

OPERATIONS EVALUATION DEPARTMENT
EVALUATION OF WORLD BANK ASSISTANCE ON TRADE
APPROACH PAPER

Introduction

1. Trade has traditionally been viewed as an important component of achieving external balance and as an engine of growth. Important channels between trade and growth include improved resource allocation, stronger incentives for adaptation and innovation, cheaper capital goods, and higher foreign direct investment flows associated with new trade opportunities. While the econometric evidence on the causality between trade openness and economic growth is somewhat mixed,¹ what is not in doubt is that few countries have grown rapidly and reduced poverty following a long-term autarkic approach.

2. Despite the potential benefits from trade, World Bank lending and intellectual leadership in this area remains controversial for two main reasons. First, critics posit that it has led to too rapid liberalization, resulting in severe transitional costs of adjustment reflected in increased poverty, de-industrialization and job loss. They also argue that the impact of trade reform on exports has been limited.² While the long-term gains from trade appear to be well established, the benefits may be less visible in the short run for at least three reasons: (i) inappropriate macroeconomic policies e.g. incomplete stabilization resulting in contractionary fiscal or monetary policies that squeeze out credit from the private sector and reduce the entry of new firms or result in appreciation of the real exchange rate, thereby reducing competitiveness; (ii) missing complementary (so-called “behind the border”) policies and institutions to support faster export growth e.g. customs, rule of law, quality and standards, as well as trade logistics;³ and (iii) insufficient or inadequate skills and capital to take advantage of emerging opportunities that arise from the liberalization.

3. The second reason trade is controversial is that, in contrast to the “first best” world that underpins standard trade theory the “real” world is characterized by several deviations that are likely to influence the outcome of unilateral trade liberalization. The existence of protectionism in industrial and other developing countries, the rise of regionalism and political events are just three of the factors that can result in unanticipated outcomes.

4. Three main factors underpin the Trade Assistance Evaluation. First, while several evaluations of Bank assistance on trade for individual projects or specific programs occurred up to the early nineties, no comprehensive evaluation of Bank assistance on trade covering the full range of client countries has been conducted.⁴ Second, several trade-related issues remain

¹ A large empirical literature suggests that more open countries grow faster. See for example Dollar (1992), Sachs and Warner (1995), Krueger (1998), Edwards (1998), and Frankel and Romer (1999). Rodriguez and Rodrik (2000) critique this literature, arguing that methodological problems with the empirical strategies used make interpreting its results less unambiguous than the various authors assert.

² See for example the findings from the individual country studies from the Structural Adjustment Participatory Review Initiative http://www.saprin.org/SAPRI_Findings.pdf.

³ Hall and Jones (1999), Rodrik et al. (2002) suggest that institutions are an important determinant of growth while Acemoglu and Johnson (2003) delve more deeply into which institutions are most important.

⁴ Previous earlier OED evaluations looked at: trade liberalization experience in nine countries, trade and adjustment in Africa, support for industrial activities, agricultural sector adjustment loans, and lending for port development. In addition World Bank (2001) summarizes the Bank’s conclusions from its dialogue with NGOs under SAPRI and focuses, among other things, on the results for trade liberalization.

operationally relevant—the optimal path and sequencing of trade reform, the impact of trade adjustment on the poor, determining the appropriate role of the state, and the role and importance of additional complementary policies. Third, in the run up to the Doha Development Agenda Ministerial in November 2001 and since, the Bank has expanded its trade work at several levels—research, advocacy, capacity building and in operational activities. The Bank established a Trade Department comprising units from DEC, PREM and WBI in 2001 to help further the trade agenda. This revival implies greater urgency in establishing a better sense of the policy and institutional determinants of successful trade performance and effectively disseminating this information to staff. The study findings should thus provide useful inputs for the future agenda and operations of the Bank’s trade work.

5. The rest of this Approach Paper is organized as follows. The next section presents a brief overview of the evolution of Bank assistance in trade. The following section outlines the conceptual framework for the study and the main themes that it will address. The final section discusses the proposed study process and implementation.

Bank Assistance in Trade

6. While the Bank historically did not have a formal trade strategy, a number of influential research pieces appear to have guided operational policies on trade liberalization (and indeed the intellectual environment for trade reform) during the eighties and nineties. The *World Development Reports* of 1986 (*Trade and Pricing Policies in World Agriculture*) and 1987 (*Industrialization and Foreign Trade*) in particular, gave authoritative summaries of Bank views on trade during this period. The 1987 WDR strongly supported outward orientation and validated the Bank’s tendency to attach trade policy conditionality to its adjustment lending.⁵ This message was reinforced by the findings of several large multi-country comparative studies prepared during this period.⁶ Guidance on other aspects of support for trade development was rare however. More recently, the resurgence of trade work has been underpinned by a series of Board papers and background notes on the Bank’s Trade Strategy prepared by the Trade Department.

