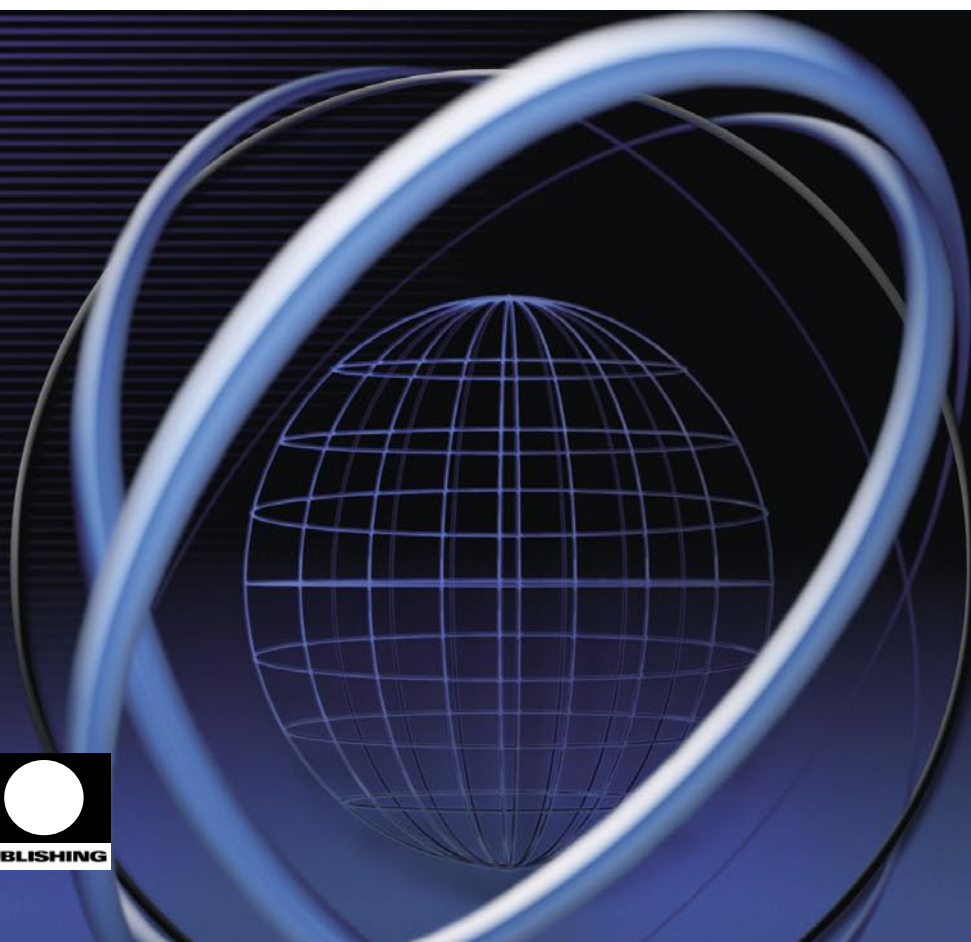




The Development Dimension

Trade-Related Assistance

**WHAT DO RECENT
EVALUATIONS TELL US?**



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Trade-Related Assistance

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QUE NOUS APPRENNENT LES ÉVALUATIONS RÉCENTES

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Foreword

Multilateral trade liberalisation, achieved through successive GATT/WTO rounds and preferential arrangements, has granted developing countries greater access to the 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 be complemented by effective domestic policy reforms and trade-related assistance.

The donor community plays an important role in helping developing countries strengthen their capacity to formulate trade policies consistent with national development plans, participate in trade negotiations and implement trade agreements that facilitate market access. 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.

Trade-Related Assistance: What Do Recent Evaluations Tell Us? conveys findings and recommendations that can help the donor community better perform in this role. The report highlights that applying the aid effectiveness principles of the *Paris Declaration on Aid Effectiveness* is essential to further improve the effectiveness and impact of trade-related assistance. This report complements the findings of *Aid for Trade: Making it Effective* (OECD, 2006) published in the Development Dimension series.

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Acronyms

ADE*	Assistance for economic decision making (Consulting and Advisory Services)
BIDS	Bangladesh Institute for Development Studies
DAC	Development Assistance Committee (OECD)
DDA	Doha Development Agenda
DFID	United Kingdom Department for International Development
EC	European Commission
ESCAP	United Nations Economic and Social Commission for Asia and the Pacific
GATT	General Agreement on Tariffs and Trade
GDP	Gross domestic product
IF	Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries
IMF	International Monetary Fund
IFPRI	International Food Policy Research Institute
ITC	International Trade Centre
JITAP	Joint Integrated Technical Assistance Programme
LDC	Least developed countries
NGO	Non-governmental organisation
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
SWOT	Strengths-Weaknesses-Opportunities-Threats
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
USAID	United States Agency for International Development
WCO	World Customs Organisation
WTO	World Trade Organization

* Denotes acronym in original language

Executive Summary

The 2001 World Trade Organization (WTO) Doha Ministerial Declaration recognised trade-related technical assistance and capacity building as “core elements of the development dimension of the multilateral trading system” and set out numerous commitments in that area. More recently, the 2005 WTO Hong Kong Ministerial Declaration also highlighted the importance of Aid for Trade in complementing the Doha Development Agenda (DDA).

Since 2001, the donor community has significantly scaled up its efforts in trade-related technical assistance and capacity building (also referred to as “trade-related assistance”) to 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 rose 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. This upsurge in activities is not only reflected in increased funding, but also in the number of bilateral donors and regional and multilateral agencies that have explicit strategies and programming guidelines for trade-related assistance. It is also reflected in strengthened dialogue between development and trade practitioners. Recently, several bilateral donors and regional and multilateral agencies have undertaken evaluations of their trade-related assistance.

This paper provides a summary of key findings, lessons learned and recommendations emerging from evaluations of trade-related assistance undertaken by the European Commission (EC), the United States Agency for International Development (USAID), the UK Department for International Development (DFID), The Ministry of Foreign Affairs of the Netherlands, the World Bank, the United Nations Conference on Trade and Development (UNCTAD), the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), the Integrated Framework for Trade-related Technical Assistance to Least Developed Countries (IF)

and the Joint Integrated Technical Assistance Programme (JITAP).¹ 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 development.

Main findings

Determining the “development” effectiveness and longer-term impact of trade-related donor assistance is often challenging, due to the lack of clear and measurable objectives and indicators in programming documents. In addition, it is often difficult to attribute changes at the macro-level (e.g. changes in a country’s export performance) to micro-level activities. This constraint seems particularly acute for “trade development” programmes. Consequently, the direct impact of such programmes 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” programmes² have, nonetheless, been assessed as “improving the enabling environment for trade” or as contributing to “export diversification”.

Half of the reviewed evaluations note that, generally, trade-related assistance has increased partner country understanding of the importance of trade for growth and poverty reduction, raised awareness and knowledge of trade policy matters and strengthened national dialogue on these issues.

Evaluators however highlight that effectiveness is not translated into sustainable impact when programmes are implemented under unfavourable domestic policy or regulatory environments. Thus, two pre-conditions for success are the existence of a favourable domestic business environment and political will 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 implementing trade-related assistance programmes. 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.

The following weaknesses have been identified in most evaluations:

- ***Unsystematic or incomplete needs assessments.*** Donors have not always assessed trade-related 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 Action Plan matrices prepared for the Integrated Framework (IF), for example, were not prioritised.

- ***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 sides). 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. Weak management sometimes results in delayed implementation of activities or disbursement of funds, which, in turn undermines ownership, efficiency and effectiveness.
- ***Fragmented trade-related assistance with insufficient synergies to broader development assistance programmes.*** Donors experienced difficulties in designing complementary and rolling activities in the framework of a longer-term trade-related assistance strategy. In addition, donors' trade-related activities were sometimes conducted in isolation from broader (and often complementary) development assistance programmes, such as private sector or rural development programmes. This has weakened their impact. The Netherlands' multilateral trade-related assistance, for example, suffered from weak synergies with bilateral, private sector development activities at the country level.
- ***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. UN Millennium Development Goals 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 activities and support mutual efforts toward comprehensive reforms in the partner country. This also holds true for multi-donor

schemes, such as the *JITAP* and *IF*. These schemes nevertheless contributed to a more co-ordinated and consistent approach amongst donors and international organisations at headquarters and in Geneva.

- ***Inadequate internal communications and donor expertise on trade-related matters.*** Donor 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 are not systematically consulted during programme planning and design. This undermines their buy-in into trade-related assistance and makes “mainstreaming” of such assistance with other development assistance activities more difficult. Thus, it undermines 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.

Key recommendations

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

- ***Ensure partner country ownership through wide stakeholder dialogue.*** Strengthen collaboration with all relevant stakeholders in the partner country during design, delivery and review phases. Broad-based buy-in often implies the engagement of trade officials based at the WTO and in capitals, as well as the involvement of stakeholders from other Ministries, the private sector and civil society. A communications strategy that explains an activity’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 needs assessment 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, 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 is, for example, encouraging the inclusion of value chain analysis. Likewise, USAID evaluators note the usefulness of the International Trade Centre’s *TradeMap*, a tool

providing indicators on 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.*** Donor agencies can maximise the positive effects of their trade-related assistance 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 activities 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.
- ***Manage for results.*** Donors and partner countries should focus on achieving results. They should adopt a collaborative, results-based management approach, where clear, realistic and measurable programme objectives are defined and translated into expected outcomes and required output, 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.
 - 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 and the development of aid instruments that can be rapidly mobilised or adapted, such as DFID’s 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. The findings of such assessments should help adjust ongoing activities if needed and inform future programming. ESCAP, for example, conducted systematic reviews to enable certain changes in its trade-related training programme.

