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Getting the Right Feedback: Evaluating Aid for Trade Programmes

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Annex 1:

Evaluation of TRA by the EC in Third Countries

Annex 2:

Joint Evaluation of Coordination of TCB in Partner Countries



G | M | F The German Marshall Fund
of the United States

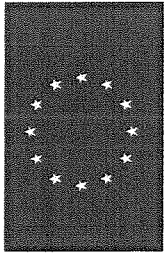
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Evaluation of Trade-Related Assistance by the European Commission in Third Countries

Covering the period 1996-2003 and published in May 2004

- ❖ **Logical diagram of objectives**
- ❖ **Logical diagram of effects**
- ❖ **Evaluation questions and main findings**
- ❖ **Main conclusions**



Logical framework for the trade development process

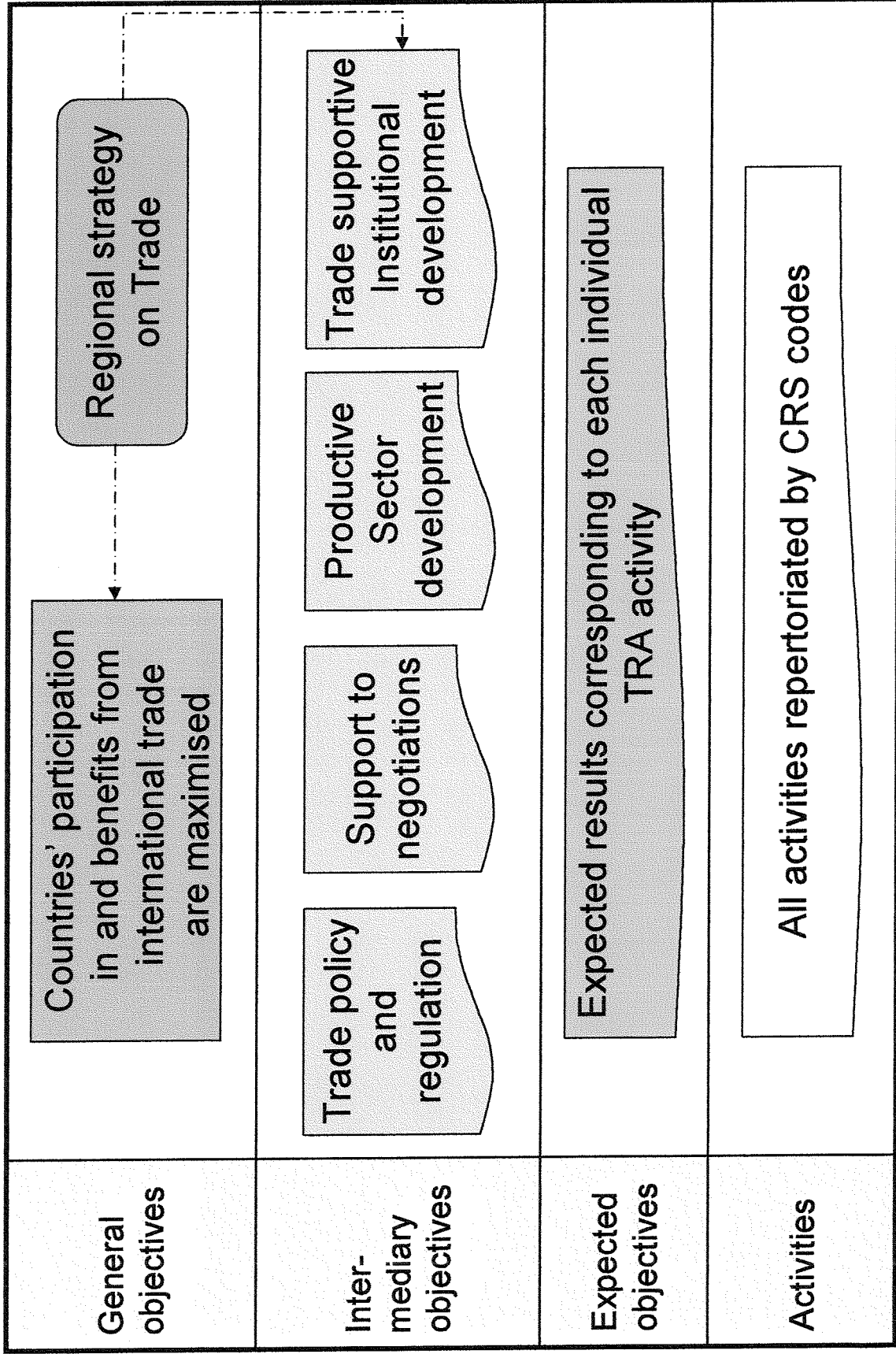


Table 1 - TRA activities and corresponding expected results

CRS Codes	TRA Activities	Expected Results
33111	Trade mainstreaming in PRSPs/dev. plans	Trade policy process strengthened and integrated into development and poverty reduction strategies
33112	SPS and TBT	Appropriate technical regulations and product standards agreed.
33120	Trade Facilitation	International trade procedures (licensing, transport, payments, insurance) simplified and harmonised
33121	Customs Valuation	Customs and import valuation procedures improved in line with WTO rules.
33122	Tariff reforms	Simple, transparant and uniform non discriminatory tariff regimes developed.
33130	Regional trade agreements (RTAs)	WTO compatible regional trade arrangements strengthened; intra and extra-regional trade liberalised
33141	Accession	Accession processes accelerated and WTO membership extended
33142	Dispute Settlement	Understanding of WTO rights and obligations, and access to legal and advisory services improved.
33143	Trade-related Intellectual Property Rights	Appropriate IP rules agreed and IPRs enforced
33144	Agriculture	Fair and market oriented agricultural trading systems achieved
33145	Services	Progressive liberalisation of trade in services ensured in line with multilateral frameworks
33146	Tariff negotiations - non-agricultural market access	Tariff peaks, high tariffs, and tariff escalation, as well as non-tariff barriers, in particular on products of export interest to developing countries, reduced or eliminated
33147	Rules	Discipline on unfair trade practices improved. Outcomes of WTO negotiations on trade protection (antidumping, subsidies, CMS) enhanced
33148	Negotiation Training	Negotiators trained
33151	Trade and Environment	Environmentally responsive trade liberalisation ensured and environmentally based discriminations avoided.
33152	Trade and Competition	Anti-competitive practices avoided.
33153	Trade and Investment	Principles of multilateral investment rules clarified and discriminatory investment practices eliminated
33154	Transparency and Government Procurement	Government procurement practices improved and transparency increased
33181	Trade-related training education	Human resources and HR development in trade enhanced
