



IOB Evaluation Newsletter

15 08

Aided trade

An evaluation of the Centre for the Promotion of Imports from Developing Countries (2005-2012)

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The Centre for the Promotion of Imports from Developing Countries (CBI) aims to contribute to sustainable economic development through the expansion of exports from developing countries. This evaluation investigates the extent of CBI's contribution to the Dutch private sector development (PSD) objectives of the Ministry of Foreign Affairs.

- 1) IOB concludes that CBI has been successful in supporting exporting companies to overcome their lack of information on import markets, consistent with the PSD objectives. However, for many companies this was not sufficient to start exporting to Europe.
- 2) The criteria for selecting target companies and target countries were unclear. Procedures for identifying and selecting participants were often unavailable. And when available, these were not always followed. The most intensive and expensive treatment was often provided to companies that had little need for the support.
- 3) Business Support Organisation Development interventions were generally relevant, but there is hardly any information on their effect on the ultimate goals of the PSD policy.
- 4) A results-oriented management model and *ex post* transfer pricing are necessary to improve CBI's operating efficiency.
- 5) CBI operated relatively independently from the ministry throughout the evaluation period. Since 2010, however, the ministry has become more prescriptive in what it expects from the organisation.
- 6) CBI's monitoring & evaluation system needs to be further improved, because, as it stands, it is difficult to monitor, steer and evaluate the programme effectively, and settle the budget.

Background

This newsletter presents a summary of the results of an evaluation of the Centre for the Promotion of Imports from Developing Countries (CBI) and its contribution to Dutch Private Sector Development (PSD) policy objectives. CBI is one of the PSD programmes supported by Dutch development cooperation. These programmes are currently receiving a lot of attention because the Ministry of Foreign Affairs (MFA) has made PSD policies a high priority. It is therefore important to know whether, how, and for whom they work best.

The evaluation covers the period 2005-2012 and focuses on: (1) the sectoral export coaching programme (ECP), which renders technical assistance to individual companies in order to strengthen their competitive edge in European markets; and (2) the business support organisation development (BSOD), which aims to improve the business support organisations' (BSOs') export development and promotion activities in Europe. The evaluation looks at the programmes' relevance, effectiveness, and efficiency, and gives some suggestions for policies that will improve programme delivery.

The *relevance* of the programme has been assessed by:

- a review of literature on the role and impact of trade promotion organisations;
- a short reconstruction of Dutch government policies; and
- interviews with CBI staff, exporters and policy makers.

The *effectiveness* of the programme has been assessed by means of:

- document analysis, evaluation reviews and other relevant documentation;
- semi-structured interviews with CBI staff and external consultants;
- a telephone survey among beneficiaries, drop-outs and non-beneficiaries;
- a telephone survey among importers; and
- case studies in two lower-middle-income countries (Egypt and India) and two upper-middle-income countries (Colombia and South Africa).

Results

General effectiveness

CBI has been successful in helping companies to overcome a lack of market information and intelligence. However, for many companies this was not sufficient to start exporting to Europe. Almost half of the companies that subscribed to ECP programmes managed to increase their exports. Only 10-20% of the initial ECP participants managed to achieve CBI's own targets, i.e. to achieve an additional export value of 2.5 times the amount CBI invested, within two years after completing the programme. There is little information on the sustainability of the effects brought about by promoting export.

A potential reason for the low success rate is that CBI's interventions only focused on a limited number of export constraints, and invested resources were not always optimally directed at companies according to their needs and existing capacities. Though CBI was sensitive to the idea that the enabling environment for PSD matters, it did not necessarily take adequate account of the country context of participating companies. Target companies indicated that CBI's services did not always completely meet their specific needs, and that CBI could have expressed more interest in the process. Even though CBI proactively pursued structural cooperation with international and national PSD organisations, some case study countries still viewed CBI as a 'standalone' service provider.



Targeting

CBI's targeting of a 'healthy mix' of companies and countries with a lower and higher exporting potential for its ECP programmes is not justified by its existing checks and balances. CBI assumes that the stronger companies will serve as an example for the weaker ones, and that companies from countries with a weaker export profile or image benefit from improved visibility and the reputation of stronger countries. However, decisions on company selection, tailoring of interventions to participants, and export competence assessments, are not subject to checks and balances in CBI's system.

BSOD relevance and effectiveness

Generally, BSOD interventions reviewed were considered to be relevant, but the additionality of CBI's interventions could be questioned. CBI's BSOD programme aims to increase the operational scale and reach of its trade-related support among small and medium-sized enterprises in developing countries, by focusing on strengthening intermediary trade support organisations. Given the heterogeneity of local partners in the BSOD programme, the effectiveness of this approach strongly depends on the mandate of the beneficiary. This underlines the need for a context-specific and flexible approach to meet the needs of BSODs.

The effects of technical assistance for BSODs are hard to measure accurately. One reason for this is that the quality and result indicators set by the MFA and CBI are too general to measure increased capacity. Moreover, the lack of data on the effects of BSOD programmes also makes it difficult to monitor and evaluate these programmes and steer them in the desired direction. Good coordination between service providers is often lacking, leading to the absence or the suboptimal division of tasks between donors.

Efficiency

CBI's overhead costs increased more quickly than its programme budget. Since becoming an independent agency in 1998, CBI has struggled to set and justify cost prices for its products. The introduction of an *ex ante* transfer pricing settlement with the MFA and the modular programme delivery, in 2006 and 2010 respectively, caused CBI's turnover and profit rate to go up. This resulted in a substantial increase in the average costs per company. As a result, CBI started to pay back part of its accumulated excess capital to the MFA, and also introduced discounts on its tariffs agreed with the MFA. A results-oriented management model that was supposed to increase the organisations' efficiency was, however, not implemented.

A comparison between CBI and foreign counterpart organisations suggests that CBI has the highest cost level per exporter. This may be caused by scale disadvantages and fragmentation. CBI has a lower number of participants per programme, implying higher fixed costs per participant. The geographical spread of the participants is much larger, implying higher transaction costs per beneficiary. In addition, the inclusion of a heterogeneous group of companies, as expressed by diverging audit scores in one and the same programme, may be inefficient.

Relation to the MFA

While the CBI programme is consistent with the MFA's general PSD policy objectives, the ministry was insufficiently engaged with CBI on priorities and results, and did not provide the right incentives. Although CBI operated within its mandate and in accordance with the list of countries approved by the MFA, the ministry often approved requests for budget increases without sufficient information and justification from CBI.

The budget increase following the MFA's suggestion to strengthen the connection between export promotion, sustainable development and poverty reduction, appears to be premature. While CBI's expenditures have indeed become more aligned to the MFA's demands since CBI developed a new strategy, CBI did not become more active in low-income countries and fragile states during the period under review.

Monitoring and evaluation

For the period under consideration, the programme management system did not meet the standard for result measurement and evaluation, in spite of improvements over the years. Recommendations from earlier evaluations were only partially adopted. No data was being systematically collected to establish a baseline and end-line situation for CBI's interventions. Evaluation outcomes were predominantly based on participants' self-perception. The evaluations conducted on behalf of CBI did not systematically address contribution, additionality and sustainability.

The assessment of the ECP and BSOD programmes shows that CBI lacked detailed insight into its own programme results. According to the agreed quality indicators for result, effect and impact, CBI should have provided information on export figures for all the companies declared as 'competent'. However, the programme management data did not provide information on export figures for 20% of the 'competent' companies.

Lessons for the future

First of all, CBI should focus on 'doing the right things', by:

- 1) increasing the number of tailor-made interventions;
- 2) narrowing the focus of the selection policy and reducing the number of eligible countries;
- 3) enhancing sustainability by defining an exit strategy;
- 4) enhancing monitoring, evaluation, and steering of programme interventions.

Second, CBI's efficiency at the organisational and programme levels could be increased with:

- 5) more and stricter supervision from the MFA;
- 6) better cooperation and coordination with local service providers and international partners;
- 7) the inclusion of more local expertise.

The Policy and Operations Evaluation Department (IOB) of the Ministry of Foreign Affairs carries out independent assessments of the efficiency, effectiveness, relevance, coherence and sustainability of Dutch foreign policy. It thus provides accountability concerning the results of policy, as well as information to enhance policy. The quality of IOB's assessments is guaranteed by means of systematic and transparent procedures.

All IOB evaluations are in the public domain and are brought to the notice of parliament. IOB also seeks to make evaluations accessible to the Dutch public and to partners in the countries concerned. Reports can be freely obtained and a summary of the most important findings is published in the form of the IOB Evaluation Newsletter.

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Figure 1 ECP expenditure by size by country classification (13 ECPs, 2005-2012, total EUR 24 million)

