

DEVELOPMENT CO-OPERATION DIRECTORATE
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TRADE-RELATED ASSISTANCE -- WHAT DO RECENT EVALUATIONS TELL US?

A Joint DCD-DEV Secretariat Study

DAC Meeting, 20 October 2006

This document follows up on the executive summary of this study, which was circulated as a background document for the Joint DAC-Trade Committee Meeting of 1 June 2006. The full study is now circulated FOR CONSIDERATION to the DAC. It is proposed to publish this document in the OECD Development Dimensions series.

The objective of this study is to gain:

- (1) A better understanding of past performance in this area of development co-operation.*
- (2) Assess factors that have contributed to the success (or failure) of past activities.*
- (3) Provide guidance for enhancing the effectiveness of future trade-related assistance.*

The study provides a summary of key findings, lessons learned and recommendations emerging from 10 publicly available thematic evaluations of trade-related assistance and capacity building. These reports are available on the website of the DAC Evaluation Resource Centre (<http://www.oecd.org/dac/evaluationnetwork/derec>).

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FOREWORD

1. Multilateral trade liberalisation, achieved through successive GATT/WTO rounds and preferential arrangements, has granted developing countries increasingly greater access to OECD and other markets. While this is an essential prerequisite to enable developing countries to better integrate into the world economy, it is not sufficient to help them take full advantage of the opportunities provided through international trade. In order to maximise the benefits from global trade, it is critical that market access is complemented by effective domestic policy reforms and trade-related assistance and capacity building.

2. The donor community plays an important role in helping developing countries strengthen their capacity to formulate trade policy, participate in trade negotiations and implement trade agreements that facilitate market access and provide a more predictable external trading environment. Yet, at the same time, donors should also help strengthen developing countries' supply-side capacity to allow them to become more competitive in international markets. This dual role of the donor community was explicitly acknowledged in the 2001 WTO Doha Ministerial Declaration and more recently, in the 2005 WTO Hong Kong Ministerial Declaration, which highlighted the importance of "aid for trade" for complementing the Doha Development Agenda.

3. This study conveys findings and recommendations that can help the donor community better perform in this role. This is particularly relevant in the context of the current WTO Aid for Trade discussions. It highlights that despite some positive results, further improvements are required to ensure that future trade-related assistance genuinely contributes to development and poverty reduction in partner countries. In fact, trade-related assistance faces the same challenges inherent to all aid delivery. Harmonisation among donors and efforts to implement common arrangements, simple procedures, an effective division of labour and collaboration are key aid effectiveness principles. Reducing administrative costs - which can be extremely high in programmes based on a large number of relatively small activities - is essential to enable recipient countries' administrations to increase their absorption and technical capacity. The study shows that the main challenge, however, will be to implement performance management and use effectively evaluation and monitoring tools.

4. Thus, there is little specificity in trade-related assistance that would justify radical changes in aid delivery best practice. Applying the aid effectiveness principles of the *Paris Declaration* is a prerequisite to improve the impact of trade-related aid programmes. This work complements the findings of the report "Aid for Trade: Making it Effective" (2006) published in the Development Dimension series.

5. The study was undertaken by Caroline Lesser and Masato Hayashikawa respectively from the OECD Development Cooperation Directorate and Development Centre. Valuable research assistance was provided by Jens Andersson (independent consultant).

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OVERVIEW

6. The 2001 World Trade Organisation (WTO) Doha Ministerial Declaration recognised trade-related technical assistance and capacity building as a “core element of the development dimension of the multilateral trading system” and comprised numerous commitments in that area. More recently, the 2005 WTO Hong Kong Ministerial Declaration highlighted the importance of “aid for trade” for complementing the Doha Development Agenda (DDA), emphasising that it could not be a substitute for the development benefits that will result from a successful conclusion of the DDA.

7. Since 2001, bilateral donors and multilateral agencies have significantly scaled up their efforts in trade-related technical assistance and capacity building (also referred to as “trade-related assistance” in this paper) to least-developed, developing and transition countries to help them participate more effectively in international trade and integrate into the world trading system. The volume of trade-related aid commitments increased by 50 percent between 2001 and 2004 to reach approximately USD 3 billion. Commitments have been provided within two categories, *Trade policy and regulations*, to help countries negotiate, reform and prepare for closer integration in the multilateral trading system, and *Trade development*, to help enterprises engage in trade, reinforce business support structures and create a favourable business climate for traders. In 2004, the share of trade-related aid commitments in total sector-allocable official development assistance (ODA) amounted to 4.4 percent. This upsurge in activities, albeit from a relatively low base, is not only reflected in increased funding, but also in the number of bilateral donors and multilateral agencies that have explicit strategies and programming guidelines for trade-related assistance, as well as the strengthened, and sometimes institutionalised, dialogue between development and trade practitioners. These developments have enhanced awareness of the importance of trade for development and poverty reduction.

8. Recently, several bilateral donors and multilateral agencies have also undertaken evaluations of their trade-related assistance. The objectives and foci of these evaluations vary. Some reviews focus on the performance of the funding or implementing agency, aiming to identify its comparative advantage in the field of trade-related assistance (e.g. International Trade Centre). Other assessments examine the relevance and effectiveness of multilateral aid channels, e.g. the Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries (IF), Joint Integrated Technical Assistance Programme (JITAP) and UNCTAD (e.g. The Netherlands). Finally, some evaluations are more comprehensive and assess the relevance, efficiency and effectiveness of an agency’s bilateral, regional and multilateral trade-related aid programmes; their impact on the beneficiaries’ trade policy making-, negotiation- and “supply side” (e.g. export) capacities; the quality of trade-related institutions; the degree of ownership; and the quality of donor co-ordination and coherence, with a view to refining the agency’s strategy in that area of development co-operation (e.g. the UK Department for International Development, DFID).

9. The evaluations generally assess donor performance against conventional OECD/DAC assessment criteria (i.e. relevance, efficiency, effectiveness, impact and sustainability). More recently, the international development community endorsed the 2005 Paris Declaration on Aid Effectiveness, which identifies core principles (i.e. country ownership, donor alignment, donor harmonisation, managing for results and mutual accountability) and indicators against which future donor activities might be assessed.

10. This paper provides a summary of key findings, lessons learned and recommendations emerging from selected thematic evaluations of trade-related assistance (see Table 1, Introduction). The objectives are to gain a better understanding of donor performance in this area; assess factors that have contributed to the success (or failure) of past activities and provide guidance for enhancing the effectiveness and impact

of future assistance on growth and poverty reduction. This is particularly relevant in the context of the current WTO Aid for Trade discussions and might help identify approaches to strengthen the effectiveness of aid for trade.

Major findings

11. A number of evaluations note that it has often been difficult to determine the effectiveness or longer-term impact of some trade-related aid interventions. This is often due to the lack of clear and measurable programme objectives and (outcome and impact) indicators in programme documents. In addition, it is often difficult to attribute changes at the macro-level (e.g. changes in a country's export performance or overall policy-making) to micro-level interventions (due to attribution and time lag problems). This constraint seems particularly acute for "trade development" interventions. Consequently, the direct impact on sustained export performance has sometimes been difficult to substantiate. In cases where such an assessment was possible, the impact varied considerably. A number of trade development programmes have, nonetheless, been assessed as "improving the enabling environment for trade" or as contributing to "export diversification."

12. Half of the reviewed evaluations note that, generally, trade-related aid programmes have increased partner country understanding of the importance of trade for growth and poverty reduction, raised awareness and knowledge of trade policy matters (including WTO-related issues) and strengthened national dialogue on these issues. These competences are prerequisites for successfully developing more challenging trade capacities, such as enhanced trade agreements' negotiation and implementation capacity, or strengthened supply side capacities. Nonetheless, evaluators highlight that effectiveness is not translated into sustainable impact when programmes are implemented under unfavourable domestic policy or regulatory environments.

13. Thus, two pre-conditions for success are the existence of a favourable domestic business environment and political will and leadership to use trade as an engine for development. Other factors, such as adequate governance, market access and international competitiveness, also greatly influence effectiveness and impact. Consequently, an understanding of initial internal and external conditions is essential *before* commencing trade-related aid interventions (e.g. by performing a thorough diagnosis with partner country stakeholders during the programme planning phase). Donors and partner countries should also consider addressing related issues, such as the "friendliness" of the business environment or governance mechanisms, beforehand or alongside the delivery of trade-related assistance, in order to enhance aid effectiveness.

14. The following weaknesses have been identified in most evaluations:

- ***Unsystematic or incomplete needs assessments:*** Donors did not always assess needs in a systematic and comprehensive manner. When they did conduct such assessments, needs were often listed in broad terms, without prioritisation or consultation with all relevant stakeholders, e.g. the private sector and donor field missions. Several IF Action Plan Matrices have, for example, lacked prioritisation. Evaluators also note that, while the identification of EC partners' needs largely rested on extensive consultations, discussions were mainly conducted with Governments, Government agencies and regional organisations, yet to a much lesser extent with private sector stakeholders. Similarly, some DFID's programmes, such as the *Africa Trade and Poverty Programme*, suffered from weak collaboration with country offices during the needs assessment and design phases.
- ***Weak project management and project governance structures:*** Some programmes suffered from inadequate management or governance structures; lacked information regarding costs, timing or

outputs; were implemented without close consultation with relevant partner country stakeholders or lacked a clear definition of the roles and responsibilities of each entity involved (on the donor and partner side). In DFID's *Africa Trade and Poverty Programme*, for instance, there were at least four different agencies that appeared to be responsible, which complicated decision-making. The IF also suffered from weak programme management (due to limited LDC and donor capacities to manage such a complex multi-donor and multi-beneficiary programme) and from unbalanced representation of beneficiaries on IF oversight bodies (*i.e.* IF Working Group and Steering Committee). Weak management sometimes results in delayed implementation of activities or disbursement of funds, which, in turn undermine ownership, efficiency and effectiveness. This was, for example, the case of the EC *Europe Tunisia Enterprise Programme*, which suffered from an unclear distribution of tasks between the Project Management Unit and the Tunisian Ministries, leading to a two year delay in implementation.

- ***Fragmented trade-related aid interventions with insufficient synergies to broader development assistance programmes:*** Donors experienced difficulties in designing complementary and rolling interventions in the framework of a longer-term, country-owned trade-related aid strategy. The DFID evaluation, for example, notes there was little coherence between the various DFID trade projects in Malawi. More generally, it emphasises that DFID trade development programmes were insufficiently linked to its trade policy programmes. In addition, donor interventions were sometimes conducted in isolation from broader (and often complementary) development assistance programmes, such as private sector or rural development programmes. This has lessened their impact. The Netherlands' multilateral trade-related assistance (*e.g.* support to the IF), for example, suffered from weak synergies with bilateral, private sector development activities at the country level. Similarly, the World Bank's trade activities were not sufficiently integrated with its finance, private sector and infrastructure work programmes. In addition, national trade-related aid interventions have often been insufficiently linked to regional programmes.
- ***Weak explicit linkages to poverty reduction:*** While most donors' strategies highlight trade-related assistance as a means to promote economic development and reduce poverty, few programmes had actually direct links to poverty reduction, whether at micro-level (*i.e.* households, individuals) or at macro-level (*i.e.* MDGs and national poverty reduction goals), or consistently took account of poverty-distributional outcomes. This was, for example, the case of World Bank trade activities, as well as *JITAP*, which did not explicitly address the trade-poverty linkage.
- ***Insufficient donor co-ordination and complementarity at headquarters and field level:*** While donor co-ordination at headquarters and field level has improved, it is still insufficient to ensure synergies between interventions and support mutual efforts toward comprehensive reforms in the partner country. This also holds true for multi-donor schemes, such as *JITAP* and *IF*, which, nevertheless, did contribute to a more co-ordinated and consistent approach amongst donors and international organisations at headquarters and in Geneva (*e.g.* thanks to joint diagnostic studies).
- ***Inadequate internal communications and expertise on trade-related matters:*** Field mission staff, in particular, often lack a good understanding of trade's potential role in poverty reduction or of how to support the trade policy process in the partner country. Furthermore, field staff is not systematically consulted during programme planning and design. This undermines field mission staff's buy-in into trade-related assistance, "mainstreaming" of such assistance with other development assistance activities, as well as communication with partner country stakeholders, hence undermining a consistent donor approach towards the partner country. This was, for example, the case of the *JITAP* in Burkina Faso, which suffered from insufficient communication

between donor and multilateral agency representatives in Geneva and at headquarters, on the one hand, and donor field missions, on the other. Similarly, there has been insufficient systematic interaction between the World Bank's Trade Department and operational colleagues in the field.