25011	Business support services and institutions	Business support services improved and institutional frameworks strengthened
25012	Public-private sector networking	Public-private dialogue at national, regional and global levels, enhanced.
25013	E-commerce	e-commerce capability improved and ICT use promoted.
240xx	Trade finance	Access to trade finance increased, banking and financial systems improved
250xx	Trade development, including privatisation and business services	Business privatised, business support services improved and institutional frameworks strengthened.
311xx,312xx,313xx,321xx,322xx,33210	Trade Promotion Strategy design and implementation	National sector level trade strategies elaborated and export development plans implemented
311xx,312xx,313xx,321xx,322xx,33211	Market Analysis and Development	Access to market information (standards, packaging, quality, marketing and distribution, in specific sectors) extended and improved.

Evaluation Questions and Answers

1. To what extent is the Commission programming of TRA sensitive to specific partner country or region needs including a) in relation to their existing regional or international commitments or b) in relation to the negotiation of future agreements?

TRA programming is, highly sensitive to the needs expressed by the partner and is based on a consultation process that has improved with the deconcentration of the Commission Services. These consultations are conducted principally with the government whereas stakeholder and private sector operators are associated with needs assessment to a much lesser extent.

The needs expressed by the partner are usually accepted without verification of the underlying analysis and without conducting parallel or complementary investigations, so that for most programmes it is difficult to identify the guiding line underlying interventions and to assess the extent to which they are optimised to ensure improved compliance with commitments and with the overall objective of mainstreaming trade into national development plans. Most CSPs and NIPs (for instance Tunisia, Vietnam) draw mainly on the text of the National Development Plan for their upstream analysis, as opposed to canvassing opinions in the WTO or other fora.

When no needs are expressed the Commission's response in terms of TRA is insignificant. However, an increased awareness of technical trade questions, in particular linked to negotiations, has begun to raise demands and positive responses from the Commission.

Support to regional integration has been an area where the Commission can leverage its own experience and has adopted a proactive approach in offering TRA aimed at strengthening regional institutions (ASEAN, COMESA, SADC, UEMOA); but no systematic complementary support is offered to the member states of these organisations with a view to meeting their regional commitments. Programming takes little account of the analytical work of other donors and coordination aims more at avoiding overlapping projects and duplication of tasks than at supporting mutual efforts towards comprehensive reforms.

