

# Approach Paper

## Grow with the Flow: IEG Evaluation of World Bank Group Support to Facilitating Trade 2006-17

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## Background and Context

### Why Trade Facilitation Matters

1. Trade is a key stimulus to economic growth, fundamental to the competitiveness of developing country firms and industries. With appropriate complementary policies and programs, it can be a major source of employment and enhanced consumer welfare for the poor (with the understanding that there are winners and losers to enhanced trade).<sup>1</sup> This potential, however, is often constrained by high transaction costs related to moving goods and providing services across borders which constrain gains from trade.<sup>2</sup> Lower income countries, which are more likely to suffer from high trade costs (and are more likely to face higher costs due to their land-locked, small states or fragile and conflict-affected status), tend to be disproportionately hurt.

#### Box 1. Defining Trade Facilitation

Standard definitions of trade facilitation can include reform of all aspects of logistics, export promotion, trade finance, and aspects of trade policy. Based on literature review and expert interviews, IEG's working definition for this evaluation is, *Streamlining and harmonizing the activities, practices and formalities required for international trade and associated payments and border logistics while safeguarding legitimate regulatory and policy objectives (for example, protecting public health and the environment)*. It involves several elements:

1. Development and implementation by relevant agencies of cost effective, trade friendly clearance processes and procedures that uphold regulatory control.
2. Extension of risk management and selective intervention techniques to all agencies operating at the border.
3. Compliance improvement regimes that employ a mix of incentives (rewards) and disincentives (punishments) to encourage higher levels of voluntary compliance.
4. Design, deployment and/or improvement of hard infrastructure and information technology to achieve cost effective border clearance.

As with any reform more broadly, trade facilitation also involves management of political will and institutional commitment to manage change, including complementary reforms that may be required or helpful in broader trade policy, infrastructure and/or trade finance.

(Adapted from G. McLinden, E. Fanta, D. Widdowson, Tom Doyle, Editors., Border Management Modernization (Washington D.C.: World Bank, 2010).

2. Trade facilitation (see Box 1) to reduce the transaction and operational costs associated with moving goods and providing services across borders has moved to the forefront of the global and World Bank Group's trade agenda. As tariffs and quantitative restrictions (such as quotas) have been reduced under WTO, attention has increasingly turned to non-tariff impediments<sup>3</sup> that add to the cost and disrupt the flow of trade, especially excess

transactions and operational costs and regulatory restrictions that may slow down or inhibit the movement of goods across borders.<sup>4</sup> Trade facilitation reform has been identified as especially beneficial to poor countries – for example, WTO estimated that it can reduce trade costs by 15 percent for low and middle income countries. According to OECD, each 1 percent reduction in trade-related transaction costs yields a worldwide benefit of \$43 billion.<sup>5</sup> For these reasons, trade facilitation is a global priority, reflected in the Sustainable Development Goals (SDGs) and directly linked to SDGs on ending hunger; decent work and economic growth; industry, innovation and infrastructure; and global partnership.<sup>6</sup> Trade facilitation reforms are often implemented along with (and complementary to) other trade-related reforms in the areas of logistics, finance and policy.

3. Globally, the only ratified WTO treaty is the 2014 Trade Facilitation Agreement (TFA), which, after more than 10 years of negotiation and ratification by 117 (now 121) countries, came into effect in early 2017. Key TFA articles cover transparency; fees, charges, and formalities; and institutional arrangements. With the TFA ratified, focus is moving onto the implementation of the agreement.<sup>7</sup>

4. The World Bank Group was a leading technical partner to WTO during the TFA process and the Bank Group has taken a lead in providing technical support to member countries working to conform to its requirements, including through two important multi-donor trust funds: (i) the recently expired Trade Facilitation Facility (TFF) and the ongoing multi-donor, and (ii) the Bank-administered Trade Facilitation Support Program (TFSP) launched in 2014. The World Bank Group has been assisting countries to strengthen trade facilitation, trade logistics, trade policy and trade finance under the rubric of Aid for Trade and through its policy dialogue, broader investment and advisory work and investment climate reform activities. Trade facilitation is also identified in strategies, policies and programs of many bilateral and regional donors such as ADB and IADB.

## WBG Policies and Strategies

5. The World Bank Group has identified trade facilitation as critical to its overall trade and development agenda. Technical assistance and advisory work has dramatically increased since 2014, but trade facilitation has long been high on the WBG agenda. The 2001 Board Paper entitled, *Leveraging Trade for Development: World Bank Role*,<sup>8</sup> called for “supplementing the old agenda of reforming border barriers with the behind-the-border agenda of improving trade-related regulations, trade facilitation systems, investment climate, and trade in services.”<sup>9</sup> In 2005, the WBG began tracking trade facilitation systematically as reflected in the appearance of the Trading Across Borders indicators in *Doing Business 2006*.<sup>10</sup> This also allowed trade facilitation to become part of the IFC’s Doing Business Reform advisory work. In 2007, the World Bank began periodically producing the Logistics Performance Index, covering the “performance and reliability of supply chains” including trade facilitation.

6. In 2011, the World Bank Group produced a World Bank Group Trade Strategy for 2011-2021<sup>11</sup> reflecting an important shift of emphasis from trade liberalization to a broader view of trade as part of the growth and poverty reduction agenda. The strategy was in part a response to the disruption in international trade from the 2008 global financial crisis.

It recognized that “The priorities for current policy are to reduce trade costs for firms, including through more efficient trade facilitation and logistics; improve trade competitiveness by ensuring businesses have access to key inputs such as (trade) finance; and increase cooperation between trading partners to integrate markets, thereby allowing economies of scale to be realized and further specialization and diversification to occur.” In 2015, the World Bank squarely linked its trade agenda with the twin goals in a flagship report entitled *The Role of Trade in Ending Poverty* (published jointly with WTO), which linked trade to the twin goals both through employment and opportunity and through consumer welfare.

7. Before the WBG operational reorganization in 2014, responsibility for trade facilitation had been spread across departments including the Trade Department in Poverty Reduction and Economic Management (PREM) Vice Presidency; the Transport Units in the Bank, IFC, and MIGA; the Finance and Private Sector Development (FPD) Vice Presidency and IFC advisory. With the 2014 reorganization, most activities related to trade policy and trade facilitation in the WBG moved to the Global Practice on Trade and Competitiveness (T&C GP). In addition, “government facing” IFC advisory services related to trade facilitation were merged into the T&C GP. Other parts of the Bank, IFC, and MIGA, lead several activities related to infrastructural elements of trade logistics and trade finance.

## Previous and related evaluations

8. While various IEG evaluations have touched upon trade or trade facilitation aspects of World Bank Group activities, the topic of trade facilitation has not been addressed as such by IEG nor the World Bank Group self-evaluation or analytical work. Given this gap, the increasing focus of trade-related activity on facilitation, the rapid scaling up of activities relating to client country compliance to the TFA, and the connection of trade to the Bank Group’s twin goals, IEG decided to conduct this evaluation to provide the Board and WBG with knowledge on the effectiveness and related lessons learned in its future engagement with its client countries on trade facilitation activities.

9. The evaluation team will take into account and be informed by the findings of prior and ongoing IEG evaluative work with relevant coverage of trade issues, including:

- *Assessing World Bank Support for Trade, 1987–2004* (2006) considered the Bank’s contribution to freer trade in poor countries. It found a trend towards greater engagement in trade facilitation and trade logistics (which it called “infrastructure-related trade facilitation”), and intellectual leadership of the Bank’s Trade Department in these areas. While it recommended strengthening the poverty focus of trade work, it made no specific recommendations for work on trade facilitation.
- *Doing Business: An Independent Evaluation* (2008) had some findings on the “trading across borders indicators including that they had “no significant association” with exports and imports, that the indicators were unbiased about civil and common law countries, and that the sub indicators were “so highly correlated with each other as to suggest that some may be redundant.”
- *Improving Institutional Capability and Financial Viability to Sustain Transport* (2013) included infrastructure relating to trade logistics in its scope but had no specific treatment of trade-related issues.

- *Evaluation of the International Finance Corporation's Global Trade Finance Program 2006-12* (2014) looked at IFC's largest trade finance program and made recommendations to improve its development effectiveness and transparency.
- *Investment Climate Reforms: An Independent Evaluation of World Bank Group Support to Reforms of Business Regulations* (IEG, 2015) included in its coverage several areas of the business environment including trade and logistics regulatory reform. Without going into the details of the individual regulatory areas, the evaluation concluded that, from the perspective of the general business environment, there was a need to expand and integrate diagnostic tools, develop an approach to the social effects of regulatory reforms and take advantage of complementarities between the World Bank and IFC business models.
- IEG's 2016 evaluation of *World Bank Group Engagement in Small States* describes efforts to "enhance competitiveness by facilitating trade" in the small states within its scope. On competitiveness, it broadly concluded the need for the WBG to take a sharper focus on the most binding business constraints based on country and sectoral diagnostics.