- 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. This helps to overcome, 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” projects³, have had better results when channelled through regional programmes. Likewise, some donors view direct budget support as the most adequate delivery channel in some cases, since it facilitates 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 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 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 (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 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, thus supporting the development of local trade expertise.
- **Improve donor co-ordination, harmonisation and complementarity.** Create incentives for staff and hold 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 activities, in order to encourage a more consistent collective 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 in donor agencies.*** Provide greater incentives for aid agency staff to collaborate internally; disseminate an agency-wide trade-related assistance strategy, guiding principles and manuals; 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*. 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

In short, the evaluations show that despite some positive results, further improvements are required, in particular in aid programming, donor harmonisation and donor-recipient partnerships, to enhance the effectiveness of trade-related assistance. This can be fostered by taking account of the basic principles for effective aid delivery as set out in the *Paris Declaration on Aid Effectiveness*.

Notes

¹ For detailed references, see Table 1.

² “Trade development” projects and programmes refer to projects and programmes that aim to help enterprises engage in trade, reinforce business support structures and create a favourable business climate for traders.

³ “Trade policy and regulations” projects and programmes refer to projects and programmes that aim to help countries negotiate, reform and prepare for closer integration in the multilateral trading system.

Chapter 1

Introduction

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 are “core elements 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.

More recently, the 2005 WTO Hong Kong Ministerial Declaration also 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.

The amount of trade-related aid commitments rose 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).

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).

Major bilateral donors (*e.g.* the US, UK, EC and the Netherlands) and multilateral agencies (*e.g.* UNCTAD, ESCAP, the WCO, the World Bank and ITC, and most recently the WTO) have undertaken ambitious thematic (*i.e.* multi-project or 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.

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 activities.
- The impact of donor support on the beneficiaries' competences in trade policy making and trade negotiations and on the operation of trade-related institutions.
- The impact of donor support on the 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.

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 *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

The aim of this report is to provide a summary of key findings, lessons learned and practical recommendations emerging from ten 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

The report is structured as follows:

- Chapter 2 outlines the main findings regarding past performance in trade-related assistance.
- Chapter 3 presents lessons learned and recommendations for improving the effectiveness of future assistance.
- Chapter 4 provides conclusions and highlights key areas for further improvement.
- Annex 1 provides information regarding the methodological difficulties evaluators faced when reviewing donors' trade-related assistance.

- Annex 2 provides a list of the most common performance indicators used in the evaluations.
- Annex 3 includes the *Paris Declaration on Aid Effectiveness*.

Table 1. Overview of the 10 reviewed evaluations

Donor/ Agency	Author and Title	Period under Review	Method	Main objectives
EC	ADE (2004), <i>Evaluation of Trade Related Assistance by the EC in Third Countries, Volumes 1 and 2</i> , Brussels	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)	Help the EC improve its strategies for assisting partner countries engaging in international trade and maximise the benefits for sustainable growth and poverty reduction.
USA	USAID/Office of Development Evaluation and Information (DEI) (2004), <i>An Evaluation of Trade Capacity Building Programmes: Overview</i> , USAID, Washington 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 USAID 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. Da Silva (2005), <i>Evaluation of DFID Support to Trade Related Capacity Building: Synthesis Report</i> , The North-South Institute, Canada 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's trade-related assistance. Identify lessons of good practice, which should feed into a new DFID Trade Strategy.

Donor/ Agency	Author and Title	Period under Review	Method	Main objectives
The Netherlands	Policy and Operations Evaluation Department (IOB), The Netherlands Ministry of Foreign Affairs (2005), <i>Aid for Trade? An Evaluation of Trade-Related Technical Assistance</i> , IOB Evaluation, The Netherlands ⁵	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; Agency for International Trade, Information and Co-operation and Quakers United Nations Office.	Assess the results of selected <i>multilateral</i> trade-related assistance programmes and IGOs/NGOs supported by The Netherlands, to enable policy makers to (i) account for funding for such assistance to the Dutch Parliament, and (ii) determine whether such commitments should be larger, smaller or different in the future.
World Bank	Agarwal M. and J. Cutura (2004), The World Bank Operations Evaluation Department, <i>An Independent Evaluation of the World Bank's Approach to Global Programmes: Case Study: Integrated Framework</i> (IF), The World Bank, Washington	2001-2004	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)	Help the EC improve its strategies for assisting partner countries engaging in international trade and maximise the benefits for sustainable growth and poverty reduction.
World Bank	World Bank Independent Evaluation Group (2006), <i>Assessing World Bank Support for Trade, 1987-2004</i> , World Bank, Washington D.C.	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 in 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 J.E., H. Saha, D. Griffiths (2002), <i>Evaluation of Capacity Building in UNCTAD's Technical Co-operation Activities</i> , UNCTAD, Geneva.	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.

Donor/ Agency	Author and Title	Period under Review	Method	Main objectives
ESCAP	ESCAP Secretariat (2003), <i>WTO/ESCAP Joint Training Programme for Developing Countries</i> , ESCAP, Bangkok	1999-2003	Desk study based on a review of programme documents (course plans) and "feedback questionnaires".	Assess the outcomes of ESCAP's 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 and Trade Facilitation Office Canada (2003), <i>Evaluation of the Revamped Integrated Framework For Trade Related Technical Assistance to the Least Developed Countries</i> , WTO, Geneva.	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.e. its effectiveness as a mechanism (i) to "mainstream" trade into 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 A. Weston (2002), <i>Report of the Summative Evaluation of JITAP</i> , ITC/UNCTAD/WTO, Geneva	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.

Table Notes

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 five 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 four 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.

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”.

Notes

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

Chapter 2

Major Findings: The Results of Past Assistance

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

A number of evaluation reports note that it is often difficult to determine the “development” effectiveness and longer-term impact of trade-related assistance for several reasons. Firstly, programme documents do not always define clear and measurable programme objectives and performance indicators, particularly longer-term objectives and impact indicators. Secondly, the objectives (and approaches) often vary across the different projects and programmes undertaken (*e.g.* “trade policy and regulations” activities, often aim at supporting the development of trade negotiation capacity, whereas “trade development” activities mainly aim 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 activities (due to attribution and time lag problems). This constraint seems particularly acute for “trade development” projects and programmes. 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...

Despite these methodological challenges, half of the reviewed evaluations note that, generally, trade-related assistance (mainly in the area of “trade policy and regulations”) has helped partner countries:

- Gain a better understanding of the importance of trade for development and poverty reduction.
- Raise awareness and knowledge of trade policy matters (including WTO-related issues).
- Strengthen a national dialogue on trade policy 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 capabilities.

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). In the same way, JITAP’s positive contribution has also been acknowledged (Box 1). In the case of EC assistance, 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 knowledge and dialogue on trade policy issues: the case of the Joint Integrated Trade Programme

Phase 1 of the Joint Integrated Trade Assistance Programme (JITAP I), a multi-agency initiative, had numerous 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 the Programme (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*.

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 policy makers 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 .

Source: Da Silva and Weston (2002); Lanser *et al.* (2004).

...or facilitated a country's integration into the multilateral trading system

Furthermore, some "trade policy and regulations" activities have been assessed as contributing to a country's successful accession to the WTO. ESCAP, for example, helped establish a network of "WTO acceding countries" and provided financial support to facilitate regular participation of Cambodian officials in activities organised under its WTO/ESCAP training programme. Such assistance was assessed as contributing to Cambodia's WTO accession (ESCAP, 2004).

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 programmes have supported export development and improved the environment for trade...

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

World Bank evaluators, nevertheless, indicate that the longer-term impact of “trade development” activities 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

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.

Evaluators of the IF 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 2003 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). Equally, the World Bank review highlights that insufficient attention has been paid during the planning and design of activities 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 a key success factor (Da Silva and Weston, 2002).

Consequently, an understanding of initial internal and external conditions is essential before engaging in trade-related assistance. Such an understanding can be gained 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 policy 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).

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

A number of other factors have been identified as influencing the results of trade-related assistance. 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 activities 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.
- Communications and expertise on trade-related matters within aid agencies.

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...

Conducting a sound and “participatory” needs assessment prior to delivering trade-related assistance is essential to ensure that donor support responds to partner country priorities, addresses its capacity gaps and is in line with the 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).

Similarly, reviewed EC programming documents have often not included a systematic diagnosis or presentation of key trade policy and trade performance issues in the partner country. 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.

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).

The USAID evaluation report also notes that some improvements could be made in the diagnosis phase of its projects and 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 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).

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

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 any input from field missions (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 the *private sector* stakeholders (ADE, 2004).

Several donor activities also suffered from weak project management and governance structures...

Sound operational management of aid projects and programmes 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; a 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 assistance should be guided by clear and realistic (short- and

longer-term) objectives and be managed in a result-based manner. This issue is further developed in Chapter 3.

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 field missions, national governments and other stakeholders that were intended to be the primary beneficiaries (North-South Institute, 2004c). Likewise, some *JITAP I* projects 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

Weak management sometimes results in delayed implementation of activities or disbursement of funds. This was, for example, the case of some *JITAP I* activities and of the EC's *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; ADE, 2004).

