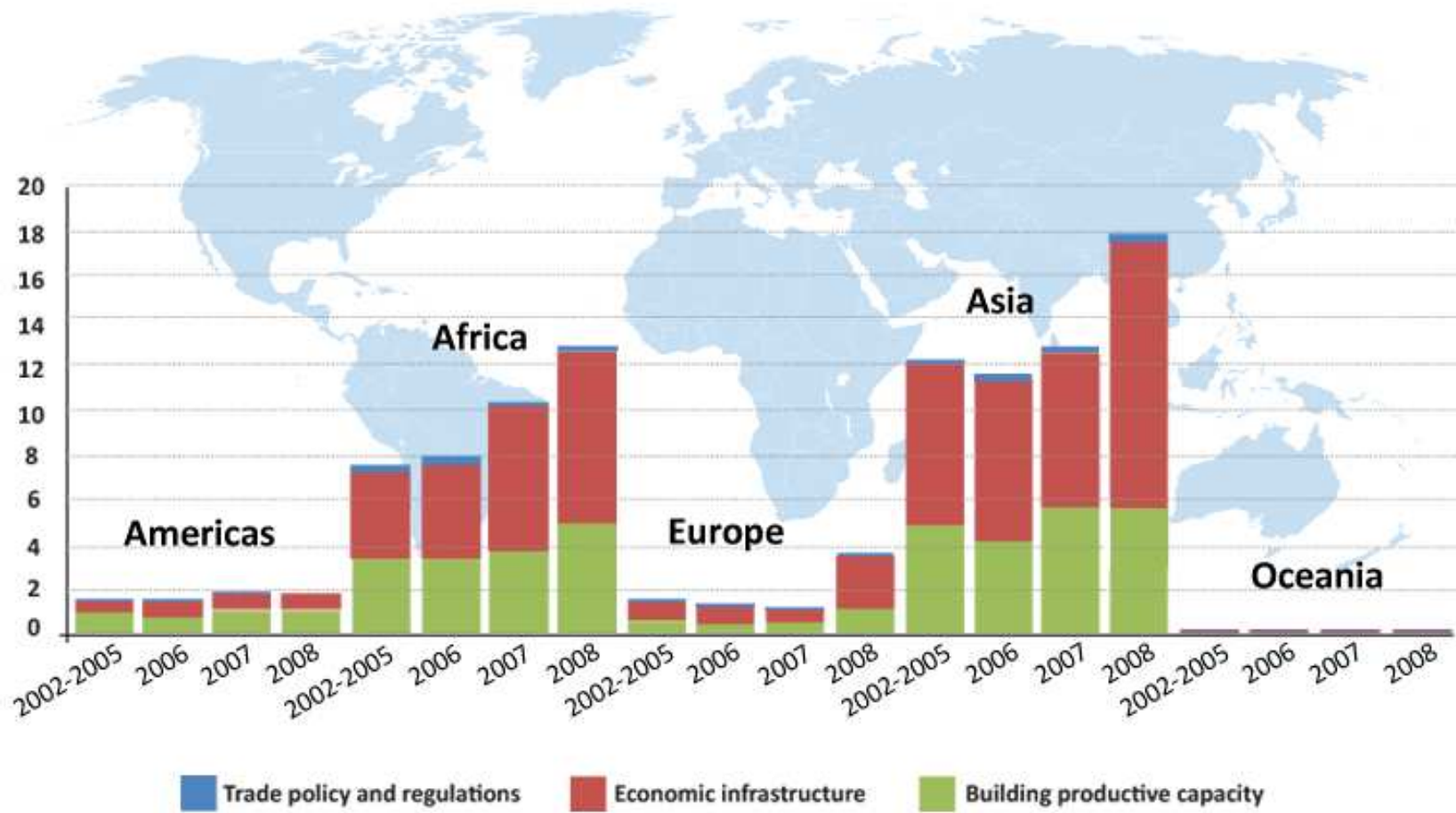
Motivation



Source: OECD/CRS

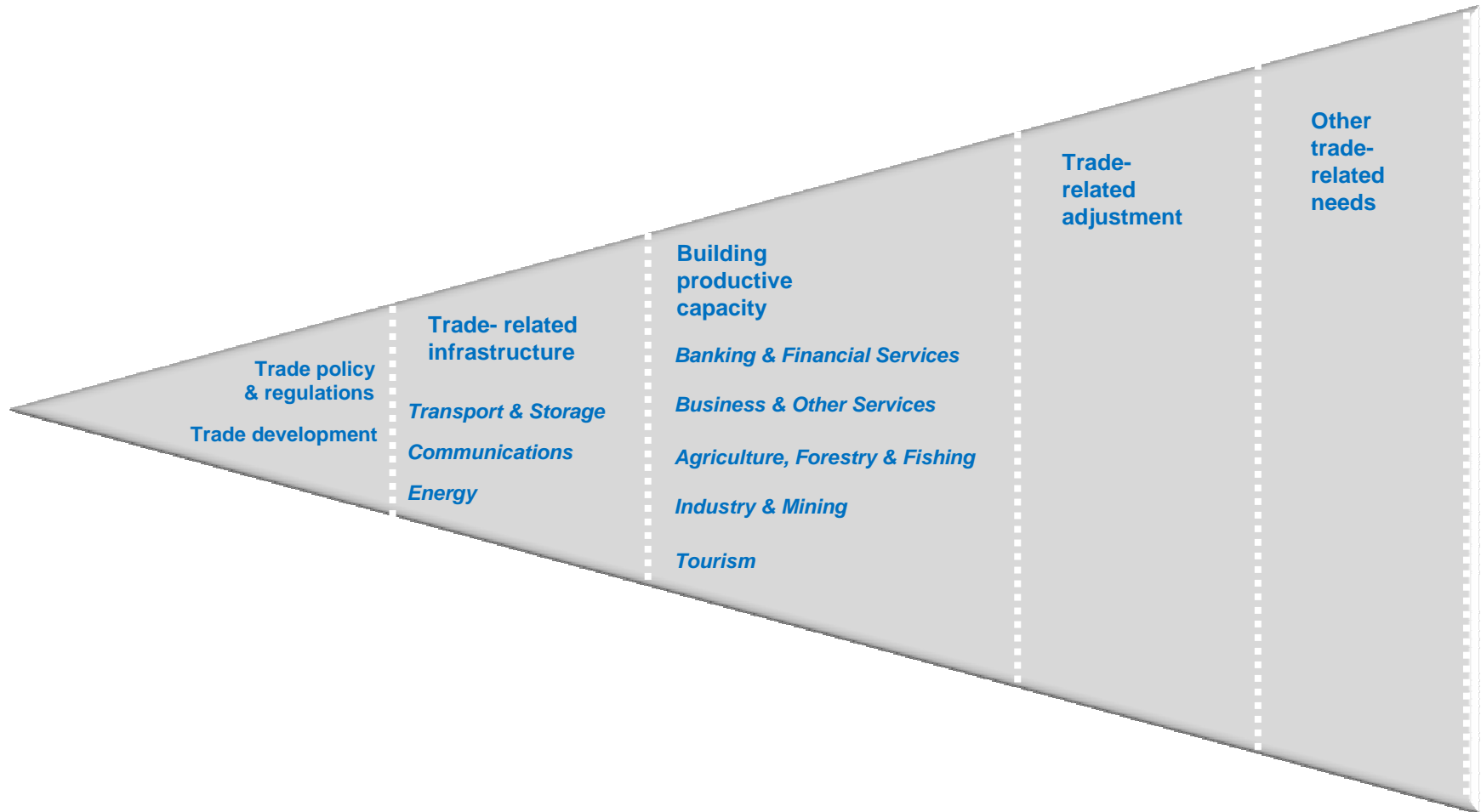
Motivation

Commitments, USD billion (2008 constant)