2. To what extent is the Commission programming of TRA sensitive to specific country or region needs including in engaging profitably in international trade?

The Commission TRA directed to strengthening the partner's productive base is in the process of evolving from private sector development projects addressing the general issue of private sector competitiveness, without any specific trade focus towards projects aimed at increasing the external trade potential of the partner and its fruitful participation in the world trading system. ETE and the new IMP in Tunisia provide an example of this. This is a positive evolution but weaknesses remain, mainly on two grounds:

- Productive sector projects are insufficiently inserted into comprehensive reforms aiming at creating the enabling conditions for business operations.
- Productive sector projects increasingly target trade issues but their articulation with industrial trends and policies (including global or regional growth in trade and investment by sector) remain largely absent from the analysis underlying TRA programming.

3. To what extent do diagnostic and analytical practices at the programming and identification stages of the project cycle lead to an appropriate mix of activities likely to contribute to the balanced achievement of the objectives?

Over most of the period covered by this evaluation trade was not a central focus of programming, except at regional level. The programming of trade-related activities was usually conducted at project level without the support of fundamental, detailed, independent upstream analysis of productive sector competitiveness, revealed comparative advantage, institutional capacity or infrastructural bottlenecks. Failure to contextualise programme deliverables in the framework of trade policy and of a clear, commonly-held road map and time schedule for insertion in the MTS has led to a rather piecemeal approach to project implementation (e.g. MUTRAP Vietnam) and makes it difficult to assess the extent by which Commission TRA is contributing to the elaboration of comprehensive and coherent policy reforms.

References to crosscutting issues are extremely limited in programming. Their analysis remains superficial, and their relationship with trade is not prioritised.

4. In what measure do the implementing modalities (including resources and tools provided) of TRA Commission-sponsored programmes and projects determine the attainment of the objectives?

In terms of the qualitative and quantitative adequacy of programme or project inputs and resources, the funding mobilised by the Commission was seen to be in line with beneficiaries' absorptive capacity and the ability of the Commission services and consulting community to deliver the corresponding TRA. Exceptions to this were some customs projects, where funds were sometimes insufficient to ensure sustainability. The instruments used and activity mix were considered appropriate, although the evaluators recorded a need to increase flexibility in the funding mix between short term and long term, international and local TA. There was a high degree of complementarity between some productive sector development projects and loans administered by the EIB.

The evaluators identified a number of projects which suffered from slow delivery including lengthy periods between programming and implementation. The rigid phasing of some financing agreements (e.g. MUTRAP Vietnam, FIPA Tunisia) allied to the prevailing rigidity of EC procedures (particularly tendering procedures) tended to undermine project responsiveness and efficiency.

Where financing agreements and TAP leave more flexibility, it is important that all stakeholders (including the Commission and beneficiaries) are able to achieve consensus on downstream work planning so as to avoid delays during the inception or setting up phases of projects (e.g. many of the business centres in the MEDA region). The quality of consulting inputs was sometimes open to question, notably in view of the need to "marry" familiarity with EC procedures and local knowledge with trade-related technical knowledge and capacity. TRA is a relatively "new" area, both for the Commission and for the consulting community.

The evaluation noted the Commission's establishment of a Trade framework contract and Guidelines aimed at improving the quality of project design and subsequent implementing flexibility.

The evaluators also looked at the interaction between project implementation and beneficiaries' activities and co-ordination with other donors. Where greater flexibility can be factored into project design (whilst retaining clear objectives) it is easier for projects to keep the pace with changing needs in respect of TRA. In terms of co-ordination with other donors,

although co-ordination mechanisms exist among EU member states, a need was identified to move beyond information sharing to genuine co-ordination (as for example through the Integrated Framework).

Finally, the adequacy of the channels through which programmes or projects were implemented (line ministries, specific agencies, non-governmental operators, etc.) was assessed. Some of the projects examined could have benefited from more careful diagnosis of implementing and policy mandates and broader project management (e.g. steering committee) structures. Whilst capacity building can be factored into project design, there is a need for fine-tuning the immediate beneficiaries, as well as the broader range of government authorities and other stakeholders, with the projects objectives.

5. To what extent have TRA interventions enabled countries to understand the implications of existing trade commitments, including regional trade arrangements, and to strengthen accordingly their institutional framework?

In general, the Commission TRA has improved the partner countries' understanding of trade-related issues and existing trade commitments. The Commission's interventions contributed to increasing the awareness of trade policy issues and hence have promoted the internalisation of the trade dimension in domestic policies and affected trade policy reform processes. They also helped to identify the requirements needed to increase compliance with international trade agreements.