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; Capra-TFOC, 2003).

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 LDC 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 assistance are included in Chapter 3.

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

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 partner country's absorptive capacity (ADE, 2004).

The choice of activities and delivery channels also matters. These should be consistent with the project or programme objectives and be adapted to the local context. Evaluators, for example, note that while EC 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 the effectiveness of different types of technical assistance activities.

Box 3. Effectiveness of various types of technical assistance

A number of evaluations highlight the benefits and challenges of different types of activities and identify key elements for their success, as follows:

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

- The technical focus of assistance is higher.
- There is a specific thematic focus (*e.g.* course on a specific WTO 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.
- 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 trade negotiations.

Study visits and internships: Such activities, often labelled as “experiential learning”, go beyond one-off training. They can contribute to enhancing the understanding of trade policy issues and developing technical skills in trade policy making or negotiation.

Workshops: The experience with workshops is mixed. It is important to carefully design workshops to increase their impact. The following elements can enhance the effectiveness of workshops:

- A clear objective and focus.
- An adequate location (preferably in a developing country) and relevant participants.
- An exchange of practical lessons.
- High quality inputs.

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

- A flexible programme framework, making it easy to adapt the study to changing needs.
- The inclusion of operational guidance for policy makers.
- A dissemination strategy.

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

Another factor influencing the quality of project and 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. While there appears to be general satisfaction with the efficiency of both types of contractors, the use of local subcontractors is often considered to contribute to the strengthening of local capacities¹. DFID's short-list of recommended consulting firms however 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).

Flexibility should be ensured but not overused

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 country 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 assessed as being managed very flexibly. In most field missions, the specific activities undertaken varied significantly from year to year. Yet these frequent changes sometimes complicated the evaluation process (USAID, 2004d).

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

The *OECD/DAC Guidelines on Strengthening Trade Capacity for Development* recommend that donors 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 trade-related areas and to complement efforts in one area (e.g. support for trade negotiations) with efforts in other areas (e.g. support for enhanced supply side capacity) (OECD, 2001).

In practice, though, many donors experienced difficulties in designing complementary and rolling projects and programmes in a partner country. 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” activities were insufficiently linked to its “trade policy and regulations” activities. JITAP I and UNCTAD approaches were also deemed too fragmented (Denis *et al.*, 2002; Da Silva and Weston, 2002). Likewise, most reviewed USAID documents lacked coherent and multiyear trade-related goals. This indicates that USAID activities were often not planned in the framework of longer-term trade capacity building strategy (USAID, 2004d).

While the EC trade-related aid programming approach at national level often tended to provide *ad hoc* responses to partner requests and be more fragmented, the programming approach at the regional level reflected a more strategic vision. Linkages between national and regional trade-related programmes were nevertheless deemed weak and did not guarantee that national activities strengthen regional efforts and *vice versa* (ADE, 2004).

In addition, many trade-related activities suffered from insufficient synergies with other development assistance programmes

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 assistance 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 the impact of trade-related assistance.

The Netherlands’ multilateral trade-related activities, for example, suffered from weak synergies with bilateral, private sector development activities at the country level (Lanser *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 activities 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 the 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).

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

While most donor strategies highlight that trade and trade-related assistance are important means to promote economic development and reduce poverty, trade-related assistance, particularly in the area of “trade development”, has 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 has it consistently taken account of poverty-distributional outcomes. Programming documents often do not specify poverty-related goals nor explain how a planned project or programme might impact the poor.

Evaluators, however, note that a number of donors, 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).

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

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 programming cycle (*i.e.* planning, design, delivery, monitoring and evaluation) (OECD, 2001). Donor co-ordination and complementarity is also an important underlying 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).

While the reviewed evaluations indicate that donor co-ordination in trade-related assistance has improved in recent years, it is still insufficient to ensure synergies between different trade-related activities and underpin mutual donor efforts 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). In contrast, some DFID trade-related activities have been assessed as contributing to the design of other donors’ support. In Ukraine, for example, several EC TACIS projects have followed up on activities previously undertaken by DFID (Weston *et al.*, 2005).²

Multi-donor schemes for trade-related assistance, such as the 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 in donor co-ordination is needed, 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). Yet donor co-ordination and donor awareness of the IF process at field level was 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 notes some overlap of IF donor activities and emphasises the need for enhanced donor co-operation at country level. In addition, the report highlights the lack of resources available for promoting a good understanding of the IF process at country level (Agarwal and Cutura, 2004; World Bank, 2006).

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

Past experience with the IF illustrates well the communications problem that sometimes arises between donor agency headquarters (or Geneva representations) and their field offices. Effective communications and awareness-raising of trade-related issues within a donor agency is essential

to ensure that the agency's trade-related projects and programmes are consistent with each other as well as with other development assistance programmes and country strategies undertaken in the partner country.

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 are not systematically consulted during programme planning and design. This often undermines their buy-in in trade-related assistance and discourages the establishment of stronger linkages between trade-related assistance and other development assistance programmes. Communication with partner country stakeholders is also likely to be affected. The *JITAP I* 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, incoherences between OECD countries' trade-related assistance strategies and their international trade strategies undermine aid effectiveness

The impact of trade-related assistance also depends on the degree of communication and coherence in the donor country with the government agencies that handle international trade policy issues. The USAID evaluation, for example, stresses the importance of “educating” other US government agencies. It recommends that USAID thinks strategically about how to best highlight the development dimension of the international trade policy agenda; chooses its issues carefully and seeks to gradually increase the level of understanding of such issues in other government agencies. USAID should seek to maximise the possible development impact of other government agencies' activities, such as trade agreements and actions undertaken by the US Trade Representative (USAID, 2004a). DFID, for example, constantly seeks to influence international trade policy through the UK government and the EC (Weston *et al.*, 2005).

Conclusion

The findings of the ten reviewed evaluations indicate that, in most cases, trade-related assistance improved partner countries' knowledge of trade policy issues and contributed to their integration into the multilateral trading system. In some cases, donor support also helped improve trade

performance. Yet the longer term impact of such support on development and poverty reduction is often difficult to assess and vary considerably.

The evaluations highlight a number of weaknesses in trade-related aid programming, which are in fact common to most development assistance programmes. The next chapter outlines recommendations that can help bilateral and multilateral donors address these weaknesses.

Notes

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- ¹ 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).
 - ² Launched by the EC in 1991, the TACIS Programme provides grant-financed technical assistance to 12 countries of Eastern Europe and Central Asia (Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan), and mainly aims at enhancing the transition process in these countries.

Chapter 3

Lessons Learned and Key Recommendations for Effective Trade-Related Assistance

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 previous chapter. It provides a summary of key lessons learned and outlines recommendations for improving the effectiveness of trade-related assistance.

Promote partner country ownership through stakeholder dialogue

One of the most fundamental factors influencing the effectiveness and the sustainability of trade-related assistance is the degree to which a partner country is able to exert “ownership” and leadership over its own trade strategy and policy. Most evaluations of 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.

Awareness-raising and lobbying in the partner country is sometimes necessary for the beneficiaries to recognise the need for change and to understand the potential benefits of some reforms and activities. Clearly, a broad-based buy-in is essential to ensure the engagement of not only trade officials but also of those key stakeholders from 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.

Broad-based buy-in and commitment is particularly relevant in the early stages of a programme. The identification of trade-related needs and priorities and capacity gaps should, to the extent possible, involve a wide range of partner country stakeholders. In addition, a communications

strategy that explains a project's or programme's objectives, its resource allocations and operations is a good way to counter misperceptions and increase interest amongst local stakeholders (Lanser *et al.*, 2004).

Most evaluations underline the importance of involving the partner country's private sector associations in aid programming, as the private sector is the ultimate beneficiary of trade-related assistance. One way to encourage donors to promote stakeholder dialogue is to set such measure as a performance indicator of trade-related assistance programmes. DFID's *Private Sector Development Project* in Ukraine illustrates well the importance of involving private sector stakeholders. One of the Project's 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). Thus, stakeholder dialogue can also help define, and agree on, realistic project/programme objectives and activities.

Furthermore, partner country and donors' 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 donors and beneficiaries (Agarwal and Cutura, 2004). The IF experience highlights the importance of adequately defining the scope of a project and its expected outcomes in the early phases of the project management cycle (Box 4).