Source: OECD/CRS

What do we need to know?



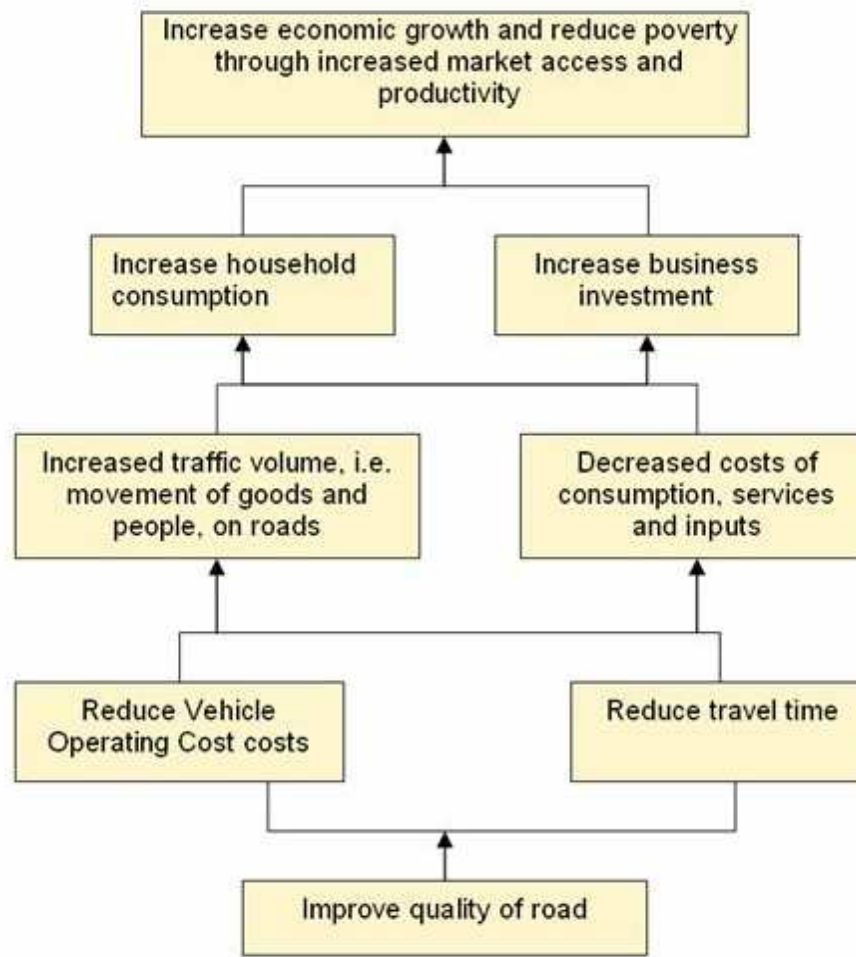
What should we expect from evaluation?