Key recommendations

15. Consequently, the following key recommendations have been formulated by most evaluators:

- Ensure **country ownership** through wide **stakeholder dialogue**. Strengthen consultations and collaboration with *all* relevant stakeholders in the partner country during design, delivery and review phases, in order to improve the relevance, efficiency and effectiveness of trade-related assistance. Broad-based buy-in often implies the engagement of trade officials based both in Geneva and in capitals, as well as the involvement of stakeholders from other Ministries, the private sector and civil society. A communications strategy that explains a programme's or an intervention's objectives, resource allocations and operations is a good way to counter misperceptions and increase interest amongst local stakeholders.
- Base activities on a sound, **consultative diagnosis**. Pay attention to internal, country-specific factors and external conditions that might influence results and build, where possible, on existing tools and systems available in the partner country. For trade development programmes, conduct a forward-looking analysis regarding a country's revealed or potential comparative advantage (*e.g.* through sectoral studies or value chain analyses), examine factors that encourage the expansion or diversification of trade and identify measures needed to maximise the impact on development and poverty reduction. The World Bank's Private Sector Development Vice-Presidency is encouraging the inclusion of value chain analysis. Such an approach was, for example, used in the *Integrated Trade Logistics work* in Morocco. Likewise, USAID evaluators note the usefulness of ITC's *TradeMap*, a tool providing indicators on national trade performance, international demand, potential for market- and product diversification, market access barriers and the role of competitors.
- Establish an **explicit link to national poverty reduction strategies** to take account of the potential impact on the poor. The assumption is often that expanded trade will advance the ultimate goal of poverty reduction *via* enhanced trading opportunities, economic growth and job creation. Yet adopting a programming approach that relies solely on an indirect trade-poverty linkage does not seem to be sufficient to reduce poverty levels. Donor agencies can maximise the positive effects of their trade-related aid interventions by enhancing the synergies with broader development assistance and poverty reduction programmes, supporting a national trade policy dialogue that includes the poor and analysing the trade-poverty linkages at country level or conducting ex-ante poverty impact assessments (which can also help identify mitigating measures or complementary interventions required to protect the poor). Furthermore, trade-related assistance could target directly sectors or activities in which poor people are involved. This was, for example, the case of the bee-keeping project of DFID's *Business Partnership Programme*, which targeted small farmers in Western Kenya. The project increased their income and enabled Honey Care Africa, a private sector organisation, to support compliance with EU standards and requirements, hence facilitating export to the EU.
- **Manage for results**: Donors and partner countries should focus on achieving results (as opposed to merely completing outputs). They need to adopt a collaborative, results-based management approach, where clear, realistic and measurable programme objectives are defined and translated into expected outcomes and required activities, with timetables for implementation (including information on the sequencing of outputs) and costing. In addition, it is important to clarify the

roles and responsibilities of each stakeholder involved in the delivery of outputs (including the role of national counterparts).

- A results-based management approach should, however, allow for some *flexibility* in the financing and delivery of outputs, in order to be able to adapt to changing circumstances and allow a more country-driven choice of activities. Flexibility can be encouraged through greater decentralisation of authority to donor field missions; regular monitoring and evaluation throughout implementation; and the development of aid instruments that can be rapidly mobilised or adapted. DFID's *Caribbean Regional Negotiating Machinery* project, for example, involved the set up of call-down facilities for technical expertise that enabled local counterparts to gain access to high quality expertise when needed.
- Programme objectives and results should be regularly and jointly monitored and assessed against measurable targets consistent with the partner's own sectoral and national development and poverty reduction goals (using the partner's performance assessment framework where possible). The findings of such assessments should help amend ongoing activities if needed and inform future programming. ESCAP, for example, conducted systematic reviews (through questionnaires) to enable certain changes in its trade-related *Training Programme* – *i.e.* modifications in the mix and format of workshops, the group size, the training subject matter and the type of training.
- Conducting joint evaluations with other donors or agencies can help alleviate the (administrative) burden on the beneficiaries and determine the collective impact of donors' efforts, hence overcoming to some degree the attribution problem individual donors and agencies face when evaluating their assistance's effectiveness and longer-term impact.
- ***Identify the most adequate mix of delivery channels and direct beneficiaries.*** The EC evaluation, for example, notes that trade-related assistance, and particularly trade policy and regulations projects, have had better results when channelled through *regional* programmes. Likewise, some donors view in some instances direct budget support as the most adequate delivery channel since it is more cost-efficient and encourages greater recipient ownership and donor alignment and harmonisation. In terms of direct beneficiaries, the USAID evaluation found that targeting assistance to *private sector* stakeholders, *e.g.* trade associations, can, in some instances, lead to better results, as some associations have a better track record in providing and disseminating trade-related information than government agencies. ESCAP's experience with WTO-related training also highlights the importance of carefully selecting participants and designing activities for achieving better results. Participants should, for example, have adequate background knowledge and be expected to use the expertise acquired in their future work. In addition, training should also emphasise the development of skills, *e.g.* necessary for trade policy making and negotiations (and not merely disseminate information).
- ***Enhance the sustainability of results.*** This generally requires longer-term support and/or financial and technical follow-up, supported by donors and/or involving financial and administrative participation of the partner country. Strengthening local institutions and networks (*e.g.* government authorities, research institutes, universities and business associations) and using local subcontractors can also bring more sustainable results, by helping reinforce local capacities. In Bangladesh, for example, DFID and The Netherlands co-financed a collaborative research project between the International Food Policy Research Institute and the *Bangladesh Institute of Development Studies*, which provides training and conducts policy research for government Ministries. The project helped strengthen the Institute's trade-related knowledge and analytical capacity, as such supporting the development of local trade expertise.

- **Improve donor co-ordination, harmonisation and complementarity** by creating incentives for staff (e.g. include “co-ordination with other agencies” as a performance criterion) and by holding regular co-ordination meetings in the field. A donor should undertake an activity in which it has a comparative advantage and ensure the activity is coherent with (or builds on) other donor interventions, in order to encourage a more consistent and comprehensive donor approach to trade-related assistance. This was, for example, the case in Ukraine, where EC *TACIS* trade-related projects built on previous DFID projects.
- **Enhance internal communication and collaboration and improve knowledge of trade policy and capacity building:** e.g. provide greater incentives for aid agency staff to collaborate internally; disseminate a common trade-related assistance strategy, guiding principles and manuals on project management; provide training; and establish formal co-ordination arrangements or an agency-wide network of expertise, in order to enhance the linkages and coherence between trade-related assistance and broader development assistance programmes. The EC, for example, developed “*Guidelines for EC Trade-Related Assistance*” while the UK recently developed a *DFID trade strategy for 2005-07*. Generally, head offices need to send a more coherent signal to their field offices and operational units and ensure that this signal is backed by effective (financial and human) support and incentives.

Conclusions

16. In short, the evaluations show that further improvements are required, in particular regarding donor programming, harmonisation and donor-recipient partnerships, to ensure that future trade-related donor support be more effective. This can be achieved by taking account of the basic principles for effective aid delivery as set out in the *Paris Declaration on Aid Effectiveness*. In particular, and as highlighted in the *2001 DAC Guidelines on Strengthening Trade Capacity for Development*, it is essential that donors collectively support the identification, elaboration and mainstreaming of country-owned trade-related priorities and subsequent action plans into national development and poverty reduction strategies. Such action plans need to be comprehensive, well-sequenced, budgeted and linked to annual budget and expenditure frameworks, as to enable partners to engage in coherent reforms and interventions using domestic resources, and encourage donors to align their assistance programmes around such plans.

17. The IF, which aims to promote the mainstreaming of trade into national development strategies and improve the co-ordinated delivery of support, has been assessed as a sound and appropriate approach, “capable of achieving positive results”. It has, however, not always achieved the desired results at country level. The recommendations from the *WTO Task Force on an Enhanced Integrated Framework* should help tackle the scheme’s current weaknesses.

18. Three factors seem particularly critical for enhancing the effectiveness of trade-related assistance.

- First, it is essential to understand the internal political dynamics and “power relations”, which might influence the results of trade-related assistance. A political economy analysis (or Drivers of Change analysis), which examines formal and informal rules, power relations, vested interests and incentives, can help identify the institutions and agents that can act as key levers to enable change.
- Second, broad-based and ongoing consultations with all relevant stakeholders, including the private sector, other Ministries and donor field missions are essential to enhance local ownership and relevance.
- Third, greater synergies between trade-related assistance and other donor programmes and country assistance strategies and enhanced explicit linkages to poverty reduction will improve impact.

1. INTRODUCTION

19. Since the launch of the Doha Development Agenda in 2001, donors have significantly increased their support for trade-related technical assistance and capacity building (also referred to as “trade-related assistance” or “trade-related aid activities”) to least-developed, developing and transition countries, to help them participate more effectively in international trade and integrate into the world trading system. In 2001, WTO Members committed to “... make positive efforts designed to ensure that developing countries, and especially the least-developed among them, secure a share in the growth of world trade commensurate with the needs of their economic development.” In this context, Members acknowledged that “enhanced market access, balanced rules, and well targeted, sustainably financed technical assistance and capacity building programmes have important roles to play” and confirmed that trade-related technical assistance and capacity building is a “core element of the development dimension of the multilateral trading system”. The 2001 Doha Declaration (WTO, 2001) also highlighted the importance of:

- Supporting the mainstreaming of trade into national development plans and poverty reduction strategies.
- Co-ordinating the delivery of trade-related assistance within a coherent policy framework and timetable.
- Ensuring secure and predictable funding for trade-related assistance.
- Supporting the diversification of Least Developed Countries’ (LDCs) production and export bases.

20. Against this background, the amount of trade-related aid commitments increased by 50% between 2001 and 2004. In 2004, those commitments represented 4.4% of total sector-allocable official development assistance (ODA) commitments of OECD/DAC members, or a total of approximately USD 3 billion. Commitments have been provided within two categories:

- *Trade policy and regulations* — to help countries negotiate, reform and prepare for closer integration in the multilateral trading system — which increased from an average of USD 0.65 billion in 2001-02 to an average USD 0.85 billion in 2003-04.
- *Trade development* — to help enterprises engage in trade, reinforce business support structures and create a favourable business climate for traders — which increased from an average USD 1.3 billion in 2001-2 to an average of USD 2.1 billion in 2003-4 (WTO/OECD, 2005).

21. Beyond the rise in funding, the OECD/DAC *Survey of Donor Practices in Trade-Related Assistance and Capacity Building* also shows an increase in the number of donors and agencies with explicit strategies and programming guidelines for trade-related assistance; enhanced awareness among donors of the importance of such assistance for development and poverty reduction; and the strengthened, and sometimes institutionalised, dialogue between development and trade practitioners (OECD, 2005). The Survey also indicates that programme design and delivery often involve numerous bodies beyond the Government’s aid agency, such as line Ministries or Departments (*e.g.* Trade and Industry; Agriculture) or specialised Government agencies (*e.g.* customs authority).

22. Major bilateral donors (*e.g.* the US, UK, EC and the Netherlands) and multilateral agencies (*e.g.* UNCTAD, UNESCAP, the WCO, the World Bank and ITC, and most recently the WTO) have undertaken ambitious thematic (*i.e.* multi-programme) evaluations of their bilateral trade-related aid activities and strategies and/or of their participation in multilateral initiatives (*e.g.* the Integrated Framework for

Trade-Related Assistance, IF, and the Joint Integrated Technical Assistance Programme, JITAP). Those two multi-donor schemes have also been reviewed by independent evaluators.

23. The objectives and foci of these evaluations vary. Some reviews focus on the performance of the funding or implementing agency, aiming to identify its comparative advantage in the field of trade-related assistance (*e.g.* ITC). Other assessments examine the relevance and effectiveness of multilateral aid channels, *e.g.* the IF, JITAP and UNCTAD (*e.g.* The Netherlands). Finally, some evaluations are very comprehensive and consider various criteria with a view to refining the agency's strategy in this area of development co-operation (*e.g.* the UK and the EC). Such criteria include:

- The relevance, efficiency and effectiveness of an agency's bilateral, regional and multilateral programmes.
- The impact of programmes on the beneficiaries' competences in trade policy making and trade negotiations and on the operation of trade-related institutions.
- The impact of programmes on beneficiaries' "supply side" capacities (*i.e.* production and export capacities).
- The degree of partner country ownership and the quality of donor co-ordination and coherence.