Box 4. Diverging expectations: the experience of the Integrated Framework

The World Bank evaluation report notes that divergences in expectations of prospective IF beneficiary countries and donors have resulted in insufficient country ownership of the IF process. 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 were amplified when follow-up funding or financial resources to fund trade-related assistance projects, which have been identified in the framework of the scheme, was 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 context

As discussed in Chapter 2, the effectiveness and the impact of trade-related assistance heavily depend on country-specific, internal conditions of the partner country, such as:

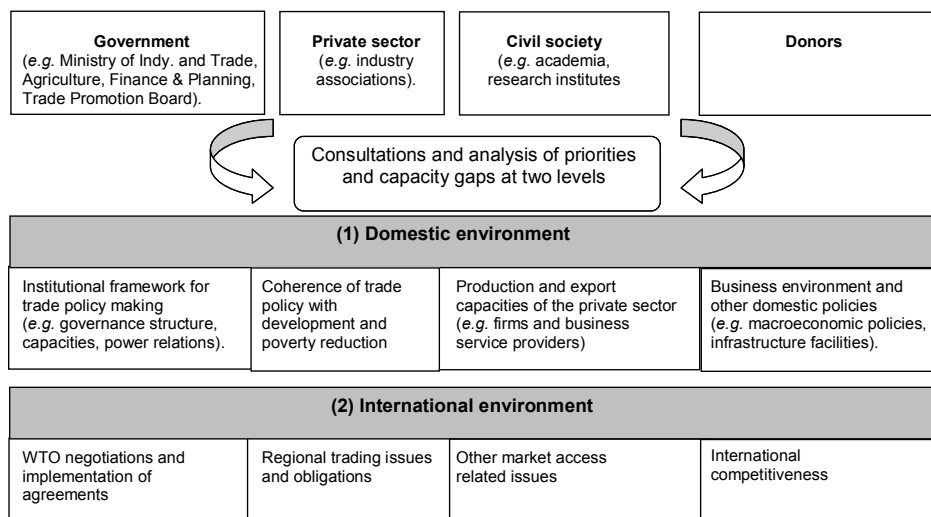
- The “friendliness” of the country’s business environment and investment climate (*e.g.* regulatory quality, rule of law and access to finance).
- Complementary domestic policies (*e.g.* macroeconomic policies, particularly exchange rate policies, private sector development policies, R&D policies, education, labour market policies and competition policies).
- 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).
- The quality and the capacity of trade-related institutions.

It is essential for donors to be aware of these factors. Inter-ministerial co-operation is, for example, sometimes hindered by deeply rooted cultural behaviours or by historical or institutional features. In Ethiopia, for example,

the limited involvement of government bodies other than the Ministry of Trade and Industry in the IF 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). Similarly, some partner countries suffer from weak communication between trade negotiators in Geneva and policy makers at the field level. This can affect the effectiveness of trade-related assistance (Liebrechts and Wijmenga, 2004b).

In addition, donors should gain an understanding of external factors that may affect the results of trade-related assistance (e.g. access to international markets or commodity price shocks). As highlighted in the *OECD/DAC Guidelines on Strengthening Trade Capacity for Development*, the major challenge lies in identifying linkages between different sets of trade-related constraints (stemming from internal or external factors) and addressing these constraints in an integrated and adequately sequenced manner (OECD, 2001). Most evaluations point to the necessity of conducting a systematic and comprehensive trade-related diagnosis or a needs assessment that identifies the most pressing trade-related priorities and capacity gaps, cutting across all trade-related policy areas, including the regional dimension (Figure 1).

Figure 1. Trade-related needs assessment



Trade-related needs assessments should be undertaken by partner countries. However, these countries often have limited analytical and

institutional capacities to actually carry out these analyses. Donors could support partner countries in addressing this capacity problem, by carrying out needs assessments in collaboration with the partner country, providing relevant training and encouraging the use of local talent. Adopting a common methodology for conducting trade-related needs assessments can also facilitate this task (e.g. the IF Manual sets out guidelines for conducting a Diagnostic Trade Integration Study in all IF beneficiary countries).

Partner countries and donors should also capitalise on existing needs assessment tools. For instance, the International Trade Centre's (ITC) *TradeMap* is a useful tool in analysing a country's trade potential, albeit evaluators note that it fails to provide sufficient historical data to analyse major trends (USAID, 2004c). Another instrument which could be leveraged is the WTO Trade Policy Review, which provides an overview of the trade policies and practices in place in the partner country (OECD, 2002).

When planning and designing “trade development” projects and programmes, it is particularly relevant to examine the evolution of trade patterns, identify a country's revealed or potential comparative advantage(s) and pinpoint 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 could be identified and targeted by using a Strengths-Weaknesses-Opportunities-Threats (SWOT) analysis or value chain analysis (e.g. as was the case in the World Bank's Integrated Logistics project in Morocco).

Ensure linkages to poverty reduction

In addition to ensuring that donor support responds to actual trade-related needs and takes account of domestic and international constraints, donors should also ensure that their trade-related assistance has 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.

However, adopting a programming approach that relies solely on an indirect trade-poverty linkage 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). The World Bank report 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 enhanced export performance may not reach the poor for geographical reasons or because transfer/distributional mechanisms are inadequate (World Bank, 2006).

Establishing a direct link to poverty reduction can be done in several ways. The partner country and donors can, for example, conduct a country level analysis of trade-poverty linkages or an *ex-ante* poverty impact assessment when designing reforms and activities. Trade-related assistance can 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 an example of such an initiative. Finally, donors could promote a national trade policy dialogue that includes the poor.

Box 5. Targeting the poor: DFID’s Business Partnerships 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 of 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

Most evaluations stress that results-based management lies at the core of effective donor assistance. Donors should focus on results, as opposed to merely executing activities, at all stages of the programming cycle, *i.e.* from planning and design to implementation and evaluation. They should jointly define clear objectives and measurable outcomes for trade-related assistance. Timetables for implementation (including sequencing of activities) need to be defined to avoid delays in the implementation of 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).

Donor activities should be set against measurable performance indicators and targets (defined at the design stage), as to facilitate the assessment of results (Box 6). It is recommended to define both short-term objectives (*i.e.* expected outcomes) and longer-term objectives (*i.e.* expected impact on development and poverty reduction). 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). Moreover, parallel donor-driven mechanisms must be avoided as much as possible (Da Silva and Weston, 2002).

Allow for some flexibility

While focusing on expected results is essential, programmes should, nevertheless, allow for some flexibility in order to facilitate adjustments in the event of unforeseeable changes of circumstances. Flexibility can also encourage a more nationally-driven choice of activities. Thus, it can help improve the relevance of a donor activity and provide incentives to local stakeholders to be fully engaged throughout the implementation of the activity. Evaluators for example highlight flexibility as a particular strength in DFID's *Caribbean Regional Negotiating Machinery Project* and the *Ukraine Trade Policy Capacity Building Project* (Weston *et al.*, 2005). Changes to an activity should nevertheless not be too frequent, so as not to complicate the assessment of performance (USAID, 2004d). Flexibility can be enhanced by:

- 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).¹
- Regular and objective monitoring and evaluation throughout the implementation of the project, which can help re-steer the activity (Weston *et al.*, 2005; OECD, 2001).

Box 6. Performance indicators for trade-related assistance

While indicators to measure the longer-term impact of trade-related assistance are often not defined, most bilateral donors and multilateral agencies have set performance indicators to measure the outcomes of their assistance. Below is a sample of such indicators. Additional examples are included in Annex 2.

For “trade policy and regulations” activities:

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

For “trade development” activities:

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

Indicators at the output level include the timely delivery of an activity, its cost-efficiency, the level of 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

(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 support.

Take account of lessons learned

Trade-related assistance should be regularly monitored and reviewed to ensure the quality, relevance and cost-efficiency of activities. Monitoring and evaluation should be conducted by independent experts (to the extent possible, *local* experts) who were not previously involved in the design and/or implementation of the reviewed project/programme. Donors and recipients should nevertheless be allowed to make observations. Ideally, all relevant stakeholders should be consulted, through some type of steering committee or a more informal consultative process. It is also important to allow for sufficient time to conduct evaluations, so that the planning, fact-finding and analysis do not have to be rushed (Weston *et al.*, 2005).

ESCAP, for example, conducts systematic reviews (using questionnaires) to enable certain changes in its trade policy-related activities *e.g.* 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 the results of evaluations widely, take account of lessons learned and recommendations and eventually adjust activities where necessary. Regular publication of evaluation reports may provide an additional impetus to improve donors' performance. Box 7 highlights some of the challenges encountered by donors in applying a results-based management approach.

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 the partner country 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 activity, flexibility sometimes makes monitoring and evaluation more difficult.
- Evaluating cost-efficiency. This is difficult due to lack or inaccessibility of financial information.

As seen in Chapter 2, assessing the longer-term impact of a donor activity can also be difficult due to the complexity of isolating the contribution of the activity from other possible contributing factors, such as other donors' programmes, national reforms or external changes. Thus, attributing a result to a donor activity becomes difficult. 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.

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

Target appropriate beneficiaries

Focusing on results also entails a careful selection of aid beneficiaries. 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). Similarly, the 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).

Private sector associations and businesses are often amongst the direct beneficiaries of donors' trade development support. In this regard, the EC evaluation points out 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.

The Netherlands' evaluation of JITAP shows that when training activities 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 the partner country and donors should be responsible for the selection process of candidates. Donors should clearly state how their proposed activities respond to identified partner country needs and objectives, and specify the required qualifications of the participants. Beneficiary countries need to ensure that the right candidates, who correspond to the indicated profile, are proposed for these activities (WTO, 2004).

Identify an appropriate mix of aid delivery channels

Donors should also identify an appropriate mix of aid delivery channels. Bilateral, regional and multilateral aid delivery channels have different advantages. Bilateral support can often better draw on, and involve, national expertise and institutions, test ideas and influence national policy makers. In addition, it enables to better tailor the activity to the specific needs of the country. This explains why bilateral support remains an important aid delivery channel. Most decisions relating to development policies and strategies still occur at the country level and thus require effective interaction with individual governments (Weston *et al.*, 2005).

Some donors, such as DFID, also choose to channel a share of their trade-related assistance through direct budget support. They view it as more cost-efficient (thanks to reduced transaction costs) and as facilitating partner country ownership, donor alignment with national systems and donor co-ordination (Weston *et al.*, 2005).²

Box 8. Selecting participants: experiences from the WTO and the ESCAP

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 member governments, informing them what the 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 assessing 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).

