AFRICA TRADE HUBS EXPORT PROMOTION EVALUATION

EVALUATION PURPOSE AND EVALUATION QUESTIONS

The United States Agency for International Development (USAID) contracted Social Impact, Inc. (SI) to conduct an evaluation to assess the effectiveness of firm-level export promotion activities of the Africa Trade Hubs Projects, which had been in operation for more than a decade. The evaluation objective was to inform project design, reporting parameters and evaluation methodologies for future projects. The following, drawn from the evaluation scope of work (SOW), is a synopsis of the key questions addressed by the evaluation:

1. Firm-Level Effects: Did exports/revenues increase as a result of USAID export assistance? Was there a statistically significant difference in export performance by assisted firms versus overall regional/global export trends in those sectors/products (i.e., more than in entities that were not assisted)? Is there a statistically significant difference in export/revenue performance between firms that received assistance and those that did not?

2. Export Diversification: Has trade/export assistance delivered by the Trade Hubs helped to diversify trade in assisted sectors/firms? Was there a statistically significant difference in the export destination or export product mix of assisted firms in comparison to overall export trends in this product/sector?

3. Job Creation: Did the increase in exports/revenues lead to the creation of jobs in assisted firms? Is there evidence that this job creation exceeded overall job creation in the sector (i.e., exceed the number created in firms in the same area/industry that were not assisted)? Was there a statistically significant improvement in job creation in assisted firms from the period before the assistance began to the period following the assistance?

4. Expenditures: What is the relationship between USAID Trade Hub expenditures on export assistance and export/revenue and job creation performance (ratios of expended costs to exports/revenues/jobs generated)? To what extent can changes in export performance or job creation be attributed to USAID Trade Hub expenditures?

5. Sectoral Effects: Is trade/export assistance delivered by the Trade Hubs relatively more effective within specific product sectors (e.g., traditional agriculture products, non-traditional agriculture products, manufactured goods, services, etc.)?

6. Regional Effects: Has trade/export assistance delivered by the Trade Hubs been relatively more effective in generating exports/revenues/jobs in specific countries/regions or more effective in generating exports to certain destination markets over others (e.g., traditional agriculture products, non-traditional agriculture products, manufactured goods, services, etc.)?

PROJECT BACKGROUND

USAID's Africa Trade Hubs operate under the development hypothesis that trade access provided under the African Growth and Opportunity Act (AGOA), coupled with USAID technical assistance and training activities, will help achieve the development goal of expanding non-traditional exports from sub-Saharan Africa to the United States and other destinations.

EVALUATION DESIGN, METHODS AND LIMITATIONS

SI conducted the Africa Trade Hubs evaluation over a one year period, in coordination with Management Systems International. The evaluation team comprised Team Leader Evan Scott Thomas, Private Sector Specialist Bechir Rassas, Evaluation Specialist Melissa Chiappetta, Statistician Benjamin Mazzotta, Local Trade Expert Joseph Limange and Local Evaluation Specialist James Maraga.

The SOW for the assignment noted a preference for an impact evaluation (IE) utilizing quantitative analysis, if feasible, supplemented with qualitative evaluation methods to enrich the findings and conclusions.

The evaluation team found that the Trade Hub implementing partner in West Africa (WA), which was the contractor since inception of the original Trade Hub contract, had maintained questionnaires from companies applying to work with the Hub, and that these questionnaires could be utilized as a baseline to form treatment and comparison groups. The evaluation team, in consultation with USAID, determined that a quasi-experimental IE could therefore be attempted in West Africa. The team found that, relative to the other West African countries where the program was implemented, a reasonably large proportion (28.3 percent) of all the firms assisted by the Hub were located in Ghana, and based on this, the team conducted a firm-level survey of 128 firms in and around Accra. The sample of firms comprised almost all of the firms in and around Accra that were known to have ever applied for assistance from the Trade Hub, including both assisted and unassisted firms representative of all the sectors in which Trade Hub export promotion support has been provided.

In East and Central Africa (ECA), there were no such comparable baseline data, and no list of comparison firms, either past or present. Moreover, the current Trade Hub implementing partner had been in place only since 2009 and had only assisted 96 firms across all the countries in the region. Accordingly, the evaluation team, again in consultation with USAID, determined that an IE was not feasible, and instead conducted a performance evaluation using quantitative techniques to compare firm-level indicators before and after assistance was provided. The main quantitative technique the team used was to conduct a telephone survey of assisted firms across the region. Of the 96 firms contacted, 64 responded, representing 67 percent of all assisted firms.

In Southern Africa, firm-level export promotion support ended in 2012, and according to USAID the current implementing partner had no information on prior firm-level support activities performed by the previous implementing partner, so the evaluation was limited to examination of regional trends and value-chain cost-effectiveness.