7. The current Trade Strategy has two central objectives. According to the World Bank’s Trade Department, at the global level, it aims to promote changes in the world trading system to make it supportive of development—especially of the poorest of the developing countries and of the poor across the developing world. At the country level, it aims to promote integration through trade as a core aspect of country development strategies. The objectives of the implied trade strategy from the earlier period and those of the current strategy share the objective of increasing the competitiveness of the Bank’s client countries in world markets by improving resource allocation, making domestic firms and producers more efficient by having to compete with foreign producers and opening their economies to new opportunities. The main elements embedded in both strategies include: replacing quantitative restrictions with tariffs as a useful first stage of trade liberalization, low and relatively uniform tariffs for efficiency and political economy reasons, realistic exchange rates requiring low inflation, studies of the economic costs of existing policies and evaluations of the expected benefits of reform, improved data on indicators and measures of nominal and effective protection, and strengthened capacity of reforming countries to assess their own policies. The earlier studies also note the complexity of

⁵ Edwards (1997).

⁶ Choksi and Papageorgiou (1986), Michaely et al. (1991), Thomas and Nash (1991) and Little et al. (1993).

trade reform and emphasize sequencing of reforms (with stabilization preceding other reforms in the presence of high inflation), highlight the need to consider fiscal implications of trade liberalization, and note the importance of complementary policies (elimination of price controls, financial policy reforms, labor market liberalization, infrastructure improvements and institutional reforms) to improve the payoff to trade reform. The current strategy focuses much more on the personnel requirements necessary to meet demands in specific thematic areas from within the Bank e.g. services liberalization, standards, trade facilitation, impact of trade and trade policy on welfare, agricultural trade, regional trading agreements and safeguards.

8. While the earlier publications acknowledge the urgency of the need for industrial countries to reform their trade policies, the current strategy assumes a significantly more proactive approach e.g. supporting a “pro-development” outcome in the Doha Development Agenda and working more closely with development agencies and NGOs on the trade and development agenda.

9. The Bank has provided substantial financial and analytical support to member countries for trade policy and development.⁷ Between FY87 and FY03, Bank lending to operations including at least one trade component constituted a high of 7.8 percent annually of total Bank commitments in the late eighties to 3.8 percent in the late nineties.

10. The overall figures mask a significant shift in the composition and emphases of trade lending. While the earliest assistance focused on direct lending to development banks through lines of credit, the lending in the ten years starting in the mid-eighties concentrated on trade adjustment and more direct trade promotion activities such as supporting trade-related institutions and exporters. In part this was linked to the messages of the 1987 WDR. During the nineties, the adjustment lending tapered off, while the focus on trade facilitation type of activities has intensified. As far as Bank operational Regions, while lending was intense in Latin America and Caribbean (LAC) during the 1980s, Africa (AFR) and Europe & Central Asia (ECA) have received the most support since then.

11. Economic and sector work in trade has been substantial. In the past decade, 183 country-specific and regional ESW pieces were completed.

Conceptual Framework, Study Objective and Methodology

12. **Conceptual Framework.** The conceptual framework underpinning the evaluation’s analysis is presented in Figure 1. It builds on a logical framework of the links between Bank

⁷ Trade lending is defined as the aggregate of lending to the categories outlined below. The sector and thematic classification used by the Bank does not capture several of these elements and is misleading as it classifies certain projects under trade which are not e.g. lending for regional railway projects. It is currently under review. OED has created a carefully screened trade project database for the purposes of the evaluation. The categories are as follows: *Trade Liberalization*: Includes projects with policy changes regarding the exchange rate, tariffs, non-tariff barriers, export barriers, trade-related subsidies, foreign exchange markets, liberalization of an export-related economic sector, and privatization or de-monopolization of trade activities. *Trade Facilitation, Institutional*: Aimed at developing trade-related institutions such as customs, export promotion institutions, trade financing institutions, drawback systems, institutions in charge of setting trade policies, technical assistance to exporters, antidumping and standards systems, institutions dealing with regional and multilateral agreements, trade-related environmental regulators (including those for forestry exports). *Trade Facilitation, Infrastructure*: Supporting the development of trade-related facilities, such as Free Trade Zones, storage facilities for trade products, sector-specific infrastructure for exports/imports, or railways and roads that are explicitly intended to facilitate external trade. *Trade Financing, Public/Private*: Bank financing of public/state exporters and public/private imports. *Technical Assistance for WTO Accession and/or Negotiations*: This category includes recent projects that support countries in their negotiations with and accession programs to the WTO.

actions and outcomes and impacts. The main apparent desired *outcome* of the Bank's support for trade is improved trade performance: higher export volumes, faster export growth rates, a more diversified basket of exports, cheaper and more readily available imported inputs and greater integration in the global economy. The assumption (often explicitly stated) is that expanded trade will contribute to the Bank's overarching goal of poverty reduction in two ways—by contributing to overall economic growth and by creating jobs—with an overall beneficial *impact*.