Finally, channelling aid through multilateral and regional agencies can also have numerous advantages. It can contribute to cross-country knowledge-sharing and networking, cost-efficiency and donor co-ordination, and can help avoid biases (as these agencies can act as brokers in the relationship between the funding and recipient countries).

Regional delivery modes, in particular, can spur economies of scale by enabling partner countries to share the costs of required trade-related infrastructure or services (*e.g.* regional accreditation schemes or trade promotion agencies). In addition, they can boost regional co-operation and integration and help leverage on regional expertise. The EC's trade-related assistance, particularly its WTO-related support, has for example had better results when channelled through regional programmes that also support regional integration (ADE, 2004). The WTO-ESCAP programme also highlights the important role regional commissions can have in supporting trade policy dialogue at the regional level (ESCAP, 2003).

Yet the use of regional and multilateral agencies and multi-donor trust funds also has some drawbacks. Such channels sometimes trigger accountability and transparency problems. The Netherlands' evaluation of UNCTAD's trade-related activities, for example, notes that detailed project information on activities financed by UNCTAD's trust funds was lacking (Liebrechts and Wijmenga, 2004a). Furthermore, such channels sometimes make alignment to national priorities and objectives more difficult.

Enhance the sustainability of results

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 donor efforts should be implemented as part of, or be linked to, a broader national (or regional) strategy in trade-related assistance. In addition, such efforts need to be aligned with, or incorporated in, broader development assistance programmes implemented in the partner country (region).

The partner country should also be willing to secure counterpart resources in the form of budgetary allocations to cover running and recurring costs. In Burkina Faso, for example, the Inter-Institutional Committee, which was established with the support of JITAP to co-ordinate issues pertaining to the multilateral trading system, was 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, which hosted the Committee's secretariat (Lanser *et al.*, 2004). To ensure sustainability after donors have exited, it is thus important to make sure that the costs related to maintenance or follow-up of an activity be affordable for the partner country.

Some evaluations also note that sustainability can be encouraged by targeting assistance to the existing (networks of) trade support institutions and business associations. Donors can in this way help strengthen local analytical capacities that underpin policy making and support firms in their export endeavours in a more sustainable manner (Weston *et al.*, 2005; Lanser *et al.*, 2004). The World Bank evaluation also highlights the benefits of such an approach for enhancing broad-based ownership of trade-related reforms and assistance (World Bank, 2006). The EC evaluation however 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 activity 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).

Finally, sustainability can be encouraged by leveraging on local experts. Such an approach can contribute to building sustainable in-country capacities and is consistent with the recommendations of the *DAC Guidelines on Strengthening Trade Capacity for Development* (OECD, 2001). Some donors however still extensively rely on international consultants and firms for the delivery of assistance, despite their (often much) higher costs and their difficulty to access and leverage on local knowledge. Working exclusively 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. DFID's 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

As noted above, multi-year or rolling donor activities are more likely to have a sustainable impact on a country's trade performance and 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 in the DFID *Ukraine Cross-Border Project*. DFID's activities were followed up by EC support (North-South Institute, 2004d). It is also essential that different activities be complementary to each other. In particular, it is important to ensure synergies and linkages between trade policy-related activities (*e.g.* WTO-related assistance, often delivered in the form of short-term training) and trade development activities (*e.g.* supply-side assistance, often delivered as multi-year programmes) (Weston *et al.*, 2005).

Each donor should ideally undertake an activity in which it has a comparative advantage and check whether, within its government, other ministries or agencies would have expertise in a specific trade-related issue (ADE, 2004; USAID, 2004). Thus, enhanced communication and co-ordination is needed within a donor country (see below), as well as between donors. Explicitly incorporating the objectives of donor

co-ordination, complementarity and coherence as performance indicators for donor projects and programmes may encourage enhanced synergies and sequencing between different activities (Agarwal and Cutura, 2004).

Strengthen internal donor communication and expertise in trade-related assistance

Beyond donor co-ordination, it is important that each donor adopts internally a consistent approach to trade-related assistance. This can be facilitated by endorsing an agency-wide trade-related assistance strategy or policy that provides a strategic vision and guiding principles for all trade-related activities undertaken by the donor. The EC, for example, adopted in 2002 a *Communication on Trade and Development*, USAID endorsed in 2003 a strategy entitled *Building Trade Capacity in the Developing World* and DFID recently released its *Trade Strategy for 2005-07*.

As discussed in Chapter 2, the “disconnection” or lack of communication between donor headquarters and field missions is a major weakness 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 personnel support and incentives.

Field offices’ commitment to, and expertise in, trade-related assistance could be improved by:

- Establishing an agency-wide network of trade-related expertise.
- Enhancing the exchange of country experiences.
- Providing 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).

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).

Finally, adopting a common vision or strategy and enhancing intra-agency communications is essential to facilitate greater linkages between trade-related activities and other development assistance programmes and to encourage a better integration of trade-related assistance into donor country (or regional) assistance plans and strategies.

Conclusion

The recommendations emerging from the ten reviewed evaluations confirm the importance of applying the principles of the *Paris Declaration on Aid Effectiveness* to trade-related assistance. Thus, donors and partner countries should promote partner country ownership, enhance donor alignment and harmonisation, as well as improve results-based management and mutual accountability (Annex 3).

Notes

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- ¹ The experiences of DFID and USAID also show that decentralisation of aid management to the field has the potential to 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).
 - ² *Harmonising Donor Practices for Effective Aid Delivery*, DAC Guidelines and Reference Series, for good practices in providing such support.

Chapter 4

Ways Forward

While most evaluations recognise that past donors' trade-related assistance achieved positive results, they also emphasise that further improvements are required, in particular regarding aid programming, donor harmonisation and donor-recipient partnerships, to enhance the effectiveness of trade-related assistance. This can be achieved by taking account of the basic partnership principles set out in the *Paris Declaration on Aid Effectiveness*.

As highlighted in the *DAC Guidelines on Strengthening Trade Capacity for Development*, it is essential that donors collectively promote broad-based ownership of trade policies in the partner country and strengthen its capacity to identify trade-related priorities and capacity gaps. In addition, donors should jointly strengthen the partner country's capacity to formulate and mainstream a trade-related strategy and 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, so as to enable partners to engage in coherent reforms and activities using domestic resources, and encourage donors to align their assistance programmes around such plans.

The IF, which aims to promote the mainstreaming of trade into national development and poverty reduction strategies and improve the co-ordinated delivery of trade-related assistance, has been assessed as a sound and appropriate approach, "capable of achieving positive results". Yet, it has 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.

Finally, donors and partner countries should be encouraged to use monitoring and evaluation tools more systematically, so as to enable the adjustment of activities where necessary, take account of lessons learnt in future aid programming and ensure mutual accountability for results.

Annex 1

Methodological Difficulties

Most bilateral donors and multilateral agencies have assessed their trade-related assistance against conventional OECD/DAC assessment criteria (*i.e.* 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.

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. Some agencies note that this problem is now alleviated thanks to the definition provided in the *DAC Guidelines on Strengthening Trade Capacity for Development*, and the typology (based on CRS codes) and record provided by the *WTO/OECD Trade Capacity Building Database*.¹ Yet other evaluators suggest producing clearer guidelines and procedures for activity classification, as many departments within an agency 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 WTO/OECD Database does not distinguish between technical assistance and capacity building.
- The difficulty of assessing results of diverse trade-related activities² against various intermediary objectives (*e.g.* negotiation capacity; productive and export capacity; trade policy making capacity, including the capacity to integrate trade policy in a development strategy; and institutional capacity).

- The complexity of assessing the 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.

Notes

¹ An activity should be classified as trade-related technical assistance and 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 and 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.*

² The WTO/OECD Database includes 26 sub-categories of trade-related activities, see 2005 Joint WTO/OECD Report on Trade-Related Technical Assistance and Capacity Building.

Annex 2

Performance Indicators

The following table provides an overview of performance indicators used by various agencies to assess different types of trade-related assistance.

Table 2. Specific performance indicators used

Trade Policy and Regulations
<p>1 Objective: <i>Strengthen institutional capacities for trade policy or strategy formulation and implementation:</i></p> <ul style="list-style-type: none"> ▪ Number of national consultative bodies with other relevant Ministries, private sector associations and civil society ▪ Degree of sustained participation in those bodies ▪ Number of sustainable business associations interacting amongst themselves and with government ▪ Existence of trade development strategies ready for implementation ▪ Degree of progress in implementation ▪ Degree of clear division of labour between stakeholders
<p>2 Objective: <i>Enhance compliance with WTO agreements and standards or other trade agreements:</i></p> <ul style="list-style-type: none"> ▪ Timeframe of implementation and adapting domestic legislation ▪ Available local support ▪ Degree of consultation with the private sector and civil society
<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 (number of proposals) ▪ Number of bilateral or regional agreements negotiated ▪ Number of national coordination mechanisms on WTO or specific Regional Trade Agreement matters ▪ Number of cases brought to WTO dispute settlement body ▪ Timeframe and progress in WTO accession
<p>4 Objective: <i>Support trade reforms:</i></p> <ul style="list-style-type: none"> ▪ Number of reforms and regulatory adjustments undertaken
<p>5 Objective: <i>Support “mainstreaming”, i.e. links between trade policies and national economic policy, development and poverty reduction strategies:</i></p> <ul style="list-style-type: none"> ▪ To what degree are trade objectives or IF Action Plans integrated into national development plans or PRSPs? ▪ Are there joint committees or consultations between the IF or trade policy teams and PRSP teams? ▪ Are there joint donor round tables for the IF and PRSP?
<p>6 Objective: <i>Strengthen capacity to produce and access coherent and sound local statistics, research and information:</i></p> <ul style="list-style-type: none"> ▪ Number of trade research centres ▪ Number of trade policy networks and degree of co-operation between the different national and regional research centres ▪ Quantity and quality of data collected ▪ Number of trade policy papers produced ▪ Degree of access to information for the private sector ▪ Degree of use of local statistics and research in policy making
<p>7 Objective: <i>Improve “trade facilitation”:</i></p> <ul style="list-style-type: none"> ▪ Customs clearance time ▪ Efficiency of the customs institutions (...)

