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POLICY BRIEF

IMPLEMENTING GENDER-AWARE EX ANTE EVALUATIONS TO MAXIMIZE THE BENEFITS OF TRADE REFORMS FOR WOMEN

The relationship between trade policies and gender is complex, and there is no clear-cut evidence on the effects of trade liberalization on women. Liberalization can be instrumental in providing new opportunities for women, yet may also, in certain cases, contribute to exacerbating existing gender biases and discrimination. In order to prevent adverse effects of trade reforms on women, and to maximize the benefits, a comprehensive examination of the potential consequences of such reforms should be undertaken before their implementation. In this regard, ex ante impact assessments constitute a valuable tool for identifying the impact of trade policies on gender-related outcomes and can thereby contribute to the formulation of policies or accompanying measures that maximize benefits for women.

This policy brief aims to provide stakeholders with an understanding of the scope of ex ante evaluations, and to provide practitioners with an overview of the different approaches available.

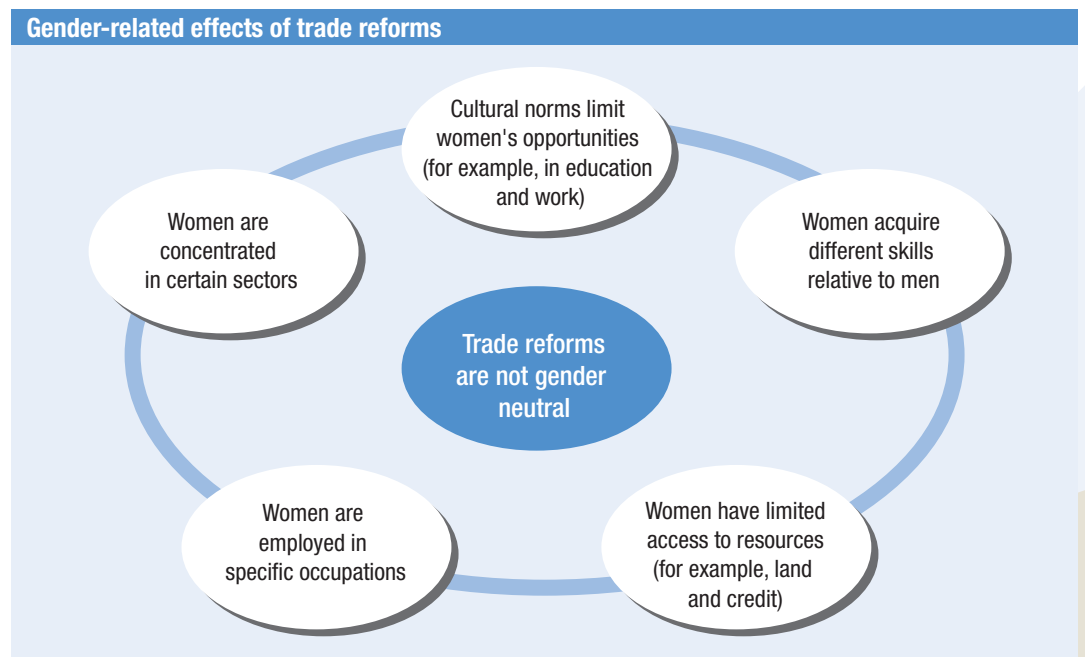
Key points

- Trade liberalization can provide new opportunities for women but may also contribute to exacerbating gender biases and inequality.
- Women's empowerment has a catalytic effect on social and economic development.
- Systematic gender-aware ex ante evaluation of trade reforms may enhance the contribution of trade to women's economic empowerment and economic development.
- UNCTAD is developing a toolbox comprising a set of ready-to-use tools to perform gender-aware ex ante evaluations of trade policies.

Trade and gender: A complex relationship

Developing countries are increasingly adopting trade liberalization policies. Such reforms have effects on employment patterns, incomes, the

structure of production and the price of goods and services, none of which are gender neutral (see figure).



Trade liberalization can be a tremendous force for providing new opportunities for women, yet may exacerbate existing gender biases and discrimination. If enhanced trade implies greater competition with foreign firms, it can contribute to the narrowing of the gender wage gap by rendering discrimination against women more costly. Liberalization can also induce a change in the sectoral structure of production that, for women, may be either beneficial (in the case of reallocation to more women-intensive sectors) or detrimental (in the case of reallocation to more men-intensive sectors). In addition to production structures, trade may impact gender inequality through variations in the prices of goods and services, as it modifies individual purchasing power, which affects men and women differently depending on consumption patterns and livelihood strategies.