The effectiveness of the Commission's TRA programmes nevertheless differs from one country or region to the other. It is higher when channelled through promotion of regional integration (ACP regions) and in the countries where the programmes include a substantial part of subset 1TRA projects.

On the contrary, effectiveness has been lower in countries where the CSP places little focus on trade issues (e.g. Kenya, Zambia).

In these countries, the Commission's TRA contributed to identifying the main constraints to trade but did not induce systemic reforms of trade policy or trade institutions. This is also the case where projects were designed with little subset 1TRA content, or when domestic policies proved inconsistent with their objectives (like, for instance, in Moldova).

6. To what extent have TRA interventions enabled countries to identify and articulate their needs and improve their position in international trade negotiations?

Direct or indirect support to trade negotiations mainly takes the form of training in trade-related matters so as to increase the technical capacity of the partners to define their position and participate in trade negotiations. These activities took place at regional level (raising the capacity both of regional organisations and member countries to design, negotiate and implement regional trade deals) and national level (enhancing the capacity of the partner to integrate bilateral or multilateral trade agreements).

When provided, such support is effectively used. This is particularly true at regional level where this type of interventions is considered a significant factor of progress in the regional integration process. At national level, these activities substantially contributed to increasing the knowledge of the officials involved in the management of trade issues and negotiations.

Effectiveness seems greater when the technical content of the training offered is high. This reflects the fact that the demand for interventions with a technical focus is steadily growing as a result (i) of the evolution of the MTS, (ii) of the Commission's policy in favour of regional integration and (iii) of the existing or envisaged agreements the Commission is offering (AA, PCA, EPA, etc.). Nevertheless, capacity in this matter remains low and, although progress has

been noticed, much work remains to be done, even on basic trade issues such as for example finalising the applied tariff schedule and import duties or binding of tariffs in the WTO accession process.

7. In those countries and regions where the Commission has financed a number of TRA interventions aimed at productive sector development to what extent have the outputs delivered by these TRA interventions been effectively used by the productive sector operators?

The outputs delivered by the Commission TRA interventions aimed at productive sector development have taken many different forms, from training, export promotion, upgrading, to grant schemes and concessional loans. Independently of their nature, these services have been used and addressed important needs of the partner's industries. This is evidenced by attendance at the activities organised, by the number of operators reached, as well as the generally high rate of disbursement of the programmes funds, despite the fact that, in many cases, project implementation was significantly delayed (see Evaluation Question 4). Demand for these interventions is growing, as the lack of capacity to comply with the more and more complex technical regulations and rules of origins governing trade becomes a key issue for poorer countries.

The effectiveness of this type of interventions is nevertheless qualified by the following elements:

- Support to the private sector is in general horizontal across sectors of activities and does not differentiate actions according to whether the partner belongs to an import-competing or an export industry, which limits the attainment of the "inclusion in the MTS" objective.
- Support to productive sectors pays insufficient attention to the situation regarding the business environment and, especially with old projects, has failed to address systemic reforms;
- The main incentive for using the services offered under some projects is their low cost rather than their expected benefits or the fact that they provide concessionary schemes used to bypass the constraints of the business environment instead of addressing them.

8. In selected cases where the Commission has financed a number of TRA interventions aimed at enhancing trade policy frameworks, trade promotion, trade facilitation, and productive sector development, to what extent did it induce changes to the situation of productive sector operators in terms of (i) the volume, value and direction of trade flows; (ii) the redirection of productive activities towards tradable goods; (iii) The structure of trade (appearance of new product, disappearance of others); (iv) foreign and domestic investment?

Macro-economic data do not exhibit significant improvements in the situation of the countries visited in this evaluation. Information collected from evaluation reports and direct interviews from beneficiaries of productive sector development projects suggest that TRA interventions contributed to expand the export volume of the operators or enterprises that benefited from these activities. Nevertheless, in the absence of a project evaluation that would explicitly address this question, the part attributable to activities undertaken by the Commission is difficult to establish.

Few of the TRA projects reviewed in this evaluation were designed to foster product/export diversification.

In such cases, activities proved to have a positive and substantial impact. Aggregate statistics tend to show a change in the composition of traded commodities with some progress in non-

traditional exports. Again, the specific contribution of activities conducted by the Commission is impossible to establish.

When quantitative information is available on foreign investment, the impact seems positive but modest.