13. The Bank's approach to helping countries achieve better trade performance has been to use its budget, staff and partnerships to leverage Bank lending, ESW, policy advice and TA to clients as well as research and advocacy (*inputs*). These inputs improve the competitive environment for exporters, reduce rent-seeking opportunities, improve access to imported inputs and strengthen the institutional capacity of officials and institutions dealing with trade-related issues.⁸ Through this support, the Bank influences trade-related *outputs*—for example, actual trade reforms introduced and improved customs clearance times for exporters. These in turn are expected to contribute to improved trade performance *outcomes*.

14. Capturing the overall impact and development effectiveness of the Bank's trade work is difficult for three main reasons. First, several country conditions influence the effectiveness of trade reforms and assistance. These include the country's macroeconomic environment, its endowments, non-trade investment climate factors (notably institutions), governance and political economy dynamics and institutional capacity. While the Bank may support countries in some of these areas, it is important to attempt to disentangle (a) the Bank's actual contribution and (b) the relative importance of these other determinants. Second, a host of international external factors also influence government attitude towards trade reform and their ability to implement reforms; especially relevant are commodity price shocks, market access and the country's participation in regional, bilateral or multilateral trading arrangements. Third, other actors such as the private sector, bilateral and multilateral development agencies and NGOs may influence the pace and nature of reforms. The existence of these external variables and the extent to which Bank support and assistance takes them into account are important determinants of overall impact.

