

# Evaluating effectiveness of Aid for Trade in Nepal

## Rationale, contours and modalities

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Evaluating Effectiveness of Aid for Trade in Nepal

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# Presentation outline

- ▶ Background
- ▶ AFT initiative: Five years on
- ▶ Nepal's experience with trade-related technical assistance (AFT)
- ▶ Critical assessment of current approach to monitoring and evaluation
- ▶ Suggested methodological framework for country case study
- ▶ Conclusion

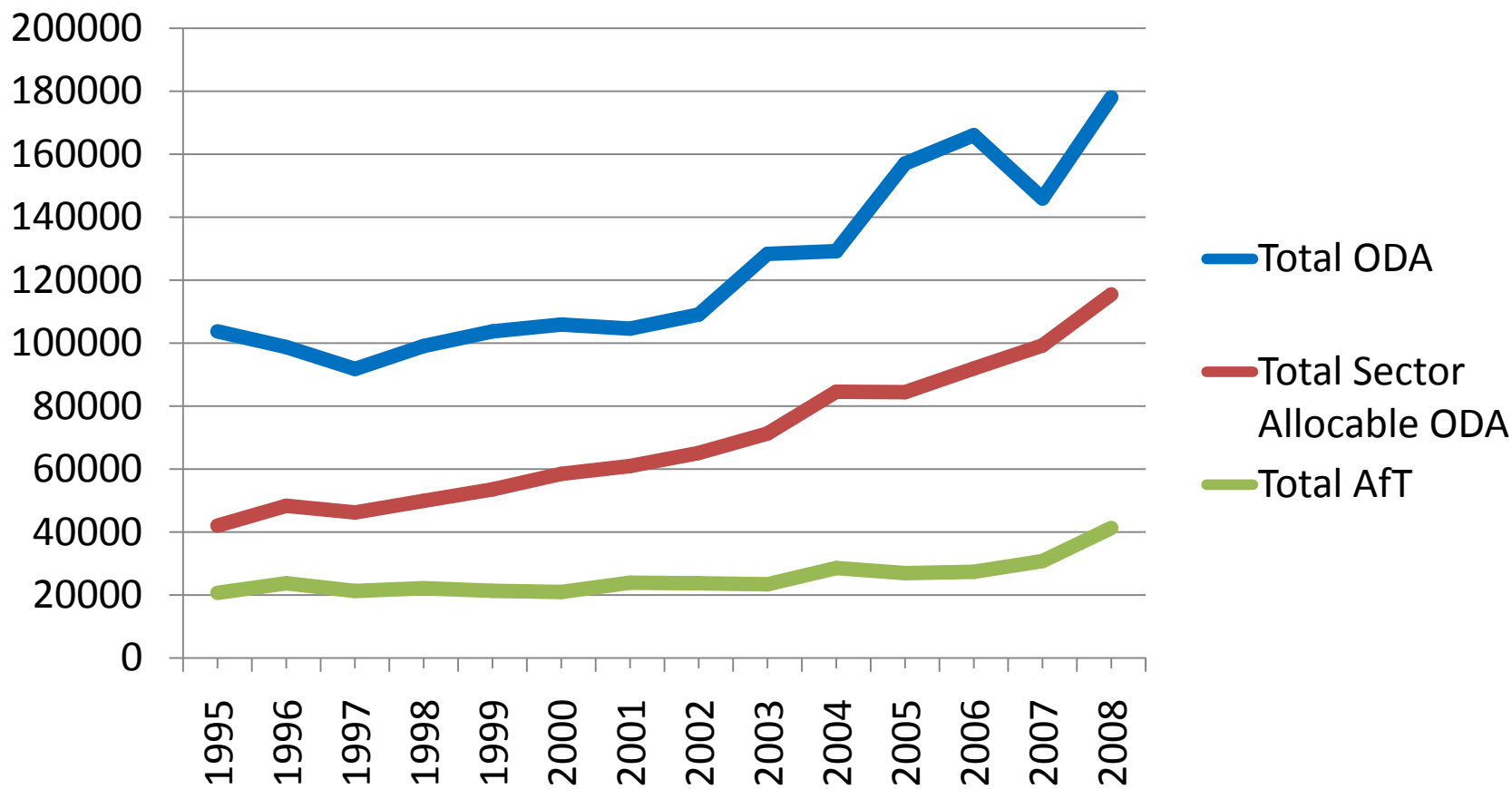
# Background

- ▶ The Task Force on AFT (“Task Force”) attaches tremendous significance to “monitoring and evaluation”
  - It emphasizes, in particular, the need for “concrete and visible results on the ground”
  - It suggests that all the parties to AFT should be guided by Paris Declaration on Aid Effectiveness (“Paris Declaration”)
  - It envisages mainly the following review mechanisms:
    - A global periodic review, reporting by recipient countries as well as donors
    - Inclusion of an assessment of AFT in the Trade Policy Reviews of the WTO Members
- ▶ While some efforts are being made to materialize these, they are far from satisfactory

# AFT initiative: Five years on – I

- ▶ According to OECD/WTO (2009) and OECD (2010):
  - AFT has increased rapidly (by 62% between base period, i.e., 2002 – 2005 and 2008) (see Figure 1), and it has increased in all category and all income groups
  - There is “additionality” in the aggregate
  - Share of regional and multi-country programmes increasing

Figure 1: AFT vis-à-vis total and sectoral allocable ODA




Source: OECD (2010)

# AFT initiative: Five years on – II

- ▶ However, there are concerns regarding :
  - *Concentration*, with top 20 countries receiving 70% AFT
  - *Predictability*, with significant volatility in commitments, although disbursements record is slightly better
  - *Debt-creating nature*, with loan making up half of the AFT flows in 2008, and share of loan rising more rapidly (43%) compared to grant (21%)
  - *Breadth of definition*, with urban transport projects (e.g., in Istanbul and Bangkok totaling US\$ 1.6 billion), included under AFT