- Accountability
- What works and doesn't work at the project, programme, product and sectoral level
- Sequencing of aid-for-trade interventions
- Improving project design and implementation
- Using micro-level results to demonstrate impacts at the country, regional and global level

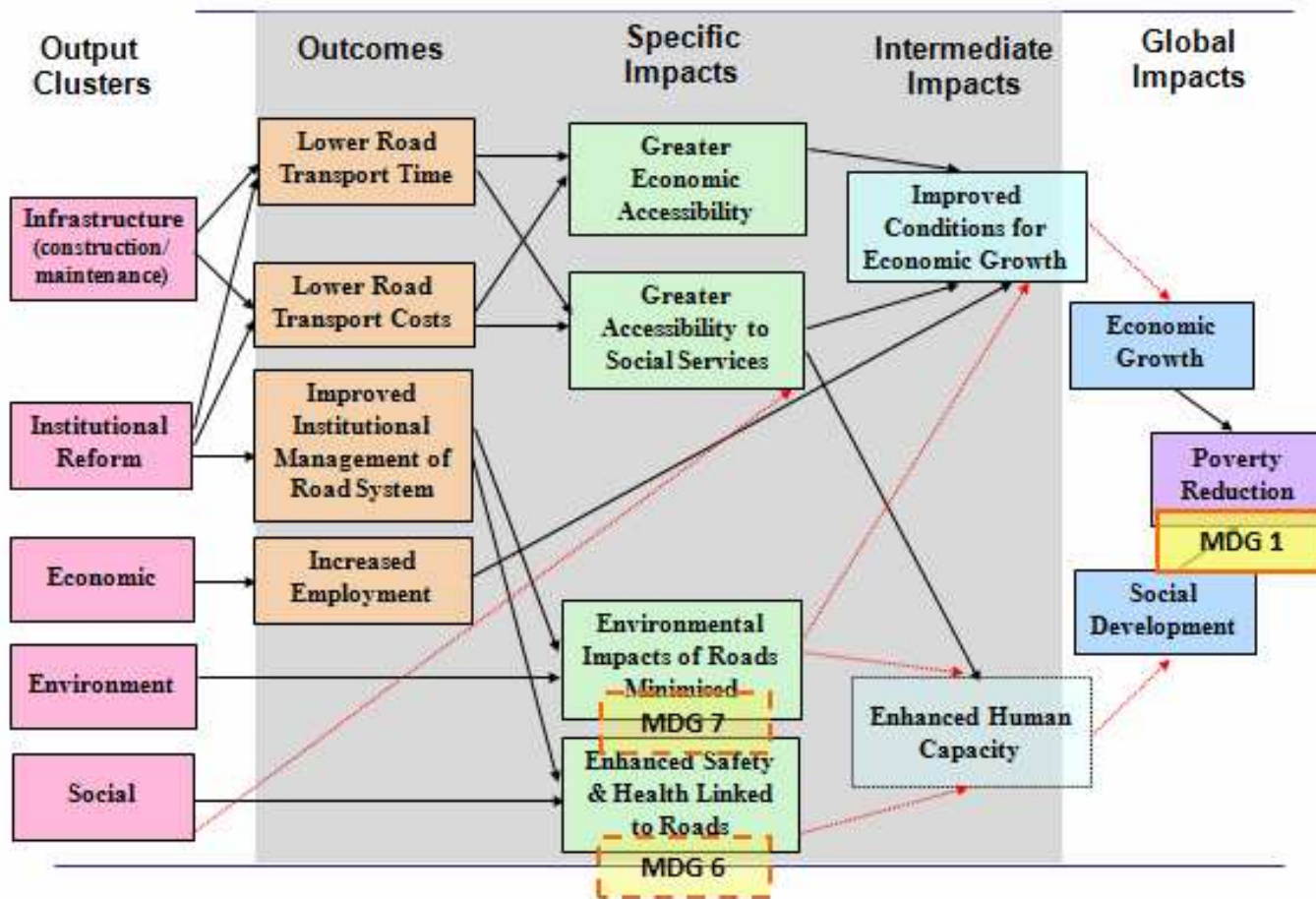
But conceptual difficulties

- Attribution Problem
- The results chain
- The missing middle between outputs and impacts
- Timing of impacts
- Behind the Border Issues and flanking policies
- Findings not always generalisable

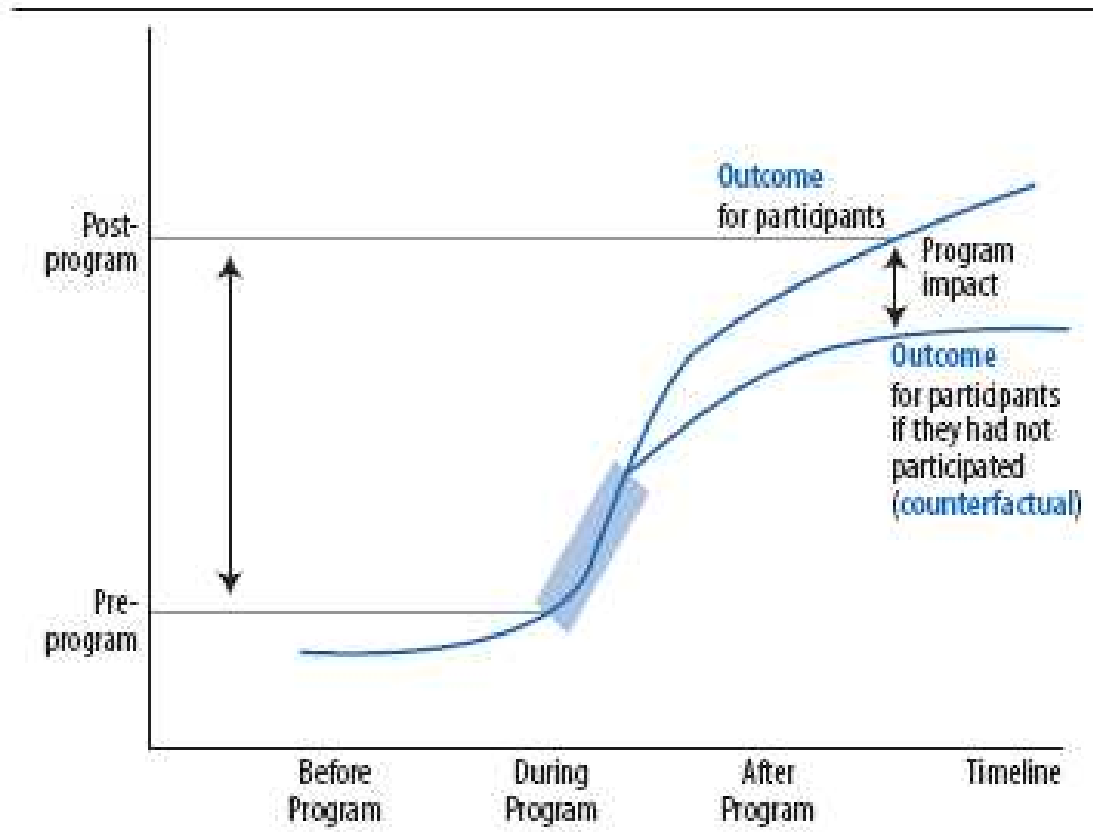
MCC Logic Model



EU Intervention Logic



The Evaluation Problem



Note: The impact of a program is the difference in the outcome variable for participants and what participants would have obtained if they had not participated.

Source: Fitzsimons and Vera-Hernandez (2009)

Good Processes

- Independence
- Joint Evaluations should be encouraged
- Involving partner Countries

“Is this information you are gathering from us just to help you write your report or can you really be helpful to us” (Prichett, 2009).

From Micro to Macro

- Meta-evaluations
- Synthetic evaluations
- Econometric Analysis

Conclusions

- Before we can say anything about the impacts of aid for trade on trade and economic growth, we need to get the micro-interventions right, we need to gather the right data, adapt our evaluation practices and work together with other donors and partner countries.
- No one tool or source of information is sufficient

For more information:
William.hynes@oecd.org
www.oecd.org/dac/aft