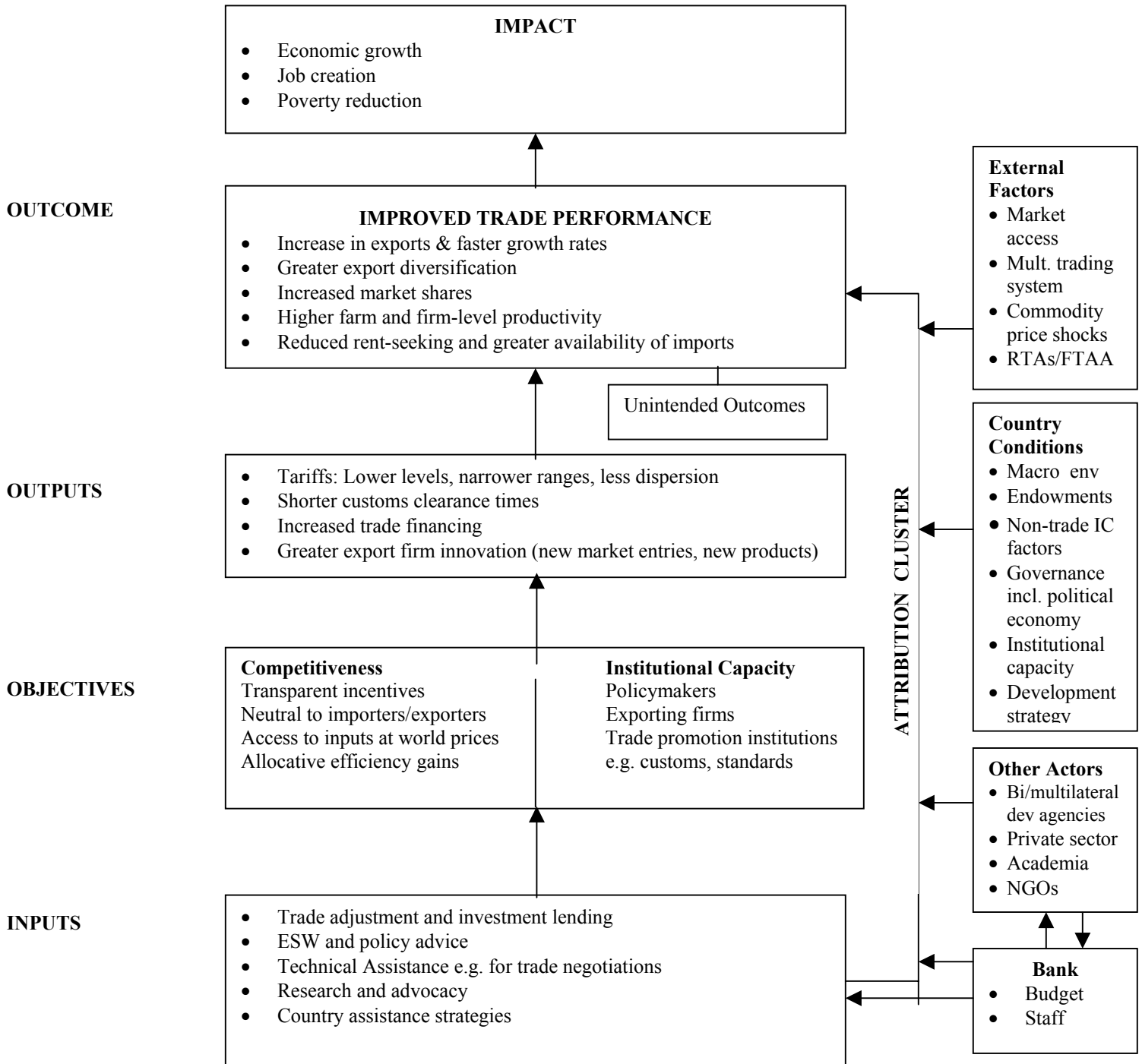
Study Objectives

15. The purpose of this study is to evaluate the Bank's assistance to client countries on trade and derive lessons for improving future Bank lending and non-lending activities in trade. The primary focus will be post FY87 after the WDR on trade was issued. The overarching evaluative question pertains to the development effectiveness of World Bank assistance on trade and the respective roles of country-specific conditions, Bank performance and external factors (the attribution cluster in Figure 1). In assessing development effectiveness, we will follow the standard OED methodology of assessing the relevance, efficacy, efficiency, sustainability and institutional development associated with Bank assistance.

16. The evaluation will address five specific questions that emerge from the results-based framework in Figure 1:

⁸ Two examples of such partnerships are the World Bank-UNDP Trade Expansion Program that run from 1987 to 1995 and the Integrated Framework for Trade-Related Technical Assistance in which the Bank works with five other agencies and 17 donors to coordinate and deliver TRTA to Least Developed Countries.

Figure 1



ESW = Economic and Sector Work
 IC = Investment Climate
 RTA/FTAA = Regional Trading Arrangements/Free Trade Area Arrangements

- What were the impact of Bank assistance and advice on specific *outcomes and outputs* such as import liberalization and an export supply response and how did this vary across countries?
- Was the Bank's advised speed and sequencing of trade reforms and associated conditionality appropriate and to what extent were these *inputs* grounded in adequate research and analytical work?
- To what extent did Bank trade advice and support take key *external factors* (such as multilateral trade liberalization, multilateral institutions/rules, industrial country policies, and the rise of regionalism) into account and what were the implications of these factors on the export supply response to liberalization as well as other outcomes?
- Was the Bank's trade support accompanied by appropriate *country conditions* such as relevant complementary policy and institutional ("behind the border") reforms in the countries and were they timely, adequate and effective?
- To what extent did the Bank's assistance on trade focus on poverty and distributional outcomes? Who were the winners and losers of the reforms and did Bank advice help countries manage the political demands associated with liberalization?

17. **Methodology.** The proposed approach will combine qualitative and quantitative methods to answer the evaluative questions. Four main pillars will guide the study: a literature review, a portfolio review, thematic background papers and country case studies. Each of these pillars will inform different aspects of the results chain in Figure 1.

18. The first pillar of the study will comprise a **literature review** of the theoretical and empirical aspects of trade and its links with growth and poverty reduction. The literature review will also assess the extent to which the Bank has been influenced by outside literature and has in turn influenced the thinking on trade issues by other actors outside the Bank. The review will draw lessons from trade reform experiences in other countries that carried out their programs independently. Finally, the review will encompass a meta-evaluation, as it will synthesize the findings from relevant previous evaluations.

19. The **portfolio review** will highlight the specific *inputs* that the Bank has devoted to trade. It will assess three main components of the Bank's work on trade: (i) trade-related lending operations; (ii) economic and sector work; and (iii) research and advocacy.⁹ The evaluation will review a sample of over 500 lending operations that had trade-related components or were entirely focused on trade between FY87 and FY03. The review will analyze trends in trade-related lending (both to countries and sub-regional groupings where appropriate), elicit factors underlying the evolution in lending, determine the relevance of the lending operations, and assess their efficacy and sustainability using OED ratings, where feasible, as well as a panel of key *outcomes* that has been constructed for the evaluation. The study will also attempt to assess

⁹ The Bank's work on trade-related capacity building through the World Bank Institute operated on a relatively small scale up to 2002 (an exception being the SMART model developed by Finger et al.) and thus will not be examined separately in this section. However, to the extent that trade-related TA/capacity building is on the rise, it will be assessed as part of the evaluation of recent Bank work.

economic and sector work in trade.¹⁰ Of particular interest will be understanding how project design has evolved and the extent to which ESW and other analytical work underpinned projects. Finally, research and advocacy trends and directions will be analyzed. The study will examine the extent to which underlying analytical work (either at the country or global level) influences the country assistance strategies as they evolve. Trade capacity building will be looked at across projects as a crosscutting theme.