10. The team will coordinate closely with the ongoing IEG evaluation of Bank Group support for Regional Integration (forthcoming, 2019). Its scope will include multi-state trade-related activities of WBG that seek to foster integration of factors, goods and coordination of policy across geographically proximate jurisdictions, including regional projects on trade facilitation. This evaluation falls under the IEG Strategic Engagement Area (SEA) Inclusive and Sustainable Economic Growth.

## Portfolio of WBG Interventions

11. IEG had designed a portfolio review framework (Annex 6 and figure 1) and identification methodology as first steps in the evaluation exercise, benefiting from several interviews with stakeholders and subject-matter experts and a review of available literature and project-level documentation. The resulting framework is designed to encompass all the major interventions used by each of the World Bank Group institutions to promote trade facilitation. This portfolio review framework will also be used to understand the effectiveness of these interventions. The evaluation framework acknowledges that trade facilitation may be one of many elements addressed by a project – for example, a World Bank investment delivered by the transport Global Practice may contain a trade facilitation component while much of the project's funds are used to help upgrade the country's roads network.<sup>12</sup> Figure 1 shows the framework applied, and the scope of the evaluation, covering a number of regulatory and capacity building reforms related to trade and border logistics, but not including related areas such as trade finance, general logistics, macroeconomic trade policy (e.g. tariffs and quotas), and general business environment reforms (except insofar as projects include multiple activities).

**12. The Bank Group's support for trade facilitation is large in terms of number of projects and overall commitments, but somewhat smaller when the dedicated support for trade facilitation is estimated.** Most of this support has been delivered through the World Bank and IFC Advisory Services.<sup>13</sup> Over the twelve-year period FY2006-FY2017,<sup>14</sup> the World Bank Group has delivered over 1400 investments and activities, whose trade facilitation components are estimated to account for over US\$11 billion in value.<sup>15</sup> World Bank lending through investment and policy operations account for more than half of the

portfolio (212 projects) and around 6.8 US\$B in volume.<sup>16</sup> IFC’s support accounts for more than 40 percent of projects, delivered through Advisory Services (92 projects at US\$176 million) and Investment Services which accounts for much of its commitment value (94 projects estimated at US\$3,800 million). In particular, the Transport and ICT GP leads most operations dealing with logistics, including trade logistics, collaborating with T&C GP on trade facilitation components. MIGA’s involvement in trade facilitation projects included nine guarantees for trade facilitation over the evaluation period accounting for US\$105 million in gross exposure. In addition, over one thousand pieces of analytical work have been delivered through the World Bank’s ASA, accounting for just over US\$300 million in total expenditures (Table 1). It does appear that the consolidation under the Trade and Competitiveness GP, and the opportunity created by the TFA, has led to a recent surge in advisory work and technical assistance on trade facilitation.

**13. The World Bank Group delivered trade facilitation support mainly through selected Global Practices, Business Lines, and Industry Groups.** For the World Bank’s lending and ASA portfolios, three global practices (GPs) accounted for most of its support to trade facilitation; namely: Transport and ICT (TAI), Macro Economics and Fiscal Management (MFM), and Trade & Competitiveness (T&C).<sup>17</sup> For IFC Advisory, on the other hand, most of its support is concentrated in the Trade & Competitiveness business line (80+ percent). For the IFC, 85 out of the 94 investments were delivered by the Infrastructure (INFRA) industry group, while the remaining were delivered by Manufacturing, Agribusiness, and Services (MAS) and Finance & Markets (FM). The nine MIGA guarantees were delivered by the Services sector.

Figure 1. IEG Portfolio Review Framework for Trade Facilitation

| WBG Support to:   | Description  | Institution  |
|---|--|--|
| <b>Simplification of Rules, Procedures, &amp; Documentation</b> | <b>Government-facing policy advice and technical assistance to support simplification:</b> <ul style="list-style-type: none"> <li>Support simplification and streamlining of trade-related rules, procedures, and documentation; simplification of standards and conformity assessments and through the application of risk-based approaches; establishing or improving single-window and payment and collection systems</li> </ul>                | WB Lending<br>WB ASA<br>IFC Advisory                 |
| <b>Modernization of Border Operations</b>                       | <b>Investments in specialized software and hardware and specialized training to support the modernization of border operations:</b> <ul style="list-style-type: none"> <li>Investments and technical assistance to support the adoption and use of specialized software (e.g. ASYCUDA) and hardware (e.g. inspection scanners) and to support the upgrading of systems and ICT (e.g. payment and revenue systems, websites and portals)</li> </ul> | WB Lending<br>IFC Investment<br>IFC Advisory<br>MIGA |
| <b>Strengthening Border Agencies</b>                            | <b>Investments and advisory to support customs and non-customs agency operations:</b> <ul style="list-style-type: none"> <li>Technical assistance and specialized training regarding organizational improvements (e.g. strategy, operations, and human resources management) to customs and non-customs agencies</li> </ul>  | WB Lending<br>IFC Advisory                           |
| <b>Cross-agency Dialogue, Coordination, Integration</b>         | <b>Policy dialogue and advisory services to encourage cross-agency coordination:</b> <ul style="list-style-type: none"> <li>Support efforts to improve system-wide organization and strategy, public and private dialogue (PPD), border agency coordination, and regional integration</li> </ul>   | WB Lending<br>IFC Advisory                           |
| <b>Border-related Infrastructure &amp; Logistics</b>            | <b>Investments in border-related infrastructure and logistics:</b> <ul style="list-style-type: none"> <li>Investments in border infrastructure (buildings and facilities at the border), storage facilities (e.g. warehouses, inland container depots), terminals facilities (e.g. freight ports, transfer, and multi-modal terminals), and border-proximate transport infrastructure (e.g. road, rail)</li> </ul>                                 | WB Lending<br>IFC Investment<br>MIGA                 |
| <b>Related Areas</b>  | <ul style="list-style-type: none"> <li>Trade Finance, Trade Policy, Logistics (e.g. in transport, energy, ICT), Other Business Environment Reforms</li> </ul>  |  |



Evaluation Scope

Source: IEG Review and interviews with World Bank Group subject-matter experts and management

**14. While World Bank Group investment support to Trade Facilitation has remained stable over time, as noted above, World Bank ASA experienced a sharp increase in the**

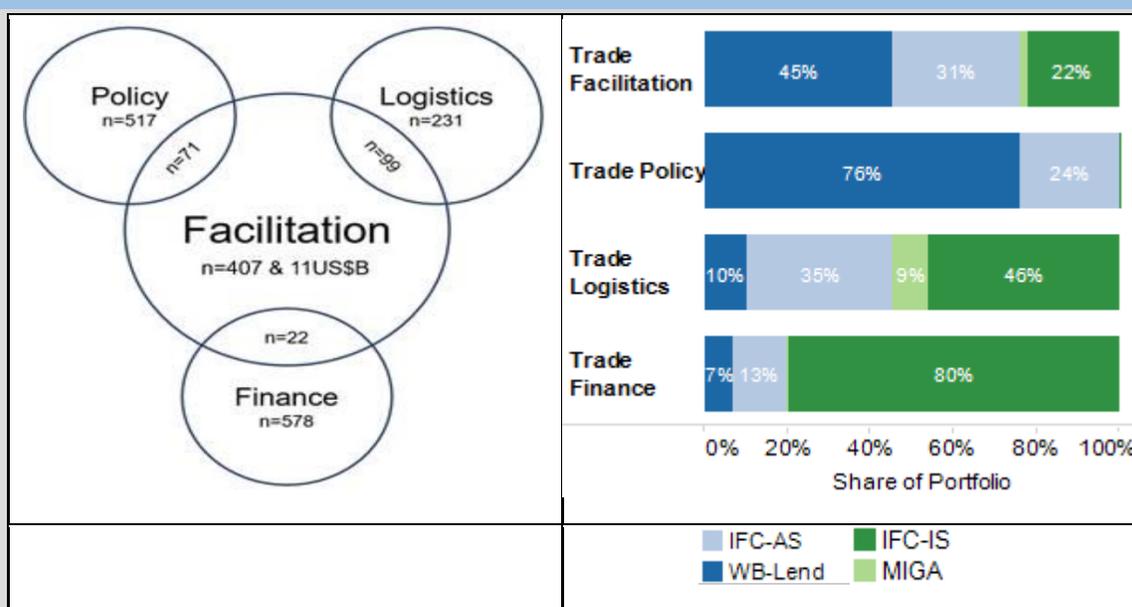
**number of activities delivered since 2013.** The World Bank ASA trend, however, is not unique to the Trade Facilitation portfolio as the rest of the World Bank ASA shows a similar growth after fiscal year 2013. In addition to projects directed at Trade Facilitation, the Bank Group supported over a thousand projects in the related areas of trade policy, logistics, and trade finance; they comprise a set of secondary portfolios which the evaluation team will review. However, the numbers represented in Table 1 and Figure 2 may change significantly – they are extrapolated from a detailed review of a sample of projects preliminarily identified by IEG. Projects which contain a trade facilitation intervention often include support to modernize border operations, simplify the rules, procedures, and documentations at the border, and strengthen border agencies. However, they may also contain components supporting physical infrastructure for logistics, trade policy reforms or trade financing.