The evaluation indicates that a major factor limiting the impact of productive sector development and the expansion of trade is the lack of a policy, regulatory and institutional environment supporting business and trade activities. There is increased perception of this factor and productive sector development projects are evolving towards greater focus on removal of systemic constraints.

9. How are crosscutting social and environmental issues taken into account in the provision of TRA?

To what extent have TRA initiatives helped to counteract the possible detrimental consequences of trade in relation to gender, core social standards, human rights and environmental issues?

Environment and other crosscutting issues such as social standards, human rights and the rule of law, are identified as important priorities in most country or regional programmes analysed in this evaluation. As such they are included and addressed by specific projects as well as in the CSPs/RSPs. However, the design of TRA projects does not cover crosscutting issues in relation to trade or TRA. A rather recent instrument of the Commission's work on crosscutting issues, the Sustainability Impact Assessments provides a welcome contribution to vetting the economic, environmental and social consequences of European trade policy vis-à-vis third countries and regions but they do nothing to address crosscutting issues at a programmatic level. The new Commission Guidelines on TRA include coverage of Trade and the Environment and will be subject to further development and revision.

The evaluation also looked at crosscutting issues as possible protectionist devices. This investigation does not point to cases where a partner country has been using crosscutting issues as a protectionist instrument against its trading partners (for instance, in the context of regional integration). On the other hand, the view has been expressed that the EU and other industrial countries' environmental and social protection measures constitute a form of TBT not sufficiently addressed by the TRA interventions of the European Commission.

Conclusions

Conclusion 1: The absence of accurate inventory of the European Commission TRA limits the possibilities for a clear view of its activities and achievements in this field.

Conclusion 2: Available data on the coverage of the European Commission TRA reveal different clusters and channels of TRA provision in the regions where the European Commission is providing assistance.

Conclusion 3: Programming documents do not rely on an upstream diagnosis analysis of TRA needs.

Conclusion 4: Proposals for TRA interventions are sensitive to the demands of the partner countries or regions but are insufficiently critical of the supporting justifications.

Conclusion 5: Programming documents do not demonstrate the relevance of proposed TRA interventions.

Conclusion 6: The TRA programming approach differs at country and regional levels.

Conclusion 7: The proactive approach adopted by the European Commission in supporting regional integration has permitted substantial progresses in this area.

Conclusion 8: There is a growing effort in the Commission to develop instruments for managing complex TRA projects, but weaknesses persist in terms of rigidities in programming and sequencing of project implementation.

Conclusion 9: The Commission's TRA has achieved positive results, raising awareness on trade issues and helping partners to overcome a number of constraints when engaging in trade.

Conclusion 10: Results have been limited in terms of impact and sustainability when specific TRA interventions were implemented in an unfavourable environment without simultaneously addressing the systemic constraints.

Conclusion 11: Demand for TRA by partner countries or regions are steadily growing and increasingly relate to technical trade issues.

Conclusion 12: Although trade focus in programming is limited, available data on the Commission's TRA coverage show a trend towards greater and more technical TRA content in the TRA programmes.