20. A number of **thematic background papers** will be undertaken to underpin the evaluation. They include: (i) a detailed look at the scope, incidence and form of trade policy conditionality and outcomes, with special attention to agricultural trade policy loans given agriculture's importance for poverty reduction in several regions. The sequencing of trade reforms and the role of complementary ("behind-the-border") policies and institutions will also be looked at;¹¹ (ii) distributional focus and social content of the Bank's advice on trade liberalization (both implied and explicit), institutional structures to address any related vulnerability;¹² (iii) Bank advice on regional trading arrangements and under multilateral trade liberalization (Uruguay and after); (iv) a review of the Bank's expanded program on trade in FY01-03, including *inter alia*, the Integrated Framework for Trade-related Technical Assistance (and the Bank's work on trade-related TA/capacity building more generally) and the institutional role played by the Bank at the global level on trade issues;¹³ and (v) a review of the evolution of Bank trade promotion efforts (direct lending, support for trade promotion organizations, matching grant schemes, duty drawbacks) and implications for the most effective roles for the state and the private sector. Completed papers that review the Bank's advocacy work and a literature survey on trade reform will complement these. Early drafts of the thematic background papers will be shared with country case study authors to enable them to explore some of the emerging conclusions in more detail at the country level.

21. **Country case studies**¹⁴ will constitute the fourth pillar and source of information for the study (see Annex 1). They will complement the portfolio analysis and enable in-depth analysis of the evaluative questions at the country level and help to clarify the role of *country-specific conditions*. The selection criteria include: countries in which the Bank has had a large and diversified trade portfolio, a geographically mixed group to reflect regional balance in line with the Bank's historical trade portfolio and to reflect the diversity in country-specific conditions, variation in country size, variation in the countries' approach to trade reform and performance, availability of micro data, and the role of external factors. Country case studies are especially important in assessing trade outcomes and impacts given the debate that continues about the value of large econometric panel data analysis. Country cases will include review of experience and previous assessments, quantitative analysis, focus group discussions and key informant

¹⁰ The full population of the lending portfolio will be utilized for panel data analysis related to the key evaluative questions on outcomes, impacts, consideration of external factors and the existence of complementary policies. An in-depth review of ESW will be conducted on around 10 percent of all ESW (about 40). The sample from the ESW portfolio will be selected so that the stratification is consistent with the important characteristics of the full trade ESW population such as time period and geographical distribution, as well as focus of ESW.

¹¹ However, an in-depth stand-alone evaluation of Bank advice on the "behind the border" agenda (such as competition policy and trade in services) is beyond the scope of this evaluation. It is expected that the upcoming evaluation of investment climate assessments will address these issues more comprehensively.

¹² The welfare impacts of trade policy and trade development will be looked at in-depth in the country case studies.

¹³ The TAE will draw on a recently completed independent evaluation of the Integrated Framework initiative by consultants hired by the multi-agency multi-donor Integrated Framework Working Group.

¹⁴ Brazil, India, Indonesia, Kyrgyz Republic, Senegal and Zambia are proposed.

interviews. In addition to the case studies, country experience will be captured in other ways through aspects of the thematic papers and portfolio review, as well as through the experience of countries that liberalized without necessarily the support of the Bank.

Collaboration with other agencies

22. The Trade Assistance Evaluation team will liaise with other ongoing activities where potential synergies exist. Within OED, these include the *Review of Bank Assistance to the Financial Sector*, the *Evaluation of World Bank Group Investment Climate Activities*, and the *Evaluation of World Bank Assistance to Middle-Income Countries*. Outside OED, the FY03-06 work program by the Trade Research Group (DECRG) has a strong focus on exploring policy determinants of trade reform success. The study team will also benefit from work being undertaken by the Trade Department for the *Customs Modernization Handbook*. Two chapters of the Handbook will cover lessons from Bank lending and country experience with customs modernization. Outside the Bank, relevant activities include a possible self-evaluation on trade conditionality by the IMF Policy Development and Review Department.