**Table 1. Bank Group Trade Facilitation Interventions by Institution (FY2006-17) (in \$US millions and %)**

| Institution                                | Total No. Projects | % Projects  | WBG Amounts   | % Amounts   | % of Projects Evaluated |
|--|--------------------|-------------|---------------|-------------|-------------------------|
| World Bank Investments & Policy Operations | 212*               | 52%         | 6,800*        | 61%         | 36%                     |
| IFC Advisory Services                      | 92*                | 23%         | 176*          | 2%          | 24%                     |
| IFC Investment Services                    | 94                 | 23%         | 3,800*        | 35%         | 12%                     |
| MIGA Guarantees                            | 9                  | 2%          | 105           | 1%          | 70%                     |
| <b>Sub-total</b>                           | <b>407</b>         | <b>100%</b> | <b>10,881</b> | <b>100%</b> | <b>31%</b>              |
| World Bank ASA (ESW/TA)                    | 1,078              | -           | 304           | -           | -                       |
| <b>Total</b>                               | <b>1,485</b>       | <b>-</b>    | <b>11,185</b> | <b>-</b>    | <b>31%</b>              |

Note: All numbers are preliminary and subject to change after in-depth IEG review. Asterisked numbers reflect IEG estimates based on a thirty percent portfolio sample.

**Figure 2. World Bank Group Portfolio of Trade Facilitation & Related Areas**



Source: IEG Preliminary Portfolio Review (note: FY2017 projects as of March 2017) // exclude WB-ASA.

Note: Figures represent IEG estimates extrapolated from sample review (see identification methodology section). Total "n" within each circle represents the total number of projects including those overlapping with other circles.

## Purpose, Objectives, and Audience

15. **Given the increased client demand for support in the implementation of the TFA, the purpose of this evaluation will be not only to assess the performance of the WBG in this area but also to identify lessons on whether and what needs should be done differently to better support such demand.** The analysis will focus on those interventions that support directly trade facilitation as defined in box 1 and figure 1 above and as explained in the section on scope below. Recognizing the importance of complementary reforms to achieve trade and related development goals, WBG interventions in other areas that support trade (especially trade policy, logistics and finance, figure 2) will be considered in the evaluation, albeit not at the same level of detail. In projects with multiple components, in understanding country clusters of interventions, in case studies with multiple or sequential trade-related operations, in country strategies and in econometric analysis, important contributing and mitigating factors will be considered to understand what contributes to trade costs and trade flow outcomes.

16. **The evaluation will contribute to both learning and accountability.** The learning aspect of the study will focus on drawing lessons from factors associated with successful and unsuccessful interventions and relating them to the future support provided by the WBG in the implementation of the TFA. With respect to accountability, the study will assess the ways in which WBG support to trade facilitation has achieved its stated objectives, and the extent to which those objectives were aligned with the strategies of the Bank Group, country, and relevant sectors.

17. **The primary audiences of this IEG evaluation are the WBG's Board of Directors, Management and staff.** In addition, the findings of the evaluation are expected to be of interest to Senior Management (especially the T&C GP), World Bank, IFC, and MIGA's staff. The external audience interested in the findings may include WBG clients, partners, and stakeholders such as (i) donors and global and regional bodies involved in private sector development activities and support for trade facilitation; (ii) WBG partner institutions; (iii) non-governmental organizations (NGOs) focused on private sector development and private entities and investors with a substantial engagement in trade and trade facilitation. Depending on their engagement, such stakeholders are expected to benefit from learning about WBG experiences to model their own roles, policies, and engagements to improve competitiveness through facilitating trade.

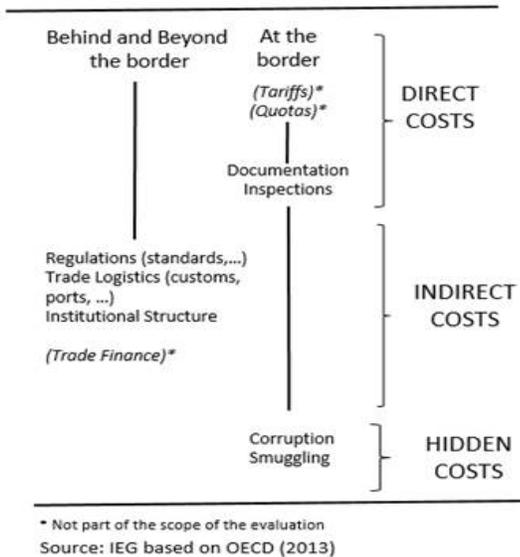
### Intervention Logic

18. **The strategic objective of the WBG support to trade facilitation is to improve the competitiveness of client countries<sup>18</sup> by reducing the cost (in both money and time) of international trade while protecting or enhancing broader social interests (such as environment and public health and safety) related to trade.** These costs include (a) costs incurred at the border, and (b) costs incurred behind and beyond the border (figure 3). International trade costs are further divided in direct costs, indirect costs, and hidden costs. Direct costs faced by firms at the border are represented by tariffs, quotas, and documentation costs. Indirect costs—faced behind or beyond the border—are represented

by regulations (e.g., standards), logistics (e.g., customs, ports, etc.) and associated delays,<sup>19</sup> institutional structure (e.g., number of agencies involved), and trade finance costs. Finally, hidden costs are represented by bribes and smuggling (figure 3).<sup>20</sup>

**19. The intervention logic<sup>21</sup> of this evaluation considers WBG’s support to trade**

**Figure 3. Composition of International Trade Costs** (adapted from OECD (2013))



**facilitation at the country level while recognizing the linkages to other trade-related areas such as logistics, finance, and policy.**

In line with the strategic objective of reducing trade costs and with the above-mentioned classification of costs (figure 3), the intervention logic of the evaluation identifies the activities, outputs and outcomes of the WBG support to trade facilitation as shown in Figure 4. The activities supported by the WBG in this area include policy advice, lending and investments, and capacity building for both public and private sector providers of trade facilitation services. In addition, the WBG provides a set of public goods within the realm of trade facilitation, represented by the creation of cross country data sets and multilateral

cooperation with relevant agencies such as WTO, UNCTAD, UN Custom Union, World Customs Organization, the Asian Development Bank, the InterAmerican Development Bank and others.

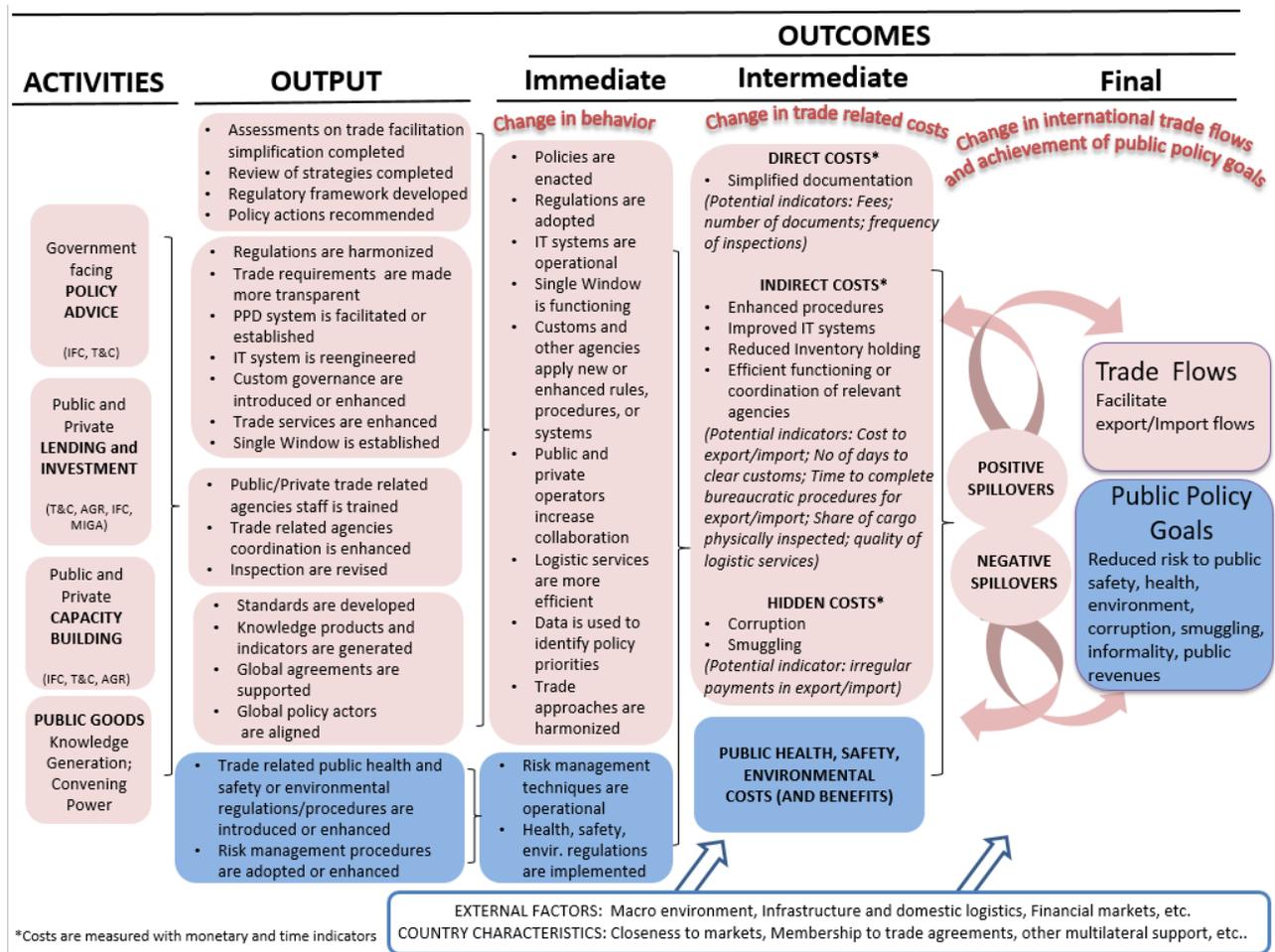
**20. Each of these trade-related activities generates a set of outputs.** Hence, government facing policy advice generates assessments, reviews and recommendation on policy actions. Similarly, public and private lending support the harmonization of regulations, the creation of Public-Private Dialogue (PPD) systems, the establishment of single windows, and automatization of procedures.