24. The aim of this paper is to provide a summary of key findings, lessons learned and practical recommendations emerging from selected thematic evaluations of trade-related assistance (Table 1). The objectives are to gain a better understanding of past performance in this area; assess factors that have contributed to the success (or failure) of past activities, and provide guidance for enhancing the effectiveness and impact of future assistance on development and poverty reduction.¹ Such an exercise is particularly relevant in the context of the current Aid for Trade discussions amongst WTO members, which focus on "additional, predictable, sustainable and effective financing" for aid for trade (WTO, 2006).

25. The paper is structured as follows:

- Chapter 2 outlines the main findings regarding past performance in trade-related assistance.
- Chapter 3 presents lessons learned, with concrete examples and outlines recommendations for improving the effectiveness of future assistance.
- Chapter 4 presents conclusions.
- Annex 1 provides information regarding the methodological difficulties evaluators faced when reviewing donors' trade-related aid interventions; and
- Annex 2 provides a list of the most common performance indicators used in the evaluations.

1. Such guidance complements the 2001 DAC Guidelines on Strengthening Trade Capacity for Development

Table 1. Overview of the 10 reviewed evaluations

Donor/ Agency	Author and Title	Period under Review	Method	Main Objectives
EC	ADE, Evaluation of Trade Related Assistance by the EC in Third Countries, Volumes 1 and 2 (2004)	1996-2002	Desk study and field review of several trade-related aid programmes in, respectively, Kenya; Zambia (ACP); Tunisia (Mediterranean countries- MEDA); Moldova (Commonwealth of Independent States - TACIS) and Viet Nam (Asia and Latin America -ALA)	Help the EC improve its strategies for assisting partner countries in engaging in international trade and maximise the benefits for sustainable growth and poverty reduction.
USA	USAID/Office of Development Evaluation and Information (DEI), An Evaluation of Trade Capacity Building Programmes: Overview (2004) ¹	1999-2003	Desk study, based on the USAID Trade Capacity Building database. Review of 23 programmes conducted through phone/email interviews of USAID project managers in field missions.	Assess the performance of trade-related aid activities. Identify major challenges in designing and implementing these activities. Determine the desirability of replicating such activities in other countries.
UK	Weston, A, C. Blouin and L. De Silva, The North-South Institute, Evaluation of DFID Support to Trade Related Capacity Building: Synthesis Report (2005) ²	1998-2004	Desk study and field review of several programmes in Kenya, Bangladesh, Malawi, Ukraine and the Caribbean (CARICOM region)	Assess the effectiveness and the efficiency of DFID assistance. Identify lessons for good practice, which should feed into a new DFID Trade Strategy.
The Netherlands	Policy and Operations Evaluation Department (IOB), An Evaluation of Trade-Related Technical Assistance (2005) ³	1997-2004	Desk study and field review in Burkina Faso and Tanzania (JITAP), Ethiopia and Yemen (IF) and Geneva (two TA projects of UNCTAD; Advisory Centre on WTO Law-ACWL; Agency for International Trade, Information and Co-operation - AITC and Quakers United Nations Office- QUNO).	Assess the results of selected <i>multilateral</i> TRTA programmes and IGOs/NGOs supported by The Netherlands, to enable policy makers to (i) account for funding of TRTA to the Dutch parliament, and (ii) determine whether such commitments should be larger, smaller or different in the future.
World Bank	Agarwal and Cutura, OED, An Independent Evaluation of the World Bank's Approach to Global Programmes: Case Study: Integrated Framework (2004)	2001-2004	Desk study, stakeholder interviews and surveys and field visits.	Assess the performance and impact of the IF and the effect of the scheme on the performance of the Bank and vice versa. Review the strategic role the World Bank has played in the IF, and determine what role it might play in the future.

Donor/ Agency	Author and Title	Period under Review	Method	Main Objectives
World Bank	World Bank Independent Evaluation Group, Assessing World Bank Support for Trade (2006)	1987-2004	Desk study to identify the evolution of trade assistance over time (1987-2001; 2001-04). Review of Trade-related interventions in: India, Indonesia, Morocco, Mozambique, Senegal, and Zambia. Interviews and surveys were conducted with key stakeholders.	Assess the development effectiveness of the Bank's trade assistance (lending and non-lending activities, such as research and advocacy). Evaluate whether stated strategies and objectives have been met.
UNCTAD	Denis, Saha, Griffiths, Evaluation of Capacity Building in UNCTAD's Technical Co-operation Activities (2002)	1995-2001	Desk study of 12 programmes with a capacity building component ⁴ and field review in Romania, Uganda and Viet Nam.	Assess the performance of these programmes in terms of capacity building. Identify explanatory factors for the performance. Provide recommendations for future programming.
ESCAP	ESCAP Secretariat, WTO/ESCAP Joint Training Programme for Developing Countries (2003)	1999-2003	Desk study based a review of programme documents (course plans) and "feedback questionnaires".	Assess the outcomes of ESCAP technical assistance work on WTO-related issues and consider lessons learned for future project planning and implementation.
Integrated Framework for Trade Related Technical Assistance to Least Developed Countries (IF)	Capra International Inc. and Trade Facilitation Office Canada, Evaluation of the Revamped Integrated Framework For Trade Related Technical Assistance to the Least Developed Countries (2003)	2000-2003	Desk study and field review (short visits) to all 5 "old", 3 pilot and 11 new IF countries. Consultations with all relevant stakeholders.	Assess progress in achieving the IF's two main objectives, <i>i.e.</i> its effectiveness as a mechanism (i) to "mainstream" trade into the national development plans; and (ii) to assist in the co-ordinated delivery of trade-related assistance in response to LDC needs
Joint Integrated Technical Assistance Programme (JITAP)	Da Silva, L. and Weston A., Report of the Summative Evaluation of JITAP (2002)	2000-2002	Desk study and field review in 8 beneficiary JITAP countries, including consultations with all relevant stakeholders.	Assess the impact of the JITAP and review compliance with the recommendations of the 2000 Mid-Term JITAP Evaluation.

1. The synthesis report relies on three individual evaluation reports:

USAID, Bureau for Policy and Program Coordination (PPC) (2004b), *An Evaluation of Trade Capacity Building Programs, USAID Support for WTO/FTA Accession and Implementation*, PPC Evaluation Working Paper No. 13, USAID, Washington.

USAID, Bureau for Policy and Program Coordination (PPC) (2004c), *An Evaluation of Trade Capacity Building Programs, USAID Behind-the-Border Trade Capacity Building*, PPC Evaluation Working Paper No. 14, USAID, Washington.

USAID, Bureau for Policy and Program Coordination (PPC) (2004d), *An Evaluation of Trade Capacity Building Programs, An Evaluation of Trade Capacity Building Programs Regional Trade Agreements: A Tool for Development?*, PPC Evaluation Working Paper No. 15, USAID, Washington.

2. The synthesis report relies on four individual evaluation reports:

(1) Blouin, C. and I. Njoroge (2004), *Evaluation of DFID Support to Trade Related Capacity Building, Case Study of Kenya*, The North-South Institute, Canada.

(2) The North-South Institute (2004a), *Evaluation of DFID Support to Trade Related Capacity Building, Case Study of Bangladesh*, The North-South Institute, Canada.

(3) The North-South Institute (2004b), *Evaluation of DFID Support to Trade Related Capacity Building, Case Study of the Commonwealth Caribbean*, The North-South Institute, Canada.

(4) The North-South Institute (2004c), *Evaluation of DFID Support to Trade Related Capacity Building, Malawi Case Study*, The North-South Institute, Canada.

(5) The North-South Institute (2004d), *Evaluation of DFID Support to Trade Related Capacity Building, Ukraine Case Study*, The North-South Institute, Canada.

3. The synthesis report relies on five individual evaluation reports:

(1) Lanser, P., P. Wijmenga and P. Mwazyunga (2004), *Evaluation of the Joint Integrated Technical Assistance Programme, Country Reports of Burkina Faso and Tanzania*, IOB Working Document, IOB, The Netherlands.

(2) Liebrechts, R. and P. Wijmenga (2004a), *Evaluation of Trade-Related Technical Assistance, United Nations Conference on Trade and Development (UNCTAD): Programmes on Investment and Competition*, IOB Working Document, IOB, The Netherlands.

(3) Liebrechts, R. and P. Wijmenga (2004b), *Evaluation of the Integrated Framework for Trade Related Technical Assistance to the Least Developed Countries, Country Reports of Ethiopia and Yemen*, IOB Working Document, IOB, The Netherlands.

(4) Plaisier, N. and P. Wijmenga (2004), *Evaluation of Trade-Related Technical Assistance, Three Geneva-Based Organisations: ACWL, AITC and QUNO*, IOB Working Document, IOB, The Netherlands.

(5) Policy and Operations Evaluation Department (IOB), The Netherlands Ministry of Foreign Affairs (2005), *Aid for Trade? An Evaluation of Trade-Related Technical Assistance*, IOB Evaluation, The Netherlands.

4. Capacity building is defined as “the ability of a technical assistance programme to enable beneficiary countries to perform and sustain targeted functions on their own as a direct result of that programme”.

2. MAJOR FINDINGS: THE RESULTS OF PAST ASSISTANCE

26. This chapter summarises the main findings of the ten reviewed evaluations of trade-related assistance and capacity building. The authors have deliberately left out the conclusions that pertain only to the operations and performance of a specific agency or programme, in order to focus on the results that are common to most evaluated programmes and agencies. The objective is to pinpoint the most commonly identified successes and challenges with trade-related aid programming to date and distinguish the factors that have influenced these results.

Challenges with assessing performance

27. A number of evaluation reports note that it is often difficult to determine the “development” effectiveness and longer-term impact of trade-related aid programmes for several reasons. Firstly, programme documents do not always define clear and measurable (short- and longer-term) programme objectives and (outcome and impact) indicators. Secondly, the objectives (and approaches) often vary across the different interventions undertaken by an agency or in the framework of one multi-donor initiative (e.g. “trade policy and regulations” programmes aimed at supporting the development of trade negotiation capacity or more generally, trade policy making versus “trade development” interventions mainly aimed at strengthening production and “supply side” capacities) hence the difficulty of assessing the effectiveness of trade-related assistance at a more “aggregate” level. Finally, it is often difficult to attribute changes at the macro-level (e.g. changes in a country’s export performance or overall policy-making) to micro-level interventions (due to attribution and time lag problems). This constraint seems particularly acute for “trade development” interventions. Annex 2 provides further information regarding the methodological difficulties with evaluations of trade-related assistance.

Results of trade-related assistance

Half of the assessed programmes contributed to increasing partner country awareness and knowledge of trade policy issues...

28. Despite these methodological challenges, half of the reviewed evaluations note that, generally, trade-related aid programmes (mainly in the area of “trade policy and regulations”) have assisted partner countries in:

- Gaining a better understanding of the importance of trade for development and poverty reduction.
- Raising awareness and knowledge of trade policy matters (including WTO-related issues).
- Strengthening national dialogue on these issues.

29. These competences are prerequisites for successfully developing more challenging trade capacities, such as enhanced trade agreements’ negotiation and implementation capacity or strengthened supply side capabilities.

30. Several of the reviewed DFID projects have, for example, been assessed as “contributing to building knowledge (within and outside the partner country government) about WTO and other trade issues; supporting a more integrated approach to trade policy making within government; building a more

inclusive trade policy dialogue with those outside Government (*e.g.* parliamentarians, private sector and NGOs); and strengthening the linkages between trade and poverty reduction in trade policy and practice” (Weston, *et al.*, 2005) (Box 1 on JITAP). In the case of EC programmes, evaluators note that impact on awareness-raising and strengthened trade knowledge was even greater when *regional* aid channels were used. Regional programmes seem nevertheless to be very weak in supporting the objective of mainstreaming trade policy into national development strategies. (ADE, 2004).

Box 1. Enhanced Local Knowledge and Dialogue on Trade Issues: The Case of the Joint Integrated Trade Programme

The Joint Integrated Trade Assistance Programme Phase 1 (JITAP I), a multi-agency initiative, brought about positive results. While evaluators note that the Programme did not directly contribute to higher export volumes, they conclude that JITAP I helped developing countries:

- Play a more active role in multilateral trade negotiations.
- Stimulate a training culture on multilateral trading system issues, *e.g.* by involving local training institutions in its interventions (there is nevertheless room to further expand their role).
- Strengthen local dialogue and consultation on multilateral trading system issues between Government, the private sector and civil society, via the establishment of *Inter-Institutional Committees*.
- Encourage the establishment of WTO-related *Reference Centres* and *National Enquiry Points* (Da Silva and Weston, 2002).