Study Process and Implementation

23. **Consultation and Dissemination.** An entry workshop in December 2003 was held to discuss the proposed scope and methodology of the evaluation with key stakeholders from the policymaker, academic, NGO and exporter communities.¹⁵ An external website will be used to share developments as they become available. In addition, we plan to hold Bank-wide Brown Bag Lunches (BBLs) to discuss background papers as they become available and findings from country case studies will be shared with relevant past and present Country Team members. Depending on the availability of funding, workshops will be held to discuss preliminary findings.

24. **Team.** The Trade Assistance Evaluation will be prepared by OED staff and consultants under the task team leadership of Yvonne Tsikata (OEDCR) working under the overall guidance of Kyle Peters (Senior Manager, OEDCR). Peer reviewers are Gene Tidrick (OEDCR), Peter Harrold (Bank, external to OED) and Julio Nogues (Universidad Di Tella – Buenos Aires, external to the Bank).

25. **External Advisory Panel.** The Trade Assistance Evaluation will benefit from a high-level External Advisory Panel of trade experts with established academic and/or professional reputation that is currently being constituted.

26. **Timing.** The evaluation will be delivered to CODE in the fourth quarter of FY05. OED will be partnering with the Swiss and Norwegian Governments on the evaluation.

¹⁵ The Approach Paper will be disclosed after its review and endorsement by CODE.

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EVALUATION OF WORLD BANK ASSISTANCE ON TRADE IN COUNTRY X

Outline and Terms of Reference

1. BACKGROUND

1. OED is conducting a thematic evaluation of the Bank's activities in support of trade. The Trade Assistance Evaluation (TAE) will evaluate the outcome, relevance, efficacy and sustainability of Bank assistance in this area. The attached background paper outlines the scope and methodology of the TAE. The **Country X** case study is one of six country case studies being prepared for the TAE. The countries are Brazil, Indonesia, India, Kyrgyz Republic, Senegal and Zambia. The country case studies will follow the same analytical framework in order to facilitate comparisons across countries.

2. The case studies will examine the Bank's role in trade policy and trade-related assistance in six countries over the period FY87-02. We chose countries for two main reasons. First, these countries were chosen primarily for their substantial engagement in trade issues with the Bank over the review period and for the diversity of trade assistance that they represent. Second, to the extent possible, country choices reflected regional balance in line with the Bank's historical trade portfolio and the diversity in country-specific conditions. Other considerations include the availability of micro data and variation in trade performance. The country case studies will complement desk analysis of aggregate data for all countries that received trade-related assistance over the review period.

3. The background (introductory) section of the country case study should not exceed five pages of text (Roman Font Size 12 pt). It will set the stage. Specifically, it will place in context the country's policies, economic structure, development priorities and the Bank's trade assistance. The text will be supported by key statistical tables that present the information requested in sections 1.1 and 1.2 below for the review period (FY87-02). Individual country case study authors may decide on the most appropriate periodization and presentation of data.¹⁶

1.1 Country Context

The country context should focus on the beginning of the eighties or most immediately before the first reforms (whether the Bank supported the reforms or not).

- **Economic background of the country**
 - Per capita income and GDP growth performance
 - Structure of the economy
 - Private sector employment broken down by sectors
 - Stabilization efforts (CPI inflation, deficit/GDP ratio, current account balance/GDP)

¹⁶ The basic annual statistical data should be made available to OEDCR.

- Exchange rate and foreign exchange management
 - Terms of trade movements
 - FDI flows
 - Debt indicators (debt-GDP, debt sustainability ratio)
 - Socio-economic characteristics (poverty incidence and access to services)
 - Political situation/regime
 - Regional context
 - Institutions: where possible present indicators on rule of law, contract enforcement, customs clearance times, port efficiency, licensing times.
- **The role of trade in the economy: structure and performance**
 - Major exports and imports; diversification indices [Herfindahl index, number of SITC 3-digit products]; trade performance (value and volume); geographical diversification of trade.
 - Openness indicators
 - Global market share and decomposition indicators
 - Description of the trade regime including quantitative indicators)
 - Average tariffs (broken down by sector and end-use)
 - Number of tariff lines, minimum/maximum tariffs
 - Percent of tariff lines covered by QRs
 - Non tariff barriers (NTBs)
 - Tariff revenue/GDP
 - Participation in bilateral or regional trading arrangements
 - WTO membership and implications for binding trade policy (e.g. WTO conditionality versus Bank conditionality)

1.2 Government Efforts at Reform during Early Eighties (or prior to WB assistance)

This section should give the contextual background to the Government's policies on trade. What other reforms and development strategies were being followed?