**21. Regarding outcomes, the intervention logic distinguishes three separate sets (figure 4).** A short-term **change in behavior** is represented, for example, by enactment and implementation of new regulations and polices, the application of new or enhanced IT systems, and the functioning of more efficient logistics services. A second set of **intermediate outcomes** are represented by the reduction of costs associated with international trade. Here, different interventions impact different types of costs. For example, simplified documentation reduces the direct costs, more efficient procedures reduce indirect costs, and easier compliance reduces hidden costs.

**22. Finally, the intervention logic depicts how the reduction of international trade costs generates a set of positive and negative spillover effects.** These are represented, for example, by the shifts of trade flows from less efficient to more efficient locations (after the WBG support). Similarly, a more efficient and transparent set of procedures might reduce the incentives and opportunities for smuggling or for illegal payments. The result of these changes will affect the flows of export and imports of countries supported by the WBG

and their trading partners. Hence there might be geographic spillovers (beyond the countries treated) or sectoral spillovers (across sectors and products) since the reduction of trade costs might shift the competitiveness of goods across locations and industries. Furthermore, since regulations serve a social purpose, reforms associated with trade facilitation might also have an impact on health, safety, environment, public revenue and other social priorities. For example, streamlined application of health and safety standards might facilitate trade by reducing trading costs but at the same time might also have a positive or negative impact on the health and safety of the population.

Figure 4. Intervention logic of WBG portfolio support to trade facilitation



23. The overall Intervention Logic Model presented in figure 4 will be further tested during the evaluation. The portfolio analysis and consultations with WBG staff and stakeholders will provide inputs to define a more specific set of interventions that will be the subject of analysis in line with the three main questions of this evaluation.

# Evaluation Scope and Questions

## Scope

24. The scope of this evaluation focuses on WBG support for the streamlining, modernizing and harmonization of activities, practices and formalities required for international trade and associated payments and border logistics while safeguarding legitimate regulatory and policy objectives. A host of factors beyond this scope influence trade flows, including broad macroeconomic and trade policies, finance and logistics, and other factors in governance, the business environment and infrastructure and supply chain quality. While these contributing factors will be considered, they are not the focus of the current study. Case studies, for example, will focus explicitly on trade facilitation, while considering these contributing factors. The period covered in this evaluation starts in FY2006 to provide a period before the global financial crisis of 2008, which has strong effects on international trade and the WBG portfolio from FY2009 onward. This evaluation will assess the activities will consider the findings of evaluations of related activities by other international financial institutions and donor groups such as ADB, IADB, and AfDB and the case studies will recognize contributions from other key actors in trade facilitation.

## Evaluation Questions

25. **This evaluation will assess the contribution of the World Bank Group to reducing trade costs and enhancing trade flows of client countries through its support of trade facilitation. It will address the following evaluation questions:**<sup>22</sup>

**Question 1: *What has been the nature and extent of WBG engagement in support of trade facilitation in its client countries?***

- *What has been the nature (e.g. instruments, countries) and evolution over time of the WBG support to trade facilitation?*
- *To what extent has WBG support been aligned to relevant WBG strategies?*
- *To what extent is the WBG focusing on areas that the state of current knowledge suggest will have the greatest development impact?*

**Question 2: *To what extent have WBG trade facilitation interventions contributed to enhance trade flows of client countries by reducing the cost of international trade?***

- *To what extent and in what ways have WBG trade facilitation interventions contributed to reduce the cost of international trade of client countries?*
- *To what extent and in what ways WBG trade facilitation interventions contributed to increase the flow of exports and imports of client countries?*

**Question 3: *To what extent and in what ways have WBG trade facilitation interventions considered the achievement of social objectives of trade regulation such as the advancement of public health, safety and the environment?***

**Question 4: *To what extent internal factors (e.g. design, supervision, team composition, M&E framework, collaboration, funding, etc.) or external factors (e.g. client commitment and political economy, private sector engagement, other trade related activities – such as***

*logistics, policy, finance, etc.) contribute to the success or failure of WBG trade facilitation support? What are good practices and lessons of experience?*

## Evaluation Design

**26. The evaluation will conduct a theory-driven analysis of the key causal steps identified in the intervention logic.** This analysis will be characterized as a multi-level evaluation involving the quantitative aspects, e.g. those in the analysis of the portfolio data and qualitative aspects such as those in the literature review, case studies and interviews. The specific methods and sources of data that will be used in the evaluation can be classified under the following main methodological approaches:

**27. Literature Review.** The early stage of the evaluation will employ a structured review of relevant (internal and academic) literature on trade facilitation, with two main objectives. The first is to understand the findings on effectiveness of trade facilitation support. This part will comprise a review of the literature on impact of trade facilitation interventions, including the role of complementary or sequential interventions that may influence its impact such as logistics, finance and policy. This review aims at generating insights on the impact, content, and context of activities designed to promote trade facilitation. This is intended to provide the theoretical basis used in the evaluation to establish the causal link between policies in support of trade facilitation, to identify the relevant controls variables in the econometric analysis of the contribution of the WBG to facilitating trade, and to formulate the models adopted to validate the causal relationship of the World Bank Group portfolio in reducing transaction costs and increasing trade flows. Thus, it can both inform the econometric analysis and the case studies, as well as point to gaps to be filled by supplementary analysis. The second objective is to gain a detailed understanding of the different aspects of trade facilitation including customs modernization, risk-based inspections, border management, border logistics, single windows and border agency coordination. The literature review will also consider the relationship of trade facilitation with other relevant reforms including trade policy (especially the reduction of tariff and non-tariff barriers), trade logistics and trade finance. In addition, the review offers a first opportunity to survey knowledge of issues such as informality, landlocked countries, small states, trade in services, FCS and gender as they pertain to trade facilitation.

**28. Portfolio Review and Analysis (PRA).** IEG will implement the portfolio review framework and methodology (figure 1) to identify the major interventions used by each of the World Bank Group institutions in supporting trade facilitation (for a detailed explanation, see annex 6). Consultations with staff, stakeholders and experts together with the literature review and project-level documentation will inform the design of the conceptual framework and the identification methodology. The PRA will be conducted in two phases. A first phase aims at identifying the key characteristics of the portfolio, for example, the type of trade facilitation activities supported, patterns and trends across time and location (including countries and regions), and implementation activities to inform the econometric analysis and case studies. A second phase will focus on results and project-

level drivers of success and failure based on microevaluative data. The analysis will rely on available project-level documentation including, among others, PADs, Board Reports, ICRs, ICRRs, XPSRs, PCRs. World Bank ASAs will be reviewed in the countries selected for case studies using a simplified version of the review protocol. The evaluation will also conduct deep-dives analysis of purposefully selected portfolio subsets (e.g. to understand how a specific intervention works or how a certain factor drives success or failure and to understand country experiences through clusters of projects and their co-portfolios in trade fields) using custom protocols and relying on documentation and semi-structured interviews. The data collected in the PRA will be used in conjunction with the other data sets (see below).