Trade Development	
1	<p>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
2	<p>Objective: <i>Strengthen trade support services:</i></p> <ul style="list-style-type: none"> ▪ Number of support structures and range of services provided ▪ Level of co-ordination between support structures ▪ Use relevance and efficiency of services provided
3	<p>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
4	<p>Objective: <i>Enhanced integration in the world economy:</i></p> <ul style="list-style-type: none"> ▪ Change in share of value-addition to exports
5	<p>Objective: <i>Improve firm-level (business) practices and capacities:</i></p> <ul style="list-style-type: none"> ▪ Change in productivity or gross profit margin ▪ Degree of compliance with standards and ability to obtain certification ▪ Number of joint ventures and partnerships with other firms
6	<p>Objective: <i>Support regulatory (sector-specific) adjustments (improve the business climate):</i></p> <ul style="list-style-type: none"> ▪ Number and quality of new regulations or law
7	<p>Objective: <i>Support employment and income increase:</i></p> <ul style="list-style-type: none"> ▪ Number of jobs created in a sector/ or the economy as a whole ▪ Change in income of those producing export goods
8	<p>Objective: <i>Improve access to trade finance</i></p> <ul style="list-style-type: none"> ▪ Number and quality of specialised financial services (e.g. credits) for local exporters and importers ▪ Number of guarantees and revolving credit facilities for local banks ▪ Number of trade finance specialists in local banks
9	<p>Objective: <i>Supportive infrastructure development:</i></p> <ul style="list-style-type: none"> ▪ Number of infrastructure impediments ▪ Availability and cost of transportation ▪ Number of storage facilities

Annex 3

The Paris Declaration on Aid Effectiveness

**Joint Progress
Toward Enhanced
Aid Effectiveness**



*Harmonisation,
Alignment,
Results*

High Level Forum
Paris ■ February 28 – March 2, 2005

PARIS DECLARATION ON AID EFFECTIVENESS

**Ownership, Harmonisation,
Alignment, Results and Mutual
Accountability**

I. Statement of Resolve

1. We, Ministers of developed and developing countries responsible for promoting development and Heads of multilateral and bilateral development institutions, meeting in Paris on 2 March 2005, resolve to take far-reaching and monitorable actions to reform the ways we deliver and manage aid as we look ahead to the UN five-year review of the Millennium Declaration and the Millennium Development Goals (MDGs) later this year. As in Monterrey, we recognise that while the volumes of aid and other development resources must increase to achieve these goals, aid effectiveness must increase significantly as well to support partner country efforts to strengthen governance and improve development performance. This will be all the more important if existing and new bilateral and multilateral initiatives lead to significant further increases in aid.

2. At this High-Level Forum on Aid Effectiveness, we followed up on the Declaration adopted at the High-Level Forum on Harmonisation in Rome (February 2003) and the core principles put forward at the Marrakech Roundtable on Managing for Development Results (February 2004) because we believe they will increase the impact aid has in reducing poverty and

inequality, increasing growth, building capacity and accelerating achievement of the MDGs.

Scale up for more effective aid

3. We reaffirm the commitments made at Rome to harmonise and align aid delivery. We are encouraged that many donors and partner countries are making aid effectiveness a high priority, and we reaffirm our commitment to accelerate progress in implementation, especially in the following areas:

- Strengthening partner countries' national development strategies and associated operational frameworks (e.g. planning, budget, and performance assessment frameworks).
- Increasing alignment of aid with partner countries' priorities, systems and procedures and helping to strengthen their capacities.
- Enhancing donors' and partner countries' respective accountability to their citizens and parliaments for their development policies, strategies and performance.
- Eliminating duplication of efforts and rationalising donor activities to make them as cost-effective as possible.
- Reforming and simplifying donor policies and procedures to encourage collaborative behaviour and progressive alignment with partner countries' priorities, systems and procedures.
- Defining measures and standards of performance and accountability of partner country systems in public financial management, procurement, fiduciary safeguards and environmental assessments, in line with broadly accepted good practices and their quick and widespread application.

4. We commit ourselves to taking concrete and effective action to address the remaining challenges, including:

- i.* Weaknesses in partner countries' institutional capacities to develop and implement results-driven national development strategies.
- ii.* Failure to provide more predictable and multi-year commitments on aid flows to committed partner countries.

- iii. Insufficient delegation of authority to donors' field staff, and inadequate attention to incentives for effective development partnerships between donors and partner countries.
- iv. Insufficient integration of global programmes and initiatives into partner countries' broader development agendas, including in critical areas such as HIV/AIDS.
- v. Corruption and lack of transparency, which erode public support, impede effective resource mobilisation and allocation and divert resources away from activities that are vital for poverty reduction and sustainable economic development. Where corruption exists, it inhibits donors from relying on partner country systems.

5. We acknowledge that enhancing the effectiveness of aid is feasible and necessary across all aid modalities. In determining the most effective modalities of aid delivery, we will be guided by development strategies and priorities established by partner countries. Individually and collectively, we will choose and design appropriate and complementary modalities so as to maximise their combined effectiveness.

6. In following up the Declaration, we will intensify our efforts to provide and use development assistance, including the increased flows as promised at Monterrey, in ways that rationalise the often excessive fragmentation of donor activities at the country and sector levels.

Adapt and apply to differing country situations

7. Enhancing the effectiveness of aid is also necessary in challenging and complex situations, such as the *tsunami* disaster that struck countries of the Indian Ocean rim on 26 December 2004. In such situations, worldwide humanitarian and development assistance must be harmonised within the growth and poverty reduction agendas of partner countries. In fragile states, as we support state-building and delivery of basic services, we will ensure that the principles of harmonisation, alignment and managing for results are adapted to environments of weak governance and capacity. Overall, we will give increased attention to such complex situations as we work toward greater aid effectiveness.

Specify indicators, timetable and targets

8. We accept that the reforms suggested in this Declaration will require continued high-level political support, peer pressure and coordinated actions at the global, regional and country levels. We commit to accelerate the pace of change by implementing, in a spirit of mutual accountability, the Partnership Commitments presented in Section II and to measure progress

against 12 specific indicators that we have agreed today and that are set out in Section III of this Declaration.

9. As a further spur to progress, we will set targets for the year 2010. These targets, which will involve action by both donors and partner countries, are designed to track and encourage progress at the global level among the countries and agencies that have agreed to this Declaration. They are not intended to prejudge or substitute for any targets that individual partner countries may wish to set. We have agreed today to set five preliminary targets against indicators as shown in Section III. We agree to review these preliminary targets and to adopt targets against the remaining indicators as shown in Section III before the UNGA Summit in September 2005; and we ask the partnership of donors and partner countries hosted by the DAC to prepare for this urgently. Meanwhile, we welcome initiatives by partner countries and donors to establish their own targets for improved aid effectiveness within the framework of the agreed Partnership Commitments and Indicators of Progress. For example, a number of partner countries have presented action plans, and a large number of donors have announced important new commitments. We invite all participants who wish to provide information on such initiatives to submit it by 4 April 2005 for subsequent publication.

Monitor and evaluate implementation

10. Because demonstrating real progress at country level is critical, under the leadership of the partner country we will periodically assess, qualitatively as well as quantitatively, our mutual progress at country level in implementing agreed commitments on aid effectiveness. In doing so, we will make use of appropriate country level mechanisms.

11. At the international level, we call on the partnership of donors and partner countries hosted by the DAC to broaden partner country participation and, by the end of 2005, to propose arrangements for the medium term monitoring of the commitments in this Declaration. In the meantime, we ask the partnership to co-ordinate the international monitoring of the Indicators of Progress included in Section III; to refine targets as necessary; to provide appropriate guidance to establish baselines; and to enable consistent aggregation of information across a range of countries to be summed up in a periodic report. We will also use existing peer review mechanisms and regional reviews to support progress in this agenda. We will, in addition, explore independent cross-country monitoring and evaluation processes – which should be applied without imposing additional burdens on partners – to provide a more comprehensive understanding of how increased aid effectiveness contributes to meeting development objectives.

12. Consistent with the focus on implementation, we plan to meet again in 2008 in a developing country and conduct two rounds of monitoring before then to review progress in implementing this Declaration.

II. Partnership Commitments

13. Developed in a spirit of mutual accountability, these Partnership Commitments are based on the lessons of experience. We recognise that commitments need to be interpreted in the light of the specific situation of each partner country.