# Nepalese experience with trade-related assistance – I

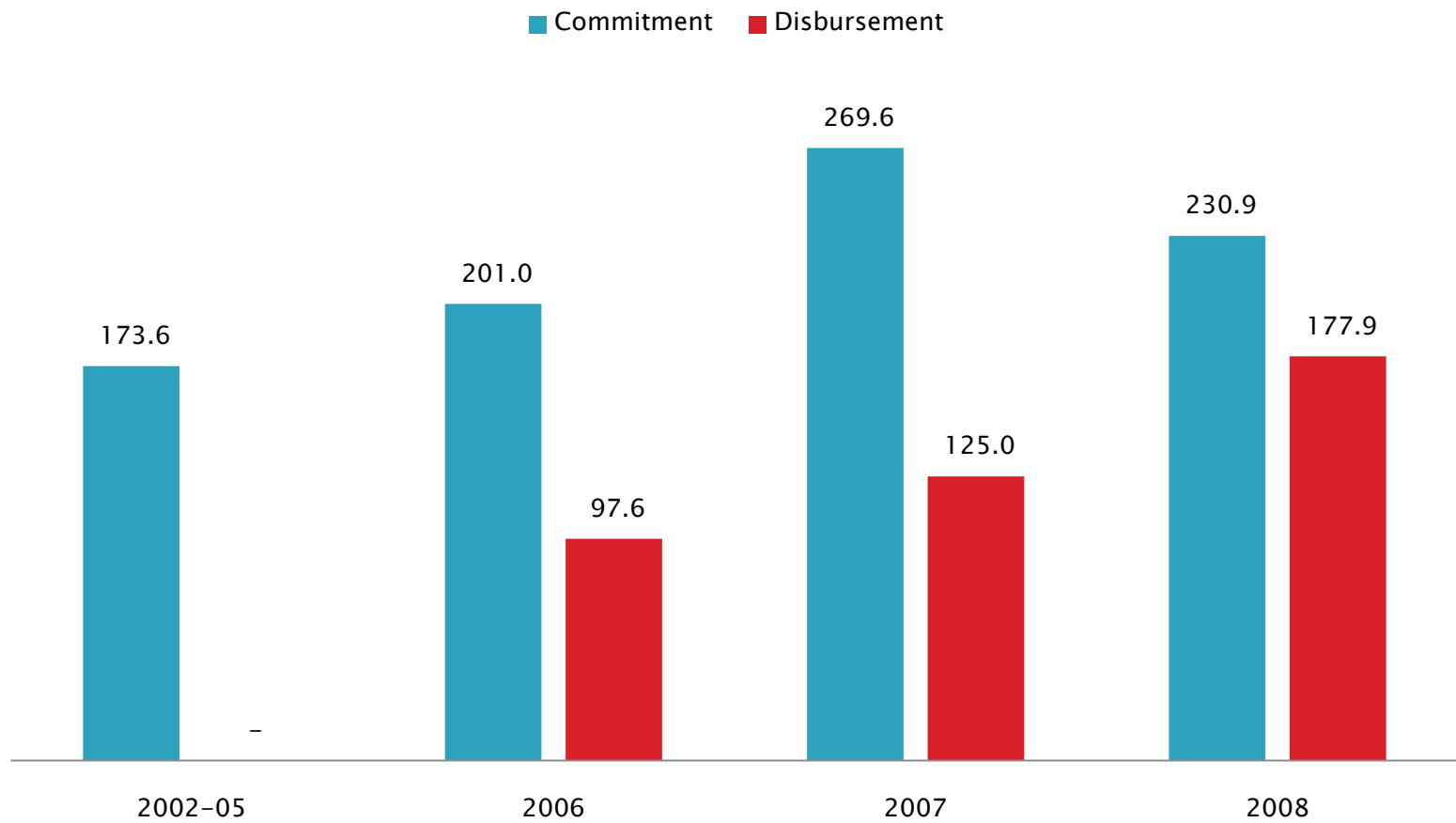
- ▶ Participated in window I of IF
  - ▶ Prepared DTIS titled Nepal: Trade and Competitiveness Study
  - ▶ Window II of IF provided support mainly for trade capacity building and drafting of laws
  - ▶ Also participating in EIF, and has recently initiated a project under the Tier I of the initiative
  - ▶ Generated resources through bilateral donors (e.g., DFIF, EC, GTZ) and other multilateral donors (e.g., UNDP, UNCTAD, ITC, ADB)
  - ▶ Established National Implementation Unit (NIU)
  - ▶ Prepared Nepal Trade Integration Strategy (NTIS) with donors' support
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# Nepalese experience with trade-related assistance – II

- ▶ AFT commitments are not very high, and disbursements are even lower (Figure 2)
- ▶ Major problems on donors' side include:
  - Lack of donor coordination
  - Major focus on software (such as trade policy and regulations) rather than on hardware (such as purchase of equipment)
- ▶ Major problems at the domestic level include:
  - Lack of full mainstreaming of trade
  - Lack of coordination within and outside the government
  - Low level of absorptive capacity



Figure 2: Aid for trade commitment and disbursement (US\$ mil)



Source: OECD (2010)

# Current approaches to monitoring and evaluation – state of play

- ▶ Preparation of Aid for Trade at a Glance Report and regular updates on AFT
- ▶ Organization of biennial review meetings in Geneva, preceded by regional review meetings
- ▶ Inclusion of a section on AFT on Trade Policy Review of both donors and partners
- ▶ Periodic discussion at the Committee on Trade and Development
- ▶ Finance Ministries in most countries conduct periodic evaluation of “Aid Effectiveness” but not that of “Aid for Trade”