29. **Semi-structured interviews.** The evaluation team will collect data, qualitative information and lessons of experience through semi-structured interviews or questionnaires with WBG staff, global stakeholders and WBG country-level partners. For each set of interviews a template with questions or topics will be consistently applied across interviews. The following stakeholder groups and levels will be included:

- WBG staff at HQ and in CO where the evaluation will conduct field visits. Issues will include, among others, the rationale, nature and extent of the WBG's support; the roles played by the WBG; the role of analytical work; the alignment with other complementary activities; the sequencing of related activities; the role and coordination of other donors; the role and coordination of counterpart country agencies; specific country needs and priorities; and the effectiveness of the WBG support. In addition, interviews will capture lessons learned.
- Stakeholders in countries selected for field visits and global stakeholders (donors, international organization, other multilaterals). Issues covered in these interviews will include, among others, country/global needs and priorities, WBG responsiveness to evolving trends (regulatory regimes, priorities) in TF, the role played by the WBG, effectiveness of selected interventions, the institutional landscape for TF in selected countries, the nature and degree of coordination across agencies, and the nature and extent of CF in reinforcing other WBG operational activities.

30. **Case-studies.** The evaluation will conduct four or five case study analyses (depending on time, resources and design considerations) in countries with trade facilitation support. All cases studies will involve a desk review (e.g. of project records, micro evaluation evidence, economic and sector work, strategies) and a country visit and will have two main objectives: (i) conduct a 'comparative' analysis of factors consistently across countries, or (ii) conduct an 'in depth' analysis of specific interventions in countries supported by the WBG. In the case of the latter, more than one intervention "case" may exist in each country visited. The 'comparative' case study analysis will aim at capturing and assessing the causal pathways presented in the intervention logic model and the underlying assumptions for each causal step with respect to some specific interventions. The team will test and update the intervention logic iteratively as new empirical evidence becomes available to eventually support a well-grounded narrative on "what works under

what condition.” Where quantitative data is available, the evaluation may apply statistical tests of effectiveness. The “in depth” case study analysis will aim at identifying the “how” and “why” specific interventions were or not successful in achieving their objectives considering the context of confounding factors of different country conditions. They will be used to identify patterns and drivers of success and failure of specific interventions recognizing the role and importance of country specific context (e.g., how coordination across multiple agencies or regional integration has -or has not – been achieved, local institutional capacity and political economy, etc.). To the extent possible, the analysis will shed light on the sequencing and complementarity of interventions. Where quantitative data is available – especially for social objectives of protection of health, safety, and the environment; and reduction of corruption and smuggling – the analysis might include statistical tests of effectiveness.

31. The evaluation will adopt several sampling criteria applied at two levels (country and intervention). The countries selected for case study analysis will be purposely selected based on screening criteria to identify a set of cases that will provide the best combination and diversity of trade facilitation support to capture the heterogeneity of the interventions offered by the WBG and the potential public policy goals embedded in trade facilitation support. The selection of these case studies will be based on the following criteria:

- Presence of the most common TF interventions
- Presence of a long term WBG TF engagement
- Presence of complementary support in related areas of trade facilitation
- Potential to generate public policy objective (health, safety, smuggling, etc.)
- Availability of ICR reports
- Distribution of cases across regions and income groups
- Presence of contextual factors for in-depth causal analysis

32. Within a selected country, the evaluation will conduct a second level of sampling of interventions based on the following criteria: volume in portfolio, stakeholder demand, innovative nature of work, existing evidence on effectiveness – or lack thereof.

33. **Review of Databases and Indicators.** The evaluation will search and collate relevant indicators of outcome for TF from internal and external databases. Such databases include, among others, the Logistic Performance Indicators (WB), Doing Business (WB), Enterprise Surveys, OECD Trade Facilitation Database, the World Development Indicators (WB), and the Global Enabling Trade database (World Economic Forum). Such indicators will be used for two purposes: first, to identify global, country-level, and industry/firm-level trade facilitation priorities and needs and relate such findings to the WBG support over time; and second, as outcome variables in the econometric analysis to show changes in trade costs associated with reform interventions supported by the WBG. The team will consider other datasets to provide control and explanatory variables in the econometric analysis. Finally, the team will search for datasets and indicators at the country level for indicators of public policy goals such as health, safety, corruption, smuggling and

environment as they relate to the specific support provided by the WBG in countries selected for field visits.

**34. Econometric and Statistical Analysis.** The team plans to develop and apply several statistical and/or econometric tests to establish and validate the relationship between the WBG activities in support of TF and the outcomes identified in the intervention logic of the evaluation. The evaluation will explore two different identification and estimation strategies to analyze: (1) the causal relationships between trade facilitation interventions (including the WBG's contribution)<sup>23</sup> and reduced costs of trade; and (2) the causal relationships between reduced trade costs and trade volumes. In the first case, the assessment of the 'contribution' of the World Bank Group (WBG) interventions in supporting trade facilitation will use indicators of trade costs from several data sets and data from IEG's portfolio review indicating the nature of WBG interventions along with a set of control variables of factors identified in the relevant literature as important determinants (for example, quality of infrastructure, quality of institutions, and stage of economic development). In the second case, given the complexity of the attribution of WBG support to change in trade flows – due to several confounding factors, the assessment of the 'contribution' of the World Bank Group (WBG) interventions in supporting trade facilitation will:

- (i) either use different indicators of trade flows from different data sets along with a set of control variables identified in the relevant literature as important determinants along with controls for countries with WBG support; or
- (ii) present evidence on the causal link between trade cost from the relevant academic literature reviewed.

35. In both cases, the analysis will explore the role of complementary factors (e.g. institutional development) and will control for contextual factors. Finally, the analysis will conduct robustness tests to verify the validity of the findings.

## Design Strengths and Limitations

36. Several factors might constrain the evaluation. First, limited data availability (especially for non-lending work), lack of baseline and control groups, incomplete monitoring data, and incomplete data on cost may limit the ability to conduct detailed and precise analysis. Second, World Bank's non-lending (economic and social work, non-lending technical assistance, reimbursable technical assistance) are currently not integrated in an overall results framework; hence there is no evaluation benchmark ('objectives') to compare. While all lending operations in the World Bank are subject to self-evaluation and validation by IEG, IFC Investment and Advisory operations are evaluated on a sample basis. Further, when determining the effectiveness of World Bank Group interventions on social priorities, the evaluation might not find appropriate benchmarks since different social norms correspond to different county contexts or because trade facilitation regulations might not be in place. Finally, because trade facilitation is sometimes a component of multi-faceted projects, project data may pose challenges (especially in policy operations) for identifying the true volume of resources focused on trade facilitation.

## Quality Assurance Process

37. **The evaluation will be subject to quality review.** The Approach Paper will undergo IEG's management and external peer review to ensure relevance of evaluation questions and issues covered, adequacy of scope of the evaluation and appropriateness of methodology. The evaluation will face similar quality control. External peer reviewers are:

- Bernard Hoekman is Professor and Director, Global Economics at the Robert Schuman Centre for Advanced Studies, European University Institute in Florence, Italy. Prior positions include Director of the International Trade Department in the Development Research Group of the World Bank.
- Nora Neufeld, Ph.D., is Secretary to the Committee on Trade Facilitation at the World Trade Organization. Before joining the WTO, Ms. Neufeld worked for UNCTAD's International Trade Division.
- Beata Smarzynska Javorcik is a Professor of Economics at Oxford University and Fellow of All Souls College. She is also a Research Fellow at the Centre for Economic Policy Research and the CESifo Network. Professor Javorcik previously worked at the World Bank.

38. In addition, the team has recruited John S. Wilson, a Fellow at the Center for Global Enterprise and retired World Bank Lead Economist who has led seminal research, policy and analytic work in trade facilitation.

## Expected Outputs, Outreach and Tracking

39. **Planned Reporting Vehicle.** The primary output of the evaluation will be the report to the WB Board's Committee on Development Effectiveness (CODE), which will contain the main findings and recommendations. The final evaluation will be published and disseminated both internally and externally. IEG will develop additional products, such as presentations, blogs, and videos, as appropriate, to enhance dissemination of key findings.

40. **Regular stakeholder interaction.** During evaluation preparation, the team will solicit feedback and comments from stakeholders, WBG management and staff, practitioners in global and government agencies in client countries, to improve the evaluation's accuracy and relevance. Such interactions will contribute important information and qualitative data to supplement data, interviews, case studies, and other research. Consultations will also be held during field missions with stakeholders including government counterparts, bank staff, NGOs and other donors, private sector and beneficiaries.

41. **Outreach strategy.** IEG will launch the report both in Washington, DC and at a major international venue. Outreach efforts will target key stakeholders, including staff at headquarters and country offices, other multilateral development banks and donors, international organizations such as WTO, UNCTAD and WCO, government authorities, and civil society organizations. Through these means and relevant international fora, the team will seek to maximize awareness and the value and use of findings and recommendations to strengthen development outcomes. A more detailed plan will be developed closer to completion of the evaluation.

## Resources

42. **Timeline and budget.** The evaluation will be submitted to CODE by the end of Q4 FY18. The budget for the study from initiation to completion is estimated with a 5 percent contingency at a total with contingency of \$989,000.