The evaluation team acknowledges that both the IE of the WA Trade Hub (WATH) and the performance evaluation of the ECA Trade Hub (ECATH) are subject to potential biases that may weaken some of the evaluation's findings. In the WATH IE, the 'application for assistance' questionnaires, intended to be used as baseline data, suffered from many gaps. Thus, both the baseline and the endline data had to be reconstructed, resulting in concerns about potential recall bias. Other sources of concern include the potential for selection bias—because the Trade Hub model is to try to select those firms most likely to succeed—as well as the potential for bias due to non-uniform baseline years, and 'spillover' of beneficial effects of USAID export promotion support activities to non-beneficiaries. Similarly, with the ECATH performance evaluation, there are concerns over the potential for recall bias, selection bias and bias due to differing baseline years.

KEY FINDINGS AND CONCLUSIONS

Sales and exports. Based on analysis of responses from firms surveyed in and around Accra, USAID export promotion assistance appears to have positively affected the sales and export performance of the firms assisted by the WATH, both in the aggregate and in each of the value chains supported. Although statistical tests of these effects were inconclusive, even in sectors in which the exports of surveyed firms actually fell on average (likely due to market factors outside of Trade Hub assistance), exports from treatment firms fell by less on average than did those of the comparison group.

The findings from the performance evaluation of firms assisted by the ECATH suggest that USAID-assisted firms performed relatively well in ECA as well. This occurred despite the fact that the ECATH-assisted firms were active predominantly in the apparel and textiles sector, which experienced declining exports to the United States from the sub-Saharan Africa region as a whole, and stagnating exports from the ECA region during the period under review.

Export diversification. The survey of firms in and around Accra also offered concrete evidence that firms assisted by the USAID Trade Hub appear to have been more successful in diversifying export markets than did unassisted firms. Perhaps more important, the average size of export markets, by destination, increased more rapidly for assisted firms than for unassisted firms, with major gains occurring in exports to the European Union (E.U.) and West Africa among firms in the treatment group that were not mirrored among firms in the comparison group.

The conclusion that these findings may be representative of sub-Saharan Africa more generally tends to be supported by the findings of the performance evaluation from the ECATH, in which assisted firms in all value chains except floriculture increased their export destinations (countries to which the firms exported), on average, between period 1 (before receiving USAID Trade Hub assistance) and period 2 (after receiving the assistance).

Job creation. Survey results from the WATH IE indicated that employment by treatment group firms declined on average, while employment by comparison group firms increased. This counterintuitive result may be explained by the fact that gains in employment in certain value chains were more than offset by job losses in apparel and textiles, which are labor-intensive value chains wherein overall exports to the United States, as well as the number of export markets, have both declined significantly in recent years.

By way of contrast, the findings from the performance evaluation performed in ECA provide evidence that USAID Trade Hub assistance is correlated with job creation. Whereas 34 percent of the firms reported increasing employment in the period before starting to work with the Trade Hub, 62 percent increased employment in the period after the assistance began.

In terms of women's share of employment, the ECATH firm-level survey found that while women's share of employment remains much higher than men's—at 73 percent of the workforce amongst firms sampled in the evaluation team's phone interview—this percentage has remained the same since the year before firms first began working with the Trade Hub. On the other hand, the WATH survey found that women's share of employment among assisted firms declined by 27 percent after working with the Trade Hub. This is most likely explained by the decline in employment in the apparel and textiles sector—which employs an overwhelming predominance of women.

Cost Effectiveness. The evaluation team encountered considerable difficulty in obtaining comparable data on exports and expenditures from the three Trade Hubs that could be utilized to make comparisons of the cost-effectiveness of USAID trade promotion support.

Sectoral and Regional Effects. The evaluation team was only able to gather information about attributed exports by value chain from the WATH. Findings demonstrate that more resources were being channeled to those value chains that produced the most exports per USAID dollar spent. To

understand what happened in ECATH, the team conducted regression and correlation analysis and did not find any statistically significant relationships between export or employment growth and sector. Qualitative findings also did not identify any sectoral differences in outcomes in ECA.

Exports to the United States in sectors supported by the Trade Hubs increased for all three Hubs (and more so than exports to any other region). The most dramatic increases appear to be in the food and food ingredients sector in both WA and ECA, and in manufactured goods other than apparel in Southern Africa.