Another area in which trade policies can affect gender inequality is tariff revenues. Any resulting reductions in tariff revenues may translate into the cutting of social expenditures, which can be particularly detrimental to women, who are more dependent than men on such expenditures. The reduced provision of health services and public transport, the scaling back of spending on public infrastructure – including electricity and water – and the reduction of day-care facilities, for example, negatively impacts women by increasing their care burden.

If a Government resorts to an increase in income taxes to compensate for the loss of trade revenues then, if taxes are applied to joint household incomes rather than individual incomes – thereby increasing the applicable tax rate – such increases may deter women's participation in the labour market. An increase in indirect taxes, such as value added tax, is also frequently used to compensate for the loss of tariff revenues, and this tends to have a regressive effect on income distribution as it affects the poorest households the most, as they spend the highest share of their incomes on basic goods.¹ Since women in general are poorer than men, an increase in value added tax has a gender-biased impact. Existing evidence of the effects of trade liberalization on women indicates no clear general pattern, yet suggests that this relationship is context specific and cannot be generalized. The relationship needs to be explored not only due to equity concerns but also from a long-term growth perspective,

as there is evidence that empowering women has a catalytic effect on social and economic development.²

Mainstreaming gender equality in trade policy is therefore critical to maximizing the benefits of trade reforms for economic development. Thus, an ex ante analysis of trade measures is a key instrument for minimizing the potential adverse effects of such measures on women and enhancing the benefits.

Definition and scope of ex ante evaluations

An ex ante evaluation uses data to predict the impact of a policy (or programme) prior to its implementation, in contrast to an ex post evaluation, which investigates outcomes after a policy has been implemented. Essentially, an ex ante analysis aims to answer the following question: what might happen if a given trade policy is implemented?

An ex ante evaluation is critical in the policy formulation phase for three reasons. First, it can be used to identify an optimal policy design to achieve specific targets (such as poverty alleviation and economic development, among others). Second, it can contribute to avoiding the implementation of policies that would be ineffective. Third, it provides information on both the expected and unintended effects of a given policy and therefore may be used when choosing corrective or accompanying measures.

Undertaking an ex ante evaluation involves exploring the transmission channels and causal links that may generate possible effects on gender-related outcomes. Such an evaluation, therefore, provides stakeholders with a thorough understanding of the mechanisms at stake and improves their ability to develop relevant policies and accompanying measures. If negative effects on gender equality are expected, an ex ante evaluation allows for the planning of the inclusion of mitigating measures. If predicted positive effects on women are minimal, the ex ante evaluation can also be used to formulate accompanying measures to maximize the benefits for women. Accordingly, systematic use of ex ante evaluations, integrating the gender dimension into policy appraisals, may enhance the contribution of trade policies to women's economic empowerment.

¹ For example, in Cabo Verde in 2003–2004, revenue from taxes on international trade dropped by 42 per cent following the elimination of general customs fees. This decline has been partially counterbalanced by the introduction of value added tax. The lowering of import taxes has also been partially compensated for by increased imports and the improved ability of the Cabo Verde tax system to collect revenues (UNCTAD, 2011, *Who is Benefiting from Trade Liberalization in [Cabo Verde]? A Gender Perspective* (New York and Geneva, United Nations publication)).

² E Duflo, 2012, Women empowerment and economic development, *Journal of Economic Literature*, 50(4):1051–1079; M F Gates, 2014, *Putting women and girls at the centre of development*, *Science*, 345(6202):1273–1275.

Overview of different approaches to gender-sensitive ex ante evaluations

Building upon the methodologies developed to examine the effects of trade policies on poverty,³ this policy brief reviews a range of tools that can be used to conduct gender-aware ex ante evaluations of trade policies. Such instruments, which are complementary, are presented in increasing order of complexity, namely, the descriptive approach first, followed by econometric methods.

Descriptive approach

The most accessible approach to ex ante evaluations consists essentially of a descriptive analysis. This approach is relevant whenever policymakers face limited resources and data constraints. It involves listing all of the possible expected effects of a trade policy using a comprehensive assessment matrix. All dimensions of transmission channels of trade reforms linked to gender-related outcomes should be addressed.

More precisely, to understand how women will be affected, it is crucial to determine in which

sectors and activities they are involved, as well as the sectors that are likely to shrink or expand following trade reforms. The first component allows policymakers to identify the most important sectors for participation by women in the labour force, as it provides a comprehensive mapping of women's participation in the economy. The second component allows policymakers to identify expected variations in market prices (for both exported and import-competing goods) in the sectors to be affected by trade reforms. Comparing the results under the two components allows policymakers to detect the critical sectors in which women are likely to be negatively or positively affected. A further, third step involves studying these sectors by means of a dedicated checklist that relies as much as possible on measurable indicators and that is monitored before and after the implementation of trade reforms. A non-exhaustive list of possible indicators to be included in such a checklist is presented in the table.