43. **Team and Skills Mix.** The skills mix required to complete this evaluation includes expertise in trade facilitation, evaluation techniques, knowledge of IEG methods, descriptive and inferential statistical, and portfolio analysis, familiarity with the policies, procedures and operations of IFC, MIGA, and the World Bank; and knowledge of relevant development partner activities. The evaluation will be led by Giuseppe Iarossi, TTL and Andrew Stone, co-TTL. The current team includes Ana Belen Barbeito, Xiaolun Sun, Izlem Yenice, Lodewijk Smets, Jacqueline Andrieu, Giovanni Tanzillo, Ozlem Onerci, Divya Kapoor, and Andrew Grainger, Adviser and Visiting Professor at the Westfälische Wilhelms-Universität. Emelda Cudilla will provide administrative and logistical support. The report will be prepared under the direction of Stoyan Tenev, Senior Manager, IEGFP; and José C. Carbajo, Director, IEGSP, and the overall guidance of Caroline Heider, Director General, IEG. Jozef Leonardus Vaessen, IEG's methods advisor, will provide methodological guidance.

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## Appendix 2. Detailed Design Matrix

| Evaluation Questions   | Information Required  | Information Sources  | Data Collection Methods   | Data Analysis Methods  | Limitations   |
|--|---|--|---|--|---|
| <p>Overarching questions: "To what extent has the World Bank Group contributed to the reduction of trade costs and improvement of trade flows in client countries by supporting trade facilitation interventions?"</p> |   |  |   |  |   |
| <p><b>Question 1:</b></p> <p><i>What has been the nature and extent of WBG engagement in support of trade facilitation in its client countries?</i></p>  | <p>WBG Strategy Papers and Country Strategy Papers (e.g. CAS, CPF), regional and sectoral strategies</p> <p>Project data on World Bank, IFC and MIGA portfolio approved in the FY06 – FY17 period (e.g. date of approval, commitment volume, source of funds – including trust funds, investment size and project size, countries and regions, priority areas, sector, outcome indicators)</p> <p>WBG's strategic goals, guidelines and strategies on trade facilitation.</p> | <p>WBG portfolio data and project-level documents (e.g.: PAD, ICR, ICRR, ISRs)</p> <p>Country Assistance Strategies, Country Partnership Framework Documents</p> <p>WBG Strategy papers, Forward Look, project level data, policy and project-level documents (e.g.: annual reports, IEG evaluations, Board Reports, Commitment Documents)</p> <p>WBG staff and stakeholder interviews</p> | <p>Data extraction from WBG databases, institutional databases, and WBG institutions' key project-level and institutional documents</p> <p>External and government databases</p> <p>Structured interviews of relevant stakeholders and experts</p> <p>Case study based review</p> | <p>Literature Review</p> <p>Portfolio review of qualitative and quantitative data involving mapping and description of the main characteristics of portfolio</p> <p>Synthesis and analysis of interviews</p> <p>Review of development strategies</p> | <p>Data analysis may be limited due to missing, unavailable, incomplete, and/or mixed quality data</p> <p>Literature may have substantial gaps on context and instruments</p> |
| <p><b>Question 2:</b></p> <p><i>To what extent have WBG trade facilitation interventions contributed to enhance trade</i></p>  | <p>Assessments and evaluations of trade facilitation support carried out by the WBG.</p>  | <p>WBG portfolio data and project-level documents (e.g.: PAD,</p>  | <p>Literature review regarding effectiveness of</p>   | <p>Econometric analysis at portfolio level and qualitative analysis at</p>   | <p>Harmonization of data derived from external sources with WBG data</p>  |

| Evaluation Questions   | Information Required   | Information Sources   | Data Collection Methods  | Data Analysis Methods   | Limitations  |
|--|--|---|--|---|--|
| <p><i>flows of client countries by reducing the cost of international trade?</i></p>   | <p>Data, indicators and measures of success in facilitating trade.</p>   | <p>ICR, ICRR, ISRs) on main interventions</p> <p>Benchmark data from sources internal and external to WBG projects (LPI, DB, Comtrade, etc.)</p> <p>Internal or independent evaluations of trade facilitation carried out by MDBs or other development agencies</p> <p>WBG internal project documents</p> | <p>trade facilitation support.</p> <p>Historical trends in WBG support and effectiveness of instruments</p> <p>Synthesis from relevant literature and research reports</p> <p>Data extraction from portfolio, documents and strategies on main categories of support</p> <p>Data extraction from internal and external databases on indicators of outcome</p> <p>Government data (from case studies)</p> <p>Semi Structured interviews</p> | <p>country level (case studies)</p> <p>Staff and stakeholder interviews</p> <p>Analysis of external databases and case studies</p> <p>Synthesis and analysis of interview outputs</p> | <p>Potentially limited public sources available</p> <p>Data analysis may be limited due to missing, unavailable, incomplete, and/or mixed quality data</p> <p>Limited micro-evaluative information, coverage (due to sampling)</p> <p>Availability of client and partner support</p> <p>Use of proxy indicators and proxy data</p> |
| <p><b>Question 3</b><br/><i>To what extent and in what ways have WBG trade facilitation interventions taken into account the achievement of social</i></p> | <p>WBG Strategy Papers and Country Strategy Papers</p> <p>Portfolio review on World Bank, IFC and MIGA portfolio</p> | <p>WBG portfolio data and project-level documents (e.g.: PAD, ICR, ICRR, ISRs)</p>  | <p>Data extraction from WBG databases, and WBG project-level documents</p>   | <p>Portfolio review of qualitative and quantitative data involving mapping and description of the</p>   | <p>Data analysis may be limited due to missing, unavailable, incomplete, and/or</p>  |

| Evaluation Questions  | Information Required  | Information Sources   | Data Collection Methods   | Data Analysis Methods  | Limitations   |
|---|---|---|---|--|---|
| <i>objectives of trade regulation such as the advancement of public health, safety and the environment?</i>   | approved in the FY06 – FY17 period on social issues (e.g., health, safety, environment)   | Country Assistance Strategies, Country Partnership Framework Documents<br><br>WBG Strategy papers<br><br>WBG staff and stakeholder interviews   | External and government databases on social indicators<br><br>Structured interviews of relevant stakeholders and experts<br><br>Case study based review   | main social objectives and indicators<br><br>Synthesis and analysis of interviews<br><br>Review of development strategies  | mixed quality data on social indicators<br><br>Documentary evidence may have substantial gaps on social objectives of trade facilitation objectives and indicators                |
| <b>Question 4</b><br><i>To what extent internal factors (e.g. design, supervision, team composition, M&amp;E framework, collaboration, etc.) or external factors (e.g. client commitment, private sector engagement, other trade related activities – such as logistics, policy, finance, etc.) contribute to the success or failure of WBG trade facilitation support?</i> | WBG Portfolio data<br><br>Data from external sources<br><br>WBG project review (quantity, quality and design)<br><br>Lessons learned from documentary and interviews<br><br>Data, indicators and measures of success in facilitating trade. | WBG portfolio data and project-level documents (e.g.: PAD, ICR, ICRR, ISRs)<br><br>Benchmark data for WBG instruments from sources external to WBG projects<br><br>Internal or independent evaluations of trade facilitation carried out by MDBs or other development agencies<br><br>Literature review | Literature review regarding drivers of effectiveness<br><br>Historical trends in WBG support and effectiveness of instruments<br><br>Synthesis from relevant literature and research reports<br><br>Data extraction from internal and external databases<br><br>Interviews of WBG leadership team | Interview response analysis<br><br>Econometric Analysis of data pertaining to drivers of success or failure<br><br>Qualitative Analysis of factors of success in project documents<br><br>Case studies to obtain contextual information on the success and failures of trade facilitation measures | Respondent bias<br><br>Data analysis may be limited due to missing, unavailable, incomplete, and/or mixed quality data<br><br>Limits of micro-evaluative information and coverage |

| Evaluation Questions | Information Required | Information Sources | Data Collection Methods   | Data Analysis Methods | Limitations |
|----------------------|----------------------|---------------------|---|-----------------------|-------------|
|                      |                      |                     | members and WBG staff<br><br>Key informant consultations and interviews |                       |             |

# Appendix 3. Outline of Evaluation Report

1. Summary
2. Chapter 1. Introduction – Role of Trade Facilitation and Evaluation Design
3. Chapter 2. Relevance of the World Bank Group’s support to trade facilitation to client countries
4. Chapter 3. Effectiveness of the World Bank Group’s support to trade facilitation in achieving intended objectives and outcomes
5. Chapter 4. Factors affecting the performance of World Bank Group supported activities in trade facilitation
6. Chapter 5. Recommendations
7. Appendixes

# Appendix 4. Preliminary Portfolio Review and Analysis of WBG Support for Trade Facilitation FY2006-17

## Portfolio Review Framework and Identification Methodology

1.1 **The evaluation's portfolio review framework and identification methodology benefited from valuable interactions with stakeholders and subject-matter experts as well as from the review of available literature and project-level documentation.** During the early phases of the review, IEG interacted with World Bank Group staff working on Trade Facilitation and related areas (e.g. transport, logistics, regional integration). These interactions together with a review of relevant internal and external literature and project-level documentation informed the evaluation approach by highlighting important concepts and frameworks as well as revealing industry coding, system flags, and keywords that would facilitate the identification of the portfolio and its initial classification. During the evaluation phase, IEG will share lists of identified projects with relevant Bank Group departments to ensure completeness and accuracy of the portfolio.