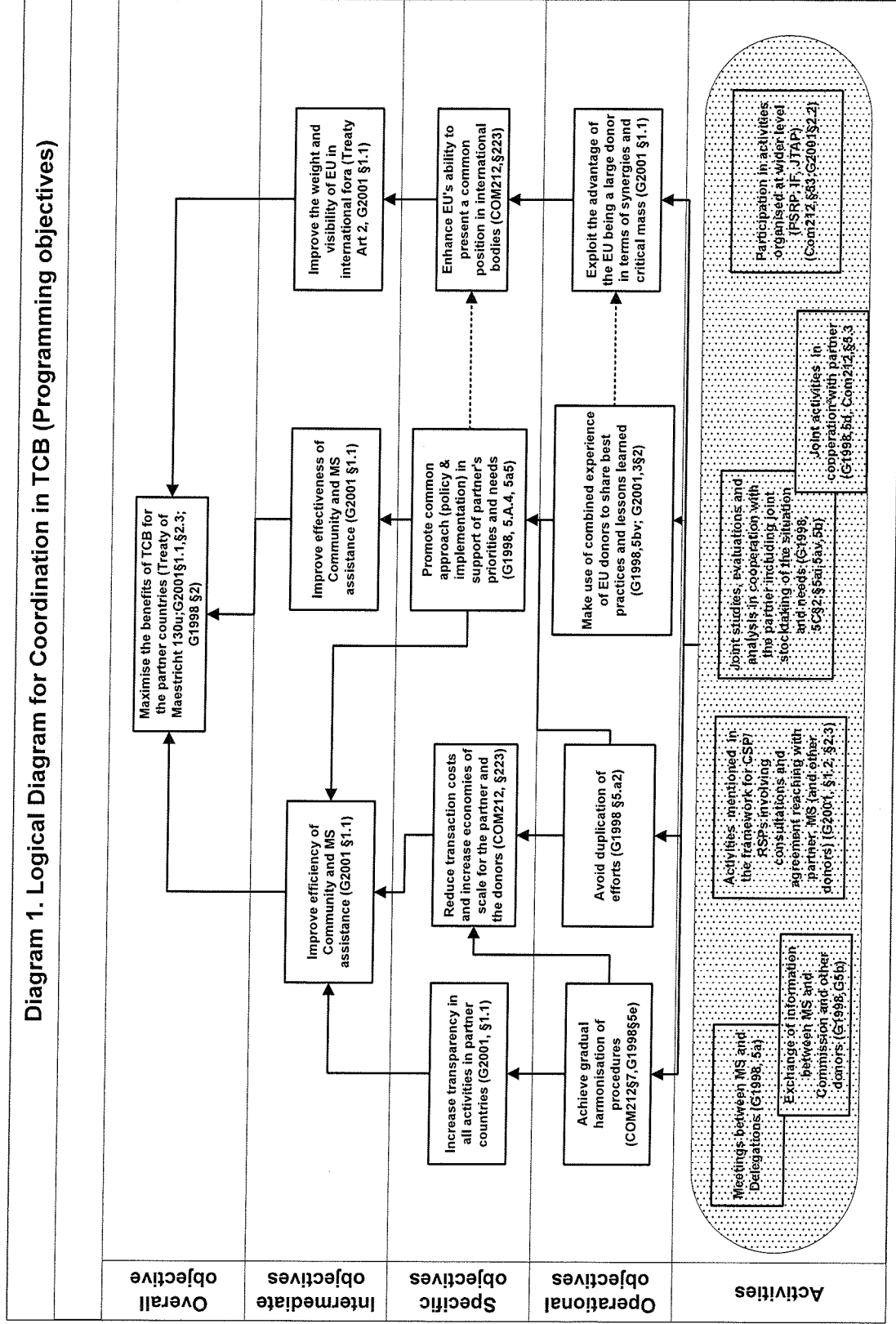
Conclusion 13: Although there is awareness of the importance of crosscutting issues and of their link with trade, TRA interventions are neither designed nor implemented with a view of addressing them.

