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Trade-Related Assistance: What Do Recent Evaluations Tell Us?

MAIN FINDINGS AND KEY RECOMMENDATIONS



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TRADE-RELATED ASSISTANCE – WHAT DO RECENT EVALUATIONS TELL US?

The 2001 World Trade Organisation (WTO) Doha Ministerial Declaration recognised trade-related technical assistance and capacity building as a “core element of the development dimension of the multilateral trading system” and 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.

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 increased by 50 percent between 2001 and 2004 to reach approximately USD 3 billion. Commitments have been provided within two categories, “Trade policy and regulations”, to help countries negotiate, reform and prepare for closer integration in the multilateral trading system, and “Trade development”, to help enterprises engage in trade, reinforce business support structures and create a favourable business climate for traders. 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 brief provides a summary of key findings, lessons learned and recommendations emerging from thematic 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). 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 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 programme 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 interventions. This constraint seems particularly acute for “trade development” interventions. Consequently, the direct impact of such interventions on sustained export performance has sometimes been difficult to substantiate. In cases where such an assessment was possible, the impact varied considerably. A number of “trade development” programmes have, nonetheless, been assessed as “improving the enabling environment for trade” or as contributing to “export diversification.”

Half of the reviewed evaluations note that, generally, trade-related donor programmes have 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 commencing trade-related donor interventions. 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 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 donor interventions with insufficient synergies to broader development assistance programmes.*** Donors experienced difficulties in designing complementary and rolling interventions in the framework of a longer-term, country-owned trade-related aid strategy. In addition, donor interventions were sometimes conducted in isolation from broader (and often complementary) development assistance programmes, such as private sector or rural development programmes. This has lessened their impact. The Netherlands’ multilateral trade-related assistance, 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 interventions 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.*** 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 intervention's objectives, resource allocations and operations is a good way to counter misperceptions and increase interest amongst local stakeholders.
- **Base activities on a sound, consultative diagnosis.** Pay attention to internal, country-specific factors and external conditions that might influence results and build, where possible, on existing 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 aid interventions by enhancing the synergies with broader development assistance and poverty reduction programmes, supporting a national trade policy dialogue that includes the poor and analysing the trade-poverty linkages at country level or conducting ex-ante poverty impact assessments (which can also help identify mitigating measures or complementary interventions required to protect the poor). Furthermore, trade-related assistance could target directly sectors or activities in which poor people are involved. This was, for example, the case of the bee-keeping project of DFID's Business Partnership Programme, which targeted small farmers in Western Kenya.
- **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 activities, with timetables for implementation (including information on the sequencing of outputs) and costing. In addition, it is important to clarify the roles and responsibilities of each stakeholder involved in the delivery of outputs.
 - 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” projects, 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 sub-contractors 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 interventions, 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 *2005 Paris Declaration on Aid Effectiveness*.

FOR FURTHER READING

- OECD (forthcoming), *Trade-Related Assistance: What Do Recent Evaluations Tell Us?*, OECD, Paris.
- 2005 Joint WTO/OECD Report on Trade-Related Technical Assistance and Capacity Building.
- Detailed references of the reviewed thematic evaluation reports can be found at <http://www.oecd.org/dac/trade/evaluation>