### PORTFOLIO REVIEW FRAMEWORK

1.2 **IEG's portfolio review framework is designed to reflect the major interventions used by each of the World Bank Group institutions to address trade facilitation concerns in client countries (and regions).** IEG developed this framework using an iterative consultation process with both internal IEG stakeholder as well as with broader World Bank Group stakeholders through the abovementioned interactions to test the internal validity of the instrument. The framework will be applied to all trade facilitation projects to arrive at a unified portfolio view of the World Bank Group's support to trade facilitation. Below is a schematic of this review framework as it was applied to project-level review (figure A4.1).

1.3 **The portfolio review framework will also be used to understand the effectiveness of these interventions.** The evaluation framework will account for the fact that trade facilitation may be one of many elements addressed by a project – for example, a World Bank investment delivered by the transport Global Practice may contain a small trade facilitation component while much of the project's funds are used to help upgrade the country's roads network. Therefore, to understand the effectiveness of the trade facilitation intervention in this context, IEG will design an effectiveness framework parallel to the intervention framework depicted in figure A4.1. This effectiveness framework will rely on evaluative information available in ICR/ICRRs, XPSRs, PCRs, and PERs both in terms of indicators and their results as

well as qualitative information on the achievement of their targets. IEG will develop a three-level categorical array to capture this information; the categories include: positive results (i.e. full or substantial achievement of targets), negative results (i.e. modest or negligible achievement of targets), and no data or information available to assess the achievement of targets.

Figure A4.1. Stylization IEG Portfolio Review Framework for Trade Facilitation

| WBG Support to:   | Description  | Institution  |
|---|--|--|
| <b>Simplification of Rules, Procedures, &amp; Documentation</b> | <b>Government-facing policy advice and technical assistance to support simplification:</b> <ul style="list-style-type: none"> <li>Support simplification and streamlining of trade-related rules, procedures, and documentation; simplification of standards and conformity assessments and through the application of risk-based approaches; establishing or improving single-window and payment and collection systems</li> </ul>                | WB Lending<br>WB ASA<br>IFC Advisory                 |
| <b>Modernization of Border Operations</b>                       | <b>Investments in specialized software and hardware and specialized training to support the modernization of border operations:</b> <ul style="list-style-type: none"> <li>Investments and technical assistance to support the adoption and use of specialized software (e.g. ASYCUDA) and hardware (e.g. inspection scanners) and to support the upgrading of systems and ICT (e.g. payment and revenue systems, websites and portals)</li> </ul> | WB Lending<br>IFC Investment<br>IFC Advisory<br>MIGA |
| <b>Strengthening Border Agencies</b>                            | <b>Investments and advisory to support customs and non-customs agency operations:</b> <ul style="list-style-type: none"> <li>Technical assistance and specialized training regarding organizational improvements (e.g. strategy, operations, and human resources management) to customs and non-customs agencies</li> </ul>  | WB Lending<br>IFC Advisory                           |
| <b>Cross-agency Dialogue, Coordination, Integration</b>         | <b>Policy dialogue and advisory services to encourage cross-agency coordination:</b> <ul style="list-style-type: none"> <li>Support efforts to improve system-wide organization and strategy, public and private dialogue (PPD), border agency coordination, and regional integration</li> </ul>   | WB Lending<br>IFC Advisory                           |
| <b>Border-related Infrastructure &amp; Logistics</b>            | <b>Investments in border-related infrastructure and logistics:</b> <ul style="list-style-type: none"> <li>Investments in border infrastructure (buildings and facilities at the border), storage facilities (e.g. warehouses, inland container depots), terminals facilities (e.g. freight ports, transfer, and multi-modal terminals), and border-proximate transport infrastructure (e.g. road, rail)</li> </ul>                                 | WB Lending<br>IFC Investment<br>MIGA                 |
| <b>Related Areas</b>  | <ul style="list-style-type: none"> <li>Trade Finance, Trade Policy, Logistics (e.g. in transport, energy, ICT), Other Business Environment Reforms</li> </ul>  |  |



Evaluation Scope

*Source:* IEG Review and interviews with World Bank Group subject-matter experts and management

## Identification Methodology

1.4 IEG’s identification methodology utilized the Bank Group’s internal project coding framework as well as targeted keyword searches in text-based datasets to systematically capture and categorize the portfolio subsets relevant to trade facilitation. IEG employed the following steps to identify the evaluation’s portfolio of projects:

- i. Projects were identified and retrieved using WBG’s systems and system codes (e.g. sector, thematic, and industry codes),
- ii. For projects that do not contain at least one of the relevant system codes, IEG performed a targeted keyword<sup>24</sup> search in text-based datasets (e.g. project level abstracts, objectives, and descriptions), and
- iii. IEG’s team individually reviewed a simple random sample of 30 percent of projects identified in steps (i) and (ii) to systematically categorize these projects and develop a unified picture of the features underpinning the trade

facilitation portfolio; this initial classification would also serve to recalibrate the identification strategy.

**1.5 For the World Bank, IEG identified several sector and theme codes from both the new and old OPCS coding frameworks as relevant to the trade facilitation evaluation.** Given that projects may contain one or more sector and one or more theme codes, IEG selected into its trade facilitation portfolio any project that contained at least one of the relevant trade facilitation codes. In addition, for Policy Operations, IEG searched inside the prior actions database for operations which contained at least one prior action classified under a relevant sector or theme code. Additional co-portfolios were identified for projects that contained at least one sector or theme code relevant to trade policy, logistics, or trade finance (see Table A4.1). In addition, IEG ran a targeted keyword search in project titles (both lending and ASA) and in a text-based dataset that contains project abstracts and other memo fields (lending only). This resulted in a list of 517 World Bank lending projects and 1,078 World Bank ASA activities. For World Bank Lending, the manual review as described in step (iii) revealed that only 40 percent of projects contained a component that fit the definition adopted by the evaluation. Extrapolating to the rest of the portfolio, this resulted in a portfolio of approximately 212 World Bank Lending projects with a trade facilitation component.

**Table A4.1. World Bank and ASA System Codes Used to Identify the Trade Facilitation Portfolio**

|                    |   |
|--------------------|---|
| Source:            | OPCS Sector and Theme Codes:<br><a href="http://www.worldbank.org/projects/sector?lang=en&amp;page=">http://www.worldbank.org/projects/sector?lang=en&amp;page=</a><br><a href="http://www.worldbank.org/projects/theme?lang=en&amp;page=">http://www.worldbank.org/projects/theme?lang=en&amp;page=</a><br>File from World Bank Business Intelligence (BI) Portal and Analysis for Office (AO) Application and Development Policy Actions Database (DPAD). Text-based dataset from ImageBank.  |
| Trade Facilitation | <p><b>Sector Codes: within Industry &amp; Trade</b></p> <ul style="list-style-type: none"> <li>• Public Administration – Industry, Trade and Services</li> <li>• Trade</li> <li>• Other Industry, Trade and Services</li> </ul> <p><b>Theme Codes: within Trade &amp; Integration</b></p> <ul style="list-style-type: none"> <li>• Trade Facilitation and Market Access</li> <li>• Other Trade and Integration</li> </ul> <p><b>Keyword searches:</b> project title (both WB lending and AS), and WB Lending project abstracts, keywords field, sector and theme field, and topic field</p> |
| Co-portfolios      | <p><b>Sector / Theme Codes:</b></p> <ul style="list-style-type: none"> <li>• Trade Logistics (000142); Trade Policy (000143)</li> <li>• In Progress: Transport (TA, TF, TH, TP, TV, TW, TY, TZ)</li> </ul> <p><b>Keyword searches:</b> project title (both WB lending and AS), and WB Lending project abstracts, keywords field, sector and theme field, and topic field</p>  |

Source: IEG Review and interviews with World Bank Group subject-matter experts and management

1.6 For IFC Investments and Advisory Services, IEG identified key sector and industry codes as well as product lines relating to trade facilitation and logistics. Projects were selected for review if they contained at least one of sector, industry, and product line codes described in Table A4.2. In addition, IEG ran a targeted keyword search in a text-based dataset containing project objectives and descriptions. This strategy resulted in a list of approximately 94 IFC Investments and 139 IFC Advisory projects accounting for 2 and 5 percent of their portfolio, respectively. For IFC Advisory, the manual review revealed that just over two thirds of its projects meet the definition adopted by the evaluation; resulting in a portfolio of just over 90 IFC Advisory.