The Netherlands evaluation, for example, highlights that JITAP I contributed to strengthening Burkina Faso’s Inter-Institutional Committee (through specialised training courses), which in turn helped policymakers formulate Burkina’s strong negotiation position on cotton-related issues and co-ordinate with other West African countries, in view of jointly advocating a “Cotton Initiative” at the 2003 WTO Cancun Ministerial Conference (Lanser, *et al.*, 2004).

...Or facilitated a country’s integration into the multilateral trading system

31. Furthermore, some “trade policy and regulations” interventions have also been assessed as contributing to a country’s successful accession to the WTO. The ESCAP evaluation report, for example, notes that the assistance it delivered to establish a network of “acceding countries”, in collaboration with the WTO Secretariat and UNCTAD, and the financial support provided to facilitate the regular participation of Cambodian officials in activities organised under its WTO/ESCAP training programme, contributed to the country’s WTO accession (ESCAP, 2004).

32. Likewise, the IF evaluation report notes that Cambodia’s entry into the WTO “illustrates the potential for positive impact of a well-financed and well-organised IF programme”. Beyond supporting Cambodia’s accession, the IF also helped develop a consultation mechanism for government and private entities on trade-related issues, *i.e.* the Government-Private Sector Forum. Much of this success is however attributable to Cambodia’s own strong commitment to trade issues (Capra-TFOC, 2003, World Bank, 2004). This point is further developed below (Box 2).

Other interventions have supported export development and improved the environment for trade...

33. “Trade development” programmes have in some cases been assessed positively. Beneficiaries of EC assistance, for example, indicate that the interventions (*e.g.* direct support to enterprises to increase competitiveness and indirect support to improve trade-related practices and knowledge) have had a positive effect on export development, particularly when the programme included as a specific objective “export

diversification” (ADE, 2004). Reviewed DFID trade development projects have helped improve the enabling environment for trade, through simplification of regulations, strengthened business support services and institutions and access to (trade) finance (Weston, *et al.*, 2005).

...Though this is generally more difficult to substantiate and the longer-term impact varies

34. World Bank evaluators, nevertheless, indicate that the longer-term impact of “trade development” interventions is not always clearly identifiable nor systematically positive. They note, for example, that while export diversification occurred in most of the Bank’s beneficiary regions, it has not always had a dramatic impact on the partner’s supply capacity. In Africa, “the low base from which non-traditional exports grew meant that even rapid growth rates were inadequate to dramatically change the composition of Africa’s export baskets. Moreover, many African countries experienced an erosion of competitiveness in their export baskets, contributing to increased marginalisation in global trade” (World Bank, 2006).

Effectiveness and sustainability require, at a minimum, a favourable domestic environment and follow up support

35. Interestingly, half of the evaluations highlight that a positive record in terms of effectiveness is not translated into sustainable impact when implementation is conducted under *unfavourable domestic policy or regulatory environments* and when *political will and leadership* to use trade as an engine of growth is lacking. Other factors, such as adequate governance, market access and international competitiveness, also greatly influence impact.

36. Evaluators of the IF, for example, note that achieving concrete results in individual IF countries is closely linked to “internal ingredients for success” – *e.g.* an enabling business environment, as well as strong political will and leadership for trade development (Capra-TFOC, 2003) (Box 2). Yet, despite the country-by-country approach of the IF, the programme had (prior to the evaluation) neither systematically examined country conditions nor incorporated country-specific criteria --such as government support and policy leadership, enabling business climate and in-country stakeholder consensus-- into its selection process (Capra-TFOC, 2003). Similarly, the World Bank review highlights that insufficient attention has been paid during the planning and design of interventions to country-specific, internal conditions -- such as macroeconomic stability, the regulatory environment and the quality of trade-related institutions (World Bank, 2006). Finally, the JITAP evaluation also emphasises that strong local engagement is key success factor (Da Silva and Weston, 2002).

37. Consequently, an understanding of initial internal and external conditions is essential *before* commencing trade-related aid activities (*e.g.* by performing a thorough diagnosis with partner country stakeholders during the programme planning phase). This idea is further developed in Chapter 3.

Box 2. Strong Local Commitment: The Case of Cambodia

Cambodia’s accession to the WTO is frequently cited as a “success story”.

The IF evaluations nevertheless emphasise that the determining factor of Cambodia’s success was the country’s strong commitment to trade issues. For example, a particular feature of the Cambodian IF experience was the way in which the Government took ownership of the whole process, as reflected in the high level of *inter-ministerial co-operation*. The necessary institutional infrastructure, including a dedicated support unit comprising eight professionals and a National Steering Committee, was also established with the support of an informal trade support network. (The Government’s IF support unit received financial support from the IF Trust Fund).

Source: World Bank (2004) and Capra-TFOC (2003)

38. In addition, evaluators note that longer-term impact and sustainability in poorer countries require *financial and technical follow-up*, supported by donors and/or involving financial and administrative participation of the partner country (Weston, *et al.*, 2005; Lanser, *et al.*, 2004). The reviewed UNCTAD programmes, for example, often lacked adequate administrative and financial resources to build sustainable capacities (Denis, *et al.*, 2002). Sustainability can, for example, be encouraged through the creation of continuous learning facilities and strengthening the capacities of local institutions (Weston, *et al.*, 2005; Lanser, *et al.*, 2004).

Areas where further improvements are needed

39. A number of other factors have been identified as influencing the results of trade-related aid interventions. These include:

- The quality of ex-ante needs assessments, project management and project governance structures;
- The availability of adequate and predictable funding;
- The level of cohesiveness of different interventions and their link to broader donor strategies and development assistance programmes;
- The degree of explicit linkage to poverty reduction;
- The extent of donor co-ordination and complementarity; and
- Communications and expertise on trade-related matters *within* aid agencies.

40. Over half of the reviewed evaluations highlight that donors faced important challenges in each of these areas.

Donors have not always assessed trade-related needs thoroughly...

41. Conducting a sound and “participatory” needs assessment prior to delivering trade-related assistance is essential to ensure that interventions respond to partner country (development) priorities, address their capacity gaps and are in line with an aid agency’s mission and competencies. A number of evaluation reports however point out that needs assessments have not always been adequately conducted. This was, for example, the case in UNCTAD’s *Train for Trade* and *Trade Points* programmes, where the lack of systematic needs assessments sometimes led to the selection of some inappropriate partners or absence of co-ordination mechanisms between all stakeholders involved in the programme (Denis, *et al.*, 2002).

42. Similarly, reviewed EC programming documents have often not included a systematic diagnosis or presentation of key partner trade policy and trade performance issues. Where they exist, elements of trade policy analysis and related institutional mechanisms are limited to general statements on the progress of liberalisation and the prospects regarding main trade negotiations, while productive sector capacity is not comprehensively reviewed. In addition, the extent to which programming documents identify “mainstreaming of trade into partner country development policies” is rather limited.

43. Furthermore, needs are not always prioritised. Several IF Action Plan Matrices have, for example, lacked prioritisation while some EC programming documents list partner needs in broad terms, without specifying whether this list is exhaustive and prioritised (ADE, 2004). The EC approach to diagnosis and identification of needs might nevertheless improve in light of the recently released *Guidelines for EC Trade-Related Assistance* (EC, 2003).

44. The USAID evaluation report also notes that some improvements could be made in the diagnosis phase of its agency programmes. Field missions could, for example, make better decisions about trade-related priorities if they had access to additional guidance from trade specialists based in the headquarters,

in order “to categorise the various WTO issues in relation to their likely importance to developing countries, according to criteria such as size, level of development, potential for attracting foreign investment and of foreign trade” (USAID, 2004b). The problem related to lack of trade expertise is further developed below.

... Nor have donors systematically consulted with all relevant stakeholders during the planning phase

45. Furthermore, donors did not always involve all the relevant stakeholders during the needs assessment phase. Some DFID programmes, such as the *Africa Trade and Poverty Programme*, were, for example, designed without the input of country offices (Weston, *et al.*, 2005). Likewise, in some EC programmes, the identification of partner countries’ needs largely rested on extensive consultations with Governments, Government agencies and inter-regional organisations, yet to a much lesser extent with *private sector* stakeholders. (Reviewed EC programmes were nevertheless assessed as largely responsive to, and designed along the partner governments’ requests and priorities) (ADE, 2004).

Several reviewed interventions also suffered from weak project management and project governance structures...

46. Sound operational management of development interventions is essential to ensure positive short- and long-term results. This often entails a clear definition of roles and responsibilities of each stakeholder involved; regular consultation with partner country representatives; adequate project governance structures; timely delivery of activities and disbursement of funding; adequate costing, timing and sequencing of each activity; sound selection of subcontractors (where relevant), activities and delivery channels; and allowing for a certain degree of flexibility. In addition, trade-related aid interventions should be guided by clear and realistic (short- and longer-term) objectives and be managed in a result-based way. This issue is further developed in Chapter 3.

47. The reviewed evaluations note that there is room for improvement in each of those areas. Some DFID projects have, for example, suffered from weak project management, tensions between subcontractors and national counterparts and delays in implementation (Weston, *et al.*, 2005). In the case of the *Africa Trade and Poverty Programme* in Malawi, for instance, the implementing contractor misinterpreted the programme design; the logical sequence of activities did not occur as planned, as initial studies were delayed; and the programme design originated centrally, *i.e.* from London, with limited input from the country offices, national governments and other stakeholders that were intended to be the primary beneficiaries (North-South Institute, 2004c). Likewise, some JITAP I interventions suffered from weak management of technical inputs, which affected the Programme outcomes (Da Silva and Weston, 2002).

An unclear definition of roles and responsibilities has sometimes caused important delays

48. Weak management sometimes results in delayed implementation of activities or disbursement of funds. This was, for example, the case of some JITAP I interventions and of the EC Europe Tunisia Enterprise Programme, which suffered from an unclear distribution of tasks between the Project Management Unit and the Tunisian Ministries, leading to a two year delay in implementation (Da Silva and Weston, 2002 and ADE, 2004).

49. Similarly, the IF suffered from weak programme management, due to limited LDC and donor capacities to manage such a complex multi-donor and multi-beneficiary programme and an unclear division of labour between all stakeholders. While the roles of the IF Steering Committee and Working Group were well defined, the responsibilities of international organisations and bilateral donors (at headquarters and field level) and of developing country governments for managing and implementing the

IF (particularly beyond the diagnosis phase) were not always clearly delineated nor focused (Agarwal and Cutura, 2004 and Capra-TFOC, 2003).

50. In addition, the IF suffered from unbalanced representation and “voice” of beneficiary countries in IF oversight bodies, *i.e.* the IF Working Group and Steering Committee (Capra-TFOC, 2003). The World Bank evaluation recommends ensuring a greater voice from the LDCs in the governance and management of the IF, by encouraging active LDC participation and stronger ownership (Agarwal and Cutura, 2004). This can, for instance, be done through awareness-raising activities or by strengthening institutions that manage IF-related tasks (*e.g.* focal points and support units). Further recommendations for encouraging greater local ownership and broad-based support for trade-related interventions are included in Chapter 3.

Adequately timing and costing activities and selecting appropriate delivery channels could be further improved

51. Some UNCTAD programmes have, for example, mainly focused on the delivery of activities, without taking account of their cost (Denis, *et al.*, 2002). In addition, The Netherlands’ evaluation pinpoints that one of UNCTAD’s technical assistance projects, the *Institutional and Capacity Building in Competition Law and Policy for African Countries* lacked specific commitments in terms of the number of outputs, timing of activities and estimated costs per activity (Liebrechts and Wijmenga, 2004a). EC programmes, however, generally contained information on costing and the funding mobilised was assessed as adequate to deliver the planned activities and in line with the recipient’s absorptive capacity (ADE, 2004).

52. The choice of activities and delivery channels also matters. These should be consistent with programme objectives and adapted to the local context. Evaluators, for example, note that while EC programme activities were usually adequate in terms of quantity and mix, the choice of implementation channels was sometimes made without paying sufficient attention to fragmentation of responsibilities in terms of formulation and implementation of trade policy within a given country (ADE, 2004). Box 3 summarises the main findings regarding different types of activities.

Box 3. Effectiveness of Various Trade-related Interventions

Training: Identifying adequate participants, with adequate background knowledge, is key in ensuring success of a training programme. In addition, training achieves better and more sustainable results when:

- The technical focus of assistance is higher (e.g. UNCTAD's ASYCUDA training);
- There is a specific thematic focus (e.g. WTO course on a specific agreement);
- The group of participants has a homogeneous level of knowledge and will benefit from the training in its day-to-day work;
- Follow up training or support, which takes account of the latest developments in the world economy and the multilateral trading system, is available; and
- A greater emphasis is placed on the development of skills, as opposed to information dissemination, in order to enhance the capacity of beneficiaries (e.g. trained officials) to access and manage trade-related information, develop indigenous expertise and leverage on it during trade policy making or negotiations.