# Current approaches to monitoring and evaluation – assessment

## ▶ Major achievements

- Creating “spotlight effect”
- Better appreciation of trade’s role in development and the need to mainstream trade in national development strategies

## ▶ Major failings

- Country sections are mainly based on questionnaire – sometimes misleading [e.g., OECD/WTO (2009) reports that 52% of the respondents to the questionnaire have fully mainstreamed trade in their national development, but independent surveys have raised questions about it]
- Major focus on quantity of AFT, rather than quality

# Methodological framework for conducting country case study in Nepal

# Objectives

- ▶ To prepare benchmark for monitoring the progress in commitment, disbursement, and utilization of AFT resources and evaluate its effectiveness at the country level
- ▶ To collect/collate data/information to help stakeholders make informed interventions/decisions on AFT issues
- ▶ To contribute to the regional/global review

# Bases for preparing methodology

- ▶ The following texts of the Task Force report provides the *conceptual basis* for preparing the methodology
  - “Additional, predictable, sustainable and effective financing is fundamental for fulfilling the Aid-for-Trade mandate” (Section C)
  - “Aid for Trade should be guided by the Paris Declaration on Aid Effectiveness” (Section F.2)
  - “Aid for Trade should be rendered in a coherent manner taking full account, *inter alia*, of the... overall goal of sustainable development” (Section F.2)
- ▶ Additional bases are the gaps identified through:
  - Review of literature
  - Assessment of current approaches
  - Interview with stakeholders/experts/practitioners in two South Asian LDCs (Bangladesh and Nepal) as well as Geneva

# Additionality

Components	Indicators	Sources of information/data
Whether or not the AFT received by the country is higher in 2006-2008, as compared to the base period (2002-2005)	Percentage change in aid for trade/ Percentage change in total aid:  Result >1 indicating additionality Result = 1 indicating no change Result <1 indicating reduction.	OECD Creditor Reporting System (CRS)  Cross-verification with national sources.

# Predictability

Components	Indicators	Sources of information/data
<p>Extent to which, in the spirit of Paris Declaration, donors provide reliable, indicative commitments of aid over a multi-year framework, and disburse aid in a timely and predictable fashion according to agreed schedules (OECD 2008).</p>	<p>Variation between commitment and disbursement in a given fiscal year of the partner country government</p> <p>(Since differences in reporting and accounting systems also creates gaps in commitment and disbursement, it would be necessary to corroborate the findings with 3 years moving average).</p> <p>Extent to which AFT projects have been completed as initially agreed without any external resource constraints.</p>	<p>OECD CRS</p> <p>Interview with the officials of Ministry of Finance, Planning Commission/Ministry and Commerce Ministry.</p>



# Sustainability

Components	Indicators	Sources of information/data
To what extent sustainability criteria has been built into the project.	<p>Percentage of AFT projects in which sustainability aspects have been taken care of (e.g., percentages of projects funded/likely to be funded by government budget after the completion of project)</p> <p>Increase of government expenditure on issues covered by AFT.</p>	<p>Ministry of Finance; Ministry of Commerce; Programme Implementation Unit (PIU)</p> <p>Interview with government officials and country-based donors.</p>

# Effectiveness I – ownership

Components	Indicators	Sources of information/data
Trade mainstreaming in national development strategies	<p>Formal vs. substantive mainstreaming</p> <p>Policy level mainstreaming vs. programme level mainstreaming (e.g., whether the sectoral ministries have also mainstreamed or not)</p>	<p>Review of plan document</p> <p>OECD/WTO Country Fact Sheet including detailed questionnaires</p> <p>Interview with government officials, private sectors, country-based donors, experts and civil society</p>
Relevance of programme/project to domestic trade and development priorities	Percentage of AFT resources allocated to projects/programmes considered priority by the partner country and designed by the partner country	Publications of Planning Commission, Finance Ministry, Interview with government officials, private sectors, country-based donors and experts
Involvement of stakeholders in the process of formulation of trade policies	Formal vs. substantive mode of engaging stakeholders in the process of trade policy formulation.	Interview with government officials, private sectors, country-based donors, civil society and experts

# Effectiveness II – Alignment

Components	Indicators	Sources of information/data
Use of country systems	Extent to which donors use Public Financial Management (PFM) and Procurement system of partner country	Interview with government officials, donors and experts.
Avoiding parallel implementation structure	Number of projects implemented by government or through the creation of parallel PIU by donors.	Interview with government officials, donors and experts.