**Table A4.2. World IFC Investment and Advisory Codes Used to Identify the Trade Facilitation Portfolio**

|                    |  |
|--------------------|--|
| Source:            | IFC Sector Names, Product Names, and Industry Group Codes<br>File from iDesk (MIS Extract) and ASOP (Project Product Detailed Listing). Text-based dataset from ASOP and IFC Portal.   |
| Trade Facilitation | <p>IFC Advisory</p> <ul style="list-style-type: none"> <li>• Business Line Products: TAC – Trade Facilitation and Logistics</li> <li>• Keyword searches in ASOP Memo Listings: project objective, project description</li> </ul> <p>IFC Investment</p> <ul style="list-style-type: none"> <li>• Industry Group Sector Level 3: Ports</li> <li>• Tertiary Sector Name (sector code) <ul style="list-style-type: none"> <li>◦ Port and Harbor Operations (E-BB)</li> <li>◦ Other Support Activities for Transportation – Grain Terminals, Cargo Terminals, Airport Operations (E-BD)</li> </ul> </li> <li>• Keyword searches in IFC Portal: project description</li> </ul> |
| Co-portfolios      | <p>IFC Investment – Logistics:</p> <ul style="list-style-type: none"> <li>• Industry Group Sector Level 3 <ul style="list-style-type: none"> <li>◦ Railways; Roads; Shipping; Transportation &amp; Warehousing</li> </ul> </li> <li>• Tertiary Sector Name (sector code) <ul style="list-style-type: none"> <li>◦ Air Transportation (E-AA); Rail Transportation (E-AB); Water Transportation (E-AC); Other Including General Freight Trucking (E-AE); Highway Operations – Includes Toll Roads (E-BC); Storage – including Agricultural Products (E-CA)</li> </ul> </li> </ul>  |

Source: IEG Review and interviews with World Bank Group subject-matter experts and management

1.7 For MIGA, IEG used a targeted keyword search to identify projects that support trade facilitation in client countries. While MIGA codifies its projects using sector codes, these codes were not sufficient to identify projects that may support trade facilitation. Therefore, IEG used a targeted keyword search in a text-based dataset containing project description information (see table A4.3). This search strategy resulted in the identification of 10 guarantees which account for 2 percent of the institution’s portfolio. Given the relatively small number of identified projects, IEG conducted a manual review of all 10 projects, revealing that 9 of the 10 projects meet the definition of trade facilitation adopted by the evaluation.

**Table A4.3. MIGA Codes Used to Identify the Trade Facilitation Portfolio**

|                    |  |
|--------------------|--|
| Source:            | MIGA Sector Codes: <a href="https://www.miga.org/Pages/Projects/AdvSearch.aspx">https://www.miga.org/Pages/Projects/AdvSearch.aspx</a><br>File from MIGA Portal (both project list and memo listing) |
| Trade Facilitation | Keywords searches in MIGA Portal: project description  |
| Co-portfolios      | Sector Codes: Transportation   |

Source: IEG Review and interviews with World Bank Group subject-matter experts and management

## Appendix 5. Endnotes

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<sup>1</sup> “In today’s highly integrated world economy where value chains span many countries, the level of trade-related transactions and operating costs is a major determinant of the ability of the most efficient firms to expand their market share.” Hoekman et al. (2015). See also, World Bank, World Trade Organization (2015) *Ibid*.

<sup>2</sup> In today’s highly integrated world economy where value chains span many countries, the level of trade-related transactions and operating costs is a major determinant of the ability of the most efficient firms to expand their market share. Hoekman et al. (2016).

<sup>3</sup> These can include not only quotas but also other regulatory impediments such as licenses, and embargos.

<sup>4</sup> UNCTAD has identified trade facilitation reforms as carrying broader developmental benefits, including increasing transparency, improving public sector governance, capacity and efficiency, building trust with the private sector, increasing fiscal revenue and helping to bring the informal sector into the formal economy. UNCTAD. (2015). *Reaping Benefits from Trade Facilitation*. Geneva: United Nations Conference on Trade and Development.

<sup>5</sup> Grainger (2011) Grainger, A. (2011). Developing the case for trade facilitation in practice. *World Customs Journal*, 65-76.

<sup>6</sup> Hoekman, B. (2016). *Trade and the SDGs: Making ‘Means of Implementation’ a Reality*. *Commonwealth Trade Hot Topics*, 2-8. <https://www.tralac.org/news/article/9568-trade-and-the-sdgs-making-means-of-implementation-a-reality.html>

<sup>7</sup> See, for example, OECD/WTO (2015), *Aid for Trade at a Glance 2015: Reducing Trade Costs for Inclusive, Sustainable Growth*, WTO, Geneva/OECD Publishing, Paris. *The effects of aid for trade on reducing trade costs also have great potential*. Busse et al (2011) used panel data estimation for a sample of 99 developing countries for the period 2004-09 and showed that aid for trade and aid-for-trade facilitation are closely associated with lower trade costs and therefore may play an important role in helping developing countries benefit from trade. Importantly, they found the impact was not only significant in statistical terms but economic terms as well. Cali and te Velde (2011) examined the impact of aid for trade on trade costs and exports and found that a USD 1 million increase in aid-for-trade facilitation is associated with a 6% reduction in the cost of packing, loading and shipping to the transit hub. OECD/WTO (2013) found that one dollar invested in aid for trade is on average associated with an increase of nearly USD 8 in exports from all developing countries and an increase of USD 20 in exports for the poorest countries. These effects are even higher for exports of parts and components. p. 90.

<sup>8</sup> World Bank (2001) Development Committee paper DC2001-004/1, April 9, 2001.

<sup>9</sup> World Bank (2010) *International Trade Strategy Approach Paper: Background to the Strategy and Issues for Discussion* Washington: March 30, 2010 (online document).

<sup>10</sup> World Bank (2006) *Doing Business 2006: Creating Jobs* (Washington DC: World Bank/IFC).

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<sup>11</sup> World Bank (2011) *Leveraging Trade for Development and Inclusive Growth: The World Bank Group Trade Strategy, 2011-2021* (Washington, DC: The World Bank).

<sup>12</sup> There is also substantial thematic overlap in identified trade facilitation projects, which can have multiple components and objectives. For example, while just under 8 percent of identified trade facilitation projects map to the Governance Global Practice, 63% have some kind of governance thematic code (such as “transparency, accountability and good governance”).

<sup>13</sup> The figures cited here are from IEG’s preliminary portfolio identification, coding and review. However, a “deep dive” sample suggests these numbers will further change upon full review. While IEG evaluations often cover one decade of WBG activities, the period covered in this evaluation has been extended to FY2006 to provide a period before the global financial crisis of 2008, which had strong effects on international trade and the WBG portfolio from FY2009 onward.

<sup>14</sup> This period was chosen to have a baseline before the global financial crisis, which deeply affected trade from FY2009 onward.

<sup>15</sup> World Bank Lending and IFC Advisory figures based on sample manual review results.

<sup>16</sup> As opposed to component-level volume.

<sup>17</sup> IEG’s identification of relevant projects includes those that have multiple objectives and components with at least one categorized as trade facilitation as per figure 1.

<sup>18</sup> In IEG’s earlier study on Industry Competitiveness and Jobs, it defined competitiveness as “the sustained ability of firms and industry to capture market share and grow the market through productivity improvements.” See IEG (2017) *Industry Competitiveness and Jobs: An Evaluation of World Bank Group Industry-Specific Support to Promote Industry Competitiveness and Its Implications for Jobs* (Washington DC: IEG).

<sup>19</sup> See, for example, Djankov, Simeon; Freund, Caroline; Pham, Cong S. (2006). *Trading on time*. Policy Research Working Paper no. WPS 3909. Washington, DC: World Bank.

<sup>20</sup> It is important to note that not all informal movement of goods constitutes “smuggling” and that small-scale informal trade may take place legally in some contexts. “While the vast majority of informal firms are very small and involve survival activities such as petty trading, large informal firms play a major role in some sectors, notably commerce, with a national or even international scope. Intricate relationships link the formal, large informal and small informal firms.” Nancy Benjamin, Stephen Golub and Ahmadou Aly Mbaye *Informality, Regional Integration and Smuggling in West Africa Journal of Borderlands Studies* **Volume** 30, 2015 - Issue 3

<sup>21</sup> Intervention logic is the conceptual link between an intervention’s inputs, outputs and results and impacts, allowing an assessment of its contribution to its objectives. This was referred to in prior IEG evaluations as the “theory of change”.

<sup>22</sup> The OECD-DAC evaluation criteria are relevance, effectiveness, efficiency, impact and sustainability.

<sup>23</sup> This will be done either through directly incorporating the WBG’s interventions into the model or by qualitatively linking the WBG’s contribution to the policy intervention vector.

<sup>24</sup> Stemmed keywords used: trade, facilitate, logist, trade\_pol, trade\_log, trade\_fin, standard, metrology, conformity, border, connectivity, inspection, customs, tfa, tfsp, tariff, corridor