Study visits and internships: Such interventions, often labelled as "experiential learning", go beyond one-off training and have proven important both for the understanding of trade policy making and for developing technical skills.

Workshops: The experience from workshops is mixed. It is important to carefully design workshops to increase their impact:

- Have a clear objective and focus;
- Select the right location (preferably in a developing country) and people;
- Encourage the sharing of practical lessons, and
- Provide high quality inputs and facilitation.

Studies: The major challenge of studies is to ensure that they lead to results and are used by policy-makers. Potential factors that may lower the relevance of studies are:

- Rigid programme framework, making it difficult to adapt the study to (changing) needs;
- delays;
- Poor quality;
- Lack of operational guidance for policy-makers; and
- Absence of a dissemination strategy (e.g. policy briefs and stakeholder workshops).

Source : Weston, *et al.* (2005); ESCAP (2003); North-South Institute (2004a); Denis, *et al.* (2002)

53. Another factor influencing the quality of programme management, and thus effectiveness, is the *selection of subcontractors*. DFID has, for example, used two main types of subcontractors: UK-based management consulting firms and non-profit organisations, such as NGOs and universities. There appears to be general satisfaction with regards to project management undertaken by both types of contractors.² The use of *local* subcontractors is however often considered to contribute to the strengthening local capacities. Yet evaluators, for example, note that DFID's short-list of recommended consulting firms contained few developing country firms or consultants (Weston, *et al.*, 2005). Similarly, the drafting of the IF Diagnostic Trade Integration Studies involved relatively few local subcontractors, which often undermined ownership of the process and product (Capra-TFOC, 2003).

2. It is noteworthy that subcontractors have sometimes been the main source of continuity and institutional memory in DFID, as the department suffered from high staff turn-over and poor record-keeping (Weston, *et al.*, 2005).

Flexibility should be ensured yet not be overused

54. Built-in programme flexibility is important to allow for adjustments in case of changing circumstances and to facilitate a more nationally-driven choice of activities, which, in turn, can enhance performance. Some reviewed EC programmes have nevertheless been assessed as not flexible enough to adapt to the fast changing trade environment and associated partner needs. More particularly some financing agreements were very inflexible and the EC also had rigid (tendering) procedures. This has undermined the efficiency of some programmes (ADE, 2004). In contrast, USAID activities were managed very flexibly. In most field missions, the specific activities undertaken varied significantly from year to year. Yet these frequent changes sometimes complicated the problem of assessment of success (USAID, 2004d).

Donors have had difficulties in adopting a coherent and continuous approach to trade-related assistance

55. The *OECD/DAC Guidelines on Strengthening Trade Capacity for Development* recommend donors to adopt an integrated and comprehensive approach to trade-related assistance and capacity building, in order to help strengthen a viable trade policy making process in the partner country, and as such, strengthen sustainable trade capacities in an effective manner. Donors are called upon to take action in multiple areas (of trade policy and strategy) and complement efforts in one area with efforts in other areas (OECD, 2001).

56. In practice, though, donors experienced difficulties in designing complementary and rolling interventions to support a longer-term, country-owned trade capacity building strategy. The DFID evaluation, for example, notes there was little coherence between the various DFID trade projects in Malawi. More generally, it emphasises that DFID “trade development” programmes were insufficiently linked to its “trade policy and regulations” programmes. Likewise, JITAP I and UNCTAD respective approaches were deemed too fragmented (Denis, *et al.*, 2002 and Da Silva and Weston, 2002). Likewise, most reviewed USAID documents lacked coherent and multiyear trade-related goals, indicating that interventions were often not planned in the framework of longer-term trade capacity building strategies (USAID, 2004d).

57. Interestingly, the EC trade-related aid programming approach at national level often tended to provide ad hoc responses to partner requests, hence being more fragmented, while the programming approach at the *regional* level reflected a more strategic Commission vision. Furthermore, linkages between national and regional trade-related programmes were weak and did not guarantee that national interventions strengthen regional efforts and vice versa (ADE, 2004).

In addition, many interventions suffered from insufficient synergies with other assistance programmes

58. Capacity to trade is often closely linked to, and dependent upon, other factors, such as the degree of private sector development and “friendliness” of the business climate. However, half of the reviewed evaluations note that donors have often conducted trade-related interventions without taking sufficient account of, nor establishing adequate synergies with, broader (and often complementary) development assistance programmes, such as private sector development, rural development or infrastructure support programmes. This has lessened their impact.

59. The Netherlands’ multilateral trade-related activities, for example, suffered from weak synergies with bilateral, private sector development activities at the country level (Lanser, P., *et al.*, 2004). Similarly, the World Bank’s trade activities were not sufficiently integrated with its finance, private sector and infrastructure work programmes (World Bank, 2006) and EC interventions targeting productive sectors were inadequately linked to support for reforms aimed at improving the business environment (ADE,

2004). Finally, DFID evaluators also note that the department's trade-related activities (both trade policy and trade development programmes) were rarely integrated into broader country assistance plans (Weston, *et al.*, 2005). One noted exception is DFID's Rural Livelihood Programme in Ukraine, which aimed at improving productivity and market-orientation of the agricultural sector, and contained an important trade-related component. The programme helped establish the Institute of Rural Development, which was also tasked with addressing relevant WTO issues and keep farmers informed about their implications. The Institute is, among others, building up expertise on WTO issues and facilitating inter-ministerial co-ordination on these matters (North-South Institute, 2004d).

60. Interestingly, while most reviewed USAID trade-related interventions were very closely integrated with other types of support (*e.g.* agriculture or private sector development), this in turn made it difficult to treat trade-related assistance separately (USAID, 2004d).

...And explicit linkages to poverty reduction were often weak

61. While most donor strategies highlight that trade and trade-related assistance are important means to promote economic development and reduce poverty, technical assistance and capacity building programmes, particularly in the area of "trade development", have not systematically had *explicit* (operational) linkages to poverty reduction, whether at micro-level (*i.e.* households, individuals) or at macro-level (*i.e.* Millennium Development Goals and national poverty reduction goals), nor have they consistently taken account of poverty-distributional outcomes. Programme documents sometimes do not neither specify poverty-related goals nor explain how a planned intervention would impact the poor.

62. Evaluators, however, note that a number of donors and programmes, such as the World Bank, and DFID, have addressed the trade-poverty linkage by conducting research and advocacy work on the trade-development-poverty linkages, in order to improve the understanding of those links and influence trade and development policy at national and international levels (World Bank, 2006; Weston, *et al.*, 2005).

63. In addition, DFID also encouraged improved direct or operational linkages, through intellectual and financial support to bilateral and multilateral programmes in both the trade policy and the trade development areas. Some DFID programmes, such as Business Partnership Programme in Kenya, actively addressed the concerns of poor people (Weston, *et al.*, 2005). Further guidance on how to improve the trade-poverty linkages is included in Chapter 3.

The record in terms of donor co-ordination and complementarity is mixed

64. The *OECD/DAC Guidelines on Strengthening Trade Capacity for Development* stress that effectively strengthening trade capacities in a partner country is beyond the means of any single bilateral or multilateral donor. There is thus a need for donor co-ordination and complementarity at headquarters and field level, at all stages of the aid process (*i.e.* planning, design, delivery, monitoring and evaluation of support) (OECD, 2001). Donor co-ordination and complementarity is also an important principle of the *Paris Declaration on Aid Effectiveness*. The Declaration highlights that "excessive fragmentation of aid at global, country or sector level impairs aid effectiveness. A pragmatic approach to the division of labour and burden sharing increases complementarity and can reduce transaction costs" (OECD, 2005c).

65. The reviewed thematic evaluations, however, indicate that while donor co-ordination has improved in recent years, it is still insufficient to ensure synergies between different trade-related interventions and to underpin mutual efforts towards effective trade policy-making in the partner country (Denis, *et al.*, 2002; ADE, 2004; Weston *et al.*, 2005; Da Silva and Weston, 2002, World Bank, 2006). Evaluators, for example, note that while co-ordination between the EC and other donors occurred, it often

aimed at avoiding overlapping projects rather than supporting mutual efforts towards comprehensive reforms (ADE, 2004). Some DFID trade-related interventions have nevertheless been assessed as contributing to the design of other donors' support, for example, in Ukraine where several EC TACIS projects have followed up the work undertaken by DFID (Weston, *et al.*, 2005).

66. Multi-donor schemes for trade-related assistance, such as *JITAP* and *IF*, did contribute to a more co-ordinated and consistent approach amongst donors and international organisations at headquarters and in Geneva (*e.g.* thanks to joint diagnostic studies). Yet further progress is indeed called for, particularly at *field level*. Evaluators, for example, note that the six multilateral agencies involved in the *IF* (the World Bank, UNCTAD, International Trade Centre, IMF, UNDP and the WTO) took a more consistent approach to trade-related assistance and to advice provided to country policy makers (Capra-TFOC, 2003; Agarwal and Cutura, 2004). Despite this, donor co-ordination and donor awareness of the *IF* process *at field level* is often assessed as weak. The Netherlands' evaluation, for example, notes that the World Bank and UNDP field offices in Yemen disagreed on the exact scope and content of the *IF* diagnostic study, which led to a separate UNDP proposal for trade-related assistance (Liebrechts and Wijmenga, 2004b). The World Bank evaluation report also notes some overlap of donor activities and highlights the lack of resources available for promoting a good understanding of the *IF* process and the need for donor co-operation at country level (Agarwal and Cutura, 2004, World Bank, 2006).

Donor agencies suffer from inadequate internal communications and expertise on trade-related matters...

67. The Integrated Framework case illustrates well the communications problem that sometimes arises between agency headquarters (or Geneva representations) and their field offices. Effective internal communications and awareness-raising of trade-related issues is essential to ensure that a donor's trade-related interventions are consistent with each other as well as with other development assistance programmes and country strategies undertaken in the partner country.

68. Evaluators, however, stress that aid agency staff, particularly at field level, often lack a good understanding of trade's potential role in poverty reduction or of how to support an effective trade policy process in the partner country. Furthermore, field staff is not systematically consulted during programme planning and design, which undermines their buy-in trade-related assistance as well as possible linkages between trade and other interventions. Communication with partner country stakeholders is also likely to be affected. The *JITAPI* in Burkina Faso, for example, suffered from insufficient communication between aid agency representatives in Geneva and at headquarters, on the one hand, and donor field missions, on the other (Lanser, *et al.*, 2004). Similarly, there has been insufficient systematic interaction between the World Bank's Trade Department and operational colleagues in the field (World Bank, 2006).

In addition, incoherence between OECD countries' trade-related assistance strategy and their foreign trade strategy undermine aid effectiveness

69. Beyond intra-agency communication and co-ordination, a positive impact also depends on the degree of communication and coherence with the government agencies that handle international trade policy issues. The USAID evaluation, for example, stresses the importance of educating other government agencies on the development aspects of trade capacity building. It recommends that USAID think strategically about how to best highlight the development dimension of the national trade agenda; choose its issues carefully and seek to gradually increase the level of understanding of such issues in other agencies. The objective is to maximise the possible development impact of other government agencies' interventions, such as trade agreements and actions undertaken by the US Trade Representative (USAID, 2004a). Similarly, DFID constantly seeks to influence international trade policy through the UK government, the EC and other agencies (Weston, *et al.*, 2005).

3. LESSONS LEARNED AND KEY RECOMMENDATIONS FOR EFFECTIVE TRADE RELATED ASSISTANCE

70. This chapter provides a more detailed examination of the factors that have influenced the results of trade-related assistance, based on the evaluation findings summarised in the last chapter. It provides a summary of key lessons learned, with concrete examples and outlines recommendations for improving the effectiveness of future trade-related assistance.

Promote country ownership through stakeholder dialogue

71. One of the most fundamental factors influencing the effectiveness and the sustainability of trade-related activities is the degree to which a partner country is able to exert "ownership" of these activities and leadership over its own trade strategy and policy. Most evaluations of past trade-related assistance show that both sustained high-level political will and commitment and a broad-based support for change amongst beneficiaries are essential prerequisites for effective trade-related assistance.