# Effectiveness III – donor coordination

<b>Components</b>	<b>Indicators</b>	<b>Sources of information/data</b>
To what extent donors coordinate their efforts to avoid duplication and create synergy from the AFT funding.	Percentage of funding in which there has been duplication.  Extent to which donors have been able to establish synergy.	Ministry of Finance  Survey of government officials, private sector, donors and experts

# Effectiveness IV – impact

Components	Indicators	Sources of information/data
<p>Controlling for other things and taking into account the time lag, what has been the impact of the project/program on export growth?</p>	<p>Impact evaluation of AFT at various levels:</p> <p>National level (e.g., links between AFT and export performance)</p> <p>Sector level (e.g., AFT and agriculture exports)</p> <p>Sub-sector level (e.g., AFT and horticulture exports)</p> <p>Product level (e.g., AFT and exports of mangos) (<i>cf.</i> WTO 2010)</p>	<p>AFT statistics from the Finance Ministry/Commerce Ministry</p> <p>Export statistics from Nepal Rastra Bank/TEPC</p> <p>Survey of TEPC, private sector, donors, experts and civil society</p> <p>Focus group discussion of exporters and country-based donors.</p>

# Effectiveness V – demand-supply gap

Components	Indicators	Sources of information/data
Gap between AFT resources demanded by the partner countries and resources actually delivered by the donors	Gap = AFT disbursed – AFT demanded (based on needs assessment, where available)	Ministry of Finance; Planning Commission/Ministry; Ministry of Commerce Interview with government officials and country-based donors.

# Effectiveness VI – non-debt creating nature of financing

Components	Indicators	Sources of information/data
AFT received purely on grant form  AFT received as concessional lending (where grant component is at least 25%)	Disaggregating the grant and concessional lending (or borrowing from the perspective of partners) component of AFT	OECD CRS  Finance Ministry's publications  Survey of government officials, private sector, local donors and experts

# Absorptive capacity

Components	Indicators	Sources of information/data
To what extent partner country has been able to utilize the AFT resources during the period in which it was intended to be utilized.	Utilization rates of AFT projects based on project level budget and expenditure statement.	Study of project document, including annual reports  Interview with government officials, project managers, donors and civil society



# Coherence

Components	Indicators	Sources of information/data
<p>To what extent AFT financing have maintained coherence with:</p> <p>Climate-related financing;</p> <p>and</p> <p>South-South flow of AFT</p>	<p>Identifying real or potential synergy and mutual compatibility between AFT financing and climate related financing.</p> <p>Identifying the involvement of South-South donors, their modes of engagement, and extent to which they fulfill (or at least on track of fulfilling) at least the basic elements of Paris Declaration.</p>	<p>Study of plan document and National Adaptation Action Plan (NAPA)</p> <p>Study of project documents and/or interview with donors, project manager, government officials and civil society</p> <p>Interview with government officials, experts and officials of the embassies of the South-South donors</p>

# Conclusion

- ▶ Limited compliance of Task Force mandate on measuring the effectiveness of AFT
- ▶ Monitoring and evaluation based on globally available information/data are of limited validity
- ▶ There is a considerable demand to enrich the data and information as well as make the meaningful contribution to monitoring and evaluation efforts by using country case studies
- ▶ The methodology, which is prepared for the six-country study, will be applied in Nepal, but there could be changes based on stakeholders inputs

# Thank you

## We solicit your inputs

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