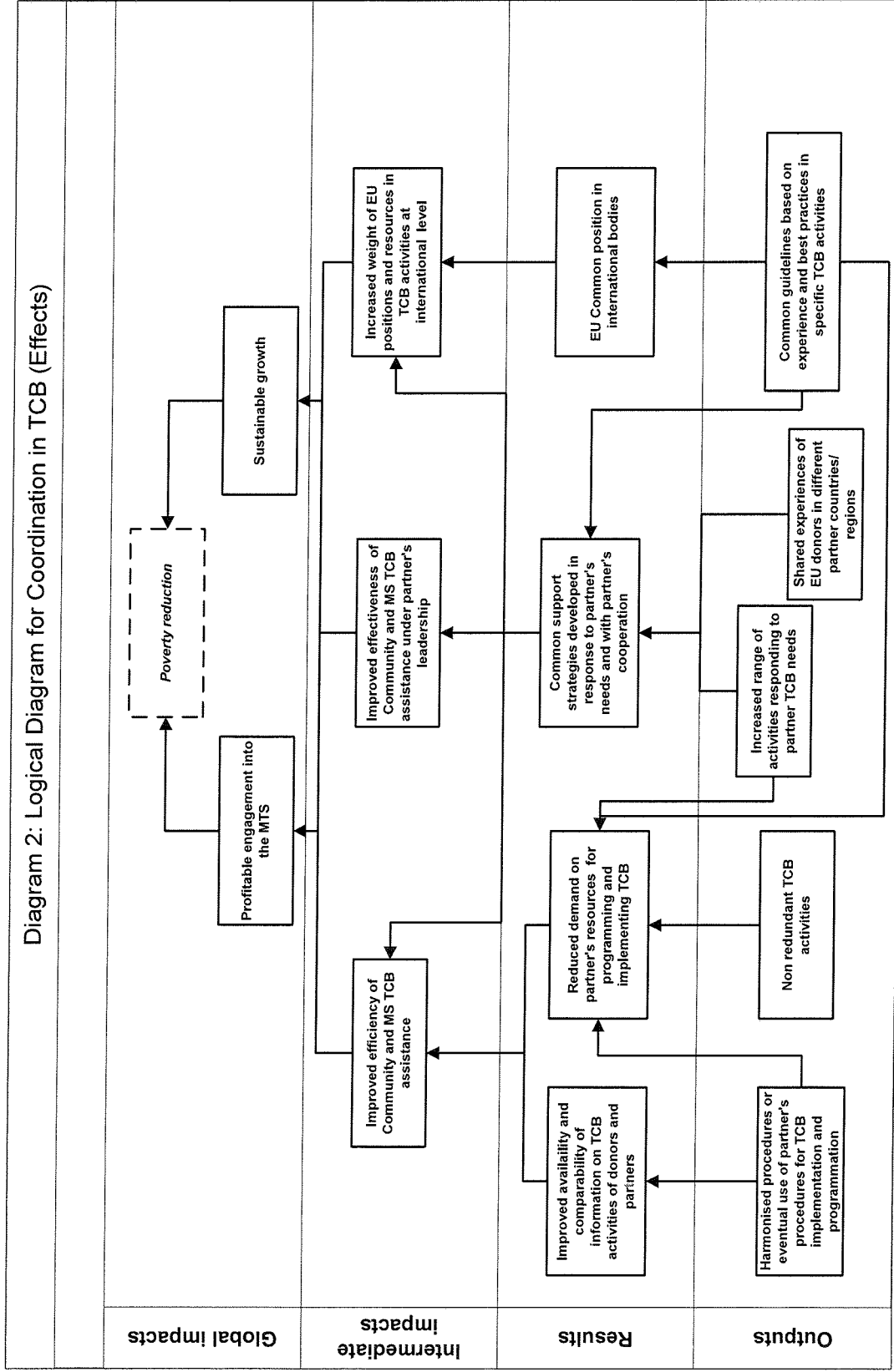
**Joint Evaluation of coordination of Trade
capacity building in partner countries
(evaluation study under the 3Cs initiative)**

Covering period 2001-2006 and published in November 2006

- ❖ **Logical diagram of objectives**
- ❖ **Logical diagram of effects**
- ❖ **Evaluation questions and main findings**
- ❖ **Main conclusions**

Diagram 1. Logical Diagram for Coordination in TCB (Programming objectives)





Evaluation Questions and Answers

1. To what extent are the mechanisms that have been set up at headquarter level to develop co-ordination between the European Commission and the Member States, and between the Member States, appropriate for achieving complementarity (and coherence) of TCB activities (resource allocation, preparing common TCB activities and facilitating programming of TCB activities)?

Key findings:

- Increased efforts from the Commission and the MS to coordinate own respective trade and development services.
- At HQ level the Joint Trade and Development Expert Group (JTDEG) is the main instrument to deal with TCB aspects and complements the formal trade specific and development specific mechanisms that cover TCB only incidentally.
- The JTDEG gathers Commission and MS representatives with the aim of improving convergence between the trade and development aspects.
However, interaction between [rather active] Commission and [sometimes passive] MS representatives is insufficient to move from exchange of information into real coordination.

2. To what extent are the consultation mechanisms that have been set up at partner country or regional level between the European Commission, the Member States, and the partner appropriate to ensure co-ordination in programming and implementation of TCB activities?

Key Findings:

- In the field, the structuring of the dialogue on TCB issues among donors and with the partner is a very *ad hoc* process.
- Two generic observations: (i) the involvement of the partner depends very much on key policy and institutional steps it has made in putting international trade in its agenda; (ii) formal donor co-ordination of TCB never limits to an EU-specific dialogue, but pursues involvement of all donors active in the country.

3. To what extent did the Commission and MS participation in multilateral initiatives or in TCB activities that are organised and/or managed at a wider multilateral level achieve its expected benefits (i.e.: economies of scale, knowledge sharing in TCB implementation, promotion of EU objectives in wider fora, optimisation of EU influence in TCB activities, leverage)?

Key Findings:

- At multilateral level, the decisions for which the Commission receives a mandate from the MS are structured by formalised mechanisms.
- Beside this, MS and the Commission act autonomously in developing interactions with other actors;
- On the MS side, whether the interlocutor is an EU donor or not does not impact on engaging into dialogue.