Ownership

Partner countries exercise effective leadership over their development policies, and strategies and co-ordinate development actions

14. **Partner countries** commit to:

- Exercise leadership in developing and implementing their national development strategies¹ through broad consultative processes.
- Translate these national development strategies into prioritised results-oriented operational programmes as expressed in medium-term expenditure frameworks and annual budgets (**Indicator 1**).
- Take the lead in co-ordinating aid at all levels in conjunction with other development resources in dialogue with donors and encouraging the participation of civil society and the private sector.

15. **Donors** commit to:

- Respect partner country leadership and help strengthen their capacity to exercise it.

¹ The term 'national development strategies' includes poverty reduction and similar overarching strategies as well as sector and thematic strategies.

Alignment

Donors base their overall support on partner countries' national development strategies, institutions and procedures

Donors align with partners' strategies

16. **Donors** commit to:

- Base their overall support — country strategies, policy dialogues and development co-operation programmes — on partners' national development strategies and periodic reviews of progress in implementing these strategies² (**Indicator 3**).
- Draw conditions, whenever possible, from a partner's national development strategy or its annual review of progress in implementing this strategy. Other conditions would be included only when a sound justification exists and would be undertaken transparently and in close consultation with other donors and stakeholders.
- Link funding to a single framework of conditions and/or a manageable set of indicators derived from the national development strategy. This does not mean that all donors have identical conditions, but that each donor's conditions should be derived from a common streamlined framework aimed at achieving lasting results.

Donors use strengthened country systems

17. Using a country's own institutions and systems, where these provide assurance that aid will be used for agreed purposes, increases aid effectiveness by strengthening the partner country's sustainable capacity to develop, implement and account for its policies to its citizens and parliament. Country systems and procedures typically include, but are not restricted to, national arrangements and procedures for public financial management, accounting, auditing, procurement, results frameworks and monitoring.

18. Diagnostic reviews are an important — and growing — source of information to governments and donors on the state of country systems in partner countries. Partner countries and donors have a shared interest in being able to monitor progress over time in improving country systems. They are assisted by performance assessment frameworks, and an associated set of reform measures, that build on the information set out in diagnostic reviews and related analytical work.

19. **Partner countries** and **donors** jointly commit to:

²

This includes for example the Annual Progress Review of the Poverty Reduction Strategies (APR).

- Work together to establish mutually agreed frameworks that provide reliable assessments of performance, transparency and accountability of country systems (**Indicator 2**).
- Integrate diagnostic reviews and performance assessment frameworks within country-led strategies for capacity development.

20. **Partner countries** commit to:

- Carry out diagnostic reviews that provide reliable assessments of country systems and procedures.
- On the basis of such diagnostic reviews, undertake reforms that may be necessary to ensure that national systems, institutions and procedures for managing aid and other development resources are effective, accountable and transparent.
- Undertake reforms, such as public management reform, that may be necessary to launch and fuel sustainable capacity development processes.

21. **Donors** commit to:

- Use country systems and procedures to the maximum extent possible. Where use of country systems is not feasible, establish additional safeguards and measures in ways that strengthen rather than undermine country systems and procedures (**Indicator 5**).
- Avoid, to the maximum extent possible, creating dedicated structures for day-to-day management and implementation of aid-financed projects and programmes (**Indicator 6**).
- Adopt harmonised performance assessment frameworks for country systems so as to avoid presenting partner countries with an excessive number of potentially conflicting targets.

Partner countries strengthen development capacity with support from donors

22. The capacity to plan, manage, implement, and account for results of policies and programmes, is critical for achieving development objectives — from analysis and dialogue through implementation, monitoring and evaluation. Capacity development is the responsibility of partner countries with donors playing a support role. It needs not only to be based on sound

technical analysis, but also to be responsive to the broader social, political and economic environment, including the need to strengthen human resources.

23. **Partner countries** commit to:

- Integrate specific capacity strengthening objectives in national development strategies and pursue their implementation through country-led capacity development strategies where needed.

24. **Donors** commit to:

- Align their analytic and financial support with partners' capacity development objectives and strategies, make effective use of existing capacities and harmonise support for capacity development accordingly (**Indicator 4**).

Strengthen public financial management capacity

25. **Partner countries** commit to:

- Intensify efforts to mobilise domestic resources, strengthen fiscal sustainability, and create an enabling environment for public and private investments.
- Publish timely, transparent and reliable reporting on budget execution.
- Take leadership of the public financial management reform process.

26. **Donors** commit to:

- Provide reliable indicative commitments of aid over a multi-year framework and disburse aid in a timely and predictable fashion according to agreed schedules (**Indicator 7**).
- Rely to the maximum extent possible on transparent partner government budget and accounting mechanisms (**Indicator 5**).

27. **Partner countries** and **donors** jointly commit to:

- Implement harmonised diagnostic reviews and performance assessment frameworks in public financial management.

Strengthen national procurement systems

28. **Partner countries** and **donors** jointly commit to:
- Use mutually agreed standards and processes³ to carry out diagnostics, develop sustainable reforms and monitor implementation.
 - Commit sufficient resources to support and sustain medium and long-term procurement reforms and capacity development.
 - Share feedback at the country level on recommended approaches so they can be improved over time.
29. **Partner countries** commit to take leadership and implement the procurement reform process.
30. **Donors** commit to:
- Progressively rely on partner country systems for procurement when the country has implemented mutually agreed standards and processes (**Indicator 5**).
 - Adopt harmonised approaches when national systems do not meet mutually agreed levels of performance or donors do not use them.

Untie aid: getting better value for money

31. Untying aid generally increases aid effectiveness by reducing transaction costs for partner countries and improving country ownership and alignment. **DAC Donors** will continue to make progress on untying as encouraged by the 2001 DAC Recommendation on Untying Official Development Assistance to the Least Developed Countries (**Indicator 8**).

Harmonisation

Donors' actions are more harmonised, transparent and collectively effective

Donors implement common arrangements and simplify procedures

32. **Donors** commit to:
- Implement the donor action plans that they have developed as part of the follow-up to the Rome High-Level Forum.

³ Such as the processes developed by the joint OECD-DAC – World Bank Round Table on Strengthening Procurement Capacities in Developing Countries.

- Implement, where feasible, common arrangements at country level for planning, funding (*e.g.* joint financial arrangements), disbursement, monitoring, evaluating and reporting to government on donor activities and aid flows. Increased use of programme-based aid modalities can contribute to this effort (**Indicator 9**).
- Work together to reduce the number of separate, duplicative, missions to the field and diagnostic reviews (**Indicator 10**); and promote joint training to share lessons learnt and build a community of practice.

Complementarity: more effective division of labour

33. 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.

34. **Partner countries** commit to:

- Provide clear views on donors' comparative advantage and on how to achieve donor complementarity at country or sector level.

35. **Donors** commit to:

- Make full use of their respective comparative advantage at sector or country level by delegating, where appropriate, authority to lead donors for the execution of programmes, activities and tasks.
- Work together to harmonise separate procedures.

Incentives for collaborative behaviour

36. **Donors** and **partner countries** jointly commit to:

- Reform procedures and strengthen incentives—including for recruitment, appraisal and training—for management and staff to work towards harmonisation, alignment and results.

Delivering effective aid in fragile states⁴

37. The long-term vision for international engagement in fragile states is to build legitimate, effective and resilient state and other country institutions. While the guiding principles of effective aid apply equally to

⁴ The following section draws on the draft Principles for Good International Engagement in Fragile States, which emerged from the Senior Level Forum on Development Effectiveness in Fragile States (London, January 2005).

fragile states, they need to be adapted to environments of weak ownership and capacity and to immediate needs for basic service delivery.

38. **Partner countries** commit to:

- Make progress towards building institutions and establishing governance structures that deliver effective governance, public safety, security, and equitable access to basic social services for their citizens.
- Engage in dialogue with donors on developing simple planning tools, such as the transitional results matrix, where national development strategies are not yet in place.
- Encourage broad participation of a range of national actors in setting development priorities.

39. **Donors** commit to:

- Harmonise their activities. Harmonisation is all the more crucial in the absence of strong government leadership. It should focus on upstream analysis, joint assessments, joint strategies, co-ordination of political engagement; and practical initiatives such as the establishment of joint donor offices.
- Align to the maximum extent possible behind central government-led strategies or, if that is not possible, donors should make maximum use of country, regional, sector or non-government systems.
- Avoid activities that undermine national institution building, such as bypassing national budget processes or setting high salaries for local staff.
- Use an appropriate mix of aid instruments, including support for recurrent financing, particularly for countries in promising but high-risk transitions.

Promoting a harmonised approach to environmental assessments

40. Donors have achieved considerable progress in harmonisation around environmental impact assessment (EIA) including relevant health and social issues at the project level. This progress needs to be deepened, including on addressing implications of global environmental issues such as climate change, desertification and loss of biodiversity.

41. **Donors and partner countries** jointly commit to:

- Strengthen the application of EIAs and deepen common procedures for projects, including consultations with stakeholders; and develop and apply common approaches for “strategic environmental assessment” at the sector and national levels.
- Continue to develop the specialised technical and policy capacity necessary for environmental analysis and for enforcement of legislation.

42. Similar harmonisation efforts are also needed on other cross-cutting issues, such as gender equality and other thematic issues including those financed by dedicated funds.

Managing for results

Managing resources and improving decision making for results

43. Managing for results means managing and implementing aid in a way that focuses on the desired results and uses information to improve decision making.