On its own, an ex ante assessment matrix does not provide a definitive estimate of expected impacts but, rather, serves as an instrument for an initial approximation based on existing statistics on trade–gender linkages.

Possible indicators for assessing the multifaceted gender-related consequences of trade policies

	Dimension	Key issues	Indicators
Women as workers	Employment	Gender composition of labour force	Number of men and women employed, by sector and occupation Gender ratio, by sector and occupation
	Wages	Gender wage gap	Salary level, by sector, occupation and gender
	Working conditions	Proportion of permanent jobs Training Social coverage	Number or percentage of permanent jobs, by sector, occupation, gender and contract type Investment by firms in training, by sector, occupation and gender Number of workers with social coverage, by gender and type of coverage
Women as producers	Access to resources	Sufficient access for developing new export opportunities	Level of capital and land ownership, by sector, firm and gender of managers Level of access to financial services by sector, firm and gender of managers
Women as traders	Opportunities	Prices of traded products	Expected price variations of traded imported and local products
Women as consumers	Traded products	Women's welfare	Expected price variations of women's consumption baskets
	Public services	Provision of public services used by women	Expected variations in government revenue following trade reforms

³ L Turner, N Nguyen and K Bird, 2008, *An Overview of Ex Ante Tools for Assessing the Impact of Trade Liberalization on the Poor*, London, Overseas Development Institute.

Econometric methods

A more rigorous and complementary approach for ex ante assessment that may be used if resources are not excessively constrained is the implementation of econometric evaluations. This approach allows policymakers to uncover causal relationships between policy changes and a given outcome. Based on the availability of data, the following two approaches are possible: estimation with a microeconomic model, using individual, household or firm-level data restricted to a certain segment of the economy; and estimation with a computable general equilibrium model, relying on the use of data on a wide range of sectors of the economy. Each approach is briefly described in this section.

Estimation with an econometric model based on microeconomic data is particularly useful in measuring the distributional effects of trade reforms across individuals in a given sector of the economy. For example, to estimate the consequences of future trade liberalization reforms on gender-related outcomes, the impact of past tariff changes on gender-specific indicators may be measured, and the estimated coefficients may be applied to the expected future tariff changes. However, this approach is inappropriate if reforms are expected to have indirect effects on market characteristics or labour-supply behaviour. In this case, a more complex economic model, comprehensive enough to capture the underlying mechanisms affecting individuals' behaviour and choices, is necessary. However, use of the latter is particularly challenging, as it requires not only a thorough understanding of the determinants of individuals' behaviour but also strong skills in theoretical modelling, and necessitates the existence of exhaustive data to estimate the role of different transmission channels.

The alternative measurement of the impact of trade reforms, taking into account interactions between all sectors of the economy, is estimation with economy-wide models, such as a computable general equilibrium model. This approach consists of estimations based on a system of simultaneous equations describing the functioning of the economy,

from production technology to consumption behaviour in different sectors, thereby providing a framework to simulate different scenarios related to policy reforms and identify impacts on key economic variables, such as expenditures and labour supply, among others. In addition, if the data allow for differentiating the role of men and women in the economy, computable general equilibrium models can be used to directly simulate the impact of trade shocks on women relative to men.⁴ Due to the need for comprehensive data, this may not be the most accessible method.

Policy implications

Trade policy affects different population groups, including women and men, in distinctive ways. There is thus a need to assess the different impacts by conducting quantitative and qualitative research that allows policymakers to answer the following question: what might happen if a given trade policy is implemented? In most cases, trade reforms are implemented without a clear answer having been obtained. However, experience shows that gender-blind trade policy risks exacerbating existing gender inequality rather than solving them. Ex ante assessments of the likely impacts of planned trade reforms allow such reforms to be optimized with regard to several aspects, including efficiency in reaching declared goals and contribution to inclusive development. If required, accompanying or corrective measures may be introduced to enhance the effectiveness and equity of the relevant measures. The ex ante assessment of a trade measure may also lead to the conclusion that the planned measure needs to be redesigned or that its implementation should be delayed.

Relying on its expertise in trade and gender, UNCTAD is developing a toolbox for policymakers comprising a set of ready-to-use tools to perform gender-aware ex ante evaluations of trade policies. Through this initiative, UNCTAD contributes to ensuring that trade plays a role as a tool for inclusive development, in line with the 2030 Agenda for Sustainable Development and the Addis Ababa Action Agenda.

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⁴ M Fontana and A Wood, 2000, Modelling the effects of trade on women, at work and at home, World Development, 28(7):1173–1190.