72. Awareness raising and lobbying in the country is sometimes necessary for the beneficiaries to recognise the need for change and to understand the potential benefits of certain reforms and interventions. Clearly, a broad-based buy-in is essential to ensure the engagement of not only trade officials but also of those key stakeholders from the relevant line ministries, the private sector and civil society. In some cases, parliamentarians also need to be engaged as they are responsible for enacting and approving new legislation that may be required for implementing trade-related reforms or trade development strategies.

73. This is particularly relevant in the early stages of a programme. The identification of trade needs and priorities and capacity gaps should, to the extent possible, involve a wide range of partner country stakeholders, through dialogue, so as to reinforce broad-based country ownership. In addition, a communications strategy that explains a programme's objectives, resource allocations and operations is a good way to counter misperceptions and increase interest amongst local stakeholders (Lanser, *et al.*, 2004).

74. Beyond enhanced ownership, stakeholder dialogue can also help define and agree on realistic project/programme objectives and activities. For this reason, donor interventions should be designed in consultation with a range of representative stakeholders, in particular, to avoid mismatches between objectives defined at the design phase and implemented activities. Both partner country and donor expectations should be aligned and calibrated to take account of the scope of the issues to be addressed, the available funding, the timing and the capacities of both donor and recipients (Agarwal and Cutura, 2004). The Integrated Framework experience highlights the importance of defining the scope and expected outcomes in the early phases of the project management cycle (Box 4).

75. In addition, most evaluations underline the importance of involving partner country private sector associations to enhance ownership of trade-related assistance, as the private sector is the ultimate beneficiary of such assistance. One way to encourage and ensure effective implementation of stakeholder dialogue by donor agencies is to set such measure as a performance indicator of donor programmes.

76. The UK-financed Private Sector Development Project in Ukraine illustrates well the importance of holding broad-based consultations at the planning phase. One of its main components was the creation of a "Benchmarking Index" to enable Ukrainian businesses to measure their competitiveness. Such an

index would have had to rely, among others, on business information collected from local firms. However, local enterprises were reluctant to share such data fearing competitors would have access to it. As a consequence, the Index could not be completed as planned. Prior consultations with Ukrainian businesses during the planning phase could have helped identify and take account of such reticence (North-South Institute, 2004d).

Box 4. Diverging Expectations: The Experience of the Integrated Framework

The World Bank IF evaluation report notes that divergences in expectations of prospective beneficiary countries and donors have resulted in insufficient country ownership. From the donors' perspective, the objective of the IF was to improve mainstreaming of trade into national development plans and enhance a co-ordinated delivery of trade-related assistance, whereas LDC governments envisioned it as an additional source of funding for technical assistance and other related activities.

The negative implications of such divergences are further amplified when follow-up funding or financial resources to fund trade-related assistance projects, which have been identified in the framework of these programmes, is lacking. In the case of the IF, both bilateral donors and multilateral agencies have been slow in providing financial support to fund the actions recommended by the IF diagnostic studies.

Source : Agarwal and Cutura, 2004.

Understand the local and international contexts

77. As discussed in the previous chapter, the effectiveness and the impact of trade-related assistance heavily depend on country-specific, internal conditions of the partner country, such as:

- The “friendliness” of country's business environment and investment climate (*e.g.* regulatory quality; rule of law; access to finance);
- Appropriate domestic policies in place (*e.g.* macroeconomic policies, particularly exchange rate policies; private sector development policies; R&D policies; education; labour market policies; competition policies etc.);
- The internal institutional mechanisms and governance structure (*e.g.* “power relations” between different ministries and authorities; political economy dynamics, inter-ministerial co-ordination and consultation with non-state actors); and
- The quality and the capacity of trade-related institutions.

78. For example, intra-government co-operation is sometimes hindered by deeply rooted cultural behaviours or by historical or institutional features (from there the necessity to understand “power relations” at the outset of an activity). In Ethiopia's case, the limited involvement in the IF of government bodies other than the Ministry of Trade and Industry can, among others, be explained by “a historical disinterest” for private sector development and trade, due to Ethiopia's history as a planned economy (Liebrechts and Wijmenga, 2004b).

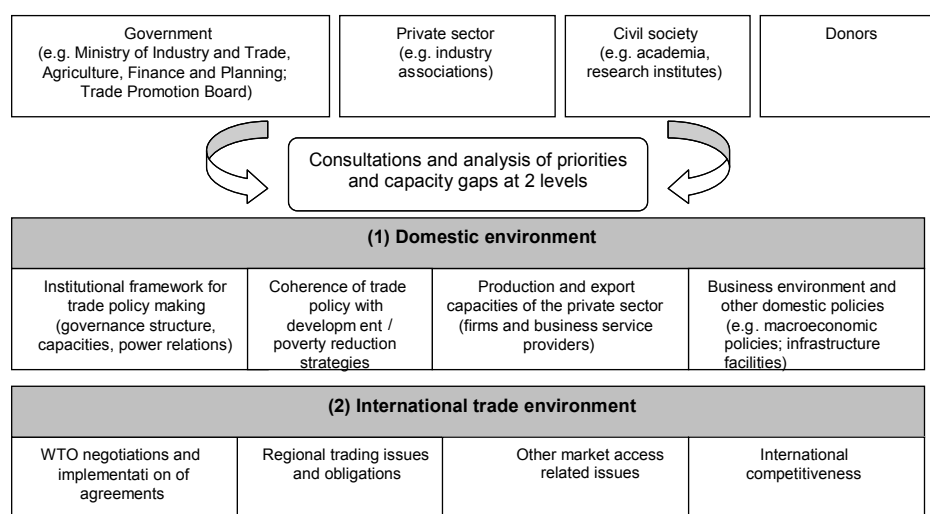
79. Furthermore, there is often a lack of adequate communication between trade negotiators in Geneva and policy makers at the field level. Yet trade-related reforms and assistance should benefit from the input and buy-in from officials at both levels (Liebrechts and Wijmenga, 2004b).

80. It is also essential for partner countries and donors to develop a deep understanding of external factors (such as, access to international markets, commodity price shocks and obligations in bilateral, regional and multilateral trading arrangements) that may have an effect on the results of donor assistance. Ensuring a good understanding of these complex issues prior to the implementation would evidently help improve the effectiveness of trade-related assistance. As highlighted in the *2001 OECD/DAC Guidelines*

on *Strengthening Trade Capacity for Development* the major challenge to sustainable trade capacity building is in identifying the linkages between different sets of constraints (stemming from internal or external factors) and subsequently addressing these in an integrated and adequately sequenced manner (OECD, 2001).

81. This brings to the light the necessity to adopt a systematic way of thinking about what might work to support the development of trade-related capacities. Most evaluations point to the necessity of conducting a systematic and comprehensive trade diagnosis, or at a minimum, identifying most pressing trade-related priorities and capacity gaps, cutting across relevant trade-related policy areas including also the regional issues (Figure 1).

Figure 1. Trade-Related Diagnosis



82. As stated above, a needs or gap analysis should be undertaken by partner countries themselves. However, these countries often have limited analytical and institutional capacities to actually carry out these analyses. Donors could support partner countries in addressing this problem, by jointly carrying out a comprehensive diagnosis while providing relevant training and encouraging the use of local talents so as to foster local capacities in this area. Adopting a common methodology for trade-related diagnosis (e.g. the IF Manual, which sets out guidelines for conducting the Diagnostic Trade Integration Study) can further streamline and clarify the process.

83. Partner countries and donors should also capitalise on existing tools. For instance, the International Trade Centre's (ITC) *TradeMap* is a useful tool in analysing a country's trade potential, albeit it fails to provide sufficient historical data to analyse major trends (USAID, 2004c). Another instrument which could better be leveraged during the diagnosis phase is the WTO Trade Policy Review, which provides an overview of the trade policies and practices in place in the beneficiary country and is useful in increasing understanding of the trade policy structure in place (OECD, 2002). A "drivers of change" or "political economy" analysis can also help better understand the overall institutional context and specific stakeholders' political and implementation mandates (OECD, 2005a).

84. Furthermore, when planning and designing trade development interventions, it is particularly relevant to examine the evolution of trade patterns and identify a country's revealed or potential comparative advantage(s) and other factors that might encourage the expansion or diversification of trade and the creation of locally-based employment. Sectors with high potential for export growth and poverty reduction should be identified and targeted by using, for example, a Strengths-Weaknesses-Opportunities-

Threats (SWOT) analysis or value chain analysis (e.g. the World Bank's Integrated Logistics work in Morocco).

Ensure linkages to poverty reduction

85. In addition to ensuring the programmes respond to actual trade-related needs, help bridge capacity gaps and take account of domestic and international constraints, donors should also ensure that their interventions have linkages to development and poverty reduction goals. Evaluation reports highlight that the objectives of most trade-related assistance are two-fold: to improve a country's export performance (e.g. through higher export volumes, faster export growth rates, a more diversified basket of exports, cheaper and more readily available imported inputs, etc.) and enhance the country's ability to participate in and benefit from the multilateral trading system. The assumption is often that expanded trade will subscribe to the ultimate goal of poverty reduction *via* higher economic growth and job creation.

86. However, adopting a programming approach that relies solely on an indirect trade-poverty linkage (*i.e.* maximising trade opportunities, which in turn might lead to poverty reduction) is clearly not sufficient to impact poverty levels. As one evaluation report points out, "...potential gains from trade liberalisation are neither automatic nor guaranteed. Reform must be pro-poor and carefully implemented in parallel with complementary policies that ensure new opportunities are maximised for everyone and risks are minimised, especially for the poorest" (Weston, *et al.*, 2005). World Bank (2006) also recommends that greater attention be paid *ex-ante* to the poverty and distributional outcomes of an activity or a reform. It notes that the benefits of an enhanced export performance may not reach the poor for geographical reasons or because transfer/distributional mechanisms are inadequate.

87. Establishing a direct link to poverty and other cross-cutting issues (e.g. gender, environment) can be done in several ways, for example, by conducting during the planning phase a country level analysis of trade and poverty linkages, or an *ex-ante* poverty impact assessment. Trade-related programmes could also be designed to target directly poor communities, by focusing on sectors in which the poor are employed or on export products produced by the poor. Box 5 presents one of such initiatives implemented by donors. In addition, donors should encourage a national trade policy dialogue that also includes the poor.

Box 5. The UK's Business Partnership Programme in Kenya

The Business Partnerships Programme provided funds for private sector-led partnerships aimed at improving the livelihoods of poor men and women. The project was used to test and disseminate best practices in business partnership models and was based on a fund model, under which six out of hundreds ideas submitted, were selected.

One selected project aimed at supporting the establishment of a sustainable framework for commercial bee keeping (e.g. leasing scheme, commercial extension services, linkages to markets, training and demonstration facilities). The project brought together a private sector organisation, Honey Care Africa, with the British non-governmental organisation, Africa Now, in order to be able to reach small farmers in Western Kenya.

The project was assessed as relevant for smallholders, since bee-keeping is neither very labour-intensive nor land-intensive, offering the possibility of increased income with minor investments. Specific measures were put in place to facilitate the involvement of women in this activity. The project resulted in increased incomes for 200 households and Honey Care Africa was able to increase the export potential to Europe by supporting compliance with EU standards and requirements.

Source : Blouin and Njoroge, 2004.

Manage for results

88. Most evaluations also stress that results-based management lies at the core of effective donor assistance (see also Paris Declaration, OECD, 2005c). Donors and partner countries should focus on results, as opposed to merely executing activities, at all stages of the development cycle, *i.e.* from planning and implementation to evaluation. They should define clear objectives and measurable outcomes, and timetables for implementation (including sequencing of activities) need to be put in place to avoid delays in the implementation of planned activities and in the disbursement of funds. In addition, it is important to clarify the roles and responsibilities amongst all entities (donors and partner country) involved in the implementation and delivery of activities (Capra-TFOC, 2003, Weston, *et al.*, 2005). Parallel donor-driven mechanisms must be avoided as much as possible (Da Silva and Weston, 2002).

89. Donor activities and expected outcomes should be set against measurable performance indicators and targets (defined at the design stage), as to facilitate assessment of results (see Box 6). To this end, the *Paris Declaration on Aid Effectiveness* urges donors to use, where possible, partner countries' own development priorities, objectives and assessment frameworks as benchmarks to assess the results of their assistance programmes (OECD, 2005c).

Box 6. Performance Indicators for Trade-Related Assistance

Some bilateral donors and multilateral agencies have used the following performance indicators to measure outcomes and impact:

For trade policy-related interventions:

- The degree of participation in WTO negotiations (number of proposals made),
- The number of cases brought to the WTO dispute settlement body, and
- The timeframe used to adapt domestic legislation to comply with WTO rules.