- Genesis of reform: to what extent did economic and political crises play a role in the country's interest in undertaking trade-related reforms? Membership in GATT/WTO or regional trading agreements? World Bank conditionality? IMF conditionality?
- What were the political economy dynamics? Who were the champions of reforms? What was the role of exporters and the private sector more generally? How widespread was public discussion of the reforms? To what extent was the country prepared to manage the demands of pressure groups? What was Bank advice? To what extent did the country perceive multilateral rules as having constrained their response?
- What was the institutional framework underpinning reform especially: the capacity of trade-related institutions (e.g. Ministries, trade promotion organizations, customs), the scope of social safety nets and the capacity to manage them. What were the political structures and governance?

2. EVOLUTION OF WORLD BANK ASSISTANCE

2.1 Level, Scope and Trends in Assistance to Trade

- Characterize/describe the Bank strategy on trade as emerges from country assistance strategies, economic and sector work and relevant loan documentation (MOPs, SARs) and interviews with relevant staff, country officials and exporters.
- Describe the mix of instruments comprising Bank assistance (lending, ESW, non-ESW analytical and advisory services); efforts should be made in interviews to capture those aspects of AAA that will not necessarily be captured in written documentation.
- Outline any accompanying complementary policies introduced.
- Were any trade-offs identified and how were the Bank's instruments deployed to address them?
- Highlight evolution of conditionality (scope and compliance).
- Prepare a summary table on lending that shows the various operations, timing, objectives, \$ amounts and OED ratings.
- Discuss the performance of the individual trade projects or trade related components of individual projects utilizing SARs/MOPs/PCRs/ICRs/ESs; there should be no attempt to give an overview assessment at this point. This will be reserved for Section 3, which evaluates the impact of World Bank assistance.

3. ASSESSMENT OF IMPACT OF WORLD BANK ASSISTANCE

3.1 Impact

The impact section of the case study will focus on four main aspects: relevance, efficacy, sustainability and institutional development associated with the Bank's assistance. It is important that this section critically address any widely held claims by either supporters or detractors of trade reform and assistance in the country. The consultants are expected to draw on all sources of literature and not restrict themselves to Bank economic reports.

Relevance: Relevance indicates the extent to which the objectives of the overall assistance and the individual projects were consistent with the country's conditions, needs and development priorities, as well as the Bank's overall mission. Did the Bank apply the right tools? For the Trade Assistance Evaluation, the specific questions are:

- Did the trade-related interventions emphasized by the Bank address the country's most important constraints to trade development?
- Did realistic high-quality analytic/economic and sector work (ESW) including tariff simulations for trade policy adjustment precede Bank lending? How did the analytic work lead to the choice of relevant objectives for lending operations?
- Was the design of trade policy adjustment consistent with country-specific circumstances? Were for example specific adaptations made that considered the unique

political, social, institutional and cultural characteristics of the country? Supporting examples should be given where appropriate.

- Were the essential links between macroeconomic stabilization, sectoral policies and trade reform recognized and were potential policy conflicts (e.g. transitory fiscal losses) both anticipated and addressed in the implementation of the programs?
- What were the key complementary policies and did the Bank's advice take these into account?
- Did the Bank advice take into account external factors? In particular, did the Bank's advice take into account ongoing multilateral liberalization (e.g. under the Uruguay Round), industrial country policies such as protectionism in OECD markets, the structure of relevant international commodity markets (e.g. adding up problem), participation in regional trading arrangements?
- Did the Bank consider appropriate countervailing policies to minimize or mitigate (as appropriate) the social costs of adjustment?

Efficacy: Efficacy indicates the extent to which the objectives of the assistance and the individual projects were achieved. Did the Bank do what it said it would do and were its actions in line with its statements of strategy? The specific questions are:

- To what extent were actions agreed on actually implemented?
- Were changes in trade policy associated with changes in economic outcomes (e.g. productivity growth, export growth, availability and cost of imported inputs, rent-seeking behavior, trade balance, diversification of exports, innovation and adaptation, foreign and domestic investment in export industries, wages, employment)?^{17 18}
- Who were the winners and losers of the reforms and what were their relative weights in the political power dynamic? Did the nature of the adjustment costs require mitigating measures and were measures in place to mitigate the adjustment costs? Why or why not?
- Were the policy and institutional changes associated with trade-related reforms associated with changes in external competitiveness? What were exporters' perceptions of the changes in the climate for external competitiveness?
- Did the reforms have any impact on the entry and exit for exporters in production?

Institutional Development Impact: This section should assess the extent to which Bank assistance has contributed to institutional development or to institutional capacity in trade. In

¹⁷ An important element of this analysis is the role that the exchange rate played. Country case study authors should assess (econometrically if possible) the extent to which the real exchange rate, changes in exchange rate regimes, and volatility in the real exchange rate influenced prices, exports and the trade liberalization program.