44. **Partner countries** commit to:

- Strengthen the linkages between national development strategies and annual and multi-annual budget processes.
- Endeavour to establish results-oriented reporting and assessment frameworks that monitor progress against key dimensions of the national and sector development strategies; and that these frameworks should track a manageable number of indicators for which data are cost-effectively available (**Indicator 11**).

45. **Donors** commit to:

- Link country programming and resources to results and align them with effective partner country performance assessment frameworks, refraining from requesting the introduction of performance indicators that are not consistent with partners’ national development strategies.
- Work with partner countries to rely, as far as possible, on partner countries’ results-oriented reporting and monitoring frameworks.
- Harmonise their monitoring and reporting requirements, and, until they can rely more extensively on partner countries’ statistical, monitoring

and evaluation systems, with partner countries to the maximum extent possible on joint formats for periodic reporting.

46. **Partner countries and donors** jointly commit to:

- Work together in a participatory approach to strengthen country capacities and demand for results based management.

Mutual accountability

Donors and partners are accountable for development results

47. A major priority for partner countries and donors is to enhance mutual accountability and transparency in the use of development resources. This also helps strengthen public support for national policies and development assistance.

48. **Partner countries** commit to:

- Strengthen as appropriate the parliamentary role in national development strategies and/or budgets.
- Reinforce participatory approaches by systematically involving a broad range of development partners when formulating and assessing progress in implementing national development strategies.

49. **Donors** commit to:

- Provide timely, transparent and comprehensive information on aid flows so as to enable partner authorities to present comprehensive budget reports to their legislatures and citizens.

50. **Partner countries and donors** commit to:

- Jointly assess through existing and increasingly objective country level mechanisms mutual progress in implementing agreed commitments on aid effectiveness, including the Partnership Commitments. **(Indicator 12).**

III. Indicators of Progress

To be measured nationally and monitored internationally

OWNERSHIP		TARGETS FOR 2010
1	<i>Partners have operational development strategies</i> — Number of countries with national development strategies (including PRSs) that have clear strategic priorities linked to a medium-term expenditure framework and reflected in annual budgets.	At least 75%* of partner countries
ALIGNMENT		TARGETS FOR 2010
2	<i>Reliable country systems</i> — Number of partner countries that have procurement and public financial management systems that either (a) adhere to broadly accepted good practices or (b) have a reform programme in place to achieve these.	Target for improvement to be set by September 2005
3	<i>Aid flows are aligned on national priorities</i> — Percent of aid flows to the government sector that is reported on partners' national budgets.	85%* of aid flows reported on budgets
4	<i>Strengthen capacity by co-ordinated support</i> — Percent of donor capacity-development support provided through co-ordinated programmes consistent with partners' national development strategies.	Target for improvement to be set by September 2005
5	<i>Use of country systems</i> — Percent of donors and of aid flows that use partner country procurement and/or public financial management systems in partner countries, which either (a) adhere to broadly accepted good practices or (b) have a reform programme in place to achieve these.	Target for improvement to be set by September 2005
6	<i>Strengthen capacity by avoiding parallel implementation structures</i> — Number of parallel project implementation units (PIUs) per country.	Target for improvement to be set by September 2005
7	<i>Aid is more predictable</i> — Percent of aid disbursements released according to agreed schedules in annual or multi-year frameworks.	At least 75%* of such aid released on schedule
8	<i>Aid is untied</i> — Percent of bilateral aid that is untied.	Continued progress
HARMONISATION		TARGETS FOR 2010
9	<i>Use of common arrangements or procedures</i> — Percent of aid provided as programme-based approaches ¹	At least 25%*
10	<i>Encourage shared analysis</i> — Percent of (a) field missions and/or (b) country analytic work, including diagnostic reviews that are joint.	Target for improvement to be set by September 2005
MANAGING FOR RESULTS		TARGET FOR 2010

¹ See methodological notes for a definition of programme based approaches.

*** These figures will be confirmed or amended by September 2005.**

Appendix A:

Methodological Notes on the Indicators of Progress

The Partnership Objectives provides a framework in which to make operational the responsibilities and accountabilities that are framed in the *Paris Declaration on Aid Effectiveness*. This framework draws selectively from the Partnership Commitments presented in Section II of this Declaration.

Purpose — The Partnership Objectives provide a framework in which to make operational the responsibilities and accountabilities that are framed in the *Paris Declaration on Aid Effectiveness*. They measure principally **collective behaviour at the country level**.

Country level vs. global level — The indicators are to be **measured at the country level** in close collaboration between partner countries and donors. Values of country level indicators can then be statistically aggregated at the **regional or global level**. This global aggregation would be done both for the country panel mentioned below, for purposes of statistical comparability, and more broadly for all partner countries for which relevant data are available.

Donor / Partner country performance — The indicators of progress also provide a **benchmark against which individual donor agencies or partner countries can measure their performance** at the country, regional, or global level. In measuring individual donor performance, the indicators should be applied with flexibility in the recognition that donors have different institutional mandates.

Targets — The targets are set at the global level. Progress against these targets is to be measured by aggregating data measured at the country level. In addition to global targets, partner countries and donors in a given country might agree on country-level targets.

Baseline — A baseline will be established for 2005 in a panel of self-selected countries. The partnership of donors and partner countries hosted by the DAC (Working Party on Aid Effectiveness) is asked to establish this panel.

Definitions and criteria — The partnership of donors and partner countries hosted by the DAC (Working Party on Aid Effectiveness) is asked to provide specific guidance on definitions, scope of application, criteria and

methodologies to assure that results can be aggregated across countries and across time.

Note on Indicator 9 — Programme based approaches are defined in Volume 2 of *Harmonising Donor Practices for Effective Aid Delivery* (OECD, 2005) in Box 3.1 as a way of engaging in development cooperation based on the principles of co-ordinated support for a locally owned programme of development, such as a national development strategy, a sector programme, a thematic programme or a programme of a specific organisation. Programme based approaches share the following features: (a) leadership by the host country or organisation; (b) a single comprehensive programme and budget framework; (c) a formalised process for donor co-ordination and harmonisation of donor procedures for reporting, budgeting, financial management and procurement; (d) Efforts to increase the use of local systems for programme design and implementation, financial management, monitoring and evaluation. For the purpose of indicator 9 performance will be measured separately across the aid modalities that contribute to programme-based approaches.

Appendix B:

LIST OF PARTICIPATING COUNTRIES AND ORGANISATIONS

PARTICIPATING COUNTRIES

* TO BE CONFIRMED BY APRIL 2005.

Albania	Australia	Austria
Bangladesh	Belgium	Benin
Bolivia	Botswana	[Brazil]*
Burkina Faso	Burundi	Cambodia
Cameroon	Canada	China
Congo D.R.	Czech Republic	Denmark
Dominican Republic	Egypt	Ethiopia
European Commission	Fiji	Finland
France	Gambia, The	Germany
Ghana	Greece	Guatemala
Guinea	Honduras	Iceland
Indonesia	Ireland	Italy
Jamaica	Japan	Jordan
Kenya	Korea	Kuwait
Kyrgyz Republic	Lao PDR	Luxembourg
Madagascar	Malawi	Malaysia
Mali	Mauritania	Mexico
Mongolia	Morocco	Mozambique
Nepal	Netherlands	New Zealand
Nicaragua	Niger	Norway
Pakistan	Papua New Guinea	Philippines
Poland	Portugal	Romania
Russian Federation	Rwanda	Saudi Arabia
Senegal	Serbia and Montenegro	Slovak Republic
Solomon Islands	South Africa	Spain
Sri Lanka	Sweden	Switzerland
Tajikistan	Tanzania	Thailand
Timor-Leste	Tunisia	Turkey
Uganda	United Kingdom	United States of America
Vanuatu	Vietnam	Yemen
Zambia		

PARTICIPATING ORGANISATIONS

African Development Bank	Arab Bank for Economic Development in Africa
Asian Development Bank	Commonwealth Secretariat
Consultative Group to Assist the Poorest (CGAP)	Council of Europe Development Bank (CEB)
Economic Commission for Africa (ECA)	Education for All Fast Track Initiative (EFA-FTI)
European Bank for Reconstruction and Development (EBRD)	European Investment Bank (EIB)
Global Fund to Fight Aids, Tuberculosis and Malaria	G24
Inter-American Development Bank	International Fund for Agricultural Development (IFAD)
International Monetary Fund (IMF)	International Organisation of the Francophonie
Islamic Development Bank	Millennium Campaign
New Partnership for Africa's Development (NEPAD)	Nordic Development Fund
Organisation for Economic Co-operation and Development (OECD)	Organisation of Eastern Caribbean States (OECS)
OPEC Fund for International Development	Pacific Islands Forum Secretariat
United Nations Development Group (UNDG)	World Bank

CIVIL SOCIETY ORGANISATIONS

Africa Humanitarian Action	AFRODAD
Bill and Melinda Gates Foundations	Canadian Council for International Cooperation (CCIC)
Comité Catholique contre la Faim et pour le Développement (CCFD)	Coopération Internationale pour le Développement et la Solidarité (CIDSE)
Comisión Económica (Nicaragua)	ENDA Tiers Monde
EURODAD	International Union for Conservation of Nature and Natural Resources (IUCN)
Japan NGO Center for International Cooperation (JANIC)	Reality of Aid Network
Tanzania Social and Economic Trust (TASOET)	UK Aid Network

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