For trade development interventions:

- Export growth rates.
- Changes in the export structure.
- Changes in the share of value-addition.
- Trade's share in the country's GDP. ^a

Indicators at the output level include the timely delivery of an intervention, cost-efficiency, sufficient funding, the quality of the activity (*i.e.* recipients' satisfaction), and the extent to which participants have been able to take advantage of support provided. ^b

Other examples of programme objectives and outcome level indicators are included in Annex 2.

(a) The USAID (2004c) evaluation points out that when developing country export statistics are imperfect, developed country import statistics can provide an objectively verifiable indicator of the recipient's export performance, *e.g.* in the form of a time-series table that shows the trend from the pre-project baseline to the final year of the project.

(b) Donors could, for example, send out a questionnaire to participants and their respective employers in order to find out how participants have been using the skills and knowledge acquired through the donor interventions.

Allow for some flexibility

90. Programmes should, nevertheless, allow for some flexibility for adjustment, in the event of any unforeseeable change of circumstances and to encourage a more nationally-driven choice of activities. Such built-in flexibility will ensure improved relevance of a donor programme and provide incentives to local stakeholders to be fully engaged throughout the implementation. For example, evaluators highlight flexibility as a particular strength in the UK's *Caribbean Regional Negotiating Machinery Project* and the

Ukraine Trade Policy Capacity Building Project (Weston, *et al.*, 2005). Changes to an intervention should nevertheless not be too frequent, as not to complicate the assessment of the intervention's performance (USAID, 2004d). Some cited measures to enhance flexibility include the following.

- Developing aid instruments that can be rapidly mobilised *via* more flexible donor financing agreements and tendering procedures, or that can be adapted to changing situations (ADE, 2004).
- Decentralising greater authority to donor field offices (Weston *et al.*, 2005).
- Regular and objective monitoring and evaluation throughout the implementation of the project, which can help re-steer the intervention (Weston *et al.*, 2005, OECD, 2001).

Take account of lessons learned

91. Reforms and programmes should be regularly monitored and reviewed to ensure the quality, relevance and cost-efficiency of activities. Such monitoring and evaluation should be conducted by independent experts (to the extent possible, leverage on local talents) who were not previously involved in the design and/or implementation of the reviewed project/programme, while allowing both donors and recipients to make observations. Furthermore, there is a need to involve all relevant stakeholders in the monitoring and evaluation process through some type of a steering committee or a consultative process. It is also important to allow sufficient time for conducting evaluations, so that the planning, fact-finding and analysis do not have to be rushed (Weston, *et al.*, 2005).

92. The independent mid-term review of JITAP, for example, played an important role in revitalising activities in countries such as Benin and Ghana (Da Silva and Weston, 2002). ESCAP also conducts systematic reviews (*via* questionnaires) to enable certain changes in its trade policy-related interventions – *i.e.* modifications in the mix and format of workshops, the group size, the training subject matter and the type of training (ESCAP, 2003). It is essential that donors disseminate programme evaluations widely, take account of lessons learned and recommendations emerging from the latter and eventually adjust programmes. Moreover, regular publication of such information may provide an additional impetus to donors to improve their collective performance. Box 7 highlights some of the challenges encountered by donors in applying results-based management.

Box 7. Challenges with results-based management

Evaluations highlight a number of challenges faced by donor agencies in implementing results-based management. These include:

- Designing realistic and measurable objectives for trade-related assistance agreed upon by donors and partner countries and in line with or linked to national development and poverty reduction objectives.
- Developing adequate quantitative and qualitative indicators to measure performance at output, outcome and impact levels.
- Allowing for flexibility and responsiveness to ad hoc recipient demands. While having the potential to enhance the relevance and ownership of an intervention, flexibility sometimes makes monitoring and evaluation of an intervention's success more difficult. Indeed, it does not make much sense to assess newly adapted interventions against the original programme objectives, outputs and indicators.
- Evaluating cost-efficiency. This is difficult due to lack or inaccessibility of financial information (e.g. JITAP in Kenya shows that cost-performance can vary considerably).

As seen in chapter 2, assessing the longer-term impact of a donor programme can also be difficult due to the complexity of isolating the contribution of the programme from other possible contributing factors such as other donors' programmes, national reforms, or external changes (*i.e.* attribution problem). Conducting joint evaluations with other donors or agencies can help alleviate the (administrative) burden on the beneficiaries and determine the collective impact of donors' efforts, hence overcoming to some degree the attribution problem individual donors and agencies face when evaluating effectiveness and longer-term impact.

Source: USAID(2004), Da Silva and Weston (2002) and OECD (2001).

Target appropriate beneficiaries

93. Focusing on results also entails a careful selection of aid beneficiaries and delivery channels, as to optimise positive results. Evaluations, for example, found that, while most trade policy-related training programmes target public sector institutions and their employees, an inclusion of other groups, namely from the *private sector*, could enhance the effectiveness of such programmes (Lanser, *et al.*, 2004). USAID report notes that private trade associations have, in some instances, had a better track record in providing and disseminating information (*e.g.* on foreign markets' technical, environmental or sanitary requirements) than government agencies, as these private sector associations tend to be more responsive to their members' needs (USAID 2004c).

94. On the other hand, private sector associations and businesses are often amongst the beneficiaries of donors' trade development support. In this connection, the EC evaluation points out to the importance of distinguishing assistance for different industries or firms within the private sector. Evaluators observe that "...interventions were mitigated when support to the private sector was provided horizontally across sectors of activities, without differentiating actions according to whether the supported industry or enterprise belongs to an import-competing or export industry" (ADE, 2004). In other words, technical assistance needs to be adapted and differentiated, to respond to the needs and capacities of different groups.

95. The Netherlands' evaluation of JITAP shows that when training interventions are targeted at the public sector, careful selection criteria are needed to ensure that participants have the necessary background knowledge and will use the acquired expertise in their (future) daily work (Box 8). As noted by the WTO annual audit report, both partner countries and donors should be responsible for the selection process of candidates. Donors, on the one hand, should clearly state how their proposed interventions respond to identified partner country needs and the objectives and expected results of the interventions, as

well as the required qualifications of the participants. Beneficiary countries, on the other hand, need to ensure that the right candidates, who fully correspond to the indicated profile, are proposed for these activities (WTO, 2004).

Box 8. Selecting Participants: Experiences from the WTO and the UNESCAP

The WTO/ESCAP assistance programme aims to increase Governments' understanding of the rules, strategies, and policies of the multilateral trading system, in order to strengthen their capacity to implement WTO-related commitments and participate in and influence ongoing WTO negotiations. The programme has placed particular emphasis on screening and selecting the 'right' participants, *i.e.* those who are effectively involved in the WTO-related issues and/or negotiations in the framework of their regular work.

To achieve this, the ESCAP Secretariat circulates pre-course questionnaires to the member Governments informing them what a training course intends to deliver. This enables the member Governments to pick the right candidates to participate in the course. At the same time, this allows the Secretariat to obtain information on participants' expectations, and their particular areas of focus. In addition, the Secretariat only selects mid- and senior-level government officials to ensure the training delivered will be effectively used.

In WTO Technical Assistance programmes, the selection of participants includes sending out questionnaires or other forms for assessment of the candidates. This helps provide some indication and assurance to the organisers that the required expertise is available. "Screening" of potential candidates can be done electronically or in writing, and can also include direct interaction with the candidates over the telephone.

Source : ESCAP, 2003; WTO, 2004.

Identify an appropriate mix of aid delivery channels

96. As noted earlier, it is also essential for donors to identify the appropriate mix of aid delivery channels. Bilateral, regional and multilateral aid delivery channels have different advantages. Bilateral support can draw on, and involve, national expertise and institutions, test ideas, influence national policy makers and enable to better tailor the intervention to the specific needs of the country. This explains why bilateral support remains an important channel as most decision-making in relation to development policies and strategies still takes place at the country level and thus requires effective interaction with individual governments (Weston, *et al.*, 2005).

97. Alternatively, some donors such as DFID choose to channel trade-related assistance through direct budget support. Such an approach provides new opportunities for aid in this area, in allowing governments and donors to engage in policy dialogue on trade matters. Some donors view it as more cost-efficient (with reduced transaction costs) and as facilitating recipient ownership, donor alignment with national systems and donor co-ordination (Weston, *et al.*, 2005).³

98. Evaluations of past trade-related assistance programmes also highlight that channelling aid through multilateral and regional agencies can have numerous advantages, such as contributing to cross-country knowledge-sharing and networking, enhancing cost-effectiveness and donor co-ordination, and helping avoid biases (as these agencies can act as brokers in the relationship between the funding and recipient countries). For instance, the EC trade-related assistance, particularly in the area of WTO-related support, has had better results when channelled through regional programmes that also support regional integration (ADE, 2004). The WTO-ESCAP partnership also highlights the important role regional commissions can have in supporting trade policy dialogue at the regional level (ESCAP, 2003). Regional delivery modes can spur economies of scale by, for instance, sharing the costs of the required support

3. OECD/DAC Guidelines on Harmonising Donor Practices for Effective Aid Delivery for good practices in providing such support.

infrastructure or services (*e.g.* regional accreditation schemes; regional trade promotion agencies), boost regional co-operation and integration, and help leverage on regional expertise.

99. That being said, the use of multilateral agencies or multi-donor trust funds does also have some drawbacks. Such channels sometimes trigger accountability and transparency problems. The Netherlands' evaluation of UNCTAD, for example, notes that detailed project information on activities financed by multi-donor trust funds was lacking, and that there is a need for better monitoring and examination of implementation of trade-related assistance financed by such schemes (Liebrechts and Wijmenga, 2004a).

Enhance the sustainability of results

100. Positive results of donor assistance are more likely to be sustainable when a long-term and integrated donor approach, underpinned by predictable resources, is adopted. Individual efforts should be implemented as part of, or be linked to, a broader national (or regional) strategy, and be aligned with overall aid efforts in the country (region), by integrating them in the country (regional) assistance plans.

101. Partner countries should also be willing to secure counterpart resources in the form of budgetary allocations to cover running and recurring costs. In the case of Burkina Faso, the Inter-Institutional Committee, which was established with the support of JITAP to co-ordinate issues pertaining to the multilateral trading system and help prepare for negotiations, had been officially recognised and registered in the law. This ensured financing through the state budget. In contrast, Tanzania's Inter-Institutional Committee ceased to function effectively due to lack of budgetary resources allocated to the Ministry of Industry and Trade where its secretariat is housed (Lanser, *et al.*, 2004). To ensure sustainability after donors have exited, it is also important to make sure that the costs of maintaining or following-up on an intervention be affordable for partner country stakeholders.

102. In addition, some evaluations note that it is often more effective to target assistance to the existing (networks of) trade support institutions and business associations, *i.e.* by strengthening local analytical capacities, which can in turn underpin policy making, support firms in their export endeavours and, as such, encourage more sustainable results (Weston, *et al.*, 2005; Lanser, *et al.*, 2004). World Bank (2006) also acknowledges the benefits of supporting private sector associations for enhancing broad-based ownership of trade-related reforms and donor programmes.

103. The EC evaluation nevertheless highlights the importance of providing the private sector with "business-like" services (*i.e.* fee-based and demand-driven services). Evaluators note that the effectiveness of an intervention is diminished when the main incentives for using the services offered under some projects are their low cost or the fact that they provide concession schemes used to bypass the constraints of the business environment instead of addressing them (ADE, 2004).

104. Another often cited issue in regards to sustainability is the extensive use of international consultants and firms in donor projects and programmes, despite their (often much) higher costs and their difficulty to access and leverage on local knowledge. The use of local experts should be encouraged since such an approach can contribute to building sustainable in-country capacities and is also consistent with the recommendations of the 2001 *OECD/DAC Guidelines on Strengthening Trade Capacity for Development* (OECD, 2001).

105. Working only with local consultants to deliver high quality activities can nevertheless be very challenging. One solution could be to opt for a mixed team of local and international experts, who would work together to create positive synergies and capitalise on each other's respective strengths. The UK-funded IFPRI-Bangladesh Institute for Development Studies (BIDS) research project is a good

example of an activity where researchers from a local think-tank collaborated with international experts to examine the linkages between international trade, food security and poverty (Weston, *et al.*, 2005).