¹⁸ Every effort should be made to draw on microeconomic sources of data such as firm and manufacturing sector surveys.

trade, the Bank has the potential to contribute to institutional development in many ways. These include *inter alia* support to trade-related institutions such as customs, drawback systems, institutions dealing with regional and multilateral agreements, export promotion institutions, trade financing institutions, institutions in charge of setting trade policies, training of policymakers and civil society through courses and conferences, technical assistance to exporters, antidumping and standards systems and trade-related environmental organizations. Particular attention should be paid to the first three.

Sustainability: Sustainability captures the extent to which the activities, outputs and impacts will continue after external support has ended. Sustainability is linked to ownership and to the underlying political economy of reform.

- Was there sufficient government ownership of reforms?
- Have the reforms been sustained? In cases where institutions were supported, do they have continuing capacity to carry out their work?

3.2 Bank's Contributions and Attribution

This section will assess the performance of the Bank following OED methodology. The Bank will be rated according to: (a) quality at entry; (b) quality of supervision; (c) whether the Bank's advice adequately took into account external factors (e.g. ongoing multilateral negotiations, protectionism in the industrial countries)? Also relevant are the country's contributions in terms of: (a) preparation; (b) implementation; (c) compliance. In addition, the following questions will be examined:

- Did the Government own the process of reform? To what extent did they take a leadership role in the preparation and implementation of the projects?
- Did the Government sustain the necessary policy and institutional framework required to sustain the impact of the projects?

Finally, it is important under attribution to examine the role of other agencies, institutions and partners. Specifically:

- Are there other plausible explanations for the outcomes apart from Bank activities?
- For example, which other partners were active in this arena (e.g. IMF, International Trade Centre, UNCTAD, WTO or advisory services such as HIID or Maxwell Stamp) and what was their role?
- What is the counter-factual? What would have happened in the absence of Bank support?
- Are there any exogenous (uncontrollable) factors that helped or hindered the achievement of Bank objectives and which are important in disentangling the outcome?

4. LESSONS, CONCLUSIONS AND RECOMMENDATIONS FOR FUTURE BANK AGENDA

This section will draw lessons from the analysis, identify factors that led to success and those that did not, and make a concerted effort to identify those that have wide applicability to other countries. This section is potentially the most influential part of the country case study. Therefore, it is important that the consultant present his/her findings, lessons and recommendations as effectively as possible.¹⁹

¹⁹ Among the criteria the consultant should use to assess possible recommendations are: (i) What is OED asking the Bank to do? (ii) Why should the Bank take any action at all? (iii) Is this action doable? (iv) What benefits are likely to result from taking this action? (v) What are the costs and risks of taking this action? (vi) Is this action time-bound? (vii) Is this action monitorable?

Country Case Study Protocols

Activities to be Covered: The set of activities to be covered will be drawn from the OED Trade Assistance Evaluation database that covers the period FY80-02. It will include lending operations, analytical and advisory services, training and capacity building activities and partnerships with other agencies.

Unit of Analysis: Typically, the unit of analysis will be the country. However, an organization or institution could have been the recipient of Bank assistance.

Sources of Information: The following information will be collected before the field mission:²⁰

Relevant Country Background and Strategic Information: These will include *inter alia* Country Economic Memoranda, Country Strategy Papers, Country Assistance Strategies and other relevant policy notes (e.g. those dealing with private sector development or poverty reduction).

Existing Evaluation Material: Project Supervision Reports (PSRs) for completed projects, Project/Implementation Completion Report (PCR/ICR), Evaluation Summary (ES), Project Performance Assessment Report where applicable (PPAR), Country Assistance Evaluation (CAE) if applicable.

Project Documentation: Staff Appraisal Reports, Memorandum of the President.

Persons to Interview:²¹ Every effort must be made to interview staff (past and present) in Headquarters who were intimately involved in the design and implementation of the relevant projects in a task management role. In addition, consultants should speak to Bank managers who would have a strategic overview of the country's overall development strategy and the Bank's role during the period that the trade-related projects were being implemented.²²

While in the field, consultants must also interview relevant officials (policymakers (past and present), management in institutions that received Bank assistance), exporter and private sector representatives, local academics, local think tanks and NGOs to gain their perspective on the projects in question in general and with respect to the evaluative questions in particular. Identifying and contacting the appropriate individuals with customized set of questions (especially those with knowledge and perspective on the projects in question) well in advance of the field mission is crucial to obtaining the relevant information and in order to allow adequate planning and effective use of meetings.

²⁰ OEDCR will assist in obtaining Bank documents through Image Bank and internal documents.

²¹ It is critical that the consultants draw on information from as many different perspectives as possible.

²² In those instances where the relevant staff are no longer with the Bank, OEDCR will facilitate contact between the consultants and the relevant persons.