4. Have the EU co-ordination mechanisms set up at headquarter level been successfully exploited for preparation, adoption and implementation of complementary and/or mutually reinforcing TCB strategies and for facilitating co-ordination of the programming of TCB activities?

Key Findings:

- The use of EU co-ordination mechanisms developed for TCB has been limited to exchanging information on EU donors' programmes and activities for TCB.
- Despite the Commission's efforts and despite the Council's COMM, HQ co-ordination hardly goes beyond this stage.

5. Have the consultation mechanisms set up at partner country or regional level between the European Commission, the Member States, and the partner been sufficiently exploited to ensure co-ordination of programming and implementation of TCB activities?

Key Findings:

- Co-ordination mechanism for TCB in the field have been exploited to facilitate complementarities and to limit redundancy of initiatives.
- Donors are linked to priorities established in their respective HQ, and the partner generally lacks a clear trade policy and capacity susceptible of leading the co-ordination machinery.
- Overall, co-ordination does not mature into the development of common programming and to a common strategic response to partner's needs.

6. Does EU co-ordination lead to a more consistent and coherent framework for the programming of TCB interventions?

Key Findings:

EU co-ordination in the field has not succeeded in offering a more consistent and coherent framework for TCB interventions. This is related to (i) the compartmentalised approach adopted for TCB in the Commission Delegations and MS representations, and to (ii) the fact that the Commission is seldom perceived as the relevant level for co-ordination of TCB activities.

7. Does EU co-ordination lead to better performing mechanisms for the implementation of all or some TCB intervention?

Key Findings:

- Limited evidence that potential gains expected from co-ordination on implementation of TCB have materialized.
- Adoption of common schedules and procedures, best practices have not been achieved through specific EU co-ordination, and have rarely materialized in the framework of multilateral initiatives.
- Limited impact of co-ordination on complementarity and non-duplication of TCB interventions.

8. Does co-ordination contribute to the elaboration of a TCB strategy that is owned by the partner, addresses its needs and priorities and is shared and supported by the donors?

Key findings:

- The existence of a clear trade policy direction on the partner side is a prerequisite for structuring dialogue on TCB aspects.
- From interviews and field visits, the IF clearly emerges as a co-ordination process capable of framing the policy dialogue with the partner, contributing to its ownership of a TCB strategy, addressing its needs and priorities with donors support.

9. To what extent has co-ordination of TCB at HQ level and in-country helped the partners to cope with EU policy measures that affect their trade environment, and to negotiate effectively any new agreements?

Key Findings:

- Awareness that EU internal policies and regulations have a major influence on the trade of ACP countries, but lack of information in the partner countries/regions on these policies and on their consequences.
- Support to negotiation capacity has been so far mainly conducted through multilateral institutions and results are limited.
EU bilateral effort in this area is increasing at national and regional level, particularly in the context of the preparation of the EPA.

Conclusions

Conclusion 1

Internal co-ordination of Services dealing with trade-related issues in the Member States (MS) and Commission administrations has been the object of increased efforts and has improved, but awareness of TCB issues and the capacity to address their complexity remain limited.

Conclusion 2

Co-ordination efforts at HQ level (i.e. in Brussels, in the MS capitals and in the MS and Commission representations in Geneva) involve formal and informal mechanisms. They have brought about improved sharing of information on activities undertaken, exchanges of ideas and pooling of opinions and have facilitated introduction of the new MS into TCB issues. But their results have been limited or negligible in terms of transfer of information on planned activities, sharing of experience, development of common practices, distribution of responsibilities or preparation of procedures for EU participation in multilateral activities.

Conclusion 3

Decisions of most MS on how to address TCB remain primarily in line with priorities established in their own Headquarters. This results in diverging views between the Commission and several MS on the way co-ordination for TCB should be organised at Headquarters level.

Conclusion 4

Most co-ordination takes place at in-country or regional level, both levels critical because of the necessary involvement of the partner. Specific co-ordination between the Commission and the MS at those levels is not necessarily relevant but may significantly influence or even lead all donor and partner co-ordination.

Conclusion 5

Building the trade capacity of a partner country or region requires a systemic approach to co-ordination as it addresses a multiplicity of interrelated policies and activities supporting the goals of the poverty reduction strategy and its mainstreaming in the national development plan.

Conclusion 6

The Integrated Framework (IF) has a high potential for ensuring that donors and partners co-ordinate their TCB activities. However the IF has not succeeded in concretising this potential, mainly due to insufficient ownership of the process on the partner's side, and to lack of donors' commitment as a follow-up of the DTIS process.