Improve donor co-ordination and harmonisation

106. As noted above, evaluations also highlight that multi-year or rolling interventions are more likely to have a sustainable impact on a country's trade performance or integration in the multilateral trading system (Weston, *et al.*, 2005; Denis, *et al.*, 2002). Such long-term assistance need not to come from a single donor, but can be delivered through a well co-ordinated and sequenced support by different donors. This was, for example, the case of the DFID Ukraine Cross-Border Project, whose activities were passed on to the EC for further support (North-South Institute, 2004d). It is also essential that different interventions be complementary to each other as to ensure efficiency and effectiveness. In particular, it is important to ensure synergies and linkages between trade policy-related interventions (*e.g.* WTO-related assistance, often delivered in the form of short-term training) and trade development interventions (*e.g.* supply-side assistance, often delivered as multi-year programmes) (Weston, *et al.*, 2005).

107. Each donor should ideally undertake an intervention in which it has a comparative advantage and check whether, within its government, other ministries or agencies would have expertise in any specific trade-related issue (ADE, 2004 and USAID, 2004). This entails the need for enhanced communication and co-ordination within a donor country (see below), as well as between donors. Explicitly incorporating the objective of donor co-ordination and coherence as a performance indicator for donor agencies may encourage enhanced synergies and sequencing between different donor interventions. Agarwal and Cutura (2004) indeed point out that donor co-ordination, consistency and complementarity could be a parameter included in evaluations of donor programmes.

Strengthen internal communication and collaboration

108. Beyond donor co-ordination, it is important that each donor country adopts a consistent approach to trade-related assistance. This can be facilitated through the adoption of a common trade-related assistance strategy or policy that provides a strategic vision and guiding principles for all trade-related activities undertaken by the individual donor. The EC, for example, developed a *Communication on Trade and Development*, USAID formulated a strategy entitled "*Building Trade Capacity in the Developing World*" in 2003 and DFID recently released its *Trade Strategy for 2005-07*.

109. As discussed in chapter 2, the "disconnection" or lack of communication between donor headquarters and field missions is a major impeding factor in aid delivery. Donor headquarters thus need to send a more coherent signal to their field offices and make sure that this signal is backed by effective (financial and human) support and incentives. Field offices' commitment to and expertise in trade-related assistance could, for example, be improved through:

- The establishment of an agency-wide network of trade-related expertise.
- Enhancing the sharing of country experiences.
- The provision of methodological support and practical guidance, for example in the form of project management manuals or guidance notes (Weston, *et al.*, 2005; ADE, 2004; World Bank, 2006).

110. Some agencies, such as the EC and USAID, have indeed designed trade-related training packages for their staff as well as guidelines, *e.g.* "Guidelines for EC Trade-Related Assistance" (which heavily draws on the 2001 OECD/DAC Guidelines).

111. Adopting a common vision or strategy and enhancing intra-agency communications is also essential to facilitate greater linkages between trade-related and other development programmes and to encourage a better integration of trade-related assistance into donor country (or regional) assistance plans and strategies. The experiences of DFID and USAID also show that decentralisation of aid management to the field has the potential to facilitate the integration of trade-related assistance into broader country or regional programmes, and encourage better communication with local stakeholders (beneficiaries, subcontractors, etc.), when the local staff has the necessary trade-related expertise (Weston, *et al.*, 2005; USAID, 2004a). Pro-active measures for awareness raising and the introduction of targets and objectives against which progress can be measured may encourage such a process within donor agencies (Capra-TFOC, 2003).

4. CONCLUSIONS

112. While most evaluations recognise that past donors' trade-related assistance has generally contributed to increasing partner countries' knowledge and dialogue of trade policy issues, they also emphasise that further improvements are required, in particular regarding donor programming, harmonisation and donor-recipient partnerships, to ensure that future trade-related donor assistance be more effective. This can be achieved by taking account of the basic principles for effective aid delivery as set out in the *Paris Declaration on Aid Effectiveness*. In particular, and as highlighted in the *2001 DAC Guidelines on Strengthening Trade Capacity for Development*, it is essential that donors collectively support the identification, elaboration and mainstreaming of country-owned trade-related priorities and subsequent action plans into national development and poverty reduction strategies. Such action plans need to be comprehensive, well-sequenced, budgeted and linked to annual budget and expenditure frameworks, as to enable partners to engage in coherent reforms and interventions using domestic resources, and encourage donors to align their assistance programmes around such plans.

113. The IF, which aims to promote the mainstreaming of trade into national development strategies and improve the co-ordinated delivery of support, has been assessed as a sound and appropriate approach, "capable of achieving positive results". It has, however, not always achieved the desired results at country level. The recommendations from the *WTO Task Force on an Enhanced Integrated Framework* should help tackle the scheme's current weaknesses.

114. Three factors seem particularly critical for enhancing the effectiveness of trade-related assistance.

- First, it is essential to understand the internal political dynamics and "power relations", which might influence the results of trade-related assistance. A political economy analysis (or Drivers of Change analysis), which examines formal and informal rules, power relations, vested interests and incentives, can help identify the institutions and agents that can act as key levers to enable change.
- Second broad-based and ongoing consultations with all relevant stakeholders, including the private sector, other Ministries and donor field missions are essential to enhance local ownership and relevance.
- Third, greater synergies between trade-related assistance and other donor programmes and country assistance strategies and enhanced explicit linkages to poverty reduction will improve impact.

ANNEX 1: METHODOLOGICAL DIFFICULTIES

115. Most bilateral donors and multilateral agencies have assessed their trade-related assistance against conventional OECD/DAC assessment criteria (relevance, efficiency, effectiveness, impact and sustainability). Yet interpretation of the latter differs across aid agencies, and so do the evaluation questions and specific indicators of progress used.

116. Most evaluators have, nevertheless, been confronted with similar methodological challenges. These include:

- The difficulty of *clearly identifying an agency's past trade-related activities*, due to the lack of a clear definition, lack of an accurate inventory of activities and the difficulty in extracting the trade-related component from sometimes broader aid programmes (this is especially acute in the case of trade development activities that are sometimes part of broader programmes).

Some agencies note that this problem is now alleviated thanks to the definition provided in the 2001 *DAC Guidelines on Strengthening Trade Capacity for Development*, and the typology (based on CRS codes) and record provided by the *OECD/WTO Trade Capacity Building Database*.⁴ Yet others suggest producing clearer guidelines and procedures for activity classification, as many departments are often involved in such assistance and thus in the reporting exercise. In addition, a more stringent definition could be useful in facilitating the evaluation of trade-related assistance programmes. A remaining problem is that the OECD Database does not distinguish between technical assistance (TA) from capacity building (CB).

- The difficulty of assessing results of *diverse trade-related aid interventions*⁵ against *various intermediary objectives* (negotiation capacity; productive and export capacity; trade policy making capacity, including capacity to integrate trade policy in a development strategy; and institutional capacity).

4. An activity should be classified as trade-related technical assistance/trade capacity building if it is intended to enhance the ability of the recipient country to: (a) formulate and implement a trade development strategy and create an enabling environment for increasing the volume and value-added of exports, diversifying export products and markets and increasing foreign investment to generate jobs and trade; or (b) stimulate trade by domestic firms and encourage investment in trade-oriented industries; or (c) participate in and benefit from the institutions, negotiations and processes that shape national trade policy and the rules and practices of international commerce. In addition, the activity should fulfil the following criteria for eligibility: (a) Trade-related technical assistance/capacity building is explicitly promoted in activity documentation; and (b) The activity contains specific measures to develop trade policy and regulations, enhance the ability of enterprises to participate in international trade, or increase national capacity to participate in the multilateral trading system. Source: *Joint WTO/OECD Trade Capacity Building Database (TCBDB), 2005 Data Collection*.

5. The TCB Database includes 26 sub-categories of trade-related aid interventions, see 2004 Joint WTO/OECD Report on Trade-Related Technical Assistance and Capacity Building.

- The complexity of *assessing effectiveness and impact of (micro-level) activities on the macro-level (i.e. on the beneficiary's overall trade capacities and performance)*, due to attribution and time lag problems, the lack of baseline data and the difficulty in assessing often intangible, institutional or policy-making capacities.

ANNEX 2: PERFORMANCE INDICATORS

117. The Table below summarises different indicators used by various aid agencies to assess different types of trade-related aid activities.

Table - Specific outcome and impact indicators used

Trade Policy and Regulations	Trade Development
<p>1. Objective: <i>Strengthen institutional capacities for (trade) policy/strategy formulation and implementation:</i></p> <ul style="list-style-type: none"> ▪ No. of national consultative bodies incl. with other relevant Ministries, private sector associations and civil society; ▪ Degree of sustained participation in those bodies; ▪ No. of sustainable business associations interacting amongst themselves and with government. ▪ Existence of strategies for implementation; ▪ Degree of progress in implementation; ▪ Degree of clear division of labour between stakeholders. 	<p>1. Objective: <i>Support the development and implementation of export strategies:</i></p> <ul style="list-style-type: none"> ▪ Existence and degree of implementation of a comprehensive and coherent (national/sectoral) export strategy. ▪ Degree of consultation with the private sector (see left).
<p>2. Objective: <i>Enhance implementation/compliance with WTO agreements and standards or other trade agreements/commitments:</i></p> <ul style="list-style-type: none"> ▪ Timeframe of implementation/ adapting domestic legislation; ▪ Available local support; ▪ Degree of consultation with the private sector/civil society. 	<p>2. Objective: <i>Strengthen trade support services:</i></p> <ul style="list-style-type: none"> ▪ No. of support structures and range of services provided; ▪ Level of co-ordination between support structures; ▪ Use, relevance and efficiency of services provided.
<p>3. Objective: <i>Enhance capacity to participate in and shape the multilateral trading system:</i></p> <ul style="list-style-type: none"> ▪ Degree of participation in WTO negotiations/meetings (number of proposals); ▪ No. of bilateral/regional agreements negotiated; ▪ No. of national coordination mechanisms on WTO/specific Regional Trade Agreement (RTA) matters; ▪ No. of cases brought to WTO dispute settlement body; ▪ Timeframe/ progress in WTO accession. 	<p>3. Objective: <i>Enhance export performance and diversification:</i></p> <ul style="list-style-type: none"> ▪ Export volume and export growth rate ▪ Share of exports of a sector, or of the economy as a whole, in world trade. ▪ Share of exports of targeted firms. ▪ Change in export structure ▪ Change in share of value-addition to exports
<p>4. Objective: <i>Support trade reforms:</i></p> <ul style="list-style-type: none"> ▪ Number of reforms & regulatory adjustments undertaken. 	<p>4. Objective: <i>enhanced integration in the world economy:</i></p> <ul style="list-style-type: none"> ▪ Trade as share of GDP

Trade Policy and Regulations	Trade Development
<p>5. Objective: Support “mainstreaming”: i.e. links between trade policies/ objectives/ action plans and national economic policy and development/poverty reduction strategies.</p> <ul style="list-style-type: none"> ▪ To what degree are trade objectives/IF Action Plans integrated into national economic plans/ development plans or PRSPs? ▪ Are there joint committees/ consultations between the IF/trade policy teams and PRSP teams? ▪ Are there joint donor round tables for the IF and PRSP? 	<p>5. Objective: Improve firm-level (business) practices and capacities:</p> <ul style="list-style-type: none"> ▪ Change in productivity or gross profit margin; ▪ Degree of compliance with standards and ability to obtain certification; ▪ No. of joint ventures/ partnerships with other firms.
<p>6. Objective: Strengthen capacity to produce and access coherent and sound local statistics, research and information:</p> <ul style="list-style-type: none"> ▪ No. of trade research centres; ▪ No. of trade policy networks/ degree of co-operation between the different national/regional research centres ; ▪ Quantity and quality of data collected; ▪ No. of trade policy papers produced; ▪ Degree of access to info for the private sector ▪ Degree of use of local statistics/research in policy-making 	<p>6. Objective: Support regulatory (sector-specific) adjustments (improve business climate):</p> <ul style="list-style-type: none"> ▪ No. and quality of new regulations or laws.
<p>7. Objective: Improve “trade facilitation”:</p> <ul style="list-style-type: none"> ▪ Customs clearance time; ▪ Efficiency of the customs institutions (...) 	<p>7. Objective: Support employment and income increase:</p> <ul style="list-style-type: none"> ▪ No. of jobs created in a sector/ the economy. ▪ Change in income of those producing export goods.
	<p>8. Objective: Improve access to trade finance</p> <ul style="list-style-type: none"> ▪ No. and quality of specialized financial services (e.g. credits) for local exporters/ importers; ▪ No. of guarantees and revolving credit facilities for local banks. ▪ No. of trade finance specialists in local banks.
	<p>9. Objective: Support infrastructure development:</p> <ul style="list-style-type: none"> ▪ No. of infrastructure impediments; ▪ Availability and cost of transportation; ▪ No. of storage facilities.

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