RECOMMENDATIONS

USAID should require future Trade Hub implementing partners to submit a detailed PMP supported by a clear development hypothesis and results framework at the project's outset that includes outcome-level indicators in addition to input- and output-level indicators and also includes indicators aimed at measuring whether or not theory of change assumptions hold true (this is further elaborated in Annex VI of the full Evaluation Report). Such a PMP is important for informing USAID and implementing partner mid-course management decisions related to project efficiency and effectiveness as well as for allowing for more rigorous future evaluations of the Trade Hubs. This PMP should be based on a clearly defined development hypothesis and results framework. This PMP should include indicators that track the following:

- Firm total annual sales at baseline and then every year of project implementation.
- Firm total annual exports at baseline and then every year of project implementation.
- Firm total annual employment at baseline and then every year of project implementation.
- Firm total annual women's share of employment at baseline and then every year of project implementation.
- Firm export destination countries, buyers, and the share of exports sent to each of these countries and buyers at baseline and then every year of project implementation.
- Firm product types at baseline and then every year following project implementation.
- Total project expenditures (including labor expenses) by individual activity as well as a list of firms participating in that activity for every year of project implementation.
- A list of other donor organization and NGO assistance provided to the firms by year at baseline and then every year following project implementation.

These indicators could be collected by the Trade Hub directly, or the Hub could require associations to report on these results for each of the firms they assist as a result of the project. If the latter is done, USAID will need the associations to be careful to differentiate between activities they would have provided to firms before Trade Hub assistance and those provided only because of Trade Hubs assistance. Data should be disaggregated by value chain and country.

USAID should require the Trade Hubs to monitor both surviving and failing firms for results' reporting purposes. This should include follow up with site visits and qualitative surveys to both types of firms to enrich USAID and Trade Hub knowledge of what works and does not in firm-level export promotion assistance. When firms go out of business, implementing partners should make a concerted effort to interview the business owner to understand the reasoning behind the firm going out of business, as well as to collect the last data available for each of the indicators outlined in the first recommendation above.

Given the multitude of potential biases, and restricted sample size, any future IE of Trade Hub programming should be designed alongside the design of the project. This is particularly critical for development of an approach to measure spillovers, which is an important element of the Trade Hubs' program design yet can lead to biased evaluation results if unaccounted for. If USAID wishes to conduct an IE in the future, it should plan for that IE by requiring implementing partners or an

independent evaluation firm (preferred under USAID's 2011 evaluation policy) to designate a control group that is as similar to the treatment group as possible prior to the project intervention. USAID should also require implementing partners to track key indicators (as outlined in the PMP recommendation above) for both the treatment and control groups over time. If USAID wishes to not withhold assistance from any subset of firms, it can require the Trade Hubs to stagger the intake of promising firms into their export promotion projects so that there is a two-year lag during which the performance of unassisted firms may be compared with that of assisted firms, prior to their being incorporated into firm-level assistance activities.

Collection of longitudinal data on client exports and employment should be required of Trade Hubs' clients so that cost effectiveness of support to different value chains can be documented. Cost effectiveness of alternative interventions and implementation approaches should also be documented to help identify interventions that use resources most efficiently. Cost-effectiveness may be defined as the achievement of maximum provision of goods or services from given inputs. Cost-effectiveness analysis could not be performed in this evaluation due to lack of detailed expenditure data. This shortcoming suggests that evidence from an evaluation should extend to include activity-by-activity cost data, including the cost of staff time associated with each activity and some allocation of fixed costs across activities. This information, when paired with project outcomes, will allow stakeholders to assess which alternative is most effective in reaching a particular goal.

USAID should maintain a centralized database of all Trade Hub reports, including RFPs, work plans, annual and quarterly reports and PMP data in order to ensure institutional memory for future implementing partner and evaluation implementing partners. This is further expanded upon in Annex VI of the full Evaluation Report.

In line with its policy of encouraging 'collaborating, learning and adapting (CLA),' USAID should periodically assess whether the value chains the Trade Hubs are supporting actually are those with the greatest potential to generate exports and employment, and if needed, guide the implementing partners to make mid-stream corrections accordingly. In particular, the experience of firms supported in the textiles and apparel sector is an instructive case study. When the Multi-Fibre Arrangement expired in January 2005, global apparel and textile trade was no longer subject to quantitative restrictions, with the effect of centralizing production in countries outside sub-Saharan Africa, and yet USAID did not shift its priorities toward other sectors—like manufacturing—which have been quite dynamic. A more collaborating, learning and adjusting (CLA)-type approach should be implemented in the future.

USAID should consider requiring the Trade Hubs to continue market-linkage work with firms either directly or through associations. Quantitative evidence from both WATH and ECATH show that firms report that this type of assistance has had the most impact on increasing exports. Qualitative interviews demonstrated that the best method for assisting firms in this regard is through a step-down process, meaning firms are supported more heavily (financially and technically) when they first begin working with the Trade Hub (or association) and then, slowly, support is lessened until firms are supporting themselves entirely.

USAID should consider requiring the Trade Hubs to expand efforts to reduce firm constraints to exporting by facilitating firm-level access to finance and reducing regulatory barriers to exports. Results of regression analysis from ECATH show that firms that have received support with accessing finance were more likely to have increased exports than firms that did not. Additionally access to finance and regulatory barriers were highlighted by firms in both ECA and WA as the main barriers